

William Wragg MP,
Chair, Public Administration and Constitutional
Affairs Committee
House of Commons

8 September 2023

Response to the Public Administration and Constitutional Affairs Committee's inquiry into Devolution Capability in Whitehall

Dear William,

The Senedd's Finance Committee welcomes the opportunity to submit a response to the Public Administration and Constitutional Affairs Committee's inquiry into Devolution Capability in Whitehall.

This submission is informed by our scrutiny of the Welsh Government's budgetary proposals since the Committee was established on 23 June 2021.

The themes included in our response have also been a feature of discussions held with counterparts in other devolved legislatures through the Interparliamentary Finance Committee Forum¹, established last year as a means of providing a collective voice for the devolved legislatures to raise issues of common concern with devolved administrations and the UK Government.

Our overarching message as a Committee is that structural issues, inflexible fiscal rules, and attitudes within Whitehall departments, particularly the Treasury, are having a negative impact, which is adversely affecting the operation of fiscal devolution in the UK.

In particular, we wish to draw attention to three areas of concern that we have identified to date. These are:

¹ The [Interparliamentary Finance Committee Forum](#) has met twice to date, on **23 June 2022** and **24 March 2023**.

- a lack of understanding and awareness within the Treasury of matters affecting devolved institutions;
- a lack of engagement between Whitehall departments and the Welsh Parliament, and the issues around accountability this causes; and
- a lack of transparency and flexibility in the way that the Treasury deals with funding decisions relating to devolved matters and the practical problems caused by this.

A lack of understanding and awareness within the Treasury of matters affecting devolved institutions

In recent years, the UK Government has held significant fiscal events late in the autumn, which has caused practical difficulties for the Welsh Government in preparing its budgetary proposals, and puts pressure on Senedd Committees to conduct scrutiny within extremely tight timescales.

The Senedd's budgetary procedures are set out under Standing Order 20² (and underpinned by a Budget Process Protocol³ agreed by the Welsh Government and the Finance Committee), which provides for a two stage budget process during 'normal' years, and defined periods of time for scrutiny to take place.

However, these procedures have not been followed for the past four years and the Welsh Government has indicated that a truncated timetable will be required again this year for the 2024-25 budget round.

In each instance where a 'normal' process cannot be followed, the Welsh Government has pointed to external factors beyond its control which has led to uncertainties regarding its funding position and a delay in its budgetary proposals being made public. Reasons include:

- the 2019 General Election (for the 2020-21 budget);
- uncertainties relating to Brexit and COVID in 2020 (for the 2021-22 budget);
- uncertainties relating to funding levels in light of the UK Government's Comprehensive Spending Review taking place in autumn 2021 (for the 2022-23 budget);
- uncertainties regarding levels of funding caused by inflationary pressures which will not be resolved until a UK Autumn Fiscal event (for the 23-24 budget).

² **Standing Orders of the Welsh Parliament**

³ The **Budget Process Protocol**, which was agreed by resolution in June 2017, sets out an understanding between the Finance Committee and the Welsh Government on the administrative arrangements for the scrutiny of the annual draft budget and other related budgetary matters.

In relation to the forthcoming 2024-25 budget round, the Minister for Finance and Local Government wrote to us explaining that:

*"We acknowledged that the Chancellor of the Exchequer has not yet published the date of the fiscal event in which we will learn the precise details of our budget settlement for the financial year 2024-25. While we already have indicative budget allocations under the multi-year Spending Review, the subsequent and substantial inflationary pressures coupled with significant uncertainty until we receive confirmation of our final settlement means we are likely to face challenging choices once our settlement is known. As a result, this means that once again we are obliged to recognise that the only prudent choice is to follow a budget timetable similar to the one employed in recent years, where we publish our draft budget late in the autumn term."*⁴

Whilst the Committee has consistently recognised that this is by no means the fault of the UK Government alone, and that the Welsh Government needs to do more to bring forward its budgetary proposals sooner to maximise scrutiny opportunities, we firmly believe that poor communication between the Welsh Government and the Treasury has exacerbated this situation.

