



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

05/10/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Eluned Morgan Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
David Rees Bywgraffiad Biography	Llafur Labour
Simon Thomas Bywgraffiad Biography	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

Eraill yn bresennol
Others in attendance

Manon Antoniazzi	Prif Weithredwr a Chlerc y Cynulliad Chief Executive and Clerk to the Assembly
Margaret Davies	Dirprwy Gyfarwyddwr, Cyllidebu Strategol, Llywodraeth Cymru Deputy Director, Strategic Budgeting, Welsh Government
Suzy Davies Bywgraffiad Biography	Aelod Cynulliad, Ceidwadwyr Cymru (Comisiynydd y Gyllideb a Llywodraethu, Comisiwn y Cynulliad) Assembly Member, Welsh Conservatives (Commissioner for Budget and Governance, Assembly Commission)

Mark Drakeford Bywgraffiad Biography	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol) Assembly Member, Labour (The Cabinet Secretary for Finance and Local Government)
Andrew Jeffreys	Cyfarwyddwr, Trysorlys Cymru Director, Welsh Treasury
Nia Morgan	Cyfarwyddwr Cyllid, Comisiwn y Cynulliad Director of Finance, Assembly Commission

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Bethan Davies	Clerc Clerk
Ben Harris	Cynghorydd Cyfreithiol Legal Adviser
Martin Jennings	Y Gwasanaeth Ymchwil The Research Service
Georgina Owen	Dirprwy Clerc Deputy Clerk

Dechreuodd y cyfarfod am 09:31.

The meeting began at 09:31.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introduction, Apologies, Substitutions and Declarations of Interest

[1] **Simon Thomas:** Bore da, ac a **Simon Thomas:** Good morning, and
gaf i groesawu aelodau Comisiwn y could I welcome the members of the
Cynulliad Cenedlaethol i'r cyfarfod, Commission for the National
sydd yn trafod cyllideb y Comisiwn? A Assembly to the meeting, which is
gaf i'n gyntaf oll groesawu'r Aelodau going to discuss the Commission
i'r cyfarfod? Atgoffaf bawb fod budget? Could I first welcome the
clustffonau ar gael ar gyfer y Members to the meeting and remind
cyfieithu—cyfieithu ar sianel 1 a lefel everyone that headsets are available

y sain ar sianel 0—a gofynnaf for interpretation on channel 1 and
 ichi dawelu unrhyw ddyfais electronig amplification on channel 0? And
 os oes angen gwneud hynny. could I ask you to put any electronic
 devices on mute, if you need to do
 that.

Papurau i'w Nodi **Papers to Note**

[2] Cyn inni gymryd y dystiolaeth Before we take evidence from the
 gan y tystion, mae yna un llythyr oddi witnesses, we have one letter from
 wrth y Llywydd ynglŷn â digwyddiad the Presiding Officer about the
 Senedd@Delyn i'w nodi. Rydw i wedi Senedd@Delyn event to note. I have
 ymateb yn anffurfiol, gan nodi ei fod responded informally, noting that it
 ynghanol y broses o graffu ar y is in the middle of the process of
 gyllideb, a bod eisoes gyda ni dystion budget scrutiny and that we already
 yn dod i mewn i roi tystiolaeth ac ati have witnesses coming in to give
 ar y gyllideb. Felly, y tro yma, nid wyf evidence and so forth on the budget.
 yn meddwl bod y pwyllgor yma mewn So, this time, I don't think that the
 sefyllfa i gyfrannu at y digwyddiad committee is in a position to
 yma. Wrth gwrs, byddwn ni'n edrych contribute to this event. Of course,
 at yr un nesaf. Roedd yr un yng we'll be looking at the next one. The
 Nghasnewydd yn eithaf llwyddiannus, one in Newport was quite successful,
 felly byddwn ni'n sicr yn ceisio so certainly we'll be trying to do
 gwneud rhywbeth yn y dyfodol, ond y something in the future, but this time
 tro yma, roeddwn yn teimlo'i fod yn I felt that it was awkward, with the
 lletchwith gyda'r dyddiadur a oedd dates that we had. Is everyone
 gyda ni. A ydy pawb yn hapus gyda content with that? No-one feels
 hynny? Neb yn teimlo'n gryf yn strongly in a different way?
 wahanol? Os felly, byddwn ni'n Therefore, we'll be responding
 ymateb yn ffurfiol i'r llythyr. formally to the letter.

09:33

Cyllideb Ddrafft Comisiwn Cynulliad Cenedlaethol Cymru 2018–19 **National Assembly for Wales Commission Draft Budget 2018–19**

[3] A gaf i droi nawr i groesawu'r Could I turn now and welcome the
 tystion—Suzy Davies, Aelod Cynulliad witnesses—Suzy Davies, Assembly
 ond y Comisiynydd dros y materion Member, but the Commissioner for

hyn, wrth gwrs—ac a gaf i jest gofyn i'r tystion ddatgan eu henwau a'u swyddogaethau ar gyfer y cofnod, i ddechrau, plis?

[4] **Mrs Morgan:** Nia Morgan, a fi yw cyfarwyddwr cyllid Comisiwn y Cynulliad.

Mrs Morgan: Nia Morgan, and I'm the director of finance for the Assembly Commission.

[5] **Ms Antoniazzi:** Manon Antoniazzi, Clerc a Phrif Weithredwr y Cynulliad.

Ms Antoniazzi: Manon Antoniazzi, Clerk and Chief Executive of the Assembly.

[6] **Simon Thomas:** Diolch yn fawr. Suzy, os ydych chi am, jest yn fyr iawn, amlinellu beth sydd yn y gyllideb yma—rhai o'r pethau lefel uchel rydych chi wedi trio'u cyrraedd.

Simon Thomas: Thank you very much. Suzy, if you just want to very briefly outline what's in this budget and some of the high-level things that you've tried to reach.

[7] **Comisiynydd y Cynulliad (Suzy Davies):** Diolch am adael i fi wneud hynny, Cadeirydd.

Assembly Commissioner (Suzy Davies): Thank you for allowing me to do that, Chair.

[8] The draft budget details the budget that we'd like to request for 2018, and, as before, it's providing indicative figures for the remainder of the fifth Assembly. As you're aware, we've stated in documents before that there are many new and complex challenges facing us all as Members, but I'm pleased to say, despite advisory warnings—if I can call them that—that we gave you last year, that we might be looking for changes to the indicative figures. We've managed to stay, as far as our operational budget is concerned, within the figures that we supplied to you last year.

[9] So, the overall budget has changed slightly because of anticipated changes, anyway, arising from the remuneration board's review of Assembly Member support staff salaries, and there are unanticipated changes to the Assembly Members' pension contributions as well, following a re-valuation by the Government's actuary department. And I'm sure that you recognise, of course, the Commission has no control over these particular aspects, but I did want to flag those up because we have been very careful in putting together the operational budgets, being mindful of the pressures that public services generally face.

[10] So, the total budget we're seeking for 2018 is £56.788 million. I don't know if you want me to go through that. I think the figures are in front of you. I just wanted to say this, though: although the increase we're seeking is pretty modest in comparison to those challenges, we think we can manage those resource tightly, but we need to be aware that we've still got a few years to go. So, while we've managed to come in with the figure that we've indicated for this year, that may not be the case for future years, for reasons you may want to explore later.

[11] **Simon Thomas:** Wel, diolch am hynny. Jest yn dechrau ar y pwynt yna, mewn ffordd, rŷm ni'n gweld bod y gyllideb, fel rŷch chi'n dweud, yn dilyn y tueddiad roeddech chi wedi'i amlinellu'r llynedd, ond, wrth gwrs, mae'r codiad yn y gyllideb sydd gyda chi yn uwch. Nid yw'n enfawr, ond mae'n uwch na'r codiad, er enghraifft, mae'r grant bloc yn ei ragweld, ac yn sicr yn uwch nag y mae Llywodraeth Cymru yn ei ragweld yn ei chyllideb ddrafft hithau. O droi hyn ar ei ben, pe baech chi yn dilyn math tebyg o godiad, neu hyd yn oed ostyngiad, mewn rhannau, pa fath o gyfyngiadau neu newidiadau a fyddai hynny yn ei wneud i'r gwasanaethau rŷch chi yn eu darparu, a pham ydych chi o'r farn y byddai hynny, rwy'n cymryd, yn andwyol—neu fe fydddech chi wedi dewis y llwybr yna?

Simon Thomas: Well, thank you for that. Just starting on that point, in a way, we see that the budget, as you said, follows the trend that you outlined last year, but, of course, the increase in the budget that you have is higher—it's not huge, but it's higher than the increase, for example, that is forecast for the block grant, and certainly higher than the Welsh Government foresees in its draft budget. Turning that on its head, if you followed that kind of increase, or even a reduction in some places, what kind of restrictions or changes would that make to the services that you provide, and why are you of the opinion that that would be detrimental—or you would have chosen that path?

[12] **Suzy Davies:** Our starting position is always the strategic goals of the Assembly, which you'll remember from before: providing outstanding parliamentary support to engage with all the people of Wales and champion the Assembly, and, of course, to use resources wisely. We're also mindful, of course, of the statutory duty of the Commission to provide staff, property and services to do the work that the Assembly has decided it wants to do. Of course, what it's doing in the fifth Assembly is considerably wider than that

even in the fourth Assembly, wasn't it? So, in preparing any draft budget, we're mindful of the costs that we know we're going to need, and that's actually what's in the budget overview in the operational budget. But you'll be aware, and I dare say we'll be talking about it later, of how we use the potential underspend. If you want to talk about specific priorities and perhaps the processes that involve the independent remuneration board—do you want us to do that?

[13] **Simon Thomas:** We'll come across some of those as we explore some of the issues, I think, so they'll come out in the questions. Just stay at some of the top-level stuff at the moment.

[14] **Suzy Davies:** There are a number of things. The responsibilities that are kind of thrust upon us, if you like, include whatever Brexit is going to show—we're already seeing increasing costs on the back of that. The reserved-powers model—of course, that's going to oblige us to take certain activities. Then there are the opportunities that are presented to us by the Wales Act 2017, primarily, which are the new powers that we are using—and we are using them. The strategic goals—if you consider things like the youth parliament, the Assembly's already instructed the Commission to conduct feasibility work on the youth parliament. The opportunities that the digital changes could present for us—that speaks directly to the strategic goals, and then, as I mentioned before, there are our statutory obligations to provide property, services and staff to meet all our needs.

[15] **Simon Thomas:** Gyda hynny, **Simon Thomas:** With that, I'd just like to ask you specifically about staff. So, byddwn i'n licio jest gofyn yn benodol nawr am staff. So, roeddech chi wedi dweud y llynedd eich bod chi'n rhagweld cynyddu nifer y staff gan fod yna nifer o heriau, ac rydych chi newydd amlinellu rhai ohonyn nhw, ac mae nifer y staff gan y Comisiwn wedi cael sylw cyhoeddus hefyd, mae'n rhaid dweud. A fedrwn chi ddweud: a ydy'r hyn sydd gyda chi yn y gyllideb yma ar gyfer staffio yn rhywbeth sy'n deillio o adolygiad cynhwysfawr o'r anghenion staffio, neu a ydy e'n deillio o'r orfodaeth i, os liciwch chi, ychwanegu neu newid that you have said, last year, that you foresaw an increase in staffing numbers because there were a number of challenges, as you've just outlined, and the number of staff at the Commission has had some public coverage, it has to be said. Could you say: is what you have in this budget for staffing something that stems from a comprehensive review of staffing needs, or does it stem from the need to add or change staffing in order to meet some of the challenges that you've just outlined? What

staffio er mwyn cwrdd â rhai o'r accounts for the staffing numbers in heriau rydych chi newydd eu this budget? hamlinellu? Beth sy'n gyrru'r rhan staffio yn y gyllideb yma?

[16] **Suzy Davies:** Well, I suppose it would be fair to say it's a combination of those, isn't it?

[17] **Ms Antoniazzi:** It is indeed. If I can elaborate a little bit—

[18] **Suzy Davies:** Yes, carry on.

[19] **Ms Antoniazzi:** I inherited a fairly mature system of governance from my predecessor, Claire Clancy, and one of the established features of that is that there are sessions twice a year, in autumn and spring, to capacity plan, and to consider whether there are ways of achieving the same degree of effectiveness with more efficiency. I think Suzy wrote to you after our appearance in front of the committee last year outlining the outcome of the capacity review in October last year, which resulted in the identification of a further 35 posts, for example. Those were, by and large, in response to increasing pressures, which Suzy has outlined, from the growing legislative programme, Brexit, Assembly reform and so forth.

[20] What happened when I arrived was that it became clear that we needed to take a bit of a step back and review the capacity plans that had happened in the previous year. This felt like the right thing to do, and, indeed, the Commission [correction: the Presiding Officer] actually commissioned me to do that in a formal way. So, as is mentioned in the budget document, we have a time-limited but thorough staff review taking place at the moment. We're engaging with all the staff to try and establish a shared understanding of how we've reached the resource allocation to staff that we have, and to look at ways in which we could possibly do things differently, so that we can manage within what is now quite a tight financial envelope, and continue to provide excellent services to the Assembly as it faces these significant new challenges. So, there is a review under way.

[21] **Simon Thomas:** Océ. Rwy'n **Simon Thomas:** Okay. I think Mike credu bod Mike eisiau dod i mewn. wants to come in now.

[22] **Mike Hedges:** If the Welsh Local Government Association were in here now, the first thing they'd say is, 'Can we be treated the same? Our local

government expenditure: can that be treated in exactly the same way that you have been?' They would think that you've been treated exceptionally generously, and I wouldn't necessarily disagree with them on that.

[23] What about efficiency savings? Everybody else has been bandying efficiency savings—I mean, surely, you should reduce your budget by 2 per cent each year for efficiency savings and then add in anything else that you have to. I'm not seeing—unless I'm missing them somewhere—these efficiency savings, or even a drive for efficiency savings within this budget. It's just, 'We spent this much last year, we're doing a few more things—we need to add it on.' I think that the Welsh public, and I think the Assembly in general, would like to see far more being done on efficiency savings.

[24] **Suzy Davies:** Perhaps I could come in with a slightly provocative reply to that.

[25] **Mike Hedges:** Please.

[26] **Suzy Davies:** If you want us to start cutting back on services that we're already offering Assembly Members and their staff, then please tell us what you'd like us to row back on.

[27] **Mike Hedges:** I think that there's a whole range of things that can be rowed back on. I mean, I attend a Plenary session. Can you explain to me why there needs to be five people sat at the front?

[28] **Simon Thomas:** I don't know if you want to take that detail at the moment.

[29] **Mike Hedges:** What do we row back on?

[30] **Suzy Davies:** I just want to add to that—

[31] **Simon Thomas:** It was slightly rhetorical, I think.

[32] **Suzy Davies:** Yes, it was slightly rhetorical. The main point is that you'll have seen from last year's budget and this year's budget that the Assembly has actually asked the Commission to do an awful lot more, as well as save—it's asking us to do an awful lot more. I'll just pick the youth parliament as the most recent example. Already, there's an implication of £100,000 in the budget, simply on the back of being asked, as a

Commission, to examine whether it's feasible to have a youth parliament. That's just one example.

[33] **Ms Antoniazzi:** Could I expand a little bit?

[34] **Simon Thomas:** Of course.

[35] **Ms Antoniazzi:** Just to add my impression that this is an organisation where looking for efficiencies is very much part of the culture. This time last year, there was an efficiency and effectiveness review published, which detailed a number of savings that had been achieved through contractual savings [correction: changes], providing digital services in different ways and so forth. What we have to do, certainly in the course of this review that is ongoing at the moment—we are engaging staff very much in ideas of how we can do things differently. But we have to be aware of who all our customers are, as it were. The Assembly Members are obviously the people to whom we provide services and, beyond that, the Welsh public in general. So, we have to make sure that the services we provide are aligned to the needs and the demands. Because, at the end of the day, we're demand-led.

[36] **Simon Thomas:** I think David just wanted to come in as well.

[37] **David Rees:** I want to expand upon Mike's question a little bit. I understand where Mike is coming from, because I have councillors in my constituency, on my patch, telling me that they're now facing cuts and they can't cut to the bone anymore—it's more amputation, now, because they've gone that far. The public sector is always looking at this, and we have a 5.7 per cent rise in this budget. I'm sure, as Mike said, local government would love to come to us or the Welsh Government and say, 'Oh, by the way, this is my draft budget. Please approve it.' What modelling have you done to basically have a flat budget, so that there was no increase, and therefore looking at what efficiencies could be made on a flat budget? Because this is one of the rare areas of public sector in which we are seeing an increase, particularly an increase above inflation.

[38] **Suzy Davies:** I think there was a—[Inaudible.]—actually, wasn't there? I can think of at least three versions that were looked at.

