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Your ref:

Ask for: Michelle Morris

Our ref: MAM/mm



Date: 12 December 2023



Peredur Owen Griffiths
Chair, Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

By email only
seneddfinance@senedd.wales

Dear Peredur

Review of the Statement of Principles

I refer to your letter of 18 October about your review of the Statement of Principles. Thank you for consulting me on this.

Clarity of funding position in the public sector

Your letter helpfully explores some of the challenges around the timing of our Estimate, in particular where the current timing does not fit well with UK fiscal events. I acknowledge that the position is complicated by delays and uncertainty in UK financial announcements and decisions, but the current timing does present difficulties. Our Estimate is prepared in September, for consideration by your Committee in October. That is 6 months before the start of the year. When public finances and inflation are uncertain and volatile, that means that assumptions, for example around inflation and pay awards, may be significantly out of date by the start of the financial year.

Independence from the Welsh Government and Supplementary Budgets.

I welcome your comments about the independence of directly funded bodies and your intention to clarify this on your Committee's webpages. Whilst that increased clarity will be helpful, the more substantial issue is about the reliance on the Welsh Government to take forward a DFB's supplementary budget following the support of the Finance Committee. As your letter indicates, there is no requirement for the Welsh Government to bring forward a supplementary budget following a submission by a DFB. That fundamentally challenges the principle of independence and allows the Welsh Government to deny DFB's supplementary budgets. Since the DFBs all have some level of oversight of the Welsh Government, that is not appropriate.

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to correspondence in Welsh.

We have no reserves and no carry-over, so the supplementary budget process is of considerable importance to us. Our budget is taken up predominantly by staff costs and largely fixed premises and IT costs. We therefore have very little flexibility in our budget and the limited actions we might be able to take to offset unforeseen cost pressures (for example, not filling vacant posts) create instability and adversely affect service delivery. The supplementary budget process is the only way we have of managing significant new financial pressures and it is important that, if supported by your Committee, supplementary budgets are progressed promptly.

I welcome the fact that the Welsh Government has, to date, taken forward supplementary budgets proposed by DFBs and supported by your Committee. However, to address this risk to independence I would support changes to Standing Orders that effectively **require** the Welsh Government to progress (subject to the outcome of your Committee's consideration) supplementary budgets sought by DFBs, within a specified period. I am conscious that this change may not be achieved quickly, and in the meantime, it might be useful if your Committee reported separately on DFB supplementary budgets (rather than incorporating this into the report on your scrutiny of the overall Welsh Government Supplementary Budget) and makes an explicit recommendation to the Welsh Government that the DFB supplementary budgets are progressed through the Senedd within a specified period. These changes would reflect and support the independence of DFBs. They would also give DFBs greater control over when they submit supplementary budgets as well as allowing your Committee to consider matters independently, rather than working to the Welsh Government's timetables.

I hope that this response is a helpful contribution to your consideration.

Yours sincerely



Michelle Morris
Public Services Ombudsman