We find it particularly regrettable that the Welsh Government's Minister for Finance and Local Government had to wait until the Chancellor delivered his Autumn Statement on 17 November 2022 to understand the Welsh Government's funding position for the 2023-24 financial year.⁵ As a result of a delay in formal communication from the Treasury, the Welsh Government was required to undertake its own initial calculations to estimate its funding position. This goes against the spirit of devolution: It makes it harder for the Welsh Government to effectively plan its budgetary approach and provides less time for it to formulate its proposals, which in turn limits the time available for the Senedd to scrutinise such decisions.

We do not consider these expectations to be arduous or unreasonable. At the very least, such basic information should be shared with devolved administrations beforehand to provide greater certainty in terms of their respective funding positions.

Lack of engagement between Whitehall departments and the Welsh Parliament, and the issues around accountability this causes

The Committee, and its predecessor Finance Committee in the fifth Senedd (2016-2021), has invited members of the UK Government to give evidence on a number of occasions. However, we have been disappointed with the levels of engagement with UK Government Ministers to date.

⁴ Letter from the Minister for Finance and Local Government to the Chair of the Finance Committee, 29 June 2023

⁵ See: **[Finance Committee, RoP, 14 December 2022, paragraph 67](#)**

Sessions between the Finance Committee and the Chief Secretary to the Treasury were a feature of the devolutionary landscape during the Conservative-Liberal Democrat coalition of 2010-2015. These arrangements were welcomed at the time by the Commission on Devolution in Wales (the Silk Commission) whose report recommended⁶ that this should be formalised through an agreement between the Treasury and the then National Assembly for Wales. However, these sessions have fallen into abeyance since.

The Committee invited⁷ the current Chief Secretary to the Treasury, the Rt Hon John Glen MP, to attend a meeting of the Committee, but the request was declined. In his response, the Chief Secretary told us that:

"I recognise the importance of the Committee's role in providing rigorous scrutiny of the Welsh budget and holding Welsh Government ministers to account for their policy and budgetary decisions. At the same time I am mindful of parliamentary accountabilities, where the UK Government is accountable to the UK Parliament for its tax and spending decisions. I will therefore not be accepting your invitation."⁸

When asked during a one-off retrospective session with members of the Silk Commission on 28 June 2023 whether such sessions should continue to take place, Lord Nick Bourne of Aberystwyth stated that:

"I think it's dreadful it doesn't happen. We can't, as members of whatever institution we sit in, complain about devolution not working when we're not willing to put in the work at that sort of level, and I think Ministers have a duty to attend committees where required. And if it needs putting on a statutory basis, I think that needs to happen. It shouldn't need to be put on a statutory basis, but it seems to me pretty fundamental that should happen. And where members of whatever political party ignore a devolved body, the consequence will be felt electorally, and it should be."⁹

Similarly, in relation to our inquiry into arrangements for administering post-EU funds in Wales¹⁰ we invited the then Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP to give evidence. However, neither the Secretary of State nor the then Parliamentary Under Secretary, the Rt Hon Neil O'Brien MP, agreed to appear before the Committee, despite the Under-

⁶ [Commission Devolution in Wales. Empowerment and Responsibility: Financial Powers to Strengthen Wales November 2012, Recommendation 23 \(d\)](#)

⁷ [Letter from the Chair of the Finance Committee to the Chief Secretary to the Treasury, 22 March 2023](#)

⁸ [Letter from the Chief Secretary to the Treasury to the Chair of the Finance Committee, 5 May 2023](#)

⁹ [Finance Committee, RoP, 28 June 2023, paragraph 116](#)

¹⁰ [Finance Committee, Inquiry: Post-EU funding arrangements](#)



Secretary confirming¹¹ that the issue of post-EU funding fell within his ministerial responsibilities. However, in subsequent correspondence¹², the Under Secretary indicated that the Secretary of State for Wales would be “best placed to discuss these matters further”, and an evidence session took place on 30 June 2023.

