

Agenda – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 23 November 2017

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

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1 Introductions, apologies, substitutions and declarations of interest

(09.00)

2 Paper(s) to note

(09.00)

(Pages 1 – 3)

2.1 PTN1 – Letter from the Minister for Housing and Regeneration – Abolition of the Right to Buy and Associated Rights (Wales) Bill – 14 November 2017

(09.00)

(Pages 4 – 5)

3 Welsh Government draft budget 2018–19: Evidence session 7 (Future Generations Commissioner for Wales)

(09.00–10.00)

(Pages 6 – 31)

Sophie Howe, Future Generations Commissioner for Wales

Kate Carr, Director for Partnerships, Engagement and Communication, Office of the Future Generations Commissioner for Wales

Paper 1 – Written evidence: Future Generations Commissioner for Wales

Break 10–00–10.45

4 Welsh Government draft budget 2018–19: Evidence from the Cabinet Secretary for Finance

(10.45–12.30)

(Pages 32 – 57)

Mark Drakeford AM, Cabinet Secretary for Finance and Local Government



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Andrew Jeffreys, Director, Welsh Treasury

Margaret Davies, Deputy Director, Strategic Budgeting

Lunch 12.30–13.00

5 Regulation of Registered Social Landlords (Wales) Bill: Evidence session

(13.00–14.00)

(Pages 58 – 69)

Rebecca Evans, Minister for Housing and Regeneration

Ian Williams, Welsh Government

Ian Walters, Welsh Government

Paper 2 – Technical Note for External Affairs and Additional Legislation Sub-Committee on Disposals Proceeds Fund

[Regulation of Registered Social Landlords \(Wales\) Bill](#)

[Explanatory Memorandum](#)

6 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and all of the meeting on 29 November 2017

(14.00)

7 Regulation of Registered Social Landlords (Wales) Bill: Consideration of evidence

(14.00–14.15)

8 Welsh Government draft budget 2018–19: Consideration of evidence

(14.15–15.00)

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: Wednesday, 15 November
2017

Meeting time: 09.03 – 11.32

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/4427>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM David Rees AM Steffan Lewis AM Nick Ramsay AM
Witnesses:	Anne Meikle, WWF Cymru Annie Smith, RSPB Hayley Richards, Oxfam Cymru Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office Isobel Garner, Wales Audit Office Kevin Thomas, Wales Audit Office Steve O'Donoghue, Wales Audit Office
Committee Staff:	Bethan Davies (Clerk)



	Catherine Hunt (Second Clerk)
	Leanne Hatcher (Second Clerk)
	Georgina Owen (Deputy Clerk)
	Martin Jennings (Researcher)
	Owen Holzinger (Researcher)
	Ben Harris (Legal Adviser)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Jane Hutt AM who attended as a substitute for Eluned Morgan AM, following her promotion to the Government as Minister for Welsh Language and Lifelong Learning.

2 Paper(s) to note

2.1 The papers were noted.

2.1 PTN1 – Letter from the Public Services Ombudsman for Wales: Estimate 2018–19
– 27 October 2017

3 Welsh Government draft budget 2018–19: Evidence session 6 (Sustainable Development Alliance)

3.1 The Committee took evidence from Anne Meikle, Chair of the Sustainable Development Alliance (WWF Cymru); Annie Smith, Sustainable Development Alliance (RSPB Cymru); and Hayley Richards, Sustainable Development Alliance (Oxfam Cymru) on the Welsh Government draft budget 2018–19.

4 Motion under Standing Order 17.42 to resolve to exclude the public from item 5 and items 7–10

4.1 The motion was agreed.

5 Welsh Government draft budget 2018–19: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Wales Audit Office and the Auditor General for Wales's annual report 2016–17 and estimate of income and expenses 2018–19: Evidence session

6.1 The Committee took evidence from Huw Vaughan Thomas, Auditor General for Wales; Isobel Garner, Chair, Wales Audit Office; Kevin Thomas, Director of Corporate Services; and Steve O'Donoghue, Director of Finance, Wales Audit Office.

7 Wales Audit Office and the Auditor General for Wales's annual report 2016–17 and estimate of income and expenses 2018–19: Consideration of evidence

7.1 The Committee considered the evidence received.

8 Tax Collection and Management (Wales) Act 2016: Statutory Instruments

8.1 The Committee considered the following statutory instruments and agreed to report:

- the Tax Collection and Management (Permitted Disclosures) (Wales) Regulations 2017; and
- The Tax Collection and Management (Administration) (Wales) Regulations 2017.

9 Financial implications of the Public Health (Minimum Price for Alcohol) (Wales) Bill

9.1 The Committee considered the financial implications of the Public Health (Minimum Price for Alcohol) (Wales) Bill and agreed to invite the Cabinet Secretary for Health and Social Services in for further scrutiny.

10 Scrutiny of the Assembly Commission Draft Budget 2018–19: Consideration of the Assembly Commission's response

10.1 The Committee discussed the Assembly Commission's response ahead of the Plenary debate that afternoon.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA - L/CS/0694/17

Simon Thomas AM
Chair Finance Committee
National Assembly for Wales

14 November 2017

Dear Simon

ABOLITION OF THE RIGHT TO BUY AND ASSOCIATED RIGHTS (WALES) BILL – REVISED EM/RIA

I am writing to update you on the changes made to the RIA for the Abolition of the Right to Buy and Associated Rights (Wales) Bill following Stage 2.

Officials have considered the amendments made to the Bill during Stage 2 and concluded they do not alter the cost estimates presented in the original RIA. The cost estimates for the Welsh Government, Local Authorities and Registered Social Landlords (RSLs) to communicate with tenants are therefore unchanged.

The methodology presented in the RIA to estimate the impact of the Bill on Local Authority and RSL finances also remains unchanged. However, the modelling has been updated to: reflect the latest statistics on social sector property sales in 2016-17; the average market value of those properties; and the average discount provided under Right to Buy and Right to Acquire. This data was published in July 2017. The modelling also now incorporates 2015-16 data (the latest available) on Local Authority and Registered Social Landlords' repair and maintenance costs and management costs. Finally, the modelling has been revised to reflect the three additional voluntary suspensions (Flintshire, Denbighshire and Cardiff), which have been approved since the Bill was introduced in the Assembly.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

This re-modelling has resulted in the range for the estimated impact on Local Authority and Registered Social Landlord finances narrowing slightly to -£69.1m to +£54.9m. As you will recall, this broad range reflects the uncertainty around the number and characteristics of properties that would otherwise be sold under the Right to Buy scheme in the baseline scenario.

Yours sincerely

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

Rebecca Evans AC/AM
Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

By email

19/09/2017

A call for information – Welsh Government draft budget proposals for 2018-19: response from the Future Generations Commissioner

Dear Simon,

Thank you for the opportunity to provide my views, in general terms, on the Welsh Government draft budget. I am taking this opportunity to inform you about the work of my office, in relation to a number of the areas of interest noted in your consultation letter and the Well-being of Future Generations (Wales) Act (the Act).

1. I am pleased to see a growing awareness, amongst public bodies, of the potential for the Act to be a catalyst for transformational organisational change. It is widely recognised that system-wide change in organisational culture and behaviours is crucial, to enable the public service to rise to the challenges and seize the opportunities of the 21st century. There are a growing number of public bodies seeking to work with us to challenge business as usual, by using the five ways of working to maximise their contribution to each of the seven well-being goals. However, I continue to be concerned that the five ways of working are not being consistently applied to challenge decision making in policy making or governance arrangements in the Welsh Government, national bodies or at the local level. There is, therefore, the continuing risk, in some areas of the public service, of a superficial, tick box response that will add cost without adding value.
2. Challenging and strengthening the budget process would mean using the five ways of working to maximise the contribution that setting a budget across Welsh Government can make, through the Welsh Government's objectives, to the seven national well-being goals. In order to do this well, all involved will need to acknowledge that effectively applying five ways of working will pose a fundamental challenge to how this process is currently undertaken.

Priority Areas

3. Wanting to make real, long-lasting change with limited resources I have recognised the need to identify some priority areas for action during my term in office. Over the past nine months my Office has undertaken a far-reaching and thorough process to set these priorities, engaging with over 1,300

people across Wales, including representatives from public bodies and policy experts as well as diverse citizens including groups of homeless young people, migrant women and domestic abuse survivors.