[39] **Ms Antoniazzi:** There was—. We did—. We are obviously, as we said before, very mindful of the wider context in terms of the constraints that there are on public spending. I think the degree of change that is facing the

Assembly at the moment, and the degree of new duties that have been placed on Assembly Members, does mean that it's imperative on us to support that process. Just to put it into context, in recent years, there has been a sum set aside as an investment fund for projects in the budget. There is no money available for an investment fund this year. What we are doing is anticipating savings that we'll be making through the staffing budget [correction: the budget set], through churn and so forth, and that is the money that we will be using to address the spending priorities in the course of the year. So, it's going to have to be very, very tightly managed to undertake all the work that we need to do in the course of the year. We have provided, after our meeting with you in June, more detail on what those spending priorities will be, and I expect you'll wish to return to those later in the session.

09:45

[40] **David Rees:** Briefly, you just mentioned savings in the staffing budget, but, actually, the staffing budget goes up by £2 million, so I don't see savings there; I see greater expenditure there.

[41] **Ms Antoniazzi:** That is largely—. There are some elements in that which are to do with the apprenticeship levy, for example, and a new settlement on salaries because the current one is coming to an end this year. It's also to reflect the full-year effect of recruitments that have already taken place. We are very mindful of scrutinising in great depth any suggestions for new staff at the moment, even more so than before. I'm directed by the Commission to avoid compulsory redundancies, so what we're doing very much at the moment is trying to manage within the resources that we have. The increase reflects, as I say, the full-year effect of recruitments that have taken place.

[42] **Simon Thomas:** Os caf jest **Simon Thomas:** May I just ask on that ofyn ar y pwynt penodol yna, ym mha particular point? In what way do you ffordd ydych chi'n meincnodi yr benchmark the staffing resource that adnodd staff sydd i'w gael gan y the Assembly has? That is, do you Cynulliad? Hynny yw, a ydych chi'n compare what you have and the cymharu beth sydd gyda chi a'r services that you provide with the gwasanaethau rydych chi'n eu Scottish Parliament and the Northern darparu gyda Senedd yr Alban a Ireland Assembly, as it was when it Chynulliad Gogledd Iwerddon pan was in operation? Does that oedd yn gweithredu, efallai? A oes benchmarking happen as part of this

yna feincnodi yn digwydd fel rhan o'r process?
broses yma yn ogystal?

[43] **Suzy Davies:** Yes, that does happen, doesn't it, particularly with the UK parliaments as you mentioned, but I've got a feeling that we look at other parliaments as well. Certainly, through the audit process we're benchmarking against other parliamentary institutions, but we are in staffing as well. The one thing to bear in mind, of course, with very few exceptions globally, is that this is a bilingual Parliament and there are inevitably cost consequences on the back of that. In fact, I think the changes that we've made on front of house and the use of the building are actually based on information that the Commission picked up from the Scottish Parliament; I think that's right, isn't it?

[44] **Ms Antoniazzi:** That's right, and when the ICT services were brought in-house as well there was a specific benchmarking. That is actually an important strand of work in the capacity review that's under way this autumn as well, to look at comparable parliaments and legislatures.

[45] **Simon Thomas:** And the capacity review, will that be also published or furnished to this committee? Is that something that could be shared at that stage?

[46] **Ms Antoniazzi:** It can be, certainly, yes.

[47] **Simon Thomas:** Okay. Let's move on to some particular—. Sorry.

[48] **Mike Hedges:** On that point—*[Inaudible.]*

[49] **Simon Thomas:** I think that was the assumption that was made. It was quite explicit. That's fine. There are obviously areas in the budget we can explore in slightly more detail, and I think it is with David if you want to take it up.

[50] **David Rees:** *[Inaudible.]*—investment fund, but there's £700,000 allocated to a ring-fenced buildings fund, which sounds to me like an investment fund. Can you explain what that is for, why you've got it and why it is ring-fenced?

[51] **Suzy Davies:** Transparency is the answer to that, isn't it?

[52] **Ms Antoniazzi:** And because we may not draw that down. The whole point of flagging that now is we listened to what the committee was saying, I think, last year about wishing to have sight of substantial capital investments. This is a substantial sum—£700,000—but we may not need it. We know that we may need it because if the Commission makes a decision to go ahead with the new building, that money will need to be invested in the coming financial year to prepare the planning application. However, if there's a decision not to proceed, we won't need it. So, I'm sorry if that hasn't been explained fully in the budget document. What we were trying to do was explain that if there were a decision to move ahead, we would draw that money down. Otherwise, we will not draw it down, so it won't be money that will be available for us to reallocate to anything else.

[53] **Simon Thomas:** I think Steffan wanted to follow that up.

[54] **Steffan Lewis:** I'm not sure—[*Inaudible.*] What new building?

[55] **Suzy Davies:** I think the Llywydd made a statement about this at the beginning—[*Inaudible.*] [*Interruption.*]

[56] **Nick Ramsay:** Investment for a sound system. [*Laughter.*]

[57] **Suzy Davies:** You'll have to wait until 2020 for that.

[58] **Simon Thomas:** Somebody has had a difficult breakfast.

[59] **Suzy Davies:** Basically, there are a number of reasons. One is that, at the moment, Tŷ Hywel is at full capacity, and even the staff we've got now, if we were to take on any more, we'd be asking them to sit on the windowsills. But there are a number of things ahead of us as well: the possibility that we may need an archive for this building, and the possibility that the Government may need more space. In fact, I think that's probably a pressing need at the moment, and under the Government of Wales Act 2006, we've got an obligation to provide space for the Government as well. There's no point hiding the fact that there's ongoing work with a panel at the moment to explore whether the most recent Wales Act powers to give us more Members might be acted upon, but the need for a new building is not predicated on that solely. It may not be predicated on it at all. We actually just need more space anyway.

[60] **Ms Antoniazzi:** Could I add that we have a 10-year estate

management plan, and a responsibility to look beyond that? The core duty that we have is to provide services and facilities to enable the Assembly to do its work. A paper was taken on the longer term accommodation needs by the Commission nearly a year ago, and that has been published in minutes, and there was a statement by the Llywydd to that effect as well last year. So, because this is something that is on the horizon, we felt that in the interest of openness and transparency, we would put it in as a line in this way.

[61] **Simon Thomas:** Yes, but this is the first time we've seen any figures associated with that proposal.

[62] **Ms Antoniazzi:** Indeed.

[63] **David Rees:** I accept the openness and transparency point, and you've just highlighted the point that it may not be drawn, and therefore it will not be used, and it's not technically, therefore, an investment fund for you to use it elsewhere.

[64] **Suzy Davies:** No, no, we won't use it for anything else.

[65] **David Rees:** Would it therefore have been better to have indicated that this may be something on which you would want to come back to us in a supplementary budget rather than putting it in the current budget?

[66] **Suzy Davies:** Well, I feel we can't win on this one.

[67] **Simon Thomas:** It's an ongoing game of ping-pong, as you know.

[68] **Suzy Davies:** We could have done it that way, but for the reasons that we've given to the committee in the past about the length of time it takes for a supplementary budget to go through, we thought it was better to do it this way. And I think you've got the caveat that if it's not needed, it won't be called upon. It's asking for an advance agreement, I suppose.

[69] **Mrs Morgan:** If I can add to that, at this point last year, we were aware of the committee rooms, for example, and we didn't include those within the budget. And we came back in June to explain the reasons why. So, for transparency reasons this time, we are placing in the budget this £700,000 of ring-fenced costs associated with the planning application if the Commission decides to go ahead with it.

[70] **David Rees:** But on that point, on the committee rooms, there was a difference, because you used the underspend for the committee rooms, and, therefore, technically, the funding was already in the budget. This is a separate item, which is not an underspend use. This is identified for a purpose, which may or may not be used. But my belief would be, if it is to be used, then obviously it's going to have a knock-on impact in following years, because, if you're putting a planning application in, there's going to be a capital cost down the line somewhere.

[71] **Ms Antoniazzi:** If I can elaborate a bit on that. That's a very fair point, and we are very aware of that. The structure of the deal that we can get is going to be more favourable the more negotiation room and time we have to put it together. So, I'm confident that the Commission will only take this decision to proceed if it is the most effective [correction: most cost-effective] option for the Assembly in the long term to look at. So far, the analysis is consistently showing that coming to this kind of deal is the most cost-effective solution in the long term, as opposed to leasing additional building space and so forth. It has to be borne in mind that Tŷ Hywel doesn't revert to Assembly ownership at the end of its lease term, and so, there's a responsibility on us to look ahead in that way. Yes, this is a cost related to planning permission. Then there will, a few years after that, be a fit-out cost, and then, there'll probably be an annual rental charge. That probably takes us well into the next Assembly, but as I say, we are flagging it at this point because, if we are to proceed, and if we are to get the most favourable deal for the public purse, we may need to move in the next financial year, and we wish to give ourselves as much time to spend that money as responsibly and effectively as possible.

[72] **David Rees:** If I can come back on a point that Suzy made, you highlighted that, under the Government of Wales Act, we are obliged to provide the Government with extra space if it requests it.

[73] **Suzy Davies:** If it needs it.

[74] **David Rees:** Needs it.

[75] **Suzy Davies:** The duty is to meet needs, so we can't just be extravagant.

[76] **David Rees:** That's okay. So, how do you assess need, and is there any obligation on the Welsh Government to actually put in some funding towards

that need because it's their desire?

[77] **Suzy Davies:** I very much like your question. In terms of the bilaterals, I'm not involved in that, but I think you've spoken—

[78] **Ms Antoniazzi:** I'm sure that'll be a matter of ongoing discussion.

[79] **Suzy Davies:** Yes, let's put it like that.

[80] **David Rees:** No answer, in other words.

[81] **Suzy Davies:** Well, maybe it's a question for the Welsh Government.

[82] **Simon Thomas:** I think we can infer that the other needs are not being met at the moment.

[83] **David Rees:** One other point: you've already highlighted that there's clearly a position where things are changing as a consequence of the Wales Act 2017, with the powers being changed and everything else. The Llywydd's also highlighted an expert panel, which will report back in late autumn—not yet, so it'll be in late autumn. Do the budget figures include any indication as to what that panel may come back with? Are there any views as to what costs may be incurred as a consequence of the panel's consideration? Would there be any costs anticipated in 2018–19 as a result of that panel's deliberations?

[84] **Ms Antoniazzi:** Not in 2018–19, certainly. The short answer is 'no'. This budget does not make provision for those recommendations. They are so far-reaching and so varied at the moment it's impossible to make a meaningful estimate. The report will include indicative costings for various options, but that'll be a matter to discuss when the report is published in November.

[85] **David Rees:** Okay.

[86] **Simon Thomas:** Nick Ramsay.

[87] **Nick Ramsay:** Diolch. You mentioned the youth parliament earlier. May I just ask a bit more on that? Do the costs depend on the scope of that youth parliament and the scope and scale that you decide upon?

[88] **Suzy Davies:** 'Yes' is the answer to that. The instruction from the

Assembly was to see what was feasible. A range of options was gone through before a report was presented to committee, fairly recently, actually. Things to consider are, for example, how often you would have elections if there were to be elections, and whether the young people would be selected rather than elected.

[89] **Simon Thomas:** I hope there would be elections, if I may say so.

[90] **Suzy Davies:** That was the option we preferred, as it happens—

[91] **Nick Ramsay:** Rather than a youth dictatorship.

[92] **Suzy Davies:** Or, in fact, Assembly Members choosing people from their constituencies. We definitely plumped for an open election here. But then, of course, you've got to consider the frequency of elections, where the young people will be housed, and what the responsibility would be of Assembly staff going out into constituencies and regions to support those young people where they are, rather than expecting people to come to Cardiff. If you like, I can give you a bit more information on this, but where we've got to at the moment is that this year—sorry, next year—it will cost about £100,000 to put that together—slightly less if there's no election. Every time there's an election it's going to cost a little bit more, but that £100,000 is a good steer figure, I think, about what it's likely to cost annually.

[93] **Nick Ramsay:** Does that include extra internal staffing costs, or is this just to set up—I mean 'set up' as in setting up, not a set-up?

[94] **Suzy Davies:** This is a very good point. At the moment, we're working on the principle that there are no specific extra staff—there may be some coming in on a website at some point, but we're using existing staff. I think the committee needs to be aware that using existing staff on something new and additional means that we're going to be losing their services in other elements of education and outreach. This is why I think it's a good example to cite that if you're running a tight budget and expecting to do a lot more with a little bit more money, existing services or service levels are likely to fall. I know what you're going to say, Mike: that happens in local government as well, but it's a reassurance that we're making those decisions as well.

[95] **Mike Hedges:** What I was going to say is that local government has been asked to do a lot more with a lot less, and they look enviously at you.

[96] **Suzy Davies:** Well, that's a matter to take up with the Welsh Government, I think.

[97] **Nick Ramsay:** That's what he would've said. Moving on, I'd like to ask about security, but I appreciate that you probably won't be able to say much, by the nature of these things. Can you give us some general indication of security improvements that are planned—that's including cyber security as well as personal security?

[98] **Suzy Davies:** Yes. Actually, it's quite difficult to say too much, for the reasons you've hinted at, really, but, if I could put it like this, we're certainly looking at further investment in cyber security and security on the estate. I'm a bit nervous about telling you more, basically.

[99] **Ms Antoniazzi:** It's possible to say that we're looking at costings for improvements that relate to increasing the protective security of the boundary of the Cardiff Bay estate. But we can certainly write to you with more details, if we may, on that subject. But certainly, we are working very closely with colleagues with a view to security, and provide advice and guidance to all staff, including at the constituency offices. It's a very high priority, both physical and cyber security. A fair amount of the staff increase has been in security staff and we've also invested in security training, for example, to raise awareness of the dangers of clicking on suspicious e-mails and so forth.

10:00

[100] **Suzy Davies:** Maybe I can just take this opportunity, Chair, to remind Members that they have a duty as well. Thank you.

[101] **Simon Thomas:** Just on security, if I may—I think David wants to come in as well—is there any element of cost sharing around security for the estate or for the Assembly? Is the cost of what we visibly see as Assembly Members entirely borne by the Commission, or is there an element of other authorities also bearing some of that cost, or Welsh Government as well, of course?

[102] **Suzy Davies:** I think it's all us, isn't it? Yes, it's all Commission.

[103] **Mrs Morgan:** The security staff are employed by us and then we have a contract with South Wales Police for the armed officers we have.

[104] **Simon Thomas:** So, the relationship with the police is on a contract basis as well. Okay, thank you for that.

[105] **David Rees:** It's a similar concept, Chair. Obviously, I'm fortunate—others may consider themselves unfortunate—but I share an office with my parliamentary colleague. Therefore, I see the impact of the security that they're now going through. Are you having discussions with places like Westminster to look at how you can actually, perhaps, get best value for money in any security deal you may be looking at, in constituency offices in particular?

[106] **Suzy Davies:** I suppose it's part of our general benchmarking against other parliamentary organisations. I don't know if we've done that specifically, but bearing in mind that value for money—using resources wisely—is one of our strategic goals, any contract is looked at by—I think it's Members' business services rather than IRB, isn't it?

[107] **Ms Antoniazzi:** Information and advice is shared very fully between the police forces and the parliaments concerned.

[108] **David Rees:** Obviously, I see the security services on offer for parliamentarians, which, by the way, is far more than we are being offered.

[109] **Suzy Davies:** Far more than what, sorry?

[110] **David Rees:** Far more than we are being offered in our constituency offices. Is there a way in which you can actually go and have joint contracts or procurement to better value for money—might that be something worth looking at?

[111] **Ms Antoniazzi:** We will certainly take a look at that. I'm aware that there was an increase in security measures in constituency offices last year, which was clearly needed, but I'm happy to take direction to look at that again.

[112] **Suzy Davies:** If you have any concerns about the measures not being strong enough, please raise that with us in a different arena. That's important.

[113] **Simon Thomas:** Thank you for that. We'll move on with Steffan Lewis.

Sorry— Nick.

[114] **Nick Ramsay:** Chair, was I that boring?

[115] **Simon Thomas:** Sorry, you've been diverted from your questions by security.

[116] **Nick Ramsay:** It's still on security. Cyber security—is that viewed on a par with other security, or if there are pressures on the budget, is that the first thing that's going to be downgraded? I imagine you're not going to agree with that.

[117] **Suzy Davies:** No, that's not the answer. Obviously, some of it is in our—let's call it the discretionary spend that's used from the savings that we make. But of course, what we had last year was spending from that that has now found its way into our core costs. So, it's a combination. Security will never be compromised.

[118] **Mrs Morgan:** Could I just add—? What you see before you is our final draft budget. This has gone through a number of iterations, and initially there was an additional amount included. We didn't feel, within the current climate, that we could come to you here and ask for even more than there is in this current budget, so we pulled our Commissioners out of recess to have a session at the beginning of September to sit them down and go through their priorities and what could be removed from the budget. The one area that was at the forefront of their requests and their demands was security. So, included on page 29 of the budget, you'll see two elements there: cyber security and the additional security we need on the estate for lorries and vans coming in, and there's an element of additional security staffing to man that function. So, you can be assured that security is very much a priority.

[119] **Nick Ramsay:** Just before we move on, just going back to the previous subject, for my own curiosity more than anything, with the budgeting for a potential planning application for a new building, I think, Manon, you mentioned that the Assembly site is under lease. So, is any potential new building on the existing site that we have now adjacent to the current building, or is that still all up for discussion?