As outlined, our experiences of engaging with UK Government departments has yielded mixed results. On the whole, with the exception of the Secretary of State for Wales, we have found UK Ministers to be reluctant to engage with the Committee’s work and believe that clarity is needed to establish clear lines of accountability and expectations regarding the attendance of UK Ministers at Senedd Committees.

Lack of transparency and flexibility in the way that the Treasury deals with funding decisions relating to devolved matters

The Committee has regularly called for improvements in the way that information is shared and communicated between UK and Welsh governments regarding funding calculations.¹³

For example, we have supported the Welsh Government’s Minister for Finance and Local Government in her efforts to press the Treasury for earlier and better engagement regarding significant funding announcements.¹⁴ We also agree with the Minister that the Welsh Government is, as she told us recently, “budgeting in the dark” until the details of the impact of any funding announcements made by the UK Government is shared.¹⁵

There are also modest changes that the Treasury could make to the fiscal rules it applies to the Welsh Government, and we have called for these to be implemented. They include:

¹¹ **Letter from the Parliamentary Under Secretary of State for Levelling Up, the Union and Constitution to the Chair of the Finance Committee, 6 May 2022**

¹² **Letter from the Parliamentary Under Secretary of State for Levelling Up, the Union and Constitution to the Chair of the Finance Committee, 13 May 2022**

¹³ See: **Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2021-22, July 2021, Recommendation 2**

¹⁴ See: **Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Recommendation 2**

¹⁵ See: **Finance Committee, RoP, 21 June 2023, paragraphs 16-17**

- Removing the annual Wales Reserve drawdown limits;¹⁶
- Increasing the size of both borrowing limits and the Wales Reserve, at least in line with inflation;¹⁷
- Providing an ability for the Welsh Government to carry over funding from one financial year to the next.¹⁸
- Establishing an independent mechanism for dispute resolution between the Welsh and UK governments in relation to fiscal matters.¹⁹

We welcome positive developments between the Welsh Government and the Treasury on these issues in recent months,²⁰ however, they seem to be ad hoc and exceptional arrangements. By not addressing these issues on a permanent and consistent basis, we believe that the Treasury is treating the Welsh Government as a branch of the UK Government rather than as a devolved administration with the discretion necessary to manage its own financial affairs.

Conclusion

Our experiences as a Committee demonstrates that, more often than not, the needs of the Welsh Government and the Senedd are not at the forefront of UK Ministers and officials' minds, especially when it comes to communicating information relating to funding decisions and announcements.

In our view, Whitehall departments are, at best, demonstrating a lack of awareness of the priorities of other legislatures operating within the UK context and, at worst, treating devolved institutions as second rate and unequal partners.

Given the issues identified above, we are naturally interested in the outcome of your inquiry and would welcome further engagement with you in relation to the issues identified.

¹⁶ See: [**Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Recommendation 5**](#)

¹⁷ See: [**Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Recommendation 5**](#)

¹⁸ See: [**Finance Committee, Scrutiny of the Welsh Government Draft Budget 2022-23, February 2022, Recommendation 8**](#)

¹⁹ See: [**Finance Committee, Scrutiny of the Welsh Government Draft Budget 2022-23, February 2022, Recommendation 3**](#)

²⁰ Evidence provided by the Minister for Finance and Local Government on 21 June 2023 indicated that the Welsh Government had secured flexibility to waive drawdown limits for fund drawn from the Wales Reserve, but as an exception for 2023-24 only. See: [**Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Paragraphs 21-22**](#)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths'. The signature is fluid and cursive, with a prominent initial 'P' and a long horizontal stroke at the end.

Peredur Owen Griffiths MS, Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu'n Saesneg.

We welcome correspondence in Welsh or English.

