



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

28/06/2016

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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 UKIP Cymru (yn dirprwyo ar ran Mark Reckless)
[Bywgraffiad](#) | [Biography](#) UKIP Wales (substitute for Mark Reckless)

Mike Hedges Llafur
[Bywgraffiad](#) | [Biography](#) Labour

Jeremy Miles Llafur
[Bywgraffiad](#) | [Biography](#) Labour

Adam Price Plaid Cymru
[Bywgraffiad](#) | [Biography](#) The Party of Wales

Nick Ramsay Ceidwadwyr Cymreig
[Bywgraffiad](#) | [Biography](#) Welsh Conservatives

Simon Thomas Plaid Cymru (Cadeirydd y Pwyllgor dros dro)
[Bywgraffiad](#) | [Biography](#) The Party of Wales (interim Chair)

Eraill yn bresennol
Others in attendance

Mark Drakeford Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros
[Bywgraffiad](#) | [Biography](#) Gyllid a Llywodraeth Leol)
 Assembly Member, Labour (The Cabinet Secretary
 for Finance and Local Government)

Matt Denham Jones Dirprwy Gyfarwyddwr, Rheolyddion Cyllid,
 Llywodraeth Cymru
 Deputy Director, Financial Controls, Welsh
 Government

Gawain Evans Cyfarwyddwr, Cyllid, Llywodraeth Cymru
 Director, Finance, Welsh Government

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

Leanne Hatcher	Ail Glerc Second Clerk
Gareth David Thomas	Y Gwasanaeth Ymchwil The Research Service
Joanest Varney- Jackson	Legal Services Gwasanaethau Cyfreithiol

Dechreuodd y cyfarfod am 10:00.

The meeting began at 10:00.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Simon Thomas:** Bore da, bawb, a chroeso felly i aelodau'r pwyllgor i'r cyfarfod cyntaf o'r Pwyllgor Cyllid yn y pumed Cynulliad. Diolch i bawb am gytuno i drefnu'r cyfarfod yma ar fyr rybudd, a diolch i'r Gweinidog am hynny hefyd.

[2] Jest cwpwl o bethau o ran trefn i ddechrau: mae clustffonau i gael ar gyfer gwasanaeth cyfieithu ar y pryd; mae cyfieithu ar y pryd ar sianel 1, os oes ei angen, ac, wrth gwrs, ceuwch glywed a chodi'r llais gwreiddiol, fel petai, ar sianel 0. A wnewch chi'n siŵr bod y ffonau symudol ar 'dawel' o leiaf? Nid ydym yn disgwyl unrhyw fath o brawf larwm tân, felly, os bydd larwm tân, dilynwch y tywyswyr yn y ffordd ddiogel. Ac rydym wedi derbyn ymddiheuriad gan Mark Reckless, ac, felly, croeso i Neil Hamilton yn ei le. Rwyf hefyd yn deall bod Eluned

Morgan wedi ymddiheuro ar gyfer y pwyllgor. Ar ddechrau'r cyfarfod, mae cyfle hefyd i unrhyw un, os ydyn nhw am wneud, i ddatgan buddiannau—nac oes, ar y mater yma.

meeting, there is an opportunity for anyone to declare any interests. No, not this time.

10:01

**Cyllideb Atodol Gyntaf Llywodraeth Cymru 2016–17: Sesiwn
Dystiolaeth
Welsh Government First Supplementary Budget 2016–17: Evidence
Session**

[3] **Simon Thomas:** Ac, felly, awn ymlaen at fusnes y cyfarfod, sef craffu ar gyllideb atodol gyntaf Llywodraeth Cymru ar gyfer 2016–17. Croeso i'r Gweinidog newydd, ac rwy'n dymuno'n dda iddo fe yn ei swydd yntau. Os caf i ofyn i chi, Weinidog, i gyflwyno eich hunan a'r staff sydd gyda chi.

Simon Thomas: And, so, we'll move on to the business of the meeting, which is scrutiny of the Welsh Government's first supplementary budget for 2016–17. Welcome to the new Minister and I wish him well in his new post. If I could ask you, Minister, to introduce yourself and the staff that you have with you.

[4] **Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol (Mark Drakeford):** Diolch yn fawr, Gadeirydd. Mark Drakeford ydw i, Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol. Gyda fi bore yma mae Gawain Evans, cyfarwyddwr cyllid Llywodraeth Cymru, a Matt Denham Jones, dirprwy gyfarwyddwr rheolyddion cyllid Llywodraeth Cymru.

The Cabinet Secretary for Finance and Local Government (Mark Drakeford): Thank you very much, Chair. I am Mark Drakeford, Cabinet Secretary for Finance and Local Government. With me this morning is Gawain Evans, finance director, Welsh Government, and Matt Denham Jones, deputy director financial controls, Welsh Government.

