

Jane Hutt AC/AM
Y Gweinidog dros Fusnes a'r Gyllideb
Minister for Business and Budget



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref

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

28 August 2010

Dear Angela,

Thank you for your letter of 29 July 2010, regarding the Finance Committee's scrutiny of the Assembly Government's budget plans. I know that you have written in similar terms to other Ministers and I am sending a single response on behalf of the Assembly Government.

As you know from our previous discussions, I place great value on the scrutiny that the Finance Committee brings to the consideration of our budget proposals. I also appreciate that this year is a difficult year, with a late Comprehensive Spending Review (CSR) and in all probability a more difficult settlement than we have seen at any time since the establishment of the Assembly. I believe that we have a shared goal to move from the CSR announcement to finalising our budget proposals as quickly as possible, without compromising the quality of scrutiny. I welcome the advanced consideration you have given to the scrutiny content – this will put you in a strong place to undertake robust scrutiny under challenging circumstances. I also welcome your proposal to focus on the Assembly Government's strategic priorities and the outcomes we expect to deliver from our investment. We have also undertaken steps to focus more on the outcomes as part of our budget planning round.

I am committed to being as open as possible about our budget proposals and the way that we respond to the difficult financial times. That openness extends to the wider public sector community in Wales. My commitment to a joint approach to shared problems has influenced the work of the Efficiency & Innovation Board and in that context, I have spoken openly and publicly about the basis on which we are planning for the difficult budgetary times that we face.

In the absence of firm indications of budgets for future years, we have worked on the basis of planning assumptions. Assessing the likely implication of a series of decisions in Whitehall is not an exact science and there continue to be uncertainties – for example the DEL/AME split of total UK Government expenditure and the actual settlements for Whitehall Departments. In the light of these ongoing uncertainties we have adopted a cautious planning assumption in the range of probable outcomes. There is far more certainty for capital and at the Welsh Assembly Government level we have assumed that budgets will reduce by 10% a year, in cash terms, over the budgets for 2010-11. For revenue however

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Ffacs • Fax 029 2089 8475
Correspondence: Jane.Hutt@Wales.gsi.gov.uk

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

Printed on 100% recycled paper

there remain uncertainties and we have assumed that budgets will reduce by 3% a year in cash terms.

Both the First Minister and I have made it clear that the Assembly Government's priority is to protect and improve the public services that people rely on and we are seeking to protect to a degree the budgets for skills, schools, secondary & community healthcare and universal benefits. However all budgets will depend on the actual settlement that we receive from the UK Government in the CSR.

In your letters, you ask each Minister what assumptions they are making about the level of their Departmental budget. Unfortunately, we are not able to provide you with this information without pre-empting our spending plans. In turn, as I've indicated earlier, we are not able to finalise our spending plans until we know the actual budget settlement. I appreciate the intention behind your question, but in effect this would be providing a running commentary on our internal budget planning round. Notwithstanding my commitment to openness I am not able to provide this level of detail in advance of the publication of the CSR and of our own spending plans.

In terms of key Departmental priorities and outcomes, a key challenge for the whole of the public sector in Wales for the coming years is how we can deliver high quality public services against a backdrop of reducing resources. We have been working closely with partners across the public sector to shape our response, with the series of Public Services Summits and the Efficiency & Innovation Board. In advance of the publication of our budget plans, I am meeting a broad cross section of the public and public sector workers across Wales to discuss the challenges that we face and to hear their views on priorities. This will build on the engagement that the First Minister has had with front line workers and will inform the detail of Departmental priorities and outcomes. However, perhaps the most important influence on priorities and outcomes will be the actual level of our settlement. Whilst planning work is being undertaken now, it would be premature to share developing policy until work has progressed further and until we know our CSR settlement.

The questions that you ask in your letter are without a doubt a sound basis for the scrutiny of the Government's budget proposals. Unfortunately, until the current uncertainty is resolved, we are not in a position to share this level of information. In any event, it is difficult to provide this information without pre-empting the publication of our proposals. I have however asked Ministers to reflect these questions in the evidence that they provide to you for scrutiny after the publication of the draft budget.

I hope that this information is helpful for your preparations, and I remain committed to a constructive relationship through what is a difficult budget round.

Yours ever,

Jane