[120] **Ms Antoniazzi:** It's all up for discussion, but there is a vacant site, that isn't owned by the Assembly, next to this building, which would be one obvious candidate.

[121] **Nick Ramsay:** Okay, thanks.

[122] **Simon Thomas:** I think now we can go to Steffan Lewis.

[123] **Steffan Lewis:** Diolch, **Steffan Lewis:** Just on that point about the £700,000, you mentioned that that might include an archive for the National Assembly.
Gadeirydd. Jest ar y pwynt yna hefyd am y £700,000, roeddech chi wedi sôn efallai y byddai hynny'n cynnwys archif i'r Cynulliad Cenedlaethol.

[124] **Ms Antoniazzi:** Os oes adeilad newydd. **Ms Antoniazzi:** If there's a new building.

[125] **Suzy Davies:** Mae'n bosibilrwydd. **Suzy Davies:** It's a possibility.

[126] **Steffan Lewis:** Roeddwn i jest, **Steffan Lewis:** In the same way as Mr eto, yn yr un modd â Mr Ramsay, yn Ramsay, I was wondering about the 'wonder-an', ynglŷn â'r cynlluniau, a plans and whether they're developed ydyn nhw'n rhai datblygol. Os oes ones. If there's going to be an archive for the National Assembly or Cynulliad Cymru neu Lywodraeth for the Welsh Government, that Cymru, nid oes angen i hynny o doesn't necessarily need to be in reidrwydd fod yng Nghaerdydd hyd Cardiff, does it? We have the national yn oed, oes e? Mae gennym ni'r library in Aberystwyth and so forth, llyfrgell genedlaethol yn Aberystwyth so I was just wondering whether it is ac yn y blaen. Roeddwn i jest yn an initial process and open to input 'wonder-an' a ydy'r broses yn from others for different ideas. gychwynnol go iawn ac yn agored ac yn agored i fewnbwn gan eraill ar gyfer syniadau gwahanol.

[127] **Suzy Davies:** It's very, very much up in the air. There's no deliberate decision being made on this and, actually, the points you've raised have been discussed. As I've said, there's absolutely no decision on this, but it is a possibility.

[128] **Ms Antoniazzi:** A gaf i **Ms Antoniazzi:** May I just add, on ychwanegu, ar y pwynt yna—? Mae'r that point—? The national library is a llyfrgell genedlaethol yn bartner clear and important partner for us as

amlwg a phwysig iawn i ni wrth we discuss creating an archive and drafod creu archif ac ni fyddwn i'n we wouldn't dream of pursuing a breuddwydio am fynd ar ôl cynllun project here without speaking to fan hyn heb siarad efo nhw. Mi rydym them. We have been speaking to ni wedi bod yn siarad efo nhw am rai them for some months now about misoedd nawr ynglŷn â chydweithio. collaborating on this. As the library is Gan fod y llyfrgell eisoes yn already in Aberystwyth, I think that Aberystwyth, rwy'n meddwl bod yna there is some attraction towards the ryw atynfa i'r syniad o gael siop idea that they would have a shop ffenestr iddyn nhw eu hunain, fel window for themselves in Cardiff, as petai, yng Nghaerdydd. Ond, mae it were. So, this is all to be discussed hynny i gyd i'w drafod. Bydd hyn yn and this is something that will come rhywbeth a fydd yn dod allan mewn out in further discussions over the trafodaethau eraill dros y coming years. blynyddoedd nesaf.

[129] **Steffan Lewis:** Ocê. Diolch am **Steffan Lewis:** Okay. Thank you for hynny. Gan symud ymlaen, sut ydych that. Moving on, how do you decide chi'n penderfynu pa brosiectau sydd which projects are included within yn cael eu cynnwys yn y the investment priorities or the main blaenoriaethau buddsoddi neu'r brif budget? gyllideb?

[130] **Suzy Davies:** I don't know if you've got the draft budget in front of you. There's an element of explanation in that already in annex 3. I don't know if you have it there.

[131] **Steffan Lewis:** Mae rhai **Steffan Lewis:** Some elements are elfennau yn cael eu rhestru yn listed as optional elements and opsiynol a rhai ddim. others are not.

[132] **Suzy Davies:** Basically, we could spend an awful lot more on this. We could spend a lot more money, but we're being very careful, bearing in mind that we've identified that, at most, we've probably got just under £2 million in potential savings. All decisions, as I started off, really, are measured against a number of things: firstly, the strategic goals and secondly, those that are obligatory, and then opportunities that have arisen and decisions that have been made for, I don't know, a more digital assembly or a youth parliament. But the process it's gone through is quite considerable. The ideas have to come from the individual directorates to say, 'This is what our programme needs in order to develop'. It then goes through the IRB—what is

it? The investment and resources board. I always think it's 'revenue'—the investment and resources board—where a really, really strong and clear business case has to be made. One of the changes that's been made since we were with you last is that, as Commissioners, we've asked for a sort of closer oversight—not oversight, but a clearer reporting mechanism between the IRB and the Commission, so we can see the trend of the decisions that they're making. I can tell, with another hat on, that the auditing of that process proves that it is indeed a very strong process. You don't just get through the IRB. You really, really have to fight your corner. Then the bigger decisions come before the Commission anyway, where they're given another run through the wringer.

[133] **Steffan Lewis:** Roeddech chi'n **Steffan Lewis:** You mentioned that sôn bod *review* wedi bod o there's been a review of the IRB's benderfyniadau'r IRB. Beth oedd y decisions. What were the main things prif bethau roeddech chi wedi'u that you learned from that process? dysgu o'r broses yna?

[134] **Suzy Davies:** Well, I'm not on the IRB—

[135] **Steffan Lewis:** A oedd yna **Steffan Lewis:** Were there any newidiadau wedi cael eu hargymell changes that were recommended or neu a oedd canlyniadau'r *review* yn did the outcome of the review reflect adlewyrchu bod y broses yn gweithio the fact that the process does work yn iawn ac yn foddhaol? well and in a satisfactory way?

[136] **Ms Antoniazzi:** Fi sy'n **Ms Antoniazzi:** I chair the IRB, so if I cadeirio'r IRB, felly os caf i ateb—. may answer that—.

[137] **Suzy Davies:** Yes, of course.

[138] **Ms Antoniazzi:** Rwy'n hapus i **Ms Antoniazzi:** I'm content to share rannu adroddiad archwilio mewnol a the internal audit report that was put gafodd ei wneud o weithredau'r IRB together about the IRB's activities if os byddai hynny o help i'r pwyllgor. that would be helpful to the Yn gyffredinol, mi roedd e'n committee. In general, it was a very adroddiad cadarnhaol. Mi roedd yna positive report. There were some ambell i newid ac rŷm ni wedi changes and we have taken action on gweithredu ar hynny. Er enghraifft, that. For example, as Suzy fel soniodd Suzy, rŷm ni'n mynd i fod mentioned, we're going to be yn darparu crynodeb o providing a summary of the IRB

ganfyddiadau'r IRB ar gyfer y Comisiwn bob tro mae e'n cyfarfod fel bod y Comisiwn yn gweld sut y mae'r penderfyniadau'n cael eu cymryd ar wariant mewn amser go iawn ar draws y flwyddyn.

findings for the Commission every time it meets, so that the Commission can see how the decisions are being taken on expenditure in real time during the year.

[139] Mae'r ffordd y mae'r IRB yn mynd o gwmpas ei waith, fel y soniodd Suzy—rŷm ni'n dechrau gydag amcanion lefel uchel y Comisiwn a'r 12 llif gwaith a gafodd eu disgrifio yn y polisi a gyhoeddwyd gan y Comisiwn yr adeg yma y llynedd. Wedyn, wrth gwrs, mae yna hierarchaeth o anghenion, os ydym yn dechrau efo ein ymrwymïadau statudol ni—ymrwymïadau yn ymwneud ag iechyd a diogelwch ac wedyn pethau sydd yn amharu neu yn ehangu ar fusnes y Cynulliad—*business continuity*. Yna, mae gyda ni ffordd o flaengynllunio. Felly, mae yna rai anghenion sydd yn gallu cael eu 'phase-io' o flwyddyn i flwyddyn a'u hamserlennu yn y ffordd yna er mwyn osgoi gormod o faich ar unrhyw un flwyddyn benodol.

The way that the IRB goes about its work, as Suzy has said—we start with high-level Commission objectives, and the 12 work streams that were described in the policy that was published by the Commission this time last year. Then, of course, there is a hierarchy of requirements, if we start with our statutory obligations—our obligations relating to health and safety and then issues that might impair or expand upon the Assembly business with regard to business continuity. Then we have a way of forward planning. So, there are some requirements that can be phased from year to year and timetabled in that particular way to avoid too much burden being placed on one particular financial year.

[140] Wedyn mae gyda ni gynlluniau sydd ag elfen o ddewis o'u cwmpas nhw, a dyna yw'r elfennau sydd wedi cael eu cynnwys ar dudalennau 28 a 29 yn y ddogfen—*annex 3*. Mae yna lawer iawn o'r elfennau yna yn bethau sydd yn flaenoriaeth uchel i ni ac rŷm ni'n dymuno eu gwneud ar bob cyfrif, fel petai, ond byddwn ni ddim ond yn mynd i lawr y rhestr yna pan fyddwn ni'n gwybod faint o arian sydd gyda ni o fewn yr amlen a fydd

Then we have plans that have an element of choice surrounding them and those are the elements that have been included on pages 28 and 29 in the paper—*annex 3*. Many of those elements are things that are of a high priority for us and we wish to do them at all costs, but we will only pursue those when we know how much money is within the envelope agreed by the Assembly. You'll see, for example, that the partnership

yn cael ei gytuno gan y Cynulliad. Fe welwch chi, er enghraifft, fod y bartneriaeth gyda'r llyfrgell ynglŷn â'r archif yn un o'r eitemau hynny.

[141] **Steffan Lewis:** Diolch am yr ateb yna. Jest yn olaf nawr, beth yw'r bwriad gyda'r £500,000 o gyllideb cyfalaf?

Steffan Lewis: Thanks for that answer. Just finally, what's your intention with the £500,000 capital budget?

[142] **Suzy Davies:** Some of the things we've already talked about are capital spends, aren't they, particularly within ICT and—

[143] **Steffan Lewis:** So, byddai pethau ynglŷn â diogelwch seiber yn rhan o'r cyllid cyfalaf.

Steffan Lewis: So, things such as cyber security are part of that capital funding.

[144] **Suzy Davies:** Yes.

[145] **Simon Thomas:** Jest i ddilyn pwynt Steffan, rŷch chi wedi bod yn trafod yr £1.9 miliwn, rwy'n meddwl, sydd yn y rhaglen buddsoddi a'r blaenoriaethau buddsoddi sydd gyda chi. Mae talu am yr £1.9 miliwn yn dod o wahanol ffynonellau ac mae'n cynnwys yr elfen sydd yn £800,000, rwy'n meddwl, sydd wedi deillio o'r tanwariant tebygol, os mai dyna'r gair, yn y gyllideb staffio. Rŷm ni wedi cael y drafodaeth yma y llynedd hefyd, fel rŷch chi'n gwybod, ynglŷn â'r ffaith bod yr amlen ar gyfer gwariant staffio yn cael ei benderfynu gan y bwrdd taliadau, ond bob blwyddyn mae yna danwariant oherwydd bod staff yn mynd a dod ac nid oes neb ar ben y graddau ac ati. A ydych chi bellach yn hyderus, felly, eich bod chi wedi egluro, dim jest i'r pwyllgor ond hefyd i'r Cynulliad, ym

Simon Thomas: Just following on from Steffan's point, you've been discussing the £1.9 million that is in the investment programme and the priority of the investment. Paying for the £1.9 million comes from different sources and includes the element that is £800,000, which has stemmed from the likely underspend, if that is the word, in the staffing budget. We've had this discussion here last year, and you're aware of the fact that the envelope for staffing expenditure will be determined by the remuneration board, but every year, there is an underspend because staff come and go and no-one is on top of their scales and so forth. Are you now confident that you've explained, not just to the Committee, but to the Assembly, in what way any underspend would be ring-fenced

mha ffordd y byddai unrhyw and that this is the list that you danwariant yn cael ei neilltuo, ac mai would work through if the dyma'r rhestr y byddwch yn gweithio underspend were realised? drwyddo pe byddai'r tanwariant yna yn dod yn wir?

[146] **Suzy Davies:** We don't know the actual figures for the underspend until they occur. That's looked at at various points during the year. I can't remember quite how many times.

[147] **Simon Thomas:** But the £800,000 here is your best estimate, then?

[148] **Suzy Davies:** It's based on past experience. It's not just plucked out of the air, this figure.

[149] **Ms Antoniazzi:** If I can add, the £800,000 is our best estimate at the moment of savings on our operational budget. So, that's not just commission staffing, but other projects and contracts and so forth as well. Then the remuneration board determination figure is based on historical trends. So, if you look at expenditure during the last Assembly, the third year was the year in which most spending was scored against that budget. It isn't an option for us not to pay—this is all the Commission's budget, but it is not an option for us not to pay elements that are agreed by the determination. So, that, we believe, is an appropriate estimate. In terms of the detail of how we'd spend it, we've set that out here—

[150] **Simon Thomas:** That's in the table set out, yes.

[151] **Ms Antoniazzi:** Again, I would stress: this is our best forecast at the moment. There may be events that occur in the course of the year, or there may be changing priorities that we need to respond to. But this is our best estimate at the moment. Obviously, you'll have a chance to question us about that as the year goes on.

10:15

[152] **Mike Hedges:** [*Inaudible*—on table 9, you've got Assembly Members' support staff salaries and on-costs, which are in there. Is that based on the actual expenditure this year, that is, take the first six months and multiply it by two, or was it based on everybody being paid at the maximum rate possible, because that's what you've done historically and that's generated

the hundreds of thousands of pounds in between? That's not a method I recognise from anywhere else. I've actually asked the remuneration board this very question and they said that they don't tell you you have to set it at the highest level; you have to set it at the amount that it's likely to cost. Now, you know the staff who are already here. You actually will make some money anyway on staff churn, even if you just set it at actual costs, but, if you set it at maximum cost, in the first year there's the best part of £1 million, the second year about £800,000, until it gets to year 5, when it drops down to a couple of hundred thousand.

[153] **Suzy Davies:** Do you want to explain the process that we use?

[154] **Mrs Morgan:** As we mentioned back in June, we set the budget at 100 per cent of the determination. That's been the case for many, many years. We've been very transparent with you to say that we set it at 100 per cent, because, although we set it at 100 per cent of the determination, there are a number of items that could be recommended by the remuneration board, such as the additional security spending last year. Unfortunately, we've had a number of deaths in service, which we don't account for. So, it's very difficult to say that, yes, that's the 100 per cent. It could be 110 per cent. So, we've been very transparent, we set it at 100 per cent, and, again, this year, as recommended by yourselves, we've estimated, based on trends, as Manon mentioned, in the third year of the fourth Assembly, an amount that we estimate will be underspent, and we've set out very, very clearly what we will be spending that on.

[155] The option that the Commission have looked at and the IRB looked at this year and last year was different options of presenting this budget to you. Both the IRB and the Commission, on both occasions, have determined that this is the most transparent way and the most prudent way for us to protect the Commission budget, also the determination budget. And this is a discussion that's also been had many times here at Finance Committee.

[156] **Suzy Davies:** It's also worth mentioning as well, we talked about benchmarking against other parliaments—the Scottish Parliament, I think, budgets for 95 per cent of their determination, but then it's also got a contingency fund. So, actually, it's just a different way of budgeting, but it's more transparent.

[157] **Mike Hedges:** But which will generate hundreds of thousands of pounds each year for you.

[158] **Suzy Davies:** Which is then spent, as well, on these priorities.

[159] **Mike Hedges:** Yes, but they're your priorities, and we haven't agreed money for those priorities. We didn't agree the sum that was spent on refurbishment of the ground floor, for example, and people may well have had lots of very difficult questions, which you may well have been able to answer well enough, but that's historical now, all about the total cost of that, for example. But it was just funded by underspends.

[160] **Suzy Davies:** Well, I think, to be fair, this committee did take us through that back in July, and I'm sure the Public Accounts Committee will be—.

[161] **Mike Hedges:** But it had been spent then. We couldn't stop the spending. That's the point I'm trying to make.

[162] **Ms Antoniazzi:** Which is why we have provided more detail this year.

[163] **Mike Hedges:** Yes. Sorry. It's for a private session later on.

[164] **Simon Thomas:** I think Neil Hamilton wanted to come in as well here.

[165] **Neil Hamilton:** We decide for the period of an Assembly how much money we think that Members need to support them in their work. And the way that the system is constructed, obviously, there's this large portion, over the course of five years, that is not spent on the areas that it's designated for, leaving this kind of gap that Mike has just referred to. I'm partially responsible, as group leader for UKIP, for last year's underspend, because it was our first year here, and I felt my way, so I didn't use the allocation, and recruiting had its difficulties as well. One of the things that has annoyed me is that, at the end of the year, you've got no capacity to carry over and make use of the first year's spending. I could do with the extra money to provide for extra staff, but I didn't have it, you'd spent it, and it seems to me, therefore, that we're actually undermining the whole purpose of the initial vote for Members' support. And, rather than just allow it to fall into the maw of underspend, which can then be used for unrelated purposes, we ought to have more flexibility within the five-year budget to go over the year end. I don't know who's responsible for that. Is that—?