[5] **Simon Thomas:** Diolch, Weinidog, neu Ysgrifennydd, yn hytrach, ac, os ydych chi'n hapus, fe wnawn ni fwrw ymlaen yn syth gyda'r

Simon Thomas: Thank you, Minister, or rather, Cabinet Secretary, and, if you're happy, we'll press on with the questions.

cwestiynau.

[6] **Mark Drakeford:** Wrth gwrs. **Mark Drakeford:** Of course.

[7] **Simon Thomas:** Rwy'n meddwl bod pawb yn barod ar gyfer hynny. A gaf i ofyn yn gyntaf: rydym yn gweld yn ystod y gyllideb atodol, yn ogystal â symud arian o gwmpas oherwydd newid yn y cyfrifoldebau gweinidogol, mae yna bethau penodol rydych chi'n eu gwneud yn sgil rhai penderfyniadau ers y gyllideb ddiwethaf. Un o'r rheini yw Ardal Fenter Glannau Port Talbot. Rydych chi wedi dyrannu £1.5 miliwn ar gyfer rhyddhad ardrethi yn yr ardal yna. A fedrwch chi esbonio i'r pwyllgor beth yw'r meddylfryd y tu ôl i hwnna, a beth yw'r pwrpas y tu ôl i'r penderfyniad hwnnw?

Simon Thomas: I think everyone's ready for that. Could I ask you first: we see in this supplementary budget, as well as moving money around because of a change in ministerial responsibilities, there are specific things that you're doing in the wake of some decisions since the last budget. One of those is the Port Talbot Waterfront Enterprise Zone. You've allocated £1.5 million in business rates relief for that enterprise zone. Could you explain to the committee what the thinking behind that is, and what purpose lies behind that decision?

[8] **Mark Drakeford:** Wel, diolch yn fawr, Gadeirydd, a gwell i mi ddechrau jest drwy ddweud gair am yr hanes y tu ôl i'r penderfyniad yna. Fel y bydd aelodau'r pwyllgor yn cofio, yn ôl ym mis Ionawr, roedd Tata yn dweud eu bod nhw'n mynd i dorri lawr ar nifer y bobl yn gweithio yn y *plant* ym Mhort Talbot. Ym mis Mawrth, gwnaeth Edwina Hart, fel Gweinidog yr economi ar y pryd, gyflwyno, trwy ddatganiad ysgrifenedig, nifer o bethau roedd hi'n tynnu at ei gilydd i drio helpu gyda'r sefyllfa a oedd wedi codi ym Mhort Talbot.

Mark Drakeford: Well, thank you very much, Chair, and I will start by just saying a word about the history behind that decision. As members of the committee will remember, back in January, Tata said they were going to cut back on the number of people in the plant in Port Talbot. In March, Edwina Hart, as the Minister for the economy at the time, introduced, through a written statement, a number of issues that she was bringing together to try and assist the situation that had arisen in Port Talbot.

[9] The business rate relief scheme was part of that wider pattern of measures that she announced that day. The purpose behind it, as I recall her

saying, was to draw on the history of successful measures taken in other enterprise zones in Wales, in which measures to make the position of existing businesses within the zone more secure and more likely to be able to expand and to attract other businesses to locate within that locality. That case would have been put to the finance Minister of the time, and an allocation for that purpose would have been agreed by her.

[10] **Simon Thomas:** Fel rydych chi'n dweud, mater brys oedd e; ymateb i sefyllfa a oedd yn ymddangos yn argyfwng ar y pryd, ac sydd wedi gwaethygu ers hynny, wrth gwrs. Ond, ym mha ffordd rydych chi'n gallu sicrhau bod y dyfarniad yna yn un addas, drwy drafod gyda busnesau lleol, ac, felly, yn darparu gwerth am arian o'r £1.5 miliwn rydych chi wedi'i osod o'r neilltu?

Simon Thomas: As you say, this was an urgent issue; responding to a situation that appeared to be a crisis at the time, and which has, of course, deteriorated since then. But, in what way can you ensure that that allocation is an appropriate one, by discussing with local businesses, and, therefore, is providing value for money for that £1.5 million that you've set aside?

[11] **Mark Drakeford:** Mae diddordeb gyda'r Gweinidog dros gyllid mewn cael effaith o'r arian rydym yn ei roi i'r pwrpas, ond mae'r manylion yn cwmpo i'r Gweinidog sy'n gyfrifol am y polisi. Fel rwy'n cofio, Edwina Hart—

Mark Drakeford: The finance Minister has an interest in ensuring that there is an impact as a result of the money that we allocate for the purpose, but the details fall on the Minister who's responsible for the policy. As I remember, Edwina Hart—

[12] **Simon Thomas:** Ond fel y Gweinidog nawr dros gyllid, a ydych chi'n fodlon bod hwn yn ddyraniad digonol ar gyfer y pwrpas a'r angen a oedd yn cael eu gweld ar y pryd?

Simon Thomas: But as the current Minister for finance, are you satisfied that this is an adequate allocation for the purpose and the need identified at the time?