4. Reflecting my commitment to 'walk the talk' of the Act, the process has not only been inclusive but has also focused on addressing the causes rather than the symptoms of problems, and identifying those areas for action where there's most opportunity to generate positive impact across the four pillars of wellbeing: environmental, economic, social and cultural.
5. Working with the New Economics Foundation, my Office applied Multi Criteria Analysis tools to the output of this exercise and identified the following as priority areas for my work:
 - Creating the right infrastructure for future generations, with a focus on:
 - Energy generation and use
 - Transport planning
 - Housing stock
 - Equipping people for the future, with a focus on:
 - Skills for the future
 - Alternative models for improving health and well-being
 - Preventing and addressing Adverse Childhood Experiences (ACEs)

I will be seeking opportunities through my work programmes to highlight these areas in particular.

Public Service Boards

6. Over the last twelve months I have undertaken a major piece of work focused on Public Service Boards (PSBs). This involved reviewing each of the nineteen well-being assessments and providing individual feedback to each PSBs. This work has been designed and delivered to be able to inform both the well-being planning of the PSBs and the advice, that I am required by the Act to provide to them, on the steps they are taking in their plans.
7. I have seen this as the first indicator of the readiness of PSBs to challenge business as usual and embrace the new ways of working that the Act requires. PSBs are to be congratulated for the positive approach they have taken to completing the assessments; they are a step in the right direction but they also highlight where the real challenges for public bodies lie in considering the needs of future generation. I have produced a reportⁱ summarising the key learning that can be drawn from the exercise, so far, so that it can be shared and used to inform the practice of all of us. I summarise the key findings below.
8. The evidence the well-being assessments include and how it is interpreted is a fundamental part of improving the well-being of our people and communities, now and into the future. I have identified some key areas where PSB members and those providing support locally and nationally, including

my office, need to focus on in order to help public bodies and PSBs make the best of the Act, not just a tick-box, compliance exercise, but a framework for improving public services, so that they are fit to meet the needs of current and future generations. These key areas for challenge include:

- A tendency to revert to describing well-being in traditional ways rather than relating local data to the well-being goals as defined in the legislation
 - Addressing the clear lack of capability and confidence in relation to looking at the long-term
 - The lack of meaningful consideration of the interconnections between issues and what data means in different contexts and communities
9. My reflections on the assessments and the conversations that I and my team have had with all PSBs suggest that some of the challenges reflect a need for better resourcing, more time and more practical and policy support to deliver the scale of change needed. However, they also reflect the need for a clearer demonstration of the willingness to change, to step out of siloes and to move away from a short-term approach to doing things the way they have always been done. Delivering the Act is a challenge that will require the strongest leadership to make the most of the opportunities for change it offers. The report aims to highlight what the assessments say about well-being (and what they don't say), and what the learning from the ways in which the assessments have been undertaken means for well-being planning.
10. The report presents 17 recommendations, some challenging PSBs on how they may have fallen into traditional ways of doing things, some recommendations about how assessments need to evolve and the majority focusing on what needs to change to enable well-being planning that will create the step change we need for future generations. I will be keeping a close eye on how PSBs and public bodies respond to these recommendations, linking them in with the priority areas which be the focus for my office.

Support and challenge for public bodies

11. Following extensive engagement, I am about to undertake a major piece of work that will explore and explain the practical implications for public bodies of using the five ways of working to maximise their contribution to each of the seven well-being goals. I am seeking to work in partnership with a range of organisations from across the public service, third sector and academia. I will also be exploring how we can make sure this work is rooted in the lived experience of citizens. This programme of work, called the Art of the Possible, is a key feature of my Fit for the Future approach to providing support and challenge to public bodies and will:
- Provide a foundation for future on-going change with a focus on the long term;
 - Empower public servants to be agents for change;
 - Build capacity and capability in public bodies through continuous, active shared learning;