[166] **Suzy Davies:** It's not us, is it? That's the remuneration board, isn't it?

[167] **Ms Antoniazzi:** Well, I would say, you know, this is all Commission budget and we are obliged to spend it on what the remuneration board determines. I think the remuneration board is undertaking a review of the whole situation at the moment, and I'm sure that there is a chance to make that point to them. I would just add, from the way that I've seen the budget operate in this, my first half year in the job, that we would be having to ask you for more, and for a greater tolerance of year-end variations if we didn't have that flexibility. We'd have to be coming back to you for supplementary budgets more often and so forth.

[168] **Neil Hamilton:** That might be a better way of doing things.

[169] **Ms Antoniazzi:** That is something that we can discuss. I have to say that the strong advice I was given by my predecessor was that this was a system that was working well and has managed, once again this year, to come in within 0.5 per cent of the budget in terms of operational spending, which is obviously a very small tolerance.

[170] **Neil Hamilton:** The problem has been made particularly acute for me, because we've suffered from external migration of Members and—

[171] **Simon Thomas:** Tell me about it. You're not the only one.

[172] **Neil Hamilton:** —as a result of which I've lost virtually a quarter of my group budget. So, we have fewer Members, all of whom have to do more work, but we have less resource with which to do it. So, there are various problems.

[173] **Simon Thomas:** I appreciate it's reasonable to ask the question, but I think, for clarity, it's the remuneration board that decides—

[174] **Neil Hamilton:** It's not them, okay. I didn't understand that point.

[175] **Simon Thomas:** —and the Assembly Commission can only allocate the sums that the remuneration board recommend, in that sense.

[176] **Neil Hamilton:** Let's leave that there, then.

[177] **Suzy Davies:** To be fair, you've explained the straits you now find yourselves in. It's more important that the Commission is able to support

you in other ways. So, this money has gone to supporting Assembly Members in the work that they do, not least in the security, but in the additional committees that we've been talking about in the past and, well, translation, as well, which we haven't really spoken about today. So, you're getting that centrally rather than in your group.

[178] **Neil Hamilton:** Okay, all right.

[179] **Simon Thomas:** I don't know if you wanted to go on, Neil, with any other questions.

[180] **Neil Hamilton:** On information and communications technology, yes. Your ICT costs are estimated as £2 million for the year 2018–19. In February 2016 you acknowledged, in your own words,

[181] 'there are pockets of good practice'

[182] but

[183] 'the Assembly's current approach to digital is fragmented and insufficient.'

[184] Can you tell us how things have improved since that statement, what you've done, and what development in ICT is proposed for the coming year?

[185] **Suzy Davies:** Operationally, I'll hand over to you, but you'll be aware that there's a three-year spending plan for this anyway.

[186] **Neil Hamilton:** I'm a novice here, you understand.

[187] **Suzy Davies:** Oh, right.

[188] **Ms Antoniazzi:** Thank you. We implemented a lot of technical accessibility improvements to the website following a review by the Shaw Trust in 2014–15, and that includes, for example, redesigning the home page and the top-level pages of the website to include the kinds of information that users access on a regular basis. There is a new mega menu to allow users to navigate more quickly to order items of interest. We've changed Assembly Member biography pages to make it easier to access their plenary speeches and how they've voted, and new templates have been designed that present our information in a more accessible and visually

appealing way. So, these pages are gradually being rolled out across the site.

[189] We have a lot of exciting work planned on this in the coming year as well. The MySenedd programme is producing improvements, including searchability of the Record of Proceedings and Table Office web pages so that people can more easily find activity related to individual Assembly Members. More ambitiously, we would like to deliver a new website. Obviously, that is a large commitment, and the money that we're asking for next year is going to scope and work with partners to define that project. If we're able to move forward with that, then obviously that would be very much in the spirit of the recommendations of the Digital News and Information Taskforce that were published recently.

[190] **Neil Hamilton:** Have you got any indication of extra use of our website by people outside the Assembly as a result of the changes you've made, in order to evaluate the success of this?

[191] **Ms Antoniazzi:** Yes. The figures that we have show a modest increase. It's a little over 4 per cent. I think that that is something that we want to keep an eye on. We are about to review our key performance indicators, and I think that looking at—. Having said that, I think that looking at the impact of the changes, as much as just sheer numbers, is important, and how long people spend on the site and so forth. But that is certainly an area where we would like to evaluate more closely how we're doing, because I think we probably can do better than a 4 per cent increase year on year.

[192] **Neil Hamilton:** Okay.

[193] **Simon Thomas:** Eluned Morgan.

[194] **Eluned Morgan:** Mae'n ddrwg gyda fi fy mod i wedi cyrraedd yn hwyr. Gobeithio na fyddaf yn mynd dros rai o'r pwyntiau. Rydw i'n gwybod eich bod chi wedi sôn am gostau staffio cyn i mi gyrraedd, ond roeddwn i jest eisiau cadarnhau'r ffigur rydw i wedi'i glywed, ein bod ni wedi gweld—. Rydych chi'n gofyn am fwy o arian nawr tan 2021, ond mae'r ffigur rydw i wedi'i glywed yn dangos

Eluned Morgan: I'm sorry that I was late to the meeting, so I hope I won't go over some of the points already made. I know you mentioned the staffing costs before I arrived, but I just wanted to confirm the figure that I have heard, that we have seen—. You're asking for more money now until 2021, but the figure that I've heard shows that there has been a 90 per cent increase in the last 10 years

bod *90 per cent increase* wedi bod yn y 10 mlynedd diwethaf o ran costau staffio. A ydy hynny yn edrych fel ffigur rydych chi yn ei gydnabod?

in terms of staffing costs. Does that look like a figure that you recognise?

[195] **Suzy Davies:** Wel, nid ydym ni wedi bod yma yn ystod y cyfnod yna, felly nid ydw i ond yn gwybod am y *salaries* fel ffigurau. O, ie, mae yn mynd nôl 10 mlynedd.

Suzy Davies: Well, we haven't been in place over that period, so I only know of the salaries as figures. Oh, yes, they do cover 10 years.

[196] **Eluned Morgan:** Deng mlynedd, *90 per cent increase in staffing costs*—a yw hwnnw'n swnio'n—?

Eluned Morgan: Ten years, a 90 per cent increase in staffing costs—does that sound—?

[197] **Mrs Morgan:** Ydy. Fe wnaethom ni dipyn bach o waith ar hwn yn fewnol, yn edrych ar y *full-time equivalent*. Mae hwnnw wedi codi. Rydw i'n credu bod esboniad amlwg wedi bod.

Mrs Morgan: Yes. We did some work on this internally, looking at the full-time equivalent. That has increased. I think there is an explanation for that.

[198] **Eluned Morgan:** Rwy'n deall pam, ond rwy jest eisiau cydnabod y ffigur yna.

Eluned Morgan: I do understand why, but I just wanted to acknowledge that figure.

[199] **Mrs Morgan:** Roedd y ffigur a gafodd ei gyhoeddi o'r *average cost* o £45,000, rwy'n credu, yn cynnwys *on-costs* a chostau pensiwn hefyd. Felly, yn yr adroddiad blynyddol, fe welwch chi fod y *median staff cost* tua £31,000. Felly, roedd y ffigur a gafodd ei gyhoeddi yn cynnwys *on-costs* a *pension costs*. Dyna pam roedd e'n swnio dipyn bach yn uwch na fyddech chi yn ei ddisgwyl.

Mrs Morgan: The figure that was announced, of the average cost, was £45,000, I think. That included on-costs and pension costs as well. So, in the annual report, you'll see that the median staff cost was about £31,000. So, the figure that was announced or published included on-costs and pension costs. That's why it sounded a little bit higher than you'd expect.

[200] **Eluned Morgan:** Reit. Ocê. So, rydych chi yn cadarnhau 90 y cant o

Eluned Morgan: So, you do confirm that there was a 90 per cent increase

increase dros 10 mlynedd. Ocê. Suzy, over 10 years. Okay. Suzy, you roeddech chi'n sôn eich bod chi'n mentioned that you undertake gwneud *benchmarking* gyda llefydd benchmarking exercises with other eraill o ran faint oedd pobl yn talu eu places with regard to what people staff ac ati. A ydych chi'n gwneud pay staff, and so on. Do you *benchmarking* o ran faint o staff? So, undertake benchmarking with regard o'r ffigurau rydw i wedi'u gweld—ac to the numbers of staff? From the nid yw hyn yn eu cynnwys nhw i gyd, figures that I've seen—it doesn't ond, o beth rydw i'n deall, *full-time* include all of them, but, full-time *staff* yn y Cynulliad, mae tua 448 o staff in the Assembly, there are 448 staff yn y Cynulliad fan hyn, a thua staff members in the Assembly, and 450 yn y Senedd yn yr Alban, sydd â around 450 staff in the Scottish dwywaith gymaint o Aelodau â ni. Sut Parliament, which has twice as many ydych chi'n gallu cyfiawnhau'r gyfran Members as us. So, how can you yna, y *ratio* yna, o staff, os ydych justify that ratio of staff if you chi'n gwneud *benchmarking*? undertake benchmarking exercises?

[201] **Suzy Davies:** This is something that's being taken into account now in the staff review that Manon is doing. This is one of the core elements of it. I made the point before you came in as well that none of these Parliaments that have been referred to before are bilingual Parliaments either, and there's obviously a cost element to that. There are—. I think we've already taken some indication from the Parliament in Scotland, which we've used, or information from them, which has helped us redesign the part of the Commission that not decides, but helps how the building is used by the public. That's saved about £91,000 already, just by reconfiguring a little tiny part of the—. It's not front-of-house staff. What would I call those—?

[202] **Ms Antoniazzi:** Yes.

[203] **Suzy Davies:** It is the front-of-house staff. Okay, there we are. So, just by raising our eyes to other Parliaments, we have already started to make some savings.

[204] **Ms Antoniazzi:** Os caf i **Ms Antoniazzi:** If I could add to ategu— that—

[205] **Suzy Davies:** Wrth gwrs. **Suzy Davies:** Of course.

[206] **Ms Antoniazzi:** Ydym, rydym **Ms Antoniazzi:** Yes, we're looking at ni'n edrych ar Seneddau eraill. Fel other Parliaments. As Suzy

soniodd Suzy, mae dwyieithrwydd yn elfen o'r gwahaniaeth rhwng y sefyllfa yng Nghymru a'r sefyllfa yn yr Alban.

[207] **Eluned Morgan:** A fyddech chi'n cydnabod bod dwywaith gymaint o Aelodau gyda nhw ac ein bod ni â'r un nifer o bobl yn gweithio yma—a ydy cyfieithu yn gallu cyfiawnhau'r gwahaniaeth yna?

[208] **Ms Antoniazzi:** Fel roeddwn i'n mynd i fynd ymlaen i ddweud, i raddau, fe fyddwn i'n herio'r canfyddiad bod yna berthynas agos iawn rhwng y nifer o staff a'r nifer o Aelodau. Mae yna wirionedd yn y ddadl, oherwydd bod Aelodau Cynulliad yn wynebu baich trymach nag erioed o ddeddfwriaeth ac o ddisgwyliadau ychwanegol mae angen cymaint â hynny yn fwy o waith o safbwynt *secretariat*, o safbwynt ymchwil, o safbwynt cefnogaeth iddyn nhw, er mwyn eu galluogi nhw i wneud eu swyddi i'r gorau posib. Mae hwnnw'n rhywbeth, yn sicr, fe fyddwn ni'n edrych arno fe. Byddwn ni'n rhoi dewisiadau ger bron y Comisiwn. Ond nid yw'n syml i gymharu'r niferoedd heb edrych ar y raddfa o gymorth sydd yn cael ei gynnis i Aelodau, ac mae hynny'n rhywbeth fydd y Comisiwn yn gwneud penderfyniadau amdano fe.

mentioned, bilingualism is an element of the difference between the situation in Wales and the situation in Scotland.

Eluned Morgan: Would you acknowledge that they have twice as many Members there, and we have the same number of people working here—does translation justify that difference?

Ms Antoniazzi: As I was going to say, to an extent, I would challenge the perception that there is a relationship, a very close relationship, between the number of staff and the number of Members. There is truth in the argument that because Assembly Members face a heavier burden than ever in terms of legislation, and extra expectations, they need so much more work in terms of secretariat and research and support for them, in order to allow them to do their jobs in the best possible way. That is certainly something that we will be looking at, and we will be putting options before the Commission, but it's not a simple comparison of comparing the numbers without looking at the scale of support provided to Members, and that's something that the Commission will make a decision about.

[209] **Suzy Davies:** I think it is worth pointing out that because we're a small number of Members, it actually creates a greater responsibility on central resources, if I can put it that way, to help that small number of Members. So, even though we have our own staff, we perhaps—. I mean, I feel we rely quite

heavily on our central resources for things like research in a way that perhaps doesn't quite happen in other Parliaments where there are more Members and so the burden is shared a little bit.

10:30

[210] **Eluned Morgan:** Mae'n rhaid dweud bod safon yr ymchwil yma yn arbennig o uchel, rwy'n ffeindio, ac rwyf wedi bod mewn sawl Senedd arall, felly nid yw'r safon yn broblem o gwbl. Ond jest i fod yn glir, a ydy'n wir dweud bod yna ddau ymchwilydd i bob Aelod Cynulliad? Ydy hynny'n *ratio* yr ydych chi'n ei gydnabod?

Eluned Morgan: I have to say that the quality of the research here is particularly high, I find, and I've been in several other Parliaments. So, the quality isn't a problem at all. But just to be clear, is it true to say that there are two researchers for every Assembly Member? Is that a ratio that you acknowledge?

[211] **Suzy Davies:** Nid wyf i'n gallu ymateb. A ydy hynny'n wir?

Suzy Davies: I can't respond. Is that true?

[212] **Mrs Morgan:** Mae 44 gyda ni yn y gwasanaeth ymchwil a'r llyfrgell. Mae hynny'n rhoi syniad—'na' yw'r ateb.

Mrs Morgan: There are 44 in the research service and library service, so 'no' is the answer.

[213] **Eluned Morgan:** Felly, nid yw'r ffigur yna'n gywir. Ocê, bydd yn rhaid i mi edrych ar hynny.

Eluned Morgan: So, that figure isn't correct. Okay, I'll have to look at that.

[214] Rŷch chi'n dweud bod y baich arnom ni yn fawr, ac mae'n mynd yn fwy, sy'n wir, ond mae'r baich, yn amlwg, ar y sector cyhoeddus yn fawr. Ac am bob ceiniog yr ydym ni ddim yn ei gwario fan hyn, efallai y gallem ni ei gwario ar *hip replacements*. Dyna'r broblem sydd gennym ni: pan fo yna gwtogi ym mhob man arall, ac mae pobl yn gweld ein bod ni'n gwario mwy a mwy o arian fan hyn, wedyn rwy'n meddwl bod yna broblem gyda ni o

You say that the burden on us is very heavy and onerous, and that it's increasing, but there is a greater burden on the public sector as well. And for every penny we don't spend here, perhaps we could spend it on hip replacements. So, that's the problem that we have: when there are cuts made everywhere else, and people see that we spend more and more money, then I think there is a problem with regard to how we communicate and explain that to the

ran sut yr ydym yn cyfathrebu ac yn public.
esbonio hynny i'r cyhoedd.

[215] Jest o ran y Gymraeg, roeddwn yn deall efallai bod yna *issues* o ran sicrhau ein bod ni'n gallu cael pobl o safon uchel sydd yn medru'r Gymraeg. A allwch chi jest egluro ychydig am hynny?

Just in terms of the Welsh language, I understand that there is, perhaps, an issue with regard to recruiting high-quality staff members who are able to speak Welsh. Could you explain that?

[216] **Suzy Davies:** We don't have a particular problem retaining translators, I think that would be fair to say, so the staff turnover is pretty low, but, of course, demand has increased considerably, hasn't it? I think, during the last 18 months or so, because we've had to go and try and find additional staff to do this, or additional contractors, we've actually found it quite difficult to find individuals who can reach the standards that are required. We're talking about a Parliament here. It's very important, particularly as the drivers of a lot of Welsh language growth, that we get the grade and the quality of translation that we need. So, on some occasions, we just can't tell why we can't get the people we need. Anecdotally, we've heard that people prefer to be freelance, rather than joining us as members of staff.

[217] There's a trainee scheme, which I think is actually worth mentioning a little bit. I can't remember how many trainees we've got now—four, there we are. Four trainees have come in so that, actually, they can be trained in our image, if you like, so that we can train them in the type of translating, and to the quality and standard of translation, that we need. So, I actually think it's quite useful for the Assembly to talk about that. I don't know whether they're apprentices, as such, are they? Are they just trainees from a different source?

[218] **Ms Antoniazzi:** They're trainees.

[219] **Suzy Davies:** Yes.