[13] **Mark Drakeford:** Fel y Gweinidog cyllid, rwy'n cadw llygaid ar beth sy'n mynd ymlaen. Ac rydych yn cofio, rwy'n siŵr, roedd Ken Skates yn sôn, ar lawr y Cynulliad yr wythnos diwethaf, am y sefyllfa ddiweddaraf ynglŷn â'r cynllun yma. Maen nhw wedi hysbysebu'r cynllun,

Mark Drakeford: As the finance Minister, I keep an eye on what is going on. You remember, I'm sure, that Ken Skates mentioned, on the floor of the Assembly last week, the latest situation regarding this scheme. They've advertised the scheme, they've been in touch with

maen nhw wedi bod mewn cysylltiad over 200 businesses located in the
 â mwy na 200 o fusnesau yn yr ardal, area, in order to be clear with people
 i fod yn glir gyda phobl am y cynllun about the new scheme. They've
 newydd. Maen nhw wedi cyhoeddi'r announced the timetable—they're
 amserlen—trio cael popeth i mewn trying to get everything in before the
 cyn diwedd mis Medi nesaf. Ac, yn y end of next September. And, in the
 gwaith rydw i'n ei wneud, rwy'n cadw work that I'm doing, I'm keeping an
 llygad ar beth sy'n bwrw ymlaen, ar eye on what's going on, regarding
 yr effaith. Ond yn nwylo y Gweinidog the impact. But the detail is in the
 sy'n gwneud y gwaith bob dydd y hands of the Minister doing the work
 mae'r manylion. every day.

[14] **Simon Thomas:** Ocê. Diolch, **Simon Thomas:** Okay. Thank you,
 Weinidog. Nick Ramsay. Minister. Nick Ramsay.

[15] **Nick Ramsay:** Thanks, Chair. I think the concern of the committee on
 this is that we've had the transition between the Assemblies, and, obviously,
 now we are faced with this supplementary budget. I'm not averse, actually, to
 relief going to Port Talbot, because of the problems there, Minister, but I
 think we do need to be absolutely sure that that £1.5 million is actually going
 to achieve what is required, and isn't just wind—it's not just the Government
 saying, 'Look, have this money, we've done something to help you, and now
 it's up to you'. Will this actually make a difference? How confident are you?

[16] **Mark Drakeford:** Well, I do feel confident that it will make a difference.
 As I said, when Edwina Hart made her statement in March, this was one
 strand in a much wider package of measures to try and help mitigate the
 impact of job losses that had been announced in the January. In doing that,
 she said that she was drawing on the history of successful interventions
 elsewhere, in other enterprise zones, where there was evidence that a relief
 scheme of this sort did assist existing local businesses to deal with the
 circumstances they now found themselves in, to be in a better position to
 expand, and to take on workers where labour was available, but, also, in
 making the area additionally attractive to other businesses to locate. But it is
 one strand in that wider pattern. The evidence for it is good from other
 places, and the evidence of success will only be judged, in reality, as the
 scheme is rolled out. And, as I said, Ken Skates last week answered a
 question in setting out the timetable for that and the actions that are being
 taken.

[17] **Simon Thomas:** Okay. Neil Hamilton.

[18] **Neil Hamilton:** I'm all for tax reductions, of whatever kind, for business. But, have you done any background work, on the basis of evidence from other schemes, on how much per job created, or saved, this money will achieve? You said £1.5 million, and how many jobs do you think will exist that wouldn't have existed otherwise?

[19] **Mark Drakeford:** I think that it's just important for me to try and keep this distinction clear, Chair. I am not the Minister responsible for this scheme. The Minister responsible is the Minister for the economy, who made the original statement. Some of the detail of that will be for that Minister. I'm sure we can try and secure the information that the Member is looking for, and I'm very happy to make sure that the Government provides what information we have. But, I think the principle behind the question is whether there was evidence to support the course of action, and the Minister at the time was very clear that, in drawing the package together, she was basing her decisions on evidence of what had been successful elsewhere.

[20] **Simon Thomas:** Adam.

[21] **Adam Price:** Yes, just following on that point, really, would you accept that, actually, as a general principle, having an evidence-based approach to policy, but also, of course, in your role as finance Minister, is absolutely essential? So, is there a commitment, going forward, from the Government, in producing its financial proposals and other policy proposals, that we will have evidence presented as well that actually sets out the rationale for these interventions?

[22] **Mark Drakeford:** Well, we certainly aspire to be an evidence-informed Government, and all the policies that we take forward, and all the decisions that are made about spending allocations, are rooted in the best evidence that we can secure to make sure that the impact of the spending we make is maximised.

[23] **Adam Price:** The evidence so far, as far as I'm aware, in terms of enterprise zones has been mixed. Certainly, there has been some discussion about disappointing results in some of the enterprise zones. So, could we have a review from the Government of the story so far in terms of the enterprise zones so that we can have that evidence base that the Minister has just outlined?

[24] **Mark Drakeford:** Well that really is a question for the Minister responsible for enterprise zones.

[25] **Simon Thomas:** You will provide a little extra information if possible.

