



Ein cyf/Our ref: RE- 251-2023

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Dear Peredur,

### **Proposed Changes to the Budget Protocol**

Thank you for your letter regarding a review of the current Budget Protocol and setting out possible changes to be made. Our officials have held a series of constructive meetings to discuss whether we can agree any of the changes you have proposed before we begin the preparations for Draft Budget 2024-25.

As we discussed in our meeting on 20<sup>th</sup> June, I am content to agree to all the changes you have proposed, including formalising our current pre-Budget scrutiny arrangements, apart from the proposals to exclude recess weeks for Budget scrutiny (Para 10) and any commitment to publish within 4 weeks of a UK government fiscal event (Para 12).

I welcome our positive discussions on these two issues and acknowledge the constructive approach you have taken in recognising the impact only learning details of our budget settlement during the autumn term causes for the preparation of the Draft Budget and its scrutiny. I am certain we can find a flexible solution to enable the best use of the time available for our Budget processes rather than simply imposing a limit of four weeks. It is difficult to understand the proportionality in arguing that Committees require more than double the amount of time to scrutinise spending plans than for Ministers to prepare them. I would welcome some further consideration of this proposal.

These difficulties are well-rehearsed, with their resolution being dependent upon the timing of the UK government's autumn fiscal event, and proposals for changes to our Budget timetable may be considered best as part of longer-term work on Senedd Reform. I would like to reiterate this is the primary reason we have needed to trigger the exceptional circumstances in the budget protocol impacting both our ability to produce the budget and the time for scrutiny.

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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 am confident we will be able to achieve compromises regarding the exceptions I have outlined. However, I am not confident these could be agreed quickly and without proper analysis of the implications on the delivery of Budgets.

My main considerations moving forward are how we ensure proportionality between the time available for Budget production and Budget scrutiny, ensuring the most efficient use of resources during Budget preparations, and ensuring the flexibility needed in the Protocol to respond to challenges outside of our control. I would not wish to make any further changes without first considering how they impact on these three key concerns.

There were two further proposals where we agreed it was likely we would be able to reach agreement if the wording in your initial proposals were to be clarified. These relate to ministerial attendance in pre-Budget scrutiny committees (Para 5B); and to commitments for the Welsh Government to publish more than two supplementary Budgets within a financial year (Para 34 and Para 40).

You indicated that the Committee's intention had been simply to recognise our current practice where I, as Finance Minister, have been pleased to attend the Finance Committee to support the Committee's Pre-Budget scrutiny. You explained that the Committee had not intended to propose that other Ministers should attend the relevant subject committees for a similar purpose. I have suggested some revised wording below for the Committee to consider.

#### **Pre-budget scrutiny – Paragraph 5B.**

In years when the publication of the Draft Budget is delayed, it is expected that the ~~Welsh Government~~ Finance Minister will attend pre-budget Committee scrutiny sessions, if requested to do so by Finance Committee. ~~It is not expected that the Welsh Government will be asked to provide evidence nor attend this session.~~

A second suggestion for alternative wording relates to the Committee's request for the Welsh Government to publish a third Supplementary Budget in years where 'exceptional circumstances' arise. We agreed that while the term 'exceptional circumstances' had not been properly defined, the additional third supplementary budget for Covid allocations demonstrated how the current arrangements provide the Welsh Government with the flexibility to publish more than two Supplementary Budgets, in years where Ministers consider them to be necessary. Proposed new wording for paragraphs 34 and 40 is shown below.

#### **Para 34 – Supplementary Budgets**

To ensure transparency of in-year financial movements, the ~~The~~ Welsh Government will ~~continue to~~ lay two supplementary budgets a year ~~(or more in an "exceptional year")~~, subject to the following two paragraphs. The Welsh Government retains the flexibility to publish an additional supplementary budget should it decide to do so.

#### **Para 40 – Supplementary Budgets**

Any change to the required resources of these direct funded bodies is dependent on the Welsh Government moving a supplementary budget motion. ~~Under the revised arrangements, this continues to be the case as changes to the budget motion only apply to the Welsh Government.~~ As set out in paragraph 26, the Welsh Government is committed to providing ~~at least the same frequency of~~ two supplementary budgets each financial year as ~~previously provided.~~ The Welsh Government ~~undertakes therefore to continue to~~ will liaise regularly with the direct funded bodies and to seek to accommodate their in-year financial requirements through the supplementary budget process. Any proposal to vary the frequency of supplementary budgets will take into account the requirements of direct funded bodies.