[220] **Simon Thomas:** Byddwn i jest yn ychwanegu fan hyn y bues i'n trafod â Llywydd Senedd New Brunswick yr wythos diwethaf, sydd yn Senedd ddwyieithog, gyda'r Ffrangeg. Mae ganddyn nhw *backlog* o gyfieithu o 20 mlynedd—jest

Simon Thomas: I would just add here that I was discussing this with the Presiding Officer of New Brunswick Parliament, which is a bilingual Parliament, with French. They have a backlog of translation of 20 years. So, that's just an example—if you

enghraifft, os nad ydych chi'n gwario don't spend on translation, that's ar gyfieithu, mai dyna beth sy'n gallu what happens. digwydd.

[221] **Suzy Davies:** Some of these translators are working through the summer. At a time when you think perhaps the pedal is off—the foot's off the pedal a little bit—all of our staff have found it more difficult to take leave this year, not just on translation but across all fronts, and I think that's something worth bearing in mind as well.

[222] **Simon Thomas:** Iawn. Ocê, **Simon Thomas:** Right. Okay, Eluned? Eluned?

[223] **Eluned Morgan:** Oni bai bod **Eluned Morgan:** Unless Manon wants Manon eisiau ychwanegu rhywbeth. to add something.

[224] **Ms Antoniazzi:** Nid wyf yn siŵr p'un ai yw'n werth, efallai, imi ddod yn ôl ar eich pwynt cyntaf chi ynglŷn â'r gyfran, a jest ategu'r hyn yr ydym wedi ei ddweud o'r blaen: ein bod ni'n ymwybodol iawn o gyd-destun gwariant y sector cyhoeddus. Ers y cychwyn, mae'r Cynulliad wedi cadw llygad ar y berthynas rhwng y *Welsh block* a chyllideb y Cynulliad. Mi oedd yn anodd inni cyn dydd Mawrth weithio allan beth fydd y gyfran flwyddyn nesaf—nid ydym dal yn gwybod yn awdurdodol, achos nid yw'r ffigurau i gyd yn y maes cyhoeddus eto. Ond, hyd y gwelwn ni, rŷm ni o gwmpas 0.34 y cant o wariant y Llywodraeth y flwyddyn nesaf. Mae hynny ychydig yn uwch nag eleni—bydd Nia yn fy nghywiro i: 0.33 y cant—ond mae'n is na phob un o'r pum mlynedd cyn hynny. Wrth gwrs, rŷm ni'n siarad am 0.01 y cant o wahaniaeth. Felly, rŷm ni'n teimlo'n hyderus bod yr hyn yr ydym yn gofyn **Ms Antoniazzi:** I don't know whether it's worth, perhaps, coming back on that first point, with regard to the ratio, and just to add to what we've said before: we're very aware of the context with regard to expenditure in the public sector. From the very beginning, the Assembly has kept an eye on the relationship between the Welsh block and the Assembly's budget. It was difficult for us before Tuesday to work out what the ratio next year would be—we don't know definitively yet, because the figures aren't yet in the public domain. But, as far as we can see, we're around 0.34 per cent of Government spending next year. That's slightly higher than this year—I'm sure that Nia will correct me: it's 0.33 per cent—but it's less than all of the five previous years. Of course, we're talking about 0.01 per cent of difference here. So, we feel confident that what we're asking for is in the

amdano fe yn yr un maes, o safbwynt y berthynas yna. same ballpark, with regard to that proportion.

[225] **Eluned Morgan:** Diolch. **Eluned Morgan:** Thank you.

[226] **Simon Thomas:** Mike Hedges, do you have any further questions, or are you—?

[227] **Mike Hedges:** No, I'm done.

[228] **Simon Thomas:** Jest y cwestiwn olaf gen i: o edrych ar yr arolwg staffio rydych chi'n ei wneud a phethau felly, byddwch chi'n siŵr o ddweud eich bod chi'n dymuno ac wedi llwyddo, wrth gwrs, gyda nifer o wobrau, i fod yn lle dymunol i weithio a lle hapus i weithio a lle gyda chyfartaledd yn rhan o'r broses gweithio yma. A oes gennych chi esboniad, felly, pam nad ydych chi wedi cael y ffigur salwch i lawr i lefel y byddech chi'n dymuno ei weld?

Simon Thomas: The final question from me: in looking at the staffing review and so forth, I'm sure you'll say that you'd want, and have succeeded, to win awards as a good place to work, and with equality as part of the process of working here. Could you explain, therefore, why you haven't had the sickness figures down to the level that you'd want to see?

[229] **Suzy Davies:** Yes, but I just wanted to say 'thank you' to our staff because they're really going the extra mile at the moment.

[230] **Ms Antoniazzi:** Mae yn ofid, Gadeirydd. Mae'n cyfradd salwch ni wedi gostwng ychydig bach ers y llynedd, ond mae hi dal yn uwch na'r nod. Mi fyddem ni'n nodi bod y ffigur rŷm ni'n ei ddefnyddio fel cymhariaeth, sef y ffigur Chartered Institute of Personnel and Development *annual reporting*, yn dangos bod cyfraddau absenoldeb yn gyffredinol ar draws nifer o sectorau wedi codi, ac mae'r ffigur *benchmark* yna wedi codi'n swyddogol i 3.7 yn bellach. Rydym ni o dan hynny, ond

Ms Antoniazzi: It is a concern, Chair. The sickness rates have decreased a little bit since last year, but it's still higher than our target. We would note that the figure that we use as a comparator, which is the Chartered Institute of Personnel and Development annual reporting figure, shows that absence rates in general, across a number of sectors, have increased, and the benchmark figure has raised officially to 3.7. We are below that, but our target is 3.18, so it is something that has been a

ein nod ni yw 3.18, felly mae e'n rhywbeth sydd wedi bod yn ofid ac yn rhywbeth rŷm ni'n edrych arno fe'n ofalus.

[231] Er enghraifft, mi gawsom ni gynnydd yn nifer y staff a oedd yn absennol oherwydd pwysau, *stress*, yn ymwneud â'r gwaith yn ystod mis Awst eleni, sy'n anarferol iawn, achos mae mis Awst fel arfer yn gyfnod tawelach, ac rydw i'n meddwl bod hwn yn dangos bod y pwysau yn cael ei deimlo ar draws y sefydliad. Mae e'n rhywbeth y byddwn ni'n edrych arno fe drwy gyfrwng ein harolwg staff ni. Mae gyda ni nifer o rwydweithiau ymhlith y staff a nifer o arferion da HR sydd yn meddwl ein bod ni'n ceisio rhoi pob cymorth a chefnogaeth i bobl sydd efallai'n ei ffeindio'n hi'n anodd a gwneud hynny'n brydlon. Ac yn sicr rŷm ni â balchder mawr yn y ffaith ein bod ni'n gyflogwr sydd wedi derbyn gradd aur Investors in People, a byddwn ni'n dymuno i hynny barhau yn y dyfodol.

[232] **Simon Thomas:** Rŷm ni'n edrych ymlaen at yr arolwg—nid yr arolwg, mae'n ddrwg gyda fi—y gwaith staffio rydych chi'n bwriadu ei wneud, felly bydd hynny'n rhan, efallai, o'r broses o edrych ar rai o'r agweddau hyn. Os nad oes yna gwestiynau olaf, byddwn ni jest, felly, yn diolch i chi am y sesiwn dystiolaeth y bore yma. Diolch yn fawr i Suzy Davies, y prif weithredwr a'r cyfarwyddwr cyllid. Diolch yn fawr

concern, and it is something that we are looking at very carefully.

For example, we had an increase in the number of staff who were absent because of stress and pressure with regard to work in August, which is very unusual because August is usually a quieter period, and I think that this shows that the pressure is being felt across the institution. It's what we will be looking at during the staff survey. We have a number of networks amongst staff and a number of good-practice HR initiatives that mean that we do aim to give all support to people who are finding it difficult to cope, and we do that promptly. And we are very proud of the fact that we are a gold-rated Investors in People employer, and we hope that that continues in future.

Simon Thomas: We look forward to the survey—not the survey—the staffing work that you intend to do, so that will be part of the process of looking at some of these elements. If there are no further questions, I would just like to thank the witnesses for the evidence session this morning. Thank you to Suzy Davies, the chief executive and the director of finance. Thank you very much.

iawn.

10:37

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
ar gyfer Eitemau 5 a 7**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from Items 5 and 7**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd ar gyfer eitemau 5 a 7 yn unol â Rheol Sefydlog 17.42(vi).

that the committee resolves to exclude the public from items 5 and 7 in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[233] **Simon Thomas:** A gaf i ofyn i aelodau'r pwyllgor a ydych chi'n hapus fy mod i'n cynnig, o dan Reol Sefydlog 17.42, ein bod ni'n mynd i mewn i sesiwn breifat? Pawb yn hapus? Sesiwn breifat, os gwelwch yn dda, felly. Diolch yn fawr.

Simon Thomas: Could I ask the members of the committee if you're content that I propose, under Standing Order 17.42, that we go into a private session? Everyone content? Private session, therefore, please. Thank you very much.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:38.

The public part of the meeting ended at 10:38.

Ailymgynullodd y pwyllgor yn gyhoeddus am 11:04.

The committee reconvened in public at 11:04.

**Cyllideb Ddrafft Llywodraeth Cymru 2018–19: Tystiolaeth gan
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Welsh Government Draft Budget 2018–19: Evidence from the Cabinet
Secretary for Finance and Local Government**

[234] **Simon Thomas:** Galwaf y **Simon Thomas:** I call the Finance Pwyllgor Cyllid i drefn, felly, gan Committee to order and welcome the groesawu'r Ysgrifennydd Cabinet Cabinet Secretary for Local dros Gyllid a Llywodraeth Leol, Mark Government and Finance, Mark Drakeford, a jest gofyn i'r Drakeford, and I ask the Cabinet Ysgrifennydd Cabinet a'i swyddogion Secretary and his officials to i ddatgan eu henwau a'u introduce themselves for the record, swyddogaethau ar gyfer y cofnod i please. ddechrau, os gwelwch yn dda.

[235] **Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol (Mark Drakeford):** Gadeirydd, diolch yn **The Cabinet Secretary for Local Government and Finance (Mark Drakeford):** Thank you very much. fawr. Bore da. Mark Drakeford, Good morning. Mark Drakeford, Ysgrifennydd y Cabinet dros gyllid. Cabinet Secretary for finance.

[236] **Mr Jeffreys:** I'm Andrew Jeffreys, director of the Welsh Treasury.

[237] **Ms Davies:** Margaret Davies, deputy director of strategic budgeting.

[238] **Simon Thomas:** So, Mr Jeffreys, your title has changed since we last had you here, I think? Well, 'Director of Welsh Treasury', that's a new—

[239] **Mr Jeffreys:** No, I think I've had that for a little while.

[240] **Simon Thomas:** Okay. It just struck me that we have a Welsh Treasury. We know that, but it's good to hear.

[241] Os caf i ddechrau gyda'r **May I start with the Cabinet Secretary Ysgrifennydd Cabinet, jest yn and just ask a general question at the gyffredinol, ar ddechrau edrych ar y beginning of this budget scrutiny gyllideb? Wrth gwrs, fel aelodau'r process? As members of the pwyllgor, nid oeddem ni wedi gweld y committee, we hadn't seen the gyllideb tan ddydd Mawrth ein budget until Tuesday ourselves, so hunain, felly byddwn ni'n holi am rai we'll be asking about some very**

meysydd eang iawn heddiw, mae'n siŵr, gan wedyn gasglu tystiolaeth tua diwedd y cyfnod i ddod nôl atoch chi gyda chwestiynau mwy penodol, o bosib. Ond, o edrych ar y gwahanol *scenarios* a oedd yn rhaid i chi gynllunio ar eu cyfer, a gan gofio bod, o hyd, nes ein bod ni'n clywed am gyllideb y Deyrnas Gyfunol, £3.5 biliwn o doriadau nad ydym ni'n siŵr beth sy'n mynd i ddigwydd yn eu cylch, ym mha ffordd nawr y byddwch chi'n cyfeirio'r gyllideb ddrafft hon gyda'r penderfyniadau yn San Steffan a'r gyllideb sy'n cael ei gyhoeddi gan y Canghellor ei hunan?

[242] **Mark Drakeford:** Diolch yn fawr, Cadeirydd.

Mark Drakeford: Thank you very much, Chair.

[243] So, I think there are three main aspects to that question. We present this budget by drawing on as much of what we know as we are able to. We obviously go back to the November statement of last year and the March budget, because they set the essential parameters for this budget, and you will see some of the impacts of those budgets in the papers in front of you. We were able to make capital allocations as a result of last November's statement, for example. So, the essential parameters—the scenario that we plan for is based on the best information that we have from the UK Government.

[244] We've then taken into account the impact of the fiscal framework, because it begins to have an impact in this budget for the first time, both in relation to our ability to borrow for capital purposes, but also the impact of the 105 per cent multiplier is seen in this budget for the first time, in a modest way. Obviously, then there is the impact of the decisions taken on the new fiscal responsibilities that we have. So, when you take all those things together, that provides the essential scenario, and then we make allocations in the way that we have.

[245] As far as the £3.5 billion-worth of unallocated cuts is concerned, that hangs over our budget for 2019–20, the second year of the budget that

we've laid. I've had to make a judgment based on the advice that I get as to how those cuts might impact on our budget. If it was all to fall in Barnettisable areas, then it would have an impact of around £175 million. Obviously, if it all fell in defence—

[246] **Simon Thomas:** That's beyond what we have in front of us today.

[247] **Mark Drakeford:** Yes. So, here's the judgment—if it all fell in Barnettisable areas, I'd have to reduce the budget by £175 million. If it all fell in defence areas, as Mr Hamilton helpfully suggested in the budget debate, it would have no impacts at all. I made a judgment that I have to prepare for the Chancellor taking £100 million out of our budget. Now, that might turn out to be too optimistic, but we have provisions within the fiscal framework agreement to allow me to cope with that through the Welsh reserve, if it is. But you see the impact of that, and, so Members are clear, in the mechanics of it, what I have done is to reduce main expenditure group-level budgets by £100 million and to put that £100 million into the reserve. So, I'm holding it here, so, if the Chancellor does reduce our budget by £100 million, I've got it there to give it to him and I don't have to reopen all the MEGs in order to do so.

[248] I think you then asked finally, Chair, about the impact of the autumn budget, and it does provide some real challenges for us, the way our budget cycle now has, right in the middle of it, the major annual fiscal event of the UK Government. We will have to make a judgment after 22 November as to whether or not the impact on our budget is so significant that I have to deal with it through changes to the final budget, or whether they're at the modest end of things and the second supplementary budget will be a more suitable vehicle to accommodate those changes.

[249] **Simon Thomas:** Diolch am hynny. Jest yng nghyd-destun y gyllideb yr ydym ni'n debygol o'i gweld ym mis Tachwedd, dyna'r gyllideb, fwy na thebyg, a fydd hefyd yn darparu ar gyfer caniatâd Seneddol i'r gytundeb gwerth tua £1 biliwn sydd wedi'i daro rhwng y Blaid Unoliaethol Ddemocrataidd a Llywodraeth San Steffan. Mae'n rhaid i hwnnw gael sêl bendith y Senedd

Simon Thomas: Thank you for that. Just in the context of the budget that we're likely to see in November, that's the budget, more than likely, that will also provide for parliamentary approval to be given to the agreement worth about £1 billion between the Democratic Unionist Party and the Westminster Government. That has to have the approval of Parliament until the

nes bod yr arian yn cael ei wario. So, gan wybod bod hwnnw yn y gyllideb honno, roeddech chi, ar y cyd â'r Alban, wedi gosod proses anghydfod yn ei lle. A oes unrhyw beth y gallech chi ei adrodd i ni fel pwyllgor ynglŷn â'r broses honno? A fydd honno'n debygol o arwain at unrhyw fudd i gyllideb Llywodraeth Cymru?

funding is spent. So, the impact of that will be felt in this budget, and you, with Scotland, have set a process in place to express that you were discontent with that. Can you outline how that process has panned out? Will it lead to any benefit for the Welsh Government?

[250] **Mark Drakeford:** Chair, you're absolutely right to point to the DUP deal. Just to say, as I say every time, our objection, as a Welsh Government, to the deal is not that austerity is over in the north of Ireland; we've got no quarrel with people in Northern Ireland about the deal. Our quarrel is with the UK Government in not doing the same for the rest of us.

[251] I was reflecting on this just the other day. It's an astonishing contrast in my mind. I spent last autumn, as you will remember, in monthly negotiations with the Treasury over the fiscal framework, in which the Treasury were absolutely focused on creating a rulebook and very focused on the detail of that rulebook, making sure that the way that money flowed to Wales was absolutely set down in a way that we would agree every dot and comma of the way that that would happen. The contrast between their approach to that and the way that the £1 billion was found for the DUP is so astonishing. And that's our objection, really, that, when money is being dispersed across the United Kingdom, it ought to be done according to a set of rules that everybody understands. And you can quarrel about the application of the rules if you want to, but there is a sense of there being that way of doing it. This has just driven a coach and horses through those fundamental principles of fair and transparent funding.