[26] **Mark Drakeford:** In relation to the question Mr Hamilton asked about what specific evidence there is on cost per job and so on—whatever we have on that, we'll make sure we put together.

[27] **Simon Thomas:** Ocê. Diolch yn fawr. A allwn ni symud ymlaen i gwestiwn Neil Hamilton yn awr?
Simon Thomas: Okay. Thank you. Can we move on to Neil Hamilton's question now?

[28] Your question, Neil.

[29] **Neil Hamilton:** I'd like to ask a question about the supplementary budget in relation to the Higher Education Funding Council for Wales. In the supplementary budget, there's an additional allocation of £10 million for this line of expenditure. In the final budget, it's supposed to be allocated to £5 million for part-time provision and £5 million for research. Can you confirm that that's still the intention of how this extra will be spent? The second question related to that is: can you explain why it was necessary to delay this decision to the supplementary budget rather than having it included in the original one?

[30] **Mark Drakeford:** Yes. Thank you for both those questions. Yes, I can confirm that the Minister for Education, in her remit letter to HEFCW, has identified this £10 million and has allocated it in the way that the Member just set out—£5 million to support part-time students and £5 million to support research. So, the money has flowed through the system in the way intended.

[31] Why does it appear in this supplementary budget rather than a final budget? Well, Members who were here certainly will recall that the budget-making timetable last year was an unusual one because of the very late nature of the comprehensive spending review, which did not publish until December, which had a material effect, therefore, on Welsh Government budgets for the future. Our draft and final budgets were much later in the financial year than would normally be the case because of that. This particular issue emerged between the draft and the final budget. At the time, the finance Minister of that time was explicit in saying to the Assembly that

the £10 million would be funded through money carried forward from the last financial year into this financial year. That was confirmed in the documentation that was published alongside the final budget last year, and it now appears in this first supplementary budget in exactly the way that the finance Minister said it would at the time.

[32] **Neil Hamilton:** Thank you.

[33] **Simon Thomas:** Okay. Diolch yn fawr. Jeremy Miles.

[34] **Jeremy Miles:** Can we turn to the annually managed expenditure and, in particular, the question of the provision in there for student loans? You have an increase in the resource provision of a little over £8 million and a decrease in the capital provision of a little over £35 million. Could you explain a little bit the reason for the changes and the forecast in particular?

[35] **Mark Drakeford:** Chair, I'll do my best. I almost certainly will ask either of my officials to give you some of the detail—

[36] **Simon Thomas:** Feel free to do so.

[37] **Mark Drakeford:** Thank you. [*Laughter.*]

[38] **Nick Ramsay:** In at the deep end. [*Laughter.*]

[39] **Mark Drakeford:** Annually managed expenditure, as you know, is inherently volatile. That is why it is managed on this annual basis. The money that is provided to support student loans is inherently volatile. The figures are collated on a monthly basis but are reported twice a year in a consolidated way to the Treasury so that annually managed expenditure can be agreed through the system. As I understand it, the student loan provision is volatile because student numbers go up and down; the money you hand out is balanced by the money you're getting back in through repayments and repayments go up and down; and, this year in particular, for the first time, there is the first year of a revised system of part-time loans for students, which, additionally, makes the system volatile. So, the system's inherently volatile; that's why it's done in this way. Numbers coming into the system, repayments and changes in the nature of student support all contribute to that volatility and lie behind the figures that are reported in the supplementary budget. But I'm very happy to ask either—. I'm not sure who would prefer to—.

[40] **Mr Evans:** I'll start. As the Minister said, it is based on a forecasting tool. We use the model that the Department for Business, Innovation and Skills use in England. There are many parameters; the Minister has laid out a number. But even to the extent of we'd have to look at future forecasted income from graduates, base rates, RPI, inflation—they all factor into this model.

[41] It is an extremely complicated model, as you can imagine, and, because of that, the Wales Audit Office pay particular attention to it at the end of the year and they audit it quite thoroughly. And then we agree an explanatory note that goes into the accounts at the end of the financial year, which lays out all these factors and explains what parameters are driving the changes in-year.

[42] **Jeremy Miles:** Great, thank you.

[43] **Simon Thomas:** A gaf i jest ofyn un peth penodol, felly? A oes yna unrhyw beth yn y newidiad yma rŷch chi'n gofyn amdano yn y cyllid atodol sy'n deillio'n uniongyrchol o newid polisi gan y Llywodraeth? Roeddech chi'n sôn am wahaniaeth ynglŷn ag ariannu myfyrwyr rhan amser—

Simon Thomas: Can I just ask one specific thing? Is there anything in this change that you're asking for in the supplementary budget that stems directly from a policy change by the Government? You mentioned a difference between funding part-time students—

[44] **Mark Drakeford:** Ie, rhan amser.

Mark Drakeford: Yes, part-time.

[45] **Simon Thomas:** —felly, mae hynny'n newid polisi gan y Llywodraeth, onid ydy? Ac mae wedi arwain at ryw angen fan hyn am newid yn y gyllideb hefyd.

