

Rebecca Evans MS,
Cabinet Secretary for Finance, Constitution and Cabinet Office

4 July 2024

Dear Rebecca,

Proposed Changes to the Budget Process Protocol and Related Budget Procedures

Many thanks for your letter of 15 January 2024 which responded to proposals for changing the Budget Process Protocol (the Protocol) that we put forward to you on 11 December 2023.

I am pleased that we continue to work towards a common goal and that you and your officials are committed to constructive engagement on these matters.

As you indicate in your letter, discussions between officials on these issues are ongoing with a view to reaching agreement shortly. However, in the meantime, I wanted to draw your attention to additional issues that have been raised by the Directly Funded Bodies (DFBs), relating to both the Protocol and the Senedd's budgetary matters more generally.

Changes to the Budget Process Protocol

As indicated in my letter of 11 December 2023, the Committee consulted all DFBs on our proposed changes to the Protocol on 23 February 2024, and received responses from Audit Wales and the Senedd Commission.

In its response, Audit Wales suggested the following changes to the Protocol:

"Paragraph 17 of the Protocol says— "With this in mind, the Finance Committee would anticipate seeing at the time the outline budget is published...a demonstration of how the programme for Government and Well-being of Future Generations (Wales) Act 2015 have influenced the budget allocations." As the duty to set well-being objectives is the main mechanism within the 2015 Act for putting principles into practice, and as the Programme for Government is itself not a statutory requirement per se, we think it would be helpful to revise this paragraph

so as to refer to an explanation of how the Welsh Government's wellