

Rebecca Evans MS,
Minister for Finance and Local Government

9 May 2023

Dear Rebecca,

Review of the Statement of Principles

As you will be aware, the Finance Committee's Statement of Principles (the Principles) that it expects Directly Funded Bodies (DFBs) to have regard to when making budget proposals, has been in existence since May 2019. The Principles were introduced following a short inquiry to ensure a consistent approach was taken by the DFBs when preparing their annual budget/estimate proposals.

In accordance with paragraph 9 of the Principles, they were reviewed the year following implementation in 2020. At that time, the Fifth Senedd Finance Committee recognised that each DFB had evidenced the Principles in their budget documentation to some degree and this was explored further during scrutiny sessions. Therefore, the Committee concluded that the Principles were fit for purpose and no changes were made.

At the start of this Senedd, the Committee agreed that the Principles should be reinstated (July 2021), with a view to reviewing them after the Committee had experienced the budget process. Given that the Committee has now undertaken two budget rounds and we are mid-way through the Sixth Senedd, it seems an appropriate time to review the Principles again.

I would therefore be grateful to hear your views on the Principles (attached as an annexe). In addition, we would also be interested to hear your views on the supplementary budget/estimate process for DFBs and whether the current arrangements provide sufficient flexibility or whether you believe the

process could be strengthened through the Standing Orders or by making changes to the Principles themselves.

You may recall that at the end of the Fifth Senedd, the Finance Committee undertook work as part of its Legacy Report and considered the DFB budget process. Standing Orders require the DFBs to provide an explanatory memorandum at the time that the Welsh Government tables its supplementary budget motion. In your role as Minister for Finance and Trefnydd, you stated:

"But actually I know that, in practice, they [DFBs] provide more information ahead of that, and that does obviously allow then you, as committee, to consider those issues before the Welsh Government tables its supplementary budget motion. I think that's been a helpful development, but it's not reflected in Standing Orders, so that might be something to be considered as an improvement for future years."

Subsequently, the Legacy Report recommended:

".. that the responsible committee of the Sixth Senedd undertakes further work to consider whether the Standing Orders in relation to supplementary budgets should be reviewed."

It therefore seems appropriate to consider this issue alongside our review of the Principles. If you have any questions, please feel free to contact me or the lead clerk on this inquiry, Leanne Hatcher, 0300 200 6364, seneddfinance@senedd.wales. I would be grateful to receive your response by 16 June 2023.

Yours sincerely,



Peredur Owen Griffiths
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Statement of Principles that the Finance Committee of the Senedd Cymru expects Directly Funded Bodies to have regard to when making budget proposals¹

July 2021

Introduction

1. This paper comprises a series of principles that Directly Funded Bodies ('DFBs') should consider when preparing their annual budget proposals.
2. The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector.

Principles approach

3. Budget requests should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.
4. Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved.
5. DFBs should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies.
6. DFBs should continually seek to improve processes and accrue efficiencies.
7. Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified.

Available information to drawn upon

8. The Minister for Finance and Trefnydd will provide information to the Finance Committee prior to summer recess on various factors which can be drawn upon to inform future budget plans such as the latest guidance on public sector pay remits, GDP deflator forecasts, forecasts of devolved taxes and the Welsh Government's best possible assessment of the overall level of funding available in

¹ Senedd Commission; Wales Audit Office; Public Services Ombudsman for Wales

future years. This information will be forwarded on to DFBs by the Finance Committee for consideration.

Review of the Statement of Principles

9. This document will be reviewed by the Finance Committee the year of implementation and periodically thereafter and updated as necessary.