Simon Thomas: —so, this is a policy change by the Government, isn't it? And it has led to some need here for a change in the budget as well.

[46] **Mark Drakeford:** Mae hynny'n un o'r ffactorau sydd y tu ôl i'r ffigurau yr oedd Jeremy Miles yn cyfeirio atynt, ie, ond dim ond un peth. Mae lot o bethau eraill sydd y

Mark Drakeford: That's one of the factors behind the figures that Jeremy Miles referred to, but that's just one thing. There are many other things that are behind the figures as

tu ôl i'r ffigurau hefyd.

well.

[47] **Simon Thomas:** Ocê, diolch. **Simon Thomas:** Okay, thank you.
Nick Ramsay. Nick Ramsay.

[48] **Nick Ramsay:** Diolch. Minister, the supplementary budget allocates £7.7 million to cover the costs of the Assembly elections held last month—it seems a long time ago, now—how confident are you that this estimate is a reflection of the true cost of the Assembly election?

[49] **Mark Drakeford:** I thank Nick for that. He's right to say that the figure is still an estimate at this stage. About half of it—just over half of it, actually; £4 million—however, is a fixed figure, because that is the cost that the Royal Mail charges for distributing election literature. So, we know that figure. So, although it's an estimate, £4 million of it we are completely confident of. The remaining part of the £7.7 million is the money that we make available to returning officers for running elections in their localities. How is that figure derived? Well, it's a combination of things. What we essentially do is look back to the previous election, 2011, to see what the final cost of that was and then adjust that for inflation in the meantime.

[50] The second thing that happens is that any particular circumstances of the election that the provision is being made for are taken into account as well. So, there was a significant difference between the election last month and the election of 2011, which is that police and crime commissioner elections took place on the same day. The Home Office is responsible for the costs of those elections, but we worked with the Home Office to try and reduce their costs and ours—for example, by using a single hall for both elections, having the same staff there looking after both elections. The £7.7 million is less than the election of 2011 cost, and that reduction is as a result of some cost sharing with the Home Office to try and contain the costs for both of us.

[51] **Nick Ramsay:** I think people will be eternally grateful they didn't have to go to a separate hall to vote in the police and crime commissioner elections as well. I should correct myself as well, Minister; you're not a Minister, are you? You're a Cabinet Secretary now—old habits die hard.

[52] I appreciate these are still estimates, but, leaving the police and crime commissioner elections aside, how do you think the costs of this Assembly election compare to the previous one? Are they going up, taking into account

inflation, over time, or are they going down as we get more used to holding them?

[53] **Mark Drakeford:** I think there will be some modest increase, inevitably, in inflation: pay for staff five years later will be a bit more than it was five years earlier and so on. The National Assembly for Wales places a cap on the expenditure of returning officers. So, we know our maximum liability, because they can't spend above it, but we work with them to try and make the administration of the elections as cost-effective as we can. And, as I say, this year we had the advantage in that way of being able to work with the Home Office to try and mitigate costs from both sides.

[54] **Nick Ramsay:** And, given that it was known when the election would be at the time of the draft and final budgets for 2016–17, can you explain why you've made the allocation for election costs in this supplementary budget?

[55] **Mark Drakeford:** Well, Chair, I guess the answer is partly in the original question that Nick asked, because you asked me then about how accurate the estimates were. It is easier to be accurate when you're estimating the costs of something that has happened, rather than when you're trying to do it prospectively. As I understand it, this is how the costs of the 2011 election were reported to the National Assembly—you wait till they're done, you try and be as certain of the costs as you can be, and you put them into the supplementary budget. They're not concluded; it may be another six months before the very final bills come in from returning officers and so on. If there is a material difference, we'll report it in the second supplementary budget that I intend to bring forward. But the reason for doing it is to try and give Members the best certainty we can. Elections have a certain element of uncertainty in them; I'm sure Members here will—*[Laughter.]* I don't simply mean whether you win or lose, but some Members here will—. I think it was the general election before last where a sitting Conservative MP died after nominations had closed, so the election in that constituency couldn't go ahead and had to wait another six weeks, and those costs would've had to have been mopped up as part of the—. So, it just makes better sense, I think, to wait until the election is over before we give you our best estimate.

[56] **Nick Ramsay:** Two very quick questions, then. Do you appreciate in your new role now how important it is that we don't only keep the cost of Assembly elections down to keep the public—well, particularly the public—happy with this process, or as happy as they can be or have been? And, secondly, in terms of the deadline for knowing when these bills come in,

when will we finally have an exact cost for this election so that we can look at it and see exactly where we went right and where we went wrong?

[57] **Mark Drakeford:** To take the second question first, Chair, it'll be about another six months before the very final bills come in, but we are very confident that the final figure will be, you know, £7.7 million. If it turns out to be materially different, then we will report that in the normal way. As I said, and maybe should have said more explicitly, it is my intention to have a second supplementary budget this year, and it would be reported then.