- Provide networking and collaborative opportunities to access and apply expertise, local and regional knowledge;
 - Integrate and understand the interdependence between goals;
 - Focus on key areas of change including: corporate planning, financial planning, workforce planning, procurement, assets, risk management and performance management.
12. The core guidance, Shared Purpose, Shared Future, produced by the Welsh Government to support the implementation of the Act identifies seven areas of corporate activity 'where the change needs to happen'. These are corporate planning, financial planning, workforce planning, procurement, assets, risk management and performance management. This will also provide a key focus for my work with public bodies on the practical implications of safeguarding the ability of future generations to meet their needs.
13. Following meetings with Cabinet Secretary for Finance and Local Government and between my Office and his officials, we have agreed on a small number of finance related areas in which focused action could be taken to embed the five ways of working. These areas are:
- Procurement;
 - Participatory Budgeting; and
 - Decarbonisation (carbon assessment).
14. My Office is engaging with Welsh Government officials in these areas to explore how the five ways of working and the statutory obligation to take all reasonable steps (in exercising its functions) to meet those objectives can be used to drive different approaches and outcomes in these areas. A key challenge, in the case of procurement, is to ensure that all of the £6 billion spent on goods and services by the public service in Wales is spent sustainably. Feedback indicates that a key barrier to progress is a narrow focus on cashable savings, as opposed to maximising contribution to each of the well-being goals. A key challenge with carbon assessment will be to ensure that the information provided by carbon assessments becomes integral to decision making, in public bodies. Barriers to better decision making include narrow, short term approaches to the concept of 'value', traditional approaches to budgeting, accounting and reporting, and assessing risk.
15. The Cardiff City deal provides an example of how much work still needs to be done to ensure that the plans public bodies are putting in place, and the way they intend to spend public money, properly addresses the lived experience of citizens and especially safeguards the needs of future generations. I have set out in correspondence some of the challenges and questions which the City Deal must address, these include:
- Ensuring the business opportunities that will be pursued through the City Deal are appropriate to a low-carbon economy

- Ensuring investment in transport infrastructure as proposed realistically reduces the environmental costs of travel in the Cardiff Capital Region. It must take into account future travel needs, such as changing patterns of work, modes of transport and implications of an ageing population
- Taking action on inequalities in health and well-being and breaking inter-generational cycles of poverty
- Putting mechanisms in place to ensure that community voice is a key driver of the developments that will come about through this programme.

Preventative Public Spending

16. Making progress in relation to preventative public spending is crucial in terms of safeguarding the ability of future generations to meet their needs. This issue has been an important feature of my discussions with government especially in respect of health spending.
17. I noted the recommendations relating to preventative spend that your Committee made in the scrutiny of the 2017-18 budget, and I flagged these recommendations to the Cabinet Secretary for Health, Well-being and Sport when I last met him in April, as I feel that his budget should be leading the way in supporting investment in prevention. Your recommendations were very clear and I hope that we will see evidence that Welsh Government have acted upon them in the past year.
18. In my written evidence to the Parliamentary Review of Health and Social Care, I noted that to ensure a sustainable approach, health and social services should prioritise prevention i.e. stopping the need for people to use services in the first place and reducing the need for services over time. This is particularly important in relation to primary prevention which aims to stop problems from emerging (rather than secondary prevention which is more focused towards stopping problems getting worse). In many cases, primary prevention requires better collaboration and integration and an understanding of the action that needs to be taken across a range of services rather than the focus being on the actions in one area such as the NHS.
19. In that written evidence, I referred to the University of Stirlingⁱⁱ who have published a useful paper about 'why is there such a gap between our expectations for prevention policy and the actual result?' It lists a range of barriers to prevention which relate well to the Welsh policy context. These include different understanding and definitions of prevention, the difficulty of measuring benefits and success and the fact that current approaches to performance management do not enable or incentivise prevention.
20. My office is working in partnership with Public Health Wales' Health and Sustainability hub to align our support for NHS bodies on the implementation of the Well-being of Future Generations Act. The prevention agenda is a key part of this collaboration, including through exploring the role of

Integrated Medium Term Plans in enabling the shift to investment in prevention, and also through providing support and challenge to the team working on the Parliamentary Review on Health and Social Care and their next steps.

21. More recently I have had meetings and an exchange of correspondence with the Cabinet Secretary for Finance and Local Government in which he noted that the Act provides a definition of prevention, now established in law, and directing the Welsh Government into active exploration of how to apply prevention in policy making and budget handling. The Cabinet Secretary notes that they will be drawing upon the work already done by the Early Action Task Force. He informed me that officials are evaluating existing categorisations of prevention to agree definitions to apply to budget analysis. It is in my view imperative that the Government explores and agrees a definition of this in order to track progress in applying this way of working, within the Act.
22. In my response to the Parliamentary Review I also made the point that the 'primary prevention of ill health needs to feature far more strongly in the *raison d'être* of all health and social care bodies in Wales. Preventing illness, through effective interventions, rather than responding to ill health with costly clinical interventions, would ensure a sustainable approach to improved outcomes and best value in health and social care in Wales. It should be part of the core business of each Health Board and any tendency towards categorising preventative policy and practice as the responsibility of a body or set of bodies outside of Health Boards themselves should be challenged'.
23. On the other hand, in a public service that is effectively collaborating to provide an integrated approach, investment in prevention cannot just be about the NHS. Public Services Boards have huge potential to help enable the shift to prevention across the public service, through the approaches they take to jointly resourcing their shared well-being objectives. We cannot miss this opportunity to use the legislation to break down organisational siloes and meaningfully collaborate at the practical as well as strategic level.
24. Making progress in relation to preventative public spending is crucial in terms of safeguarding the ability of future generations to meet their needs, and for this reason has been an important feature of my discussions with government.

Addressing the long term

25. I have identified a number of international initiatives that could support the implementation of the Act, these include Integrated Reportingⁱⁱⁱ, International Framework: good governance in the public sector^{iv} and the United Nations Inquiry, 'The Financial System We Need'^v. All of these initiatives will be informing my Fit for Future approach to providing challenge and support for public bodies.
26. In 2018, Wales will receive the first tranche of newly devolved taxes. The Welsh Government will also acquire significant borrowing powers in this historic development of devolution. Such powers

will give the new Welsh Government greater financial accountability that will require close scrutiny in the Fifth Assembly.

27. In a relatively short space of time, the amount of Welsh Government spending funded through taxation will rise to about 25%, with a matching reduction in the block grant. Given the inevitable concern about raising revenue to support current public spending, I expect the Welsh Government to ensure that its plans for using its fiscal powers safeguard the ability of future generations to meet their needs. It is crucial, therefore, that the Welsh Government applies the five ways of working to maximise its contribution, through this historic opportunity, to achieving each of the well-being goals. The United Nations Inquiry, 'The Financial System We Need' has produced a wealth of evidence to inform and support a sustainable financial system. My expectation is that Welsh Government will engage with this exercise and use it to inform the development of its new fiscal powers. It will also be important for the National Assembly to draw on the Inquiry to inform its scrutiny of these new powers.
28. The report of the Oxford Martin Commission for Future Generations, *Now for the Long Term*^{vi} also identifies issues with current approaches to governance and financial decision making, and makes recommendations to address them. The Commission identifies the accounting convention of discounting as a particular issue and concludes that, future generations should not be discriminated against simply because they are born tomorrow and not today.
29. While the UN Inquiry focuses on international financial markets and regulation, it highlights the role of public policy and public finance. This is of particular significance for the work of the Welsh Treasury, the Welsh Revenue Authority and the Development Bank for Wales. Some of the key findings from its report, 'The Financial System We Need: from momentum to transformation', include:
 - **Policy, market and broader international drivers are underpinning this momentum.**
 - Adoption of the Sustainable Development Goals and the Paris Agreement on climate change.
 - National development priorities, particularly of developing countries.
 - Efforts to correct market and policy failures across the financial system.
 - Growing technological disruption to the financial system.
 - Rising social expectations of financial system performance.
 - Green finance becoming a competitiveness factor for businesses and financial centres.
 - **Today's momentum remains inadequate to deliver the transformation needed to finance sustainable development.**
 - Natural capital continues to decline precipitously, alongside growing social inequality and unrest.

- Sustainable financial flows and stocks remain marginal to the deployment of capital, worldwide.
- Financial system remains disconnected from the long-term needs of the real economy.
- Financial stability is increasingly threatened by the effects of today's unsustainable economy
- **Key steps can align the purpose and impact of the financial system to serve the real economy in transition to sustainable development.**
 - Anchor sustainability in national strategies for financial reform and development.
 - Channel technological innovation to finance sustainable development.
 - Realize the triple leverage potential of public finance. 4. Raise awareness and build capabilities across the system.
 - Embed sustainability into common methods, tools and standards across the financial system.