When we met on 20<sup>th</sup> June, I indicated I would propose some further changes to the Protocol, which are intended to confirm and strengthen our Budget arrangements in years where we are unable to publish a Draft Budget until later in the autumn term. I should be grateful if the Committee could consider the proposals set out in the table below as part of any revisions that we may agree to the current version of the Budget Protocol.

<b>Proposed Change</b>	<b>Welsh Government position</b>
<p><b><i>Recognising the role of Finance Minister and Committee during scrutiny in the Protocol and Standing Orders</i></b></p> <p><i>Insert as new paragraph 25 within the 'Budget Scrutiny' sub-heading</i></p> <p><u>Proposed wording</u></p> <p>The Finance Committee's scrutiny of the finance minister will focus on the Finance Minister's over-arching strategic responsibility for allocating overall MEG budgets. The Finance Committee will recognise that scrutiny of allocations for individual policies and programmes falls more properly to the Senedd 'subject' committees, with questions being put to the appropriate portfolio minister.</p>	<p>The Protocol and subsequent revisions to Standing Orders reflected the distinction between an outline draft Budget (Stage 1) and detailed, departmental spending plans (Stage 2).</p> <p>While these two stages have been published together in recent years, the distinction between the outline and strategic responsibilities of the finance minister and the more detailed departmental spending responsibilities of portfolio Ministers remains.</p> <p>The Chair of the Finance Committee has recognised how a number of specific portfolio issues have been raised in previous Finance Committee Budget scrutiny sessions, despite them more properly being put to the relevant portfolio Ministers. The Chair has indicated he will not allow specific portfolio questions in future.</p>
<p><b><i>Insert new paragraph before Para 9.</i></b></p> <p>The Trefnydd must notify the Business Committee of the dates on which the outline and Detailed Draft Budgets will be laid, and the Annual Budget Motion will be tabled at least two weeks before the summer recess in each year. In years where the UK government has indicated it does not intend to inform the Welsh Government about the level of the Budget Settlement until the Autumn, the Trefnydd will advise the Business Committee that these dates will not be made public until the date of the UK government's Autumn fiscal event has been made public.</p>	<p>Over recent years, the Trefnydd's letter to Business Committee has proposed dates but has indicated they are subject to change. This has resulted in uncertainty caused by the lack of clarity from the UK government. Finance Ministers have had to write to the Business and Finance Committees to seek the Committees' forbearance in regard to the planned dates changing.</p> <p>Changing the date by which the Trefnydd must notify the Business Committee better reflects the impact of the UK government's decisions.</p> <p>This may require a change to SO20.2 and SO 20.3.</p>

Proposed Change	Welsh Government position
<p><b><i>Insert new paragraph after Para 11</i></b></p> <p>Draft Budgets published in years where there has been a spending review will differ from the Draft Budgets published for the later years of a multi-year period. It is acknowledged that the first Draft Budget published following a spending review will include more detail than the later years reflecting that published plans will have already been made with draft budgets post the Spending Review reflecting changes to these more detailed plans.</p>	<p>Scrutiny of the first budget of a new multi-year period will necessarily require the Welsh Government to provide more information than Budgets in the later years of a spending review period. It is necessary to recognise the distinction between these fiscal events.</p> <p>Acknowledging it is unnecessary to repeat the presentation of information from the first year will facilitate the presentation of information in the later years within the timescales imposed by late UK government announcements regarding our Budget settlement.</p>
<p><b><i>Insert new paragraph</i></b></p> <p>Insert as new paragraph 23 within the 'Budget Scrutiny' sub-heading</p> <p>Ministers will provide written evidence to Senedd committees in support of their Draft Budget spending plans. Ministers will aim to provide the English version of each paper within a week of the Draft Budget being published and, where the timetable permits, at least two weeks prior to the committee meeting. The Welsh versions of the papers will be provided at least two working days prior to the Committee meeting. <i>Neither the Senedd Committees nor the Welsh Government will publish papers until the Welsh versions have been provided to comply with the Welsh Government's statutory commitments to publish information bilingually.</i></p>	<p>The proposal seeks an acknowledgement regarding the time it takes to produce this information and reflects the current agreement reached between the Committees and Ministers.</p> <p>Ministers are committed to providing information to support scrutiny of the Draft Budget bilingually. However, preparation of the evidence papers is a task they must defer until they have provided their contributions to published budget documentation.</p>

I wrote to you on 15<sup>th</sup> June to support the Committee's proposal in respect of changes to the Statement of Principle governing the scrutiny of funding allocated to Directly Funded Bodies.