[58] On the first point that Nick made, I'm very alert to that in a different part of my responsibilities. If the Wales Bill reaches the statute book, the National Assembly will have powers to organise the conduct of elections in Wales, and that's part of my responsibilities. It's one of the things I most look forward to in what lies ahead of me, because I feel very determined that we need a proper conversation across parties about ways in which we make the simple business of voting—that we bring it, not into the twentieth century, but into the twenty-first century, and, the next time we're reporting on how elections were conducted, let's hope we're talking about elections that are conducted in ways that are more in line with the way people live their lives and expect to be able to participate.

[59] **Nick Ramsay:** Thanks.

[60] **Simon Thomas:** My local polling station is also a police station, so I hope that helps with your costs. But the one area of this that you are also the policy Minister for, as you've just intimated, is local government and elections. As part of that, and with your finance and local government hat on, are you looking at a time when electoral officers shouldn't be double paid?

[61] **Mark Drakeford:** I think that is a genuinely important issue. Am I looking at it? Yes.

[62] **Simon Thomas:** Océ, diolch yn fawr am gadarnhau hynny. Mike Hedges.
Simon Thomas: Okay, thank you very much for confirming that. Mike Hedges.

[63] **Mike Hedges:** Some, of course, aren't. If I talk about budget presentation and transparency, we had a budget protocol with the previous finance Minister. The questions relating to that are: can you provide us with reassurance that it will be possible to track allocations to departments and

projects consistently through this Assembly term, so that such comparisons can be made? The concern is that, as things move around and are changed, it can be difficult to follow what happens. It's very helpful and I'm happy that we've got the MEGs here now, because that does take us down to the next level of what's going on, but actually whether we're going to be actually able to—not small projects, but we'll be able to follow major projects as individual projects rather than major projects as a big major project big capital line?

[64] **Mark Drakeford:** Well, thank you. Chair, the supplementary budget that this committee has in front of it is a pretty modest affair, and, you know, there was a bit of discussion as to whether it was worth having a supplementary budget of this sort. I was keen that we should have one, partly because I think it's important to get the normal machinery of government up and running and Members having an opportunity to see the decisions that Government is making. But the main purpose of the supplementary budget, as you will see, is to make sure that there is a definitive statement for Members, and for others who are interested, of the alignment between ministerial and Cabinet Secretary responsibilities and where budgets lie, and I was very keen to get that out clearly and early, partly for the reason that Mike Hedges has said, because then tracking things over time ought to be easier.

[65] I'm very happy to follow whatever protocols were previously agreed. While ministerial portfolios remain consistent, then reporting them regularly and allowing things to be tracked, I think, is relatively straightforward. I understand that, where ministerial responsibilities alter and budgets have to be realigned, that can make some of that more difficult. I hope that Members found the explanatory note for this supplementary budget helpful, because I specifically asked for a set of tables that demonstrated how money had moved compared to what you saw last time. I found them helpful when I read them, and we'll do our best to make sure that information is provided in that sort of way in the future.

[66] **Mike Hedges:** That is very helpful. Can I turn to Barnett consequentials now? I'm sorry to keep on saying 'the previous Minister said', but she provided the Finance Committee with details of individual Barnett consequentials received by the Welsh Government resulting from changes in UK Government departmental spending. That's done in other devolved assemblies. Will you commit to doing that here?

[67] **Mark Drakeford:** Yes. I understand that the previous Minister

developed the way in which this information was made available to the committee, and I certainly wouldn't expect to do any less than that.

[68] **Mike Hedges:** Okay.

[69] **Simon Thomas:** Okay. Jeremy Miles.

[70] **Jeremy Miles:** Turning to the question of reserves, you have £270 million in revenue reserves and £177 million in capital. Do you consider that to be a reasonable level of reserves at this point in the financial cycle?

[71] **Mark Drakeford:** Chair, yes, I do think it's a reasonable level at this point, this early in the financial year. The essential purpose of reserves is to make sure that we are able to deal with unexpected events over the year that we face, and we know for certain that we face a very uncertain future as far as our budgets are concerned. We have £3.5 billion of unallocated cuts from the last Chancellor's budget. This time last year, over the summer of last year, the Welsh Government had to cope with £50 million-worth of in-year revenue reductions from the Westminster Government, and we were able to deal with those by covering them from reserves, rather than requiring spending cuts to be made. If the £3.5 billion were all to land in Barnett-comparable areas, that would be £150 million taken out of the Welsh Government budget. I understand the Chancellor was on the radio this morning confirming that the autumn budget will contain both tax rises and further spending cuts, and the need for a reserve is there for us to be able to mitigate some of those decisions and their impact on Welsh public services.

[72] **Jeremy Miles:** In terms of the decisions that you make about how those reserves are allocated, how will the Assembly scrutinise those decisions?

