



Peredur Owen Griffiths MS
Chair of the Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

12 May 2023

Dear Peredur,

One of the recommendations in Finance Committee's Stage 1 report on the Social Partnership and Public Procurement (Wales) Bill was for Welsh Government to include inflation in the cost estimates accompanying future Bills.

Welsh Treasury officials have considered the recommendation and the financial information currently presented in the Explanatory Memorandum (EM) for each Bill. Officials have concluded that the current approach to developing the Regulatory Impact Assessment (RIA) remains correct. HM Treasury Green Book guidance is clear that general price inflation should be removed from a social cost benefit analysis. The rationale for removing general price inflation is to provide a consistent basis for comparing the costs and benefits of alternative options and ensures the effects of inflation do not distort the analysis.

However, officials further concluded that providing supplementary financial analysis which focusses on affordability should address the Committee's recommendation. This approach will also help to demonstrate that both value for money and affordability are given appropriate consideration during the development of legislation.

In addition to incorporating general price inflation, the affordability assessment will make a number of other adjustments to the data in the RIA, focussing on capital and revenue costs and including an assessment of whether those costs can be funded from current and expected future budgets.

This supplementary financial information will be included in the EM for each Bill introduced from Year 3 of the current legislative programme. The current approach of developing an RIA and presenting it in the EM will not change.

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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.

I would like to take this opportunity to thank the Committee for its continued scrutiny of the financial implications of Welsh Government legislation and hope the approach set out above will assist Members in carrying out this important work.

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