I am also keen to explore changes to allow the Senedd to approve the Welsh Rates of Income Tax (WRIT) rate resolution motion in advance of the day on which the Annual Budget Motion is considered. This is a practical arrangement to allow time, should it be

required, for the WRIT rate resolution motion to be withdrawn, changed and re-tabled before the Annual Budget Motion is approved.

I would suggest that following further discussions we should seek to make the changes to the Protocol and Standing Orders outlined above as a single, consolidated package of changes rather than seeking Senedd approval in a more piecemeal manner.

I welcome the constructive discussions that have already taken place regarding the collected proposals for changes to the Protocol and our Budget process. I believe it is important that we should continue to review this position over the coming Budget period and maintain a dialogue which aligns to the next Spending Review period.

### **Documentation accompanying the Welsh Government's Draft Budget**

In taking these matters forward, Ministers will consider the issues you have raised in your letter dated 23<sup>rd</sup> June, in which you reported comments from the Senedd Committees' regarding the timeliness and transparency of written material provided by Welsh Ministers in support of our spending plans.

Turning to the comments from the Committees, we agreed in our discussions on the Protocol how the UK government's move to only confirm details of our budget settlement late in the autumn term impacts not only on scrutiny but has at least as significant an impact on the time available to Ministers to prepare budgetary information. In this context, I would like to address some of the issues you have raised relating to the timeliness of the information we provide.

Firstly, the dates on which Ministers can provide written evidence to the Senedd Committees: some Committees have expressed disappointment that the evidence was not provided on the dates set out in the initial requests for evidence. While Ministers understand the Committees' desire to receive the evidence at the earliest opportunity and do all they can to fulfil these aspirations, it is rarely possible for Ministers to provide the evidence in the day or two following the Draft Budget's publication, particularly bilingually, due to their focus having necessarily been on completing their spending plans. If this has not been possible, Welsh Government officials have at the earliest opportunity contacted the Committees' clerking teams consistently to agree the soonest possible alternative, later, dates for the provision of the evidence.

The ability of Ministers to have an open relationship with committees and identify where evidence cannot be produced in the timeframe provided is an indication of how important Ministers regard the scrutiny of spending plans. If the renegotiation of dates for submission is not an option for Ministers, again I would ask we consider a proportionate amount of time is allotted in the first instance to enable the officials the time to produce high quality evidence for the Committees.

It is worth noting that Committees do not need to wait for evidence papers to be published to begin scrutinising the Draft Budget. Ministers agreed to publish BEL tables at the Committees' request to supplement the detail Committees believed necessary to scrutinise the Draft Budget properly. Publishing the tables enables Committees to analyse the BEL tables they requested without having to wait for spending allocations to be explained in Ministers' evidence papers.

I have also considered the Committees' comments relating to the content of Ministers' evidence papers. In this respect, it may be helpful if our officials were to work together to produce a template for the evidence papers, which could draw on the previous examples of good practice to which some of the Committees have referred. It may also be helpful if the

Senedd Committees with responsibility for scrutinising the Draft Budget were to receive the technical briefing that has, hitherto, only been provided to the clerking team. My officials would be pleased to arrange this.

Secondly, I recognise the Finance Committee's comments regarding the Welsh Government responses to Committee reports on the Draft Budget not being made available sufficiently in advance of the Final Budget debate. The First Minister's commitment to Members was for the responses to be provided by the day prior to the debate on the Final Budget, at the latest. Our aim remains to deliver the bilingual responses before close of play on the day before the Final Budget debate and Ministers will make every effort to achieve this objective during the 2024-25 Budget process.

Some Committees have suggested the Welsh Government could do more to explain the differences between the Draft and Final Budget ahead of the Final Budget debate. It has long been our practice to publish specific and full details of changes between the Draft and Final Budgets in a chapter of the Final Budget Explanatory Note, which is published a week prior to the debate on the Annual Budget Motion. There would be insufficient time available for Ministers to write to Committees to repeat these details and I do not believe there would be any practical benefit to Committees if Ministers were to do so.

Welsh Ministers are, however, committed to exploring how changes could be made to the way in which information is presented alongside the Draft Budget. I have asked my officials to brief Cabinet colleagues on the recommendations brought forward in your most recent letter and will seek out opportunities for improvements. On that basis, I look forward to continuing discussions as part of our on-going conversations regarding the Budget Protocol and our Budget processes.

Yours sincerely,



**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a Llywodraeth Leol**  
**Minister for Finance and Local Government**