[252] So, we have invoked, with Scotland, the disputes mechanism. We've had a bit of difficulty in getting the disputes mechanism into operation, but there's been a lot of discussion at official level recently, involving senior members of the Scottish Government staff, who've taken a bit of a lead in some of it. Interestingly, Chair, Northern Ireland have chosen to participate in those discussions at official level. There's no Government, but senior civil servants have been at those meetings, because they recognise that, in a rule-free way of doing things, you can gain one year and the whole thing may cut against you the next. So, they have a shared interest with us in a rule-based system, and there are further official-level discussions as part of the—.

That's how the dispute resolution process begins—by trying to resolve things at official level. I have a meeting with the Chief Secretary to the Treasury, a trilateral with the Scottish finance Minister, Derek Mackay, coming up in advance of the budget, and we will be rehearsing these things again with the Chief Secretary to the Treasury there.

[253] **Simon Thomas:** Diolch am hynny. Jest un peth arall sydd wedi'i gyhoeddi'r wythnos yma, fel mae'n digwydd—roedd yna ryw blaid wleidyddol yn cynnal cynhadledd rhywle, rydw i'n meddwl. Roedd cyhoeddiad o £2 filiwn, rydw i'n meddwl, ar gyfer tai, buddsoddiad mewn tai, ac mae yna sôn bod hwnnw'n golygu £100 miliwn ychwanegol i gyllideb Cymru. A ydych chi wedi cael unrhyw gadarnhad o'r swm yna, ac, a ydy hwnnw'n rhywbeth sy'n cael ei adlewyrchu yn y gyllideb ddrafft, neu a fydd yn cael ei adlewyrchu yn y gyllideb derfynol?

Simon Thomas: Thank you for that. Just one final thing that has been announced this week, as it happens—I think some political party was having a conference somewhere; I'm not sure. There was an announcement of a fund of £2 billion to invest in housing, and mention has been made that this means £100 million in addition to the Welsh budget. Have you had any confirmation of that particular sum of money, and is that something that's reflected in the draft budget or will it be reflected in the final budget?

[254] **Mark Drakeford:** Chair, no, we've had no formal communications from the Treasury about what that announcement might mean for us in Wales. We are making the assumption ourselves that it will translate into a real capital consequential for us. How much that will be, we won't probably know until November. So, you don't see any of those figures in this budget. Depending on the scope of any consequentials that we will learn in November, we will then make a decision as to how quickly we're able to reflect them in either the final budget, or to follow up in the second supplementary.

[255] **Simon Thomas:** But the financial framework that we have in place and has been agreed, which you referred to earlier, that should be the mechanism for delivering this. Is that correct to assume?

[256] **Mark Drakeford:** Well, any consequentials that come to Wales from now on are multiplied by 105 per cent—

[257] **Simon Thomas:** That's what I wanted to confirm.

[258] **Mark Drakeford:** —so, yes, we would certainly expect any fresh consequentials that come our way in the November budget will go through the fiscal framework. The final figure we get will be the previous amount now multiplied in accordance with the framework.

11:15

[259] **Nick Ramsay:** That's for the transitional phase, the 105 per cent.

[260] **Mark Drakeford:** The 105 per cent is indeed a transitional period until we get to the 115 per cent funding arrangement that is the long-term arrangement. I think we are some years away from reaching that point, and I expect the 105 per cent to go on benefiting Wales for a while to come.

[261] **Mr Jeffrey:** On the question of the consequential, clearly it depends on how they're financing that additional expenditure on housing. It doesn't necessarily mean additional capital expenditure overall. That's what we'll find out in the budget in a few weeks.

[262] **Simon Thomas:** You sound cynical about party political announcements in conferences. [*Laughter.*]

[263] **Mark Drakeford:** Well—

[264] **Simon Thomas:** I wouldn't dare put words in an official's mouth. [*Laughter.*]

[265] **Mark Drakeford:** But it is true, Chair: I think one of the features of recent years is strenuous efforts by departments in England to construct funding in a way that bypasses Barnett—

[266] **Simon Thomas:** Yes.

[267] **Mark Drakeford:** —and—

[268] **Simon Thomas:** But I just wanted to confirm whether you'd had any confirmation, and obviously you haven't, but also that this would be applied through the mechanism, which, as you say, is the 105 per cent multiplier, not the back-of-the-envelope-5-per-cent Barnett share or whatever that's been done in the past. Okay. We'll wait to see in the budget. You'd expect that to be confirmed or not. Mike Hedges, please.

[269] **Mike Hedges:** Three very quick questions: the first is, austerity—we've had it now for about nine years; do you believe it's working?

[270] **Mark Drakeford:** No, Chair, I don't believe austerity works. I've never believed that. I don't think you can find examples in the economic textbooks either of being able to cut your way out of a recession. So, the world faced a recession in 2008, for whatever explanations—people will have different explanations for it, but the world faced a recession. Some economies have chosen to try to recover by investment and Keynesian approaches, and other economies, and ours, outstandingly, have been subjected to a different attempt, which is to try and get out of a recession by cutting public expenditure, and it simply doesn't work. It simply means that the problem lasts longer and is deeper. And that's what we're facing. Let's not forget that the Chancellor told us all this would be over by 2015 and we'd be back into the sunny uplands. Now we know it's not going to happen in the rest of this decade, and the uplands are receding even further into the future.

[271] **Mike Hedges:** We know that land transaction tax is highly volatile and we know that, back in 2008–09, it dropped by about 50 per cent. What are you doing to ensure that we don't suffer disproportionately if there is a 50 per cent drop in land transaction tax as we go through the economic cycle?

[272] **Mark Drakeford:** Well, there are some mechanisms, Chair, in the fiscal framework that allow us to take account of tax volatility. So, we have a £500 million revenue reserve that we can use to smooth out receipts, year on year. Of course, the block grant adjustment mechanism will also come into play in those sorts of circumstances. What we are able to do—. The basis on which this budget is planned is the Office for Budget Responsibility forecasts, validated by Bangor University's independent review. But I'm very alert to the point that Mike Hedges makes about the inherent volatility of land transaction tax, you know, as economies go into good and less good periods.

[273] **Mike Hedges:** Yes. Of course—

[274] **Mr Jeffrey:** Sorry, I was just going to ask whether it was worth just mentioning the way that the block grant adjustment works, such that, if the—. The thing that we're really exposed to now that we weren't before is differential tax-based growth risk. So, if the housing market in Wales performs differently from the housing market or property market in general in the rest of the UK then that will affect the funding we've got available,

whereas if the market here continues to track, broadly speaking, the UK market then those fluctuations will be taken account of through the block grant adjustment. So, if there were, for example, a similar event to what happened in 2007 and 2008 to the housing market, then the block grant adjustment would compensate for that in some way so that our spending wouldn't be as affected as if we had to take the whole effect. Does that make sense?

[275] **Mike Hedges:** Yes. Yes, it does.

[276] **Simon Thomas:** Can I just come in on that for clarification? But what it doesn't compensate for, I assume, is the policy decisions that you've taken in this budget to have differential rates yourself in Wales on land transaction tax. That is something that you're going to have to either be successful with, if you look at the Bangor figures, or not as the case may be.

[277] **Mark Drakeford:** That's exactly the deal, isn't it? You bear the consequences of your own decisions where those decisions are under your own control, but where there are things beyond your control, the system operates to try and not unfairly disadvantage you for things that you couldn't have an influence over.

[278] **Simon Thomas:** I know several Members want to come in. We'll just stick with Mike, if I may, and then I'll bring people in as I can, hopefully.

[279] **Mike Hedges:** The only other point—it's going slightly off it—is that private finance initiative is costing £100 million a year approximately. It was a very stupid thing for people to do, but they've done it. Would you look at allowing people to bid for invest-to-save to buy out some of these PFI contracts, which are hugely expensive? I just think that the people who put them forward should be taken for malfeasance in public office, because it was obviously such an inherently wrong thing to do.

[280] **Mark Drakeford:** Well, Chair, I think I said in the Chamber last week that I expect all public bodies that have PFI contracts to keep them properly under review, and if they can make a case—. And, actually, I think when you look at it, the way these contracts were constructed means that it is quite difficult, quite often, to make a case, because you're tied into such contractual conditions. But if a public body were able to demonstrate that buying an early end to the contract would save money over the long run, then we would always be willing to talk to them about ways in which they

could make that happen. In local authorities' cases, for example, they could decide to do it by borrowing the money themselves to do it, but we would always be up for that sort of conversation.

[281] **Neil Hamilton:** Denbighshire County Council has brought out one PFI contract, hasn't it?

[282] **Mike Hedges:** As has Rhondda Cynon Taf County Borough Council.

[283] **Mark Drakeford:** And as did Dyfed–Powys Police in the Ammanford police station, so there are examples—a small number of examples—where local authorities have been able to do it. They should all keep them under review, so that if those possibilities do emerge, they should pursue them and we will be keen to pursue them with them.

[284] **Mike Hedges:** That's me, thanks.

[285] **Simon Thomas:** Okay, thank you. Steffan Lewis first, and then Eluned and David.

[286] **Steffan Lewis:** Thank you, Chair. I just wanted to go back to the very first question Mr Hedges asked. The Cabinet Secretary takes every opportunity to question the policies of fiscal contraction by the UK Government and I agree with him on that, but what I want to understand from this budget and the budget process is what steps he has taken and the department has taken in order to try and mitigate the fiscal contraction policies of the UK Government and, in particular, those ones that cause harm in terms of social justice. Clearly, as he has rightly said, we have been forewarned repeatedly that this programme and this economic and fiscal approach is going to continue, but what I'm not able to see from the statement made this week is concrete examples of how the Welsh Government is trying to mitigate the worst excesses and impact of fiscal contraction by the UK Government.

[287] **Mark Drakeford:** I'm not certain I'm following the question completely, because I'm not sure what sort of impacts the Member wishes me to address, because the impacts are very, very different and very variable. Let me give you just a few concrete examples: £244 million pounds to sustain our council tax reduction scheme. So, if you are somebody on benefits or low income in Wales, you do not pay the council tax. If you are a person in exactly the same circumstances in England, you are now paying on average

£181 every year towards the council tax, and in many, many authorities, particularly Tory authorities in England, you're paying up to £400 a year out of your benefits towards the council tax. In Wales, you don't pay that at all. So, from £244 million at one end of the spectrum to the extra £1 million we've been able to find this year for the discretionary assistance fund, another fund—the social fund—abandoned in England; no help for you at all. Here in Wales, £31 million in grants provided through the discretionary assistance fund since 2010. The budget is from top to bottom, Chair, designed in order to try and mitigate for people in Wales the impact of austerity.

[288] **Simon Thomas:** Eluned Morgan.

[289] **Eluned Morgan:** I just want to come back on the land transaction tax that Mike talked about. That was the most exciting part of your announcement, I thought, when you announced that we've got a new tax and that you're going to vary the rate. I just wondered if you could tell us something about the figures relating to those. So, what will that cut cost, at the lowest rate, if you could explain that?

[290] **Mark Drakeford:** Yes. Chair, if you take a gross figure, if you assumed the transactions next year were the same as this year, then raising the threshold, meaning that people buying houses for £250,000 or less in Wales will pay less tax, that will be £7 million less collected from people at that part of the spectrum next year than this year. But, of course, we expect the effect of our decisions to stimulate activity. There will be behavioural effects as a result of the change. So, we think there will be more transactions, and that will reduce that gap, and, as you know, because I have to, because of all the pressure on our public services, I did not feel able to make fiscal decisions that would have reduced the quantum available to the Welsh Government. While I've reduced the take from people at the bottom end of the spectrum, I've increased the take at the top of the spectrum to balance those things out. But £7 million is the figure.

[291] **Eluned Morgan:** Okay, but it may not be that because you stimulate—

[292] **Mark Drakeford:** Yes, because there will be more transactions.

[293] **Eluned Morgan:** Okay. Thank you.

[294] **Simon Thomas:** Can I just ask specifically on that, because I was

looking at the Bangor report, looking at the tax rates and so forth? And it wasn't clear to me whether that report had actually factored in your policy changes or not, or whether it was a steady state report. So, in making this decision, the figure you've just given us of £7 million now, is that a Bangor figure, an independent figure, or is it your figure as a Welsh Government?

[295] **Mr Jeffreys:** Yes, they saw—. Their initial work was based on—. We did a pre-measures forecast, so before any changes in policy—so, assuming, for this purpose anyway, we replicated exactly the stamp duty land tax rates—and then, once a decision had been made about policy, then Bangor had a look at the post-measures forecast. So, what's in here, yes, takes account of all that. And they've looked at all the elasticities we used and the impact on transaction volumes and prices et cetera.

[296] **Simon Thomas:** So, in effect, you shared with them your likely scenarios, and they worked on those.

[297] **Mr Jeffreys:** Yes, in the same way that the Office for Budget Responsibility sees the UK Government's policies.

[298] **Simon Thomas:** That's fine.

[299] **Nick Ramsay:** Are these changes revenue-neutral overall? I presume you don't intend to take less money than you otherwise would have, or will you be taking more—

[300] **Simon Thomas:** You intend to take more according to the tables, but we shall see.

[301] **Mark Drakeford:** My starting point, Chair, was the one that Nick Ramsay just said, that I couldn't make changes that resulted in less money being available for Welsh public services. These figures will undoubtedly change after the OBR forecasts that come with the budget, so they're to be taken with quite a large health warning. But the figures that you've seen in the tables show that we expect around £10 million more in 2018–19, and around £20 million more in 2019–20, as a result of the decisions made. But those figures are probably best kept in the back of the mind until the OBR forecasts allow us to give you the definitive figures after November.

[302] **Simon Thomas:** So, to be clear then, the Bangor forecasts are predicated on the OBR forecasts.

[303] **Mark Drakeford:** Yes.

[304] **Simon Thomas:** And, therefore, you have this—*[Inaudible.]*

[305] **Mark Drakeford:** Yes.

[306] **Mr Jeffrey:** And because of the way the cycles work, we're basically working off the March forecasts, and clearly those will be updated in November and they'll have a lot more data on, or they'll have full-year outturn for 2016–17 and then a fair bit of data on transactions in 2017–18 as well. So, yes, those numbers will change a bit.

[307] **Mark Drakeford:** And, Chair, in a way, to go back to a question you asked right in the beginning, when I've had conversations with the previous chief secretary, trying to persuade him to move the autumn fiscal event earlier, the reluctance of the UK Government was to do that without having seen the second-quarter figures that then inform the OBR forecasts and so on, which is why we end up with this happening later in the calendar than would be good for us.

[308] **Mr Jeffrey:** So, that will mean there will definitely be a revision in the final budget of those forecasts, and, I suppose, as long as we're in this kind of cycle, that will become a feature of the—.

[309] **Simon Thomas:** So, this is something that we, as a Finance Committee, and as an Assembly, looking at this cycle, draft budgets, the autumn budget as it is now, we can expect some fairly significant changes, possibly, in the figures.

11:30

[310] **Mark Drakeford:** It is inevitable when we have the pattern that we have, Chair. If I could just maybe add this one thing, because I know that you, as a committee, are going to be looking at the whole business of how we do these things and you will have seen, and I'm sure will want to explore that in Scotland, that they have come to a different conclusion and the Scottish finance Minister will not lay his first draft budget until December, because they have decided that—. And, of course, they have a wider range of responsibilities that mean that the volatility is probably—

[311] **Simon Thomas:** And more fiscal responsibilities.

[312] **Mark Drakeford:** Yes, so I understand why it's a bigger issue in some ways for them even than for us. But they decided that it wasn't worth their time, in a way, to be looking at things in advance of the November budget because they would be looking at something so different, potentially, afterwards.

[313] **Simon Thomas:** David Rees.

[314] **David Rees:** We've been talking about the land transaction tax and the focus has been on houses. Of course, you also mentioned an issue on businesses and a change in the business premises. Clearly, the Welsh economist has indicated that Wales has some of the lowest productivity and the lowest pay levels in the UK. Do you see that approach as a way of encouraging economic development and therefore improving our economy to bring more businesses in?

[315] **Mark Drakeford:** Just as I thought it was right to make some use of our new fiscal capacity in relation to domestic land transactions, but to do it modestly as a starting point, I also felt it was right to use the same levers in relation to business taxation. So, if you are buying a business property in Wales worth £1.1 million or less after April, you will have the lowest rates of business taxation anywhere in the United Kingdom. I thought that was the right thing to do because the Welsh economy is so dependent on small-and-medium-sized businesses and there are parts of Wales, rural Wales particularly, where you struggle to find transactions above that level. So, my feeling has been—and it's a judgment on which people will take different views, no doubt—that the impact of land transaction tax on a starter business plays a bigger part in the decisions they are making about whether they can expand or do more than it does on a much larger business, spending a far larger sum of money. Land transaction tax is a component in that decision, but I don't believe that it is a determinative component. So, I've done the same balancing act: I've reduced the tax take from people at the bottom end of the spectrum because I think that that will have a stimulating effect on small-and-medium-sized enterprises and I'm going to take a little bit more from very big land transactions, where I don't think it will make the determinative difference between whether or not to go ahead with those sorts of deals.

[316] **Simon Thomas:** Nick Ramsay.

[317] **Nick Ramsay:** Just going back to the issue of the Bangor University work, how confident are you that the modelling that's been used to forecast tax receipts incorporates growth and any behavioural changes that might result from taxes? It's probably to a minimal extent at the moment, but in the future, that could grow.