Assessing Impact

30. The Welsh Government included a Strategic Integrated Impact Assessment in the budget narrative of its Draft Budget 2017-2018. The Strategic Integrated Impact Assessment provided an explanation of the process that had informed and shaped the Welsh Government's decision making for the 2017-18 budget. It also provided a description of the aspirations and policy intent. What it did not do was assess the likely positive and negative impacts of the budget decisions.
31. Along with the other public bodies listed in the Well-being of Future Generations (Wales) Act 2015 (the Act), Welsh Ministers must carry out sustainable development. They are also required to 'act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs'. It is important that Welsh Ministers lead by example, in this respect, and ensure that future impact assessments provide a clear picture of both the expected positive and negative impacts of the budget. This will be important if the Welsh Ministers, and the Welsh Government, are to deepen their understanding over time of how budget decisions are likely to impact the ability of future generation to meet their needs. Integrated reporting
32. The Strategic Integrated Impact Assessment of the 2017-18 makes a cursory reference to the Act. It refers to only two of the five ways of working and explains how 'spending will strike a balance between the short and long term', whereas Welsh Ministers are actually required to 'act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs'.
33. I would expect future Strategic Integrated Impact Assessments to focus on whether the draft budget proposals are likely to help the Welsh Ministers take all reasonable steps to meet their well-being objectives, and thereby maximise their contribution to achieving each of the well-being goals. I

would also expect the Impact Assessment to identify likely positive and negative impacts of budget decisions in respect of the sustainable development principle, by addressing each of the five ways of working.

34. Using the five ways of working as the framework for making decisions on the Welsh Government budget will help ensure that it is fit for the future. Using the following five areas to frame the assessment will help test whether the likely impact will be positive or negative, in terms of meeting the Welsh Government's objectives. I would expect future Strategic Impact Assessments to take account of the following:
- consider the balance of short terms needs 'with the need to safeguard the ability to meet long term needs, especially where things done to meet short term needs may have a detrimental long term effect';
 - the need to take an integrated approach by considering:
 - how the budget decisions may impact upon the ability of the Welsh Government to meet its well-being objectives, and maximise its contribution to each of the well-being goals;
 - how the budget decisions may impact on each other or upon other public bodies' objectives, in particular, where budget decisions may contribute to meeting one objective but may be detrimental to meeting another;
 - the importance of involving other persons with an interest in achieving the well-being goals and ensuring those who are involved reflect the diversity of the population;
 - how acting in collaboration could assist the body to meet its well-being objectives, or assist another body to meet its objectives, by identifying the likely positive and negative impacts of the budget proposals; and
 - whether the likely impact of the budget proposals will contribute to meeting the Welsh Government's well-being objectives, or another public body's objectives, by deploying resources to prevent problems occurring or getting worse.
35. The Act requires public bodies to carry out sustainable development, including setting, publishing and taking steps to meet those objectives designed to maximise their contribution to each of the well-being goals. Using this duty and the requirement to act in accordance with the sustainable development principle, would provide a coherent and consistent framework for assessing the impact of budget proposals. Engaging a range of key stakeholders in the impact assessment would also facilitate a deeper, more consistent understanding, of the likely positive and negative impacts, across the public service in Wales.
36. I would expect the engagement and impact assessment process to run in parallel with, and inform, the development of the budget proposals. This would enable the Strategic Integrated Impact

Assessment to be published alongside the draft budget and, therefore, be available to support and inform scrutiny.

37. The work undertaken by the Auditor General for Wales, the Wales Audit Office and my office also makes an important contribution to informing scrutiny. The Act provides me with the power to provide advice to the Auditor General for Wales on the sustainable development principle. My Office is working closely with the Wales Audit Office as it develops its approach to fulfilling the Auditor General's duty in relation to the Act. This work is also informing how I approach my duty to monitor and assess. A key foundation for this work is a Memorandum of Understanding between the Auditor General and the Commissioner for Future Generations, which will be published by December. This will be underpinned by a programme of joint work to avoid duplication and support a more joined-up approach to monitoring and assessing.