[73] **Mark Drakeford:** Well, where they are decisions that I would make, of the sort that I've just described, then the practice of my predecessors certainly was always to report those decisions as they were made through statements to the Assembly, and then Members are able to scrutinise them on the floor of the Assembly and through Assembly questions and so on. They all culminate in the second supplementary budget, so there's a formal part in the year where this committee has an opportunity to do so.

10:30

[74] There is a second purpose to the reserves, which is that if, as the year

proceeds, it is possible to release some money to spending Ministers for priorities that they wish to pursue, then, of course, those Ministers then make statements equally and the committees who are responsible for scrutinising them are able to do that job in relation to those policy matters.

[75] **Jeremy Miles:** Okay. And on the question of infrastructure, which is an area which is split between your portfolio and that of the Cabinet Secretary for Economy and Infrastructure, how will you collaborate together to make sure that capital allocations in this and future budgets are done strategically and in line with the infrastructure investment plan?

[76] **Mark Drakeford:** The Wales infrastructure investment plan is part of my responsibilities. One of the genuine advantages that we have is that we are a very small Government and we work very closely alongside one another. I can see the office of the Minister for the economy from where I sit and, therefore, opportunities to be able to discuss alignment between responsibilities happen formally, of course—there is the normal process of civil service advice that both Ministers see and get to comment on and, ultimately, agree—but there are lots of informal opportunities in the way that we operate here, just to be able to discuss matters that cut across portfolios and to make sure that there is coherence in the decisions that have been made.

[77] **Jeremy Miles:** Thank you.

[78] **Simon Thomas:** A gaf i jest ofyn—? Roeddech chi'n sôn yn y fan yna am ddatganiad y Canghellor ar y cyfryngau y bore yma ac, wrth gwrs, roedd lot o sôn cyn y refferendwm ynglŷn â'r gyllideb gosb, os mai dyna'r gair cywir. A ydych wedi cael unrhyw arwydd gan Lywodraeth San Steffan o unrhyw gyllideb argyfwng o'r fath, neu a ydych chi'n disgwyl y datganiad yn yr hydref, fel sy'n arferol?

Simon Thomas: Could I just ask you? You mentioned there the Chancellor's statement in the media this morning and, of course, there was a lot of mention made before the referendum about the punishment budget, if that is the correct terminology. Have you had any indication yet from the Westminster Government of any crisis budget of that kind, or do you expect the autumn statement, as usual?

[79] **Mark Drakeford:** Na, nid wyf wedi gweld dim byd eto gan y Llywodraeth—dim byd yn swyddogol.

Mark Drakeford: No, I haven't seen anything yet from the Government—nothing officially. There is a

Mae cyfarfod yn dod ym mis Gorffennaf gyda fi a'r *Chief Secretary to the Treasury*. Bydd yr agenda yn cynnwys nifer o bethau a, siŵr o fod, byddwn yn gallu rhoi pethau yn yr hydref ar yr agenda hwnnw hefyd.

forthcoming meeting in July between myself and the Chief Secretary to the Treasury. The agenda will include a number of things and we'll be able to put things on that agenda for the autumn, as well.

[80] **Simon Thomas:** Océ. Diolch yn fawr. Adam.

Simon Thomas: Okay. Thank you very much. Adam.

[81] **Adam Price:** Jest yn dilyn lan ar hynny, wythnos diwethaf, roedd arweinydd yr wrthblaid wedi gofyn i'r Prif Weinidog a oedd yna gynllun rhag ofn—*contingency plan*—ar gyfer y sefyllfa sydd nawr wedi dod i fodolaeth. A oes yna gynllun *contingency* wedi cael ei baratoi'n barod o ran y sefyllfa gyllidol bosibl sydd nawr, wrth gwrs, yn mynd i ddeillio o'r hyn sydd wedi digwydd gyda'r refferendwm?

Adam Price: Following up on that, last week, the leader of the opposition asked the First Minister whether there was a contingency plan for the situation that has now come to pass. Is there a contingency plan that's being prepared in terms of the budgetary situation, which, of course, is going to stem from what has happened with the referendum?

[82] **Mark Drakeford:** Well, Chair, the First Minister made a statement yesterday in addition to his statement on Friday. Of course, he'll be answering questions and making a statement on the floor of the Assembly this afternoon. There are two aspects, I think, to the question that Mr Price asked from my point of view. There is the direct impact on European funding and the extent to which we will still be able to draw down funding available hitherto to Wales during this round of structural funds; and making sure that the UK Government make good on promises made during the referendum that any funds that we would hitherto have got from Europe that will be denied to us will be made good by then. So, there are plans there, certainly, to analyse. We have it already; we're not starting from—. We know where we've made commitments already. We know where those commitments end. We know we will have to make some sort of informed estimate as to at what point between now and 2023—which is where we could continue to spend money from the current round—it would end and where that cut-off point will come. So all of that is in hand.

[83] Then, you have the more unknown unknown, which is the signal of a

budget in the autumn. The signal of that budget will include further cuts in public expenditure. So, I will be making preparations with my officials, and then through the Cabinet, in anticipation of that, but we are, so far, having to work within parameters that are, at best, emerging.