[318] **Mark Drakeford:** Nick Ramsay's absolutely right that those factors do need to be part of the assessment that is made. It's partly why I answered Eluned Morgan's questioning the way that I did—that although I can give you that gross figure, I don't believe that that will be the figure because the decisions lead to behavioural change: people decide now that they can go ahead and make a purchase because they've got £500 more in their pocket than they would have done before these decisions. Bangor University's work does indeed take into account those behavioural impacts, or looks at our assessment of them, and lets you know whether they think we have made reasonable assessments of those impacts. I believe they are coming to give evidence to the committee, so—

[319] **David Rees:** Next week.

[320] **Nick Ramsay:** I can ask them.

[321] **Mark Drakeford:** So, there'll be a chance to explore with them directly how they went about assessing those impacts.

[322] **Nick Ramsay:** I can ask them. And in terms of forecasts, how accurate have the forecasts of non-domestic rates been since they've been fully devolved?

[323] **Mark Drakeford:** Chair, I think the first thing to say is that tax forecasting is inherently volatile. If you look at the Office for Budget Responsibility forecasts, every six months, there are some very big changes in some of their forecasts over that short period. They're probably the best equipped group of people we've got—you know, the most expert at doing it—and yet they come to very different sums six months later.

[324] I have included an estimate for this year, 2017-18, of, I think, £1.057 billion of income from non-domestic rates. As we come into the second half of the year, we expect that to be within £10 million by the end of the year. So, I'm not wanting to claim anything for that—that may be a very lucky year,

who knows? But you asked about the experience so far, and the experience this year will be that, on a sum of over £1 billion, we will have got it right to within £10 million.

[325] There are quite a lot of moving parts, Chair, as you know, in that calculation, because it takes into account what we expect to get in from non-domestic rates, and that itself is a combination of what you get in and how much you think you will lose through appeals. And the appeals figure, particularly, is very hard to predict. It tends to be a bit cyclical in terms of when there's a revaluation and so on.

[326] And it also has to take into account whether or not you've got the last year's figure right, whether you're carrying a bit more into next year—as we hope we will have £10 million more going into next year than we thought—or whether you undershot, in which case you've got to adjust for having less money going forward than you thought.

[327] **Nick Ramsay:** I think everything else has been covered.

[328] **Simon Thomas:** Okay. Just one thing I wanted for clarification, just for my own curiosity, really: the non-domestic rates, is that in or outside the fiscal framework? Because that used to be treated in a different way. Is that still captured in the fiscal framework?

[329] **Mark Drakeford:** Andrew will know much better than me. I believe it is captured, certainly to some extent, within the fiscal framework, so that, for example, in the Welsh reserve—. As you know, we can carry £350 million next year in the Welsh reserve, and we already have £98.5 million in the Welsh reserve as a result of devolution of non-domestic rates.

[330] **Simon Thomas:** That's fine. That's clear. I think it was Eluned Morgan who had a question.

[331] **Eluned Morgan:** Thank you. I think the UK economy now is bottom of the G7 in terms of growth, but there still has been a little bit of growth. I just wondered if you could tell us: have you got any idea how much would the Welsh economy have grown had all of that growth money been passed on, in other words, if the Chancellor hadn't used that money to try and pay off the deficit?

[332] **Mark Drakeford:** Chair, what I can do, I think, is to point Members to

the figure on page 12 of the budget narrative document, and that gives you two different scenarios. It tells you what our budget would have been had it grown in line with the growth in the economy. In other words: had public services simply had their share in the growth of the economy, slow as it has been since 2010–11, what would that have meant for the Welsh block. We would be £4.5 billion better off today than we are, had we simply had our share of the growth that there has been.

[333] And the thing that really distinguishes this period, the 2010 period onwards, from any other period in the post-war era is that no previous Government has denied public services their basic share of economic growth. You'll see in that table there is also a line for what our budget would have been had it gone on growing in line with the growth that Mrs Thatcher provided and Mr Major provided and Mr Macmillan provided for public services. Had we gone on having growth in public services at the level that previous Governments had offered, you would see that our budget would be even higher again. But I haven't argued for that. What I have argued for is saying that if the economy is growing then public services ought to have their share. No more. I'm not asking for more. I could make the case for more, quite certainly. But if we simply had had the share—if public services would have been able to share in that growth—we would be £4.5 billion more able to invest in public services in Wales, and what a difference that would make to the budget that I've been able to put in front of you.

[334] **Eluned Morgan:** So it's £4.5 billion better off since 2010?

[335] **Mark Drakeford:** Since 2010–11. By the time you get to the end of this budget period, in 2019–20, I would have been laying a budget in front of you that had £4.5 billion more in it than I'm able to today.

[336] **Simon Thomas:** It's about £20 billion, in effect.

[337] **Eluned Morgan:** Over four years—

[338] **Simon Thomas:** No, it would be a £20 billion budget.

[339] **Mark Drakeford:** It would be £20 billion instead of £15 billion or £16 billion.

[340] **Eluned Morgan:** Wow. Thank you. I just wondered if you could just elaborate a little bit on the impact of the fiscal framework. You've touched on

that briefly. Is there any way of quantifying how much—has that made a difference this year? How much?

[341] **Mark Drakeford:** Yes it has, Chair. It's made a difference in two main ways. Obviously, we doubled our capital borrowing capacity as a result of the fiscal framework and the amount that we are able to borrow in any one year has gone up. So, this budget, for the first time, sees £375 million—worth of capital borrowing being deployed to support capital investment in our schools, in our hospitals in our roads and all the other things that we want and need to do. It also shows the first modest, but nevertheless, from my point of view, very, very welcome impact of the 105 per cent multiplier, and there's £47 million extra spend across the two years as a result of that. That's a figure that will only go on growing, that's the important thing to say about it, in the way that Chair asked me earlier. If more money comes our way in the November budget, then the 105 per cent multiplier will be applied to that as well, and so the benefit of the agreement will grow over time. It's £47 million. That's an agreed figure with the Treasury, by the way, and you see it making a difference here.

[342] **Simon Thomas:** Can I just bring in Nick Ramsay on that point?

[343] **Nick Ramsay:** Did we get an agreement in the end that that's a permanent—as permanent as can be—arrangement? I remember speaking to you about this a year or so ago and there were arguments about how long the fiscal framework was in place for. I'm assuming that it's part of the established landscape now.

[344] **Mark Drakeford:** Chair, there's no time limit now on the fiscal framework. Both sides, you'll remember, have an independent ability to call for a review of it, once a year. We've not needed to do that and the Treasury hasn't sought to do that in this year, but it's not a time-limited agreement. It goes on—

[345] **Nick Ramsay:** You can see why I ask.

[346] **Mark Drakeford:** Yes, I do. It goes on until another one is agreed.

[347] **Eluned Morgan:** Can I ask you about borrowing for capital? So, in the past I think you were only allowed to borrow for the M4. Is that right? So, now we can go beyond that.

[348] **Mark Drakeford:** We were allowed to start borrowing early, but only for the M4. In the end, we didn't need to use that early capacity. It was very modest in any case, but we didn't draw it down. The £375 million is beyond that first phase.

[349] **Eluned Morgan:** And how much of that is on the M4?

[350] **Mark Drakeford:** I'll ask Margaret to—.

[351] **Ms Davies:** The borrowing will be deployed as and when it is needed. So, no funding has been allocated for the M4. The borrowing capacity is there in the event—

[352] **Eluned Morgan:** So, it could be for schools or hospitals.

[353] **Ms Davies:** Yes. It will be reviewed at every budget round, depending on the availability of traditional capital and so forth.

[354] **Simon Thomas:** And the projects that you confirmed, I think, on Tuesday, which are definitely there, are: Velindre, the dualling of the Heads of the Valleys—

[355] **Mark Drakeford:** These are the mutual investment model—. There were three of them: Velindre, completion of the dualling of the Heads of the Valleys and band B of the twenty-first century schools programme. Just for the record, Chair, to say that I've taken the same approach this year in relation to the M4 relief road as I did last year: that while there is an independent local public inquiry pending and we do not have the results of it, I've made no allocations for that purpose, but there is money held in a capital reserve should it be needed.

11:45

[356] **Simon Thomas:** Just for confirmation, the ones that you just confirmed are in there, they are part of this new borrowing capacity that you have that's funding that.

[357] **Mark Drakeford:** No, Chair. They're over and above that, and the financial impact lies beyond this budget as well.

[358] **Ms Davies:** There is no budget provision in this budget for the mutual

investment models.

[359] **Mark Drakeford:** But I confirmed, in what I said, that we intend to go ahead with that. So, even when we've used conventional capital, even when we've used our ability to borrow, even when we've exhausted our ability to support local authorities and housing associations, we still need to find ways of being able to fund other important public purposes in Wales, and that's where the mutual investment model comes in for those three projects.

[360] **Simon Thomas:** Okay, thank you.

[361] **Mr Jeffreys:** Could I just add a point on the way that the borrowing capital for capital investment works? In effect, it kind of increases our capital departmental expenditure limit over and above the limit set by Treasury through the block grant by up to £150 million a year, so in effect it's a kind of fungible pool of resources, and we'll spend up to the amount that the plan suggests that we need to spend in that year. So, the borrowed funding doesn't fund a particular project, as it were. It will just form part of the overall pool of resources available for capital investment, which will be that bit higher as a result of the borrowing than it would otherwise have been.

[362] **Eluned Morgan:** Can I ask you about new taxations? That's exciting. So, you've got lots of nice ideas. Can you just elaborate a little bit on the care taxation idea? You'll be aware that this committee's going to be doing some research into that. What's the plan? What are the next steps on that?

[363] **Mark Drakeford:** Well, Chair, as you know, what we have from the Wales Act 2014 is the ability to propose new taxes, and the system is not straightforward, but I've been very keen to test it during this Assembly term. And if you're going to try and test the new machinery, then you need to have an idea that you can use in a practical way to see what proposing a new tax actually involves and what we need to be able to do in order to get the ability to move ahead with it. So, I have been slightly taken aback by the level of interest there's been in all of this. Since July, we had over 300 responses from people in Wales with ideas of how we could use this new possibility, and what I did over the summer was to try and narrow down the ideas to a shortlist of four, with the idea being that now we will work in more detail over those and then try and come to a decision by early in the new year as to which one we might try and test the machinery with. You heard me say the four of them; they are all still there to be debated and discussed.

[364] The biggest idea—and at moment I'm very keen to continue to work on it, but if you were, I think, really, to ask me today, I think my feeling is it's a bit too big an idea to test a new piece of machinery with—is the social care levy that Professor Gerry Holtham has been working on. We're very keen to go on working with him. His expertise is in one particular part of that, as he will tell you. He's very good at having ideas of how you can raise the money you need. He's not an expert on what you would do with the money—what sort of social care services would you want to try and support with that money? If you're going to be, sometime in the future, trying to persuade people in Wales to pay into such a fund, they will certainly want to know what it is that they are getting for their money.

[365] So, there's lots of work to be done on that side of it as well, and as you can imagine, if we were to be able to take that idea forward, there is an interface with the benefits system in particular. There is absolutely no point in us creating a system in which Welsh people will put money in a fund, and when they come to draw it out, the Department for Work and Pensions says, 'Oh well, now that you're getting money from that nice Welsh fund, we'll stop giving you the money through the attendance allowance'—or whatever—'that you would be getting otherwise.' So, there are a lot of detailed discussions to be done, particularly around the benefits system, on that, but I am very keen. It is such a major issue and there's been such a failure, across political parties, really, for well over a decade, to find a long-term solution to the demographic driver of social care costs in the future. If we can help with that, I'm very keen to do it.

[366] **Simon Thomas:** Can Mike just come in on this?

[367] **Mike Hedges:** Very briefly. Of course, some of the other taxes, you're only replicating things that are happening in other parts of the world, aren't you?

[368] **Mark Drakeford:** Look, the other ideas are often drawn from elsewhere, so the vacant land tax idea is already on the statute book in the Republic of Ireland and will start from January of next year. We've been much influenced by the arguments and the work that they've done there, and the tourism tax, which attracted such excitement on Tuesday—

[369] **Simon Thomas:** Only in one corner.

[370] **Mark Drakeford:** —it's an absolutely standard part of the landscape in

many, many, many parts of the world.

[371] **Mike Hedges:** Almost all of Europe.

[372] **Mark Drakeford:** The whole of Europe. You go to New York, you'll be paying a tourism—. Part of the bill will be a local tourism tax, and so on. So, yes, the ideas we're putting forward are in the main stream of ideas elsewhere, and our job is to see whether we can make a benefit from them in Wales that it makes them worth pursuing.

[373] **Simon Thomas:** Just one question on the land bank: would that apply to Welsh Government land as well?

[374] **Mark Drakeford:** A vacant land tax, would it apply to Welsh—

[375] **Mr Jeffreys:** Good question.

[376] **Steffan Lewis:** Nice one, Chair.

[377] **Mark Drakeford:** There we are. It's a good question. Chair, I don't know the answer in the Irish context.

[378] **Nick Ramsay:** That one's off the shortlist. [*Laughter.*]

[379] **Mark Drakeford:** I will ask my officials to find out whether, in the Irish scheme, land held by public authorities and the Irish Government itself is also covered.

[380] **Simon Thomas:** And that's one of the aspects that some parts of Wales will be interested in. There are different views on that in different parts of Wales. It depends on the economic circumstances.

[381] **Mark Drakeford:** Sure.

[382] **Simon Thomas:** Eluned, are you—? Okay. I think it's Steffan next. Steffan Lewis.

[383] **Steffan Lewis:** Just briefly, Chair. If the Cabinet Secretary could talk us through how the draft budget incorporates preventative spend and how that features in this draft budget and how that may or may not differ from last year's budget.

[384] **Mark Drakeford:** Thank you, Chair. Well, again, this year our ability to spend money on services that prevent problems from happening in the future has been a feature of all the discussions we've had. I wonder whether I could just—. Would it be useful if I very briefly explained some of the ways in which we've altered the internal budget process this year, to try and strengthen our ability to attend to preventative requirements and also the Well-being of Future Generations (Wales) Act 2015? Because you will remember me coming here this time last year and explaining that in the time available after an election, we hadn't been able to do everything we wanted to do. So, I have been very keen to strengthen the way that we've done it this year.

[385] So, the budget essentially runs through a series of bilateral discussions that I have with Cabinet colleagues that then get summed up at various points, and then a further round of those discussions. What I did this year was to strengthen the team of people that are in the room by having people from the Welsh Government's well-being of future generations Act team in the room, and an explicit item on the agenda each time on preventative spend and on alignment with the well-being of future generations Act.

[386] I asked the auditor general and, separately, the well-being commissioner, to come in and meet me with me and the heads of budget of all the different departments so that they could explain to us what they would be looking for in the budget as evidence that the Act and preventative measures were making a difference to the decisions that were made. Those were very helpful, I think, in allowing us to understand what we would be expected to do to be able to answer the sort of questions that Steffan Lewis has asked me.

[387] So, I believe that you will see, across the budget, in every portfolio—and, after 24 October, subject committees will be able to explore that in proper detail—but I think you will see, in all those portfolios, ways in which the spending decisions we've been able to make in this budget align with preventative spending and the needs of the Act. I can give you, of course, examples of that in all the different portfolios today. So, the Supporting People agreement that we were able to come to as part of our budget agreement is certainly part of that. The money we were able to find for homelessness services is very much part of that. But the fact that we were able to maintain funding for the foundation phase and the pupil development

grant in education to invest £140 million and more in flood prevention in relation to the rural affairs budget—. The building blocks of the budget—we have done our very best to try and align them with those ways of thinking.

[388] Chair, if I may—. I remember exploring with you last time my own frustration occasionally at the rather slippery nature of the preventative argument. So, I've also had discussions with the third sector group that helps me with budgeting matters, and they are doing a piece of work for us trying to help us to have a slightly more hard-edged definition of what we mean by 'preventative spend' when we have these sorts of discussions. That's been helpful. I've met them once since. They're doing more work on it, and I hope that that will feed into further work in this area in the future.

[389] **Steffan Lewis:** Thank you for that very comprehensive answer, but just to go back to the point on this year's budget process having the well-being of future generations objectives playing more of a central role, I don't expect you to divulge confidences in the internal processes—it's quite right that that remains internal—but I wonder if you could just indicate whether or not you felt that the process change, i.e. featuring the well-being of future generations more prominently in the process, has led to you making different decisions—I mean, maybe not profoundly different decisions, but has it led to different decisions being made on the budget that perhaps wouldn't have occurred otherwise?

[390] **Mark Drakeford:** I think it has had that impact, Chair. As Steffan Lewis has said, and, as Mr Hamilton said on the floor earlier in the week, in the end, the amount of money that is genuinely available to move around in any budget is much, much smaller than it looks at a distance, because so much of what you spend is inevitable spend. So, the idea that you can profoundly change spending decisions in just one year wouldn't stand up to examination. But what we agreed—if this is any help, Chair, to say to you—what we agreed with the commissioner early on is that she would focus her attention on a number of areas. I think she felt that she didn't want just to be trying to hunt the whole budget down to see where differences had been made—that she'd let us know that she would focus on a number of things specifically, and that then helped us, I think, to make sure that, in those discussions—. The things that she was going to focus on—I'm going to see whether I can remember them all: procurement, carbon budgeting, and—

[391] **Ms Davies:** Participation.

