



Ein cyf/Our ref

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20 June 2022

Dear Peredur,

Thank you for our meeting earlier this week to discuss the options for a timetable for publishing the 2023-24 Budget. I was pleased to renew our shared commitment to working in partnership to improve our budget processes and appreciated the constructive conversation.

In this spirit, I am asking the Committee for its views on a preferred timetable for publishing the draft and final budgets, which must be provided to the Business Committee two weeks before the end of the summer term.

As you are aware, we face increasingly challenging economic and fiscal conditions, which are impacting on our spending plans. The deteriorating economic position and rising inflation has resulted in a real terms budget position at least £600m less than when we developed our spending plans last year. The lack of certainty over the significant pressures facing our plans will not be resolved until we know whether our settlement will change in any UK Autumn Fiscal event. The details of any proposed event have not yet been shared with us by the UK Government, so there is much uncertainty.

As you are aware, we chose to take a position of maximising all of the levers available to us in setting an ambitious multi-year budget up to 2025, providing much needed certainty to our public service partners and stakeholders. These choices included over-programming capital expenditure by £100m, alongside minimising the amount of funding held in reserves to enable Ministers to ensure delivering Programme for Government commitments was at the forefront of their planning assumptions.

With these conditions in mind, I am keen to seek the Committee's views on how to take forward this year's budget preparations in respect to the timings for publishing the draft Budget. I have set out the opportunities and challenges regarding the two workable

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timetable options: the first, publishing our Draft Budget in October and the second, to publish our Draft Budget following the UK Government autumn fiscal event.

### **Option 1**

#### **Publish the Draft Budget on Tuesday 4<sup>th</sup> October to enable 8 weeks for scrutiny; publish the Final Budget on Tuesday 20<sup>th</sup> December**

In our response to the Finance Committee's report on the 2022-23 Draft Budget, Ministers agreed a recommendation to adhere to the timetable set out in the Budget Business Protocol, which would see the draft and final budgets published in October and December respectively.

In normal circumstances, this would remain our preferred timetable, and was most certainly my intention given the multi-year settlement we provided last year. However, circumstances dictated by the UK Government, as well as the challenging economic circumstances, are impacting our ability to maintain this commitment. Given the current uncertainty, it is likely we would need to publish relatively unchanged plans for 2023-24 in an October draft budget, with any substantive changes to those plans being deferred until after our settlement has been confirmed.

You will recognise the potential impact, under this scenario, on the Finance Committee's ability to undertake effective scrutiny of our draft budget plans. Under this scenario, the Committee would be scrutinising a draft budget which will change substantially following changes to our settlement. Scrutiny is an essential part of the process that informs and shapes our final budgets.

### **Option 2**

#### **Publish the Draft Budget on Monday 19<sup>th</sup> December at the latest to enable a minimum of 7 weeks for scrutiny; publish the Final Budget on Tuesday 28<sup>th</sup> February**

The alternative option is to adopt the practice employed in recent years, utilising the exceptional circumstances for which the Budget Protocol provides, and deferring publication of our draft and final budgets until December and March, respectively.

This option will provide us with the ability to incorporate any changes provided by the UK Government, allowing time for changes to our settlement to be reflected in our draft budget, and resulting in greater certainty for our delivery partners and stakeholders. Importantly, this will maintain the Senedd Committees' ability to scrutinise the more complete version of our spending plans, as is allowed for within the exceptional circumstances in the Budget Protocol.

I recognise the concerns the Finance Committee are likely to have with this option, not least that it could result in reducing the scrutiny period; I am, however, committed to limiting this impact as much as possible. Should the UK Government fiscal event take place sufficiently early in October or November, I would make every effort to bring forward publication of our draft budget as soon as practicably possible, to enable a full 8 weeks for scrutiny. In support of this aim, all Ministers will make themselves available whenever the various Committee scrutiny sessions are scheduled.

I also wish to explore what further measures we could put in place to support Committee scrutiny of the draft budget – particularly if Option 2 is taken forward. While I am sure you recognise the limitations of providing specific details on spending plans prior to publication, I do wish to find opportunities to engage early and throughout the budget planning and share as much information as is possible, building on the steps we have already taken to improving how we can work together. We discussed some of these ideas when we met this week,

including opportunities for the Committee to engage with the Welsh Government's Chief Economist on the economic and fiscal conditions; continued engagement on the Budget Improvement Plan; and an opportunity to engage on possible shared priorities or themes which have emerged from the Committee's stakeholder engagement over the summer. I would be keen for our officials to explore the ways in which we might share the information which informs our budgetary decisions.

While I would wish to do all I could to maintain my commitment to publishing our draft budget in October, on balance this will prove challenging, given the difficult circumstances we face. In my view, the viable option is the second option (December – March publications) on the grounds there is limited benefit in providing a budget we foresee substantially changing, which limits adequate scrutiny and risks negative impacts for our delivery partners across Wales. I also acknowledge the ongoing implications of having a Budget Protocol predicated on a substantive UK Government Spring Fiscal Event, rather than the Autumn Fiscal event we have seen in recent years.

In seeking the Committee's views, I believe there are compelling and unavoidable reasons why it would be wise to defer publication of the draft budget until after the anticipated UK Fiscal Event in the Autumn, with a commitment to provide as much certainty on our proposed spending plans as is possible beforehand. I am grateful for the Committee's willingness to consider these timetabling options and look forward to your response.

Yours sincerely,

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

**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government