[84] **Adam Price:** Thank you for that answer. One of the criticisms that was made of the previous term of this Government was a lack of central strategic direction. I think a former special adviser to your predecessor—Gerry Holtham—actually coined the phrase ‘the Polo–mint Government’, because there was a hole in the middle. You’ve now created a Cabinet office, in response, it would seem, to that criticism, to give that central strategic direction. Could you say a little bit about the role, potentially, of that Cabinet office in terms of your responsibilities as finance Secretary?

[85] **Mark Drakeford:** I’ll do my best to be helpful. I don’t think anything I say will arise from the supplementary budget in relation to that.

[86] **Simon Thomas:** It’s the first chance we’ve had to have a Minister in.

[87] **Mark Drakeford:** I’m doing my best to be helpful. You wouldn’t expect, Chair, that I would agree with that characterisation of the previous Government. It had a very detailed programme for government that was entirely driven from the centre, through the First Minister and the delivery unit. Not everybody will have agreed with it, but I don’t think the criticism that there wasn’t one would stand up to much examination. The First Minister will be publishing a further statement of priorities for this Government. They will be overseen through the Cabinet office. My job as finance Minister is to make sure that the funds available to the Welsh Government are fully aligned with those priorities and are put to work to support the priorities that the First Minister will announce.

[88] **Adam Price:** I think the fear that some of us might have is that this is simply a rebranding exercise. The delivery unit is no more—we have a Cabinet office. Could, perhaps, the finance Secretary liberate me from my sense of cynicism, sometimes, by pointing out—? Are there additional resources, for example, going to be provided for this Cabinet office? Is it a beefed-up central strategic unit? Where does that present itself in the supplementary budget?

[89] **Mark Drakeford:** It doesn’t present itself specifically in the supplementary budget because, as I think Members will know, the

supplementary budget only reflects decisions made in the previous administration and just formally aligns those with the resources available in this financial year. It doesn't reflect any decisions made since the budget. But, the question was, probably, more specifically about making sure that there is capacity at the centre of the Government to deliver on priorities that appeared in my party's budget—priorities that have since been agreed in discussions with other parties. I know that the First Minister will be taking a very direct interest in making sure that, from the centre, those priorities are given the impetus that they need to make sure that they will be delivered.

[90] **Adam Price:** So, there will be additional resources for this new Cabinet office.

[91] **Mark Drakeford:** There's nothing in this budget, in front of this committee, that reflects anything of that.

[92] **Simon Thomas:** We await further announcements, it seems.

[93] **Diolch yn fawr. A oes unrhyw** [94] **Thank you. Are there any other**
gwestiynau eraill gan Aelodau? Mike. **questions from Members? Mike.**

[95] **Mike Hedges:** Following on from what Adam was asking, when do you expect to bring the second supplementary budget, then?

[96] **Mark Drakeford:** I would expect it to be in the normal timetable. That's why I wanted to bring this one in June, so that the normal way of doing business would be properly re-established, and that would normally be in February of next year.

[97] **Simon Thomas:** Oes rhywbeth **Simon Thomas:** Is there anything that
 yr ydych chi am ychwanegu, **you'd like to add, Secretary?**
 Ysgrifennydd?

[98] **Mark Drakeford:** Na. Diolch yn **Mark Drakeford:** No. Thank you very
 fawr iawn am y cwestiynau. **much for the questions.**

[99] **Simon Thomas:** Diolch yn fawr **Simon Thomas:** Thank you very much
 am ddod i roi tystiolaeth. Byddwn ni, **for giving evidence. Of course, we**
 wrth gwrs, yn rhoi copi drafft i chi i'w **will provide you with a draft**
 wirio o'r hyn sydd wedi cael ei **transcript to check what has been**
 ddweud, ac rwy'n credu ein bod ni **said, and I think we've asked for one**

wedi gofyn am un darn o wybodaeth ynglŷn â pharthau menter, os yn bosibl, hefyd, i gyfoethogi'r adroddiad y bydd y pwyllgor yma yn ei wneud. Diolch yn fawr iawn i chi.

piece of information regarding enterprise zones, possibly, as well, to enrich the report that this committee will produce. Thank you very much.

[100] **Mark Drakeford:** Diolch yn fawr.

Mark Drakeford: Thank you.

10:39

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod

Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cynnig:

Motion:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

that the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[101] **Simon Thomas:** Rwyf nawr yn cynnig ein bod ni'n mynd i sesiwn breifat o dan Reol Sefydlog 17.42. A oes rhywun yn gwrthwynebu? Pawb yn hapus. Felly, fe awn ni i mewn i sesiwn breifat ac fe wnawn ni glirio'r oriel. Diolch yn fawr.

Simon Thomas: I now propose that we go into private session under Standing Order 17.42. Does anybody object? All Members are content. So, we will now go into private session and we will clear the public gallery. Thank you very much.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:40.

The public part of the meeting ended at 10:40.