[392] **Mark Drakeford:** —participation. So, that helped us, I think, in those internal discussions, to make sure I was asking my colleagues how they would be able to answer those questions from the commissioner when she came to be advising committees and you as well—

[393] **Simon Thomas:** We will be taking evidence from her on this.

[394] **Mark Drakeford:** Yes. Well, I've no idea whether she will say to you that she thinks we've done okay or not, but it was helpful to hear from her what it was that she would be looking for, and that allowed me to focus the minds of my colleagues on those things too.

[395] **Steffan Lewis:** Thank you. Just finally, on the innovate-to-save programme, I wonder whether you could update us on how that is going. It's been in place since earlier this year and, presumably, you've looked at the progress in that and sought to build on that for this budget process.

[396] **Mark Drakeford:** Thank you, Chair. So, Members will recall that, in the last Assembly term, my predecessor, Jane Hutt, asked the Public Policy Institute for Wales to look at the invest-to-save programme, and they wrote a report that broadly gave it a pretty positive account but said that maybe part of the success of invest-to-save was that, over time, it had come to make relatively small 'c' conservative decisions—that it only spent money on those things that it was more or less guaranteed to get its money back. So, there are literally miles of hospital corridors in Wales that have had their lighting improved as a result of invest-to-save, and that technology is much cheaper to run and they save their money in that way. The report said that now was the time to try and find a way of funding some more innovative ideas, explicitly saying that, if you did that, you would lose money somewhere. In invest-to-save, when they wrote the report, we'd never lost a penny. Every penny that had gone out in invest-to-save in that report had always been repaid, or was on the way of coming to be repaid, and it said, if you're going to be more experimental and innovative, you can't guarantee that that will happen.

12:00

[397] So, we created the £5 million innovate-to-save fund back in February. We set out a call for proposals. We had 50 proposals in by 23 May, and then we have brought together—because this was another recommendation of that report, that, if you are going to have innovative programmes, as well as

money, you needed expertise. So, we have put together contributions from Nesta, from Y Lab in the university in Cardiff and from the—I want to say WLGA, but it's not that, it's the WCVA—Wales Council for Voluntary Action to provide a sort of support service to those schemes. So, they help them all. Of the 50, we had gone down to eight by July of this year, and those eight are now having more intensive help to try to develop their proposals further. We think that we are going to be able to support another round of innovate-to-save proposals in January of this year coming.

[398] So, it's early days, and we don't know how many of those eight will turn into innovations where there are cashable savings that you can see, but they are a mixture, Chair, of public bodies—so the Welsh ambulance service has one project amongst the eight—right down to quite small third sector organisations. So, there's a good mix with lots of very exciting ideas. I had a really nice couple of hours one morning going to meet all eight of them in an event just across the way here. It is occasionally good for the soul to spend time with people who are really committed, really keen, bubbling up with the sense that they've got a new idea here that they think can make a real difference.

[399] **Simon Thomas:** I'm sure that's no reflection on your Cabinet colleagues whatsoever.

[400] **Mark Drakeford:** Apart from when I come here. [*Laughter.*]

[401] **Steffan Lewis:** Please give them my number.

[402] **Mark Drakeford:** It's always good for the soul.

[403] **Simon Thomas:** This might be an opportunity for me to clarify something, because you mentioned flood prevention and the spending in the environment and rural affairs budget, and you've also clarified to the committee some of the proportions this morning, because I think, though the sums are correct in the budget document, the actual percentages are slightly wrong.

[404] **Mark Drakeford:** Yes, apologies.

[405] **Simon Thomas:** One of the things that draws immediate attention there is—let's get the right version—a 13.95 per cent reduction, year-on-year change, in the environment and rural affairs main expenditure group.

However, some of the detail in the budget talks about a transfer into local government around that. Can you just clarify what's happened, then, so people understand that perhaps that's not quite what it seems at the initial look?

[406] **Mark Drakeford:** Thank you, Chair. I'm very glad to do that, because that looks, on the surface, like a significant reduction, but what actually underlies it is a £35 million, if I've got that figure right, transfer into the revenue support grant of money that was previously in a specific grant for waste.

[407] **Ms Davies:** The single revenue grant that sat within the environment and rural affairs portfolio—

[408] **Simon Thomas:** So, you've un-ring-fenced it, in effect, and given it to local government. Is that correct?

[409] **Mark Drakeford:** And that's part of a more general approach in this budget, because what we're able to do for local government is challenging in terms of the amount of money we're able to pass their way. I've tried to listen as attentively as I can to the messages from colleagues in local government about how, if we were to give them some of the money we give them with fewer strings attached to it, it would allow them to make better use of that money: it would give them some extra freedoms; they could make the money go further. I've tried to take that message seriously. I've worked with Cabinet colleagues to try and move money out of some of the very carefully policed specific grants into the RSG, and that's a very good example of that.

[410] **Simon Thomas:** My arithmetic isn't good enough—it's reasonable, but it's not good enough, quite, to redo the figures, but even £35 million—it still means a fairly substantial year-on-year cut in that particular main expenditure group. Are there any other reasons for that?

[411] **Ms Davies:** In 2018–19, if you removed the transfer that's going in, the reduction in that year is closer to 1.5 per cent. Just to illustrate the difference that that transfer makes.

[412] **Mark Drakeford:** So, real terms, you know, money that's actually not there, rather than money that's gone somewhere else and is still being used for that purpose.

[413] **Simon Thomas:** Okay, thank you for clarifying that. David Rees.

[414] **David Rees:** Thank you, Chair. I've got roughly three questions and I hope the committee indulges me in being more parochial in the first question. Clearly, your budget announcement highlighted £30 million to Tata. Can I just clarify, because you were asked this, but I didn't get the impression that I got clarification, is that in addition to the £60 million that was announced previously and is that £60 million being carried over into this financial year? What actions are we going to be taking—if possible, clawback—and are there any conditions linked into the investment committed by Tata to ensure that the plant stays viable?

[415] **Mark Drakeford:** Chair, the background to this, very briefly, is that, back in the beginning of 2016, at a point when steel making in Port Talbot and other parts of Wales was under very severe threat, the Welsh Government put some money on the table to try and support the future of the plant. In the event, that money was not needed during the last financial year and, let me do my best to be as fair as possible, with some very good co-operation from the Treasury, they allowed us to carry that money forward into this year, over and above what we would normally have been able to do.

[416] Part of that original arrangement was £60 million to support Tata, £30 million of which was for a power plant. And, what the budget agreement with Plaid Cymru does is to confirm that that £30 million for the power plant will be available once we finally conclude the detailed discussions with Tata over that £60 million package as a whole. Because, terms of trade, you can assume, will have altered considerably, and my view—and, I know, the view of the Cabinet Secretary concerned—is that if £60 million-worth of public money is being made available to any company, the Welsh taxpayer needs to know that that company is going to give us a return on that in terms of long-term investment in that site. So, I'm told we're in the final stages of getting all that nailed down, and that money will then be released, hopefully this year.

[417] **David Rees:** Okay. Thank you for that. In relation to the general budget, obviously, Brexit has taken this position in our activities at this point in time, and your own chief economist has highlighted the uncertainty that may come in the economy as a consequence of Brexit. What consideration, in the preparation of this budget and the 2019–20 budget, have you given to the impact that Brexit may have as a consequence of those uncertainties?

[418] **Mark Drakeford:** Chair, I think, in some ways, the answer lies at both ends of a very wide spectrum. At one end of the spectrum, there is £2 million next year and £3 million the year after, as part of the agreement with Plaid Cymru, which is new money, to help with Brexit impacts. That will be to try and assist businesses in Wales to look to find new markets, to be able to do more overseas in terms of trade and so on. So, in the grand scheme of things, in a relatively modest sense, we are making that specific preparation.

[419] At the other end of the spectrum, one of the real challenges in trying to craft this budget is that we don't have a new comprehensive spending review. So, one of the reasons why I'm only able to lay a two-year revenue budget is that, for the year after that, we don't have figures yet from the UK Government as to what the spending envelope for the Welsh Government is likely to be.

[420] Part of the reason why I think we have not had a comprehensive spending review following June's election is the difficulty that the UK Government faces in trying to come up with a set of reliable figures for that year because of the Brexit impact. There's a very wide variety of views, no doubt, in this room about what that impact in that year may be, but trying to corral it into a set of specific figures is a real challenge. But it then becomes a real challenge for us, because, not very far away from here at all, we have a very wide degree of uncertainty as to the level of funding that budgets for Welsh public services will be made within.

[421] **David Rees:** Can I just ask: are you preparing any modelling in readiness for, perhaps, looking at how it will impact?

[422] **Mark Drakeford:** We do. There are tables in the budget narrative, for example, that go on beyond these two years and show what things might be like, but I don't think we have any better ability than anybody else to be able to model, other than showing you models where the range of possible outcomes is so wide that they don't give anybody certainty to plan.

[423] **David Rees:** And just a third point, last year, we highlighted the importance of linking the budget to the programme for government. The programme for government was laid in September last year, so I understand the possibility that, last year, there was more difficulty in doing it. You've had a year since. You accepted our recommendation in principle that documentation should do that. Are you in a better position now to actually

give us a better indication as to how this budget meets the programme for government?

[424] **Mark Drakeford:** Very briefly, Chair, 'Prosperity for All', which is the latest emanation of the programme for government, identifies five priority areas, and those priority areas helped shape the budget. They were part of our budget discussions. So, 'Prosperity for All' says, for example, that housing is one of the five priority areas, and you'll have seen that I've released money into Carl Sargeant's MEG, £1.4 billion, to enable him to achieve the 20,000 affordable homes target. Better mental health is a second of the five priorities. There is £20 million in both of the years of the health budget, the £230 million, the £220 million—£20 million of that is earmarked as part of our agreement for mental health purposes. Early years is one of the five priorities, and I'm able to provide £25 million next year and £25.5 million in 2019–20 to go on raising school standards. So, the priority areas, from the programme for government and through 'Prosperity for All', every one of them is aligned with the budget and every one of them has investments to try and allow us to do more.

[425] **David Rees:** Does the documentation actually demonstrate that to us, or is that still something you'll be working on?

[426] **Mark Drakeford:** I think, if you look at chapter 4—I hope I've remembered that right—of the budget narrative, you will see that set out in a lot more detail than I've been able to provide this morning.

[427] **Simon Thomas:** We're coming towards the end, but I know that Neil Hamilton has a couple of questions.

[428] **Neil Hamilton:** I'd like to ask some questions about the potential impact of welfare reform on Welsh Government spending. One can understand why the Chancellor and spending Ministers in this area want to simplify the benefits system and integrate benefits, but the overall impact of the introduction of universal credit is going to mean that there are far more households that are worse off as a result of its introduction than will be better off. I think the figures are that 2.5 million will be worse off and 1.7 million better off. This offers, I should have thought, an even greater challenge in Wales than in other parts of the United Kingdom, because income levels in Wales are so much lower than elsewhere. So, I wonder if you could expand a bit on what you've said already about the budget allocations that you've made to reduce the key areas of inequality in Wales.

[429] **Mark Drakeford:** Thank you, Chair, for that, and just to say, I entirely share those anxieties about the impact of the roll-out of universal credit. I'm afraid some of the things that we've heard from the DWP about people being able to get some small money upfront to tide them over—six whole weeks of going without money—really, it doesn't measure up to the impact of those changes. The amount of money that has been taken out of the poorest communities in Wales as a result of welfare benefit cuts has a direct impact on Welsh public services. It drives people through the door of public services, because they simply aren't able to manage in the way that they would have been able to otherwise.

12:15

[430] So, we go on trying to use the approach we've had for almost the whole of the devolution period, really, which is to use the social wage to do things through what public services are able to do that frees up money in people's pockets otherwise. So, the fact that council tax itself remains well below the level in England means that there's more money in people's pockets—the £244 million I mentioned earlier, Chair. That means that people in the most difficult part of the spectrum don't have to pay money for their council tax in Wales. The fact that we have free prescriptions in Wales. The fact that our advice services, last year, raised over £12 million in additional benefits for people.

[431] We try and use the money we have got to mean that there is more money left in the pockets of those people who are affected by those changes, and then to allow them to manage a little bit better. But it is mitigation. It's mitigating the impact of those things. So, the fact that over this summer holiday just gone, the roll-out of the school holiday enrichment programme has meant that families who really struggle to feed children when there are no free school meals over the holiday period have been able to come into school and to take part in a range of activities, but to be fed at the same time. That's a new part of our budget and it got quite a lot of attention over the summer, given that Wales is the only part of the United Kingdom to have that in a concerted way.

[432] And the £1 million for the discretionary assistance fund: in the grand scheme of things, it's a small sum of money, but the people who I see in my surgeries whose washing machine has broken down and who have a health condition that means that they've just got to be able to wash bedsheets and

other things really regularly, and have no savings at all, they've got nowhere to go when something like that happens. At least the discretionary assistance fund in Wales means that there's somewhere where you can go to try and assist them. Again, it's part of a social fabric that we are trying to continue to knit together in Wales so that the impact of the reductions that Mr Hamilton referred to can be less awful than they otherwise would be.

[433] **Neil Hamilton:** I was impressed by the way in which the Government decided to scrap the Communities First programme, and honest enough to say that they were unable to evaluate properly the degree to which it had succeeded in its objectives, and also by its decision to move to a more whole-Government approach to dealing with the issues that need to be tackled. So, I wonder if you could expand also upon that aspect of spending in the period of this draft budget and how the difference in approach, you think, is likely to be more successful than its predecessor.

[434] **Mark Drakeford:** Well, what I've been able to do in this budget, Chair, is to find £14.7 million, I believe the figure is, in additional capital investment for the communities and children MEG to invest in community facilities, so that where we're unable to go on directly supporting some of the Communities First activity that we weren't able to demonstrate was having the benefit we'd hoped it would, there still will be an infrastructure there in those communities so that people can still come together and act collaboratively to try and make a difference in the communities that they serve.

[435] Because while we've had to make that difficult decision about Communities First, we do know very certainly that, at the community level, the things that Communities First was supporting were well recognised and often valued. So, not being able to continue to support all of that in the future, I wanted to have some other way in which we could continue to build the capacity of communities themselves to go on making a difference. So, the extra capital—

[436] **Ms Davies:** Just to say, it's £14.9 million.

[437] **Mark Drakeford:** It's £14.9 million—sorry, I undersold myself briefly there—£14.9 million additional money for the MEG to be able to do that. And then, to answer the broader question, absolutely, the whole intent of 'Prosperity for All' is to try and make sure that we draw together the different threads of Government activity so that the community could have more of an

impact than if they had just been stand-alone. And you see that in the Valleys taskforce and you see it in 'Prosperity for All'. It's the holy grail of Government, I know, always to try to join up the different bits of our activity, and we will continue as a Government to try and do better in that area than we have in the past.

[438] **Simon Thomas:** Can I just ask you to make this your final question, because I know—? They're perfectly appropriate questions, I just know the Minister's under pressure of time.

[439] **Neil Hamilton:** Yes, of course. My final question is really about public sector pay and what assumptions you've factored into your budget on that.

[440] **Mark Drakeford:** Thank you for that because the assumptions I have built into the budget are the assumptions that the Treasury has made in funding the Welsh Government. So, it assumes there will be a 1 per cent increase in public pay. It gives me the money to fund that, and I have made that assumption. The position of the Welsh Government—I've raised it many times—is that we call on the Government to lift the pay cap. We want to see public sector workers properly paid here in Wales, but it would be, Chair, the greatest fraud of all if the Chancellor were to announce in November that he has lifted the pay cap, and then provides no money at all for me to be able to fund it, because that's not lifting the pay cap at all. An extra 1 per cent in the pay bill in Wales is £100 million. It's £50 million in the health service alone. And if a pay cap is to be lifted, but with no funding to do so, then that will simply have an impact elsewhere in the system on jobs and on services.

[441] **Simon Thomas:** I apologise we didn't have any more time, but, obviously, you'll be back at the end of the process as well, and that's given us some lines of inquiry for our ongoing inquiry. There might be one or two things we didn't have a chance to ask, so we can write to you to pick those out. But, with that, just to thank you—.

[442] **Diolch yn fawr iawn i chi, ac** Thank you very much, and we look
edrychwn ymlaen at y dull newydd forward to this new approach to
yma o graffu ar y gyllideb hefyd. budget scrutiny as well.

[443] **Mark Drakeford:** **Diolch yn** **Mark Drakeford:** Thank you very
fawr. **much.**

[444] **Simon Thomas:** **Rydym yn dal** **Simon Thomas:** We can still go back

yn gallu mynd yn ôl i gyfarfod preifat into private session now, following
nawr, yn sgil y cynnig gynnau fach. the previous motion. So, back to
Felly, *back to private session.* private session.

Daeth rhan gyhoeddus y cyfarfod i ben am 12:22.

The public part of the meeting ended at 12:22.