Yours sincerely,



Sophie Howe

References

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- ⁱ Well-being in Wales: Planning today for a better tomorrow - learning from Well-being Assessments 2017 https://futuregenerations.wales/wp-content/uploads/2017/07/FGCW_Well-being_in_Wales-Planning_today_for_a_better_tomorrow_2017_edit_27082017.pdf
- ⁱⁱ Preventative Spend – policy briefing, University of Stirling
<http://www.stir.ac.uk/media/schools/socialsciences/sass-ed/images/documents/Preventative%20spend.pdf>
- ⁱⁱⁱ Integrated Thinking and Reporting: focusing on value creation in the public sector – an introduction for leaders <http://integratedreporting.org/resource/focusing-on-value-creation-in-the-public-sector/>
- ^{iv} International Framework: good governance in the public sector by IFAC and CIPFA
<http://www.cipfa.org/policy-and-guidance/standards/international-framework-good-governance-in-the-public-sector>
- ^v UNEP The Financial System We Need: from momentum to transformation
<http://unepinquiry.org/publication/the-financial-system-we-need-from-momentum-to-transformation/>
- ^{vi} Now for the Long Term: the Report of the Oxford Martin Commission for Future Generations
http://www.oxfordmartin.ox.ac.uk/downloads/commission/Oxford_Martin_Now_for_the_Long_Term.pdf

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

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Agenda Item 4

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

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Regulation of Registered Social Landlords (Wales) Bill

Technical Note for External Affairs and Additional Legislation Sub-Committee on Disposals Proceeds Fund

1. The then Cabinet Secretary for Communities and Children undertook to provide a technical note on the Disposals Proceeds Fund (DPF) during the Sub-Committee's evidence session on 24 October 2017.
2. The Bill proposes to repeal Sections 24 -26 of the Housing Act 1996, to remove the accounting requirement and to remove the restriction on the way in which proceeds can be spent by RSLs. This removes the ability of the Welsh Ministers to direct the use of disposal proceeds Fund.
3. Sections 24 to 26 of the Housing Act 1996 sets out that RSLs are required to show net disposal proceeds separately in their accounts, that the Welsh Ministers can direct the use of the fund and require information from RSLs in respect of the fund.
4. The net disposal proceeds of a registered social landlord are:
 - (a) the net proceeds of sale received by it in respect of any disposal of land to a tenant:
 - (i) in pursuance of the right conferred by section 16 or section 180 of the Housing and Regeneration Act 2008 (right of tenant to acquire dwelling), or
 - (ii) in respect of which a grant was made under section 21 (purchase grant in respect of other disposals); or
 - (iii) in respect of which a grant was made under section 19 of the Housing and Regeneration Act 2008 in respect of discounts given by it on the disposal to the tenant.
 - (b) payments of grant received by it under section 20 or 21 (purchase grant)
 - (ba) payments of grant received by it under section 19 of the Housing and Regeneration Act 2008 in respect of discounts given by it on disposals of dwellings to tenants.
 - (c) where any grant as mentioned in paragraph (b) or (ba) has been paid to it, any repayments of discount in respect of which the grant was given, and
 - (d) such other proceeds of sale or payments of grant (if any) as the Welsh Ministers may from time to time determine.
5. The Application or Appropriation of Disposal Proceeds General Determination 1997 sets out the purpose for which the disposal proceeds fund can be utilised. Uses permitted are for the purposes of providing, acquiring, improving or converting dwellings for letting or acquiring land for future development. The proceeds must be applied within three years of their receipt and normally be used in the same local authority area in which they were generated.

6. ONS identified the powers to direct the permitted use of these funds as one of the component indicators of public sector control through enabling instruments/excessive regulation. It is therefore a power which needs to be removed in order for the Bill to achieve its aims.
7. Transitional arrangements will be required to deal with exiting funds. The arrangements will need to ensure that where an RSL has a disposal proceeds fund at the point of repeal of the legislation coming into effect, the repeal does not take effect in relation to that fund until either the fund is exhausted, it is no longer able to use the fund in compliance with the 1997 Determination or the expiry of three years.
8. The instrument will provide that an RSL is not required to pay further monies into its disposal proceeds fund after the repeal of sections 24 & 25, Housing Act 1996 and that, where a disposal proceeds fund is transferred to an RSL from another RSL, the RSL will be treated as the former RSL in relation to that fund.
9. Information on the Disposals Proceeds Fund is collected from RSLs combined with the “Recycled Capital Grants” annual return for convenience. The current position reported by RSLs is the impact of removing this accounting requirement will have no consequence on the day to day operations of the RSL since any proceeds under these provisions are used for the purpose and time scales set out in the 1997 determination and that the balance in the funds, in practice, is zero.

Note - Recycled Capital Grant is a mechanism for the recycling Social Housing and other Grants. It is a separate requirement and is not affected by this Bill.

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

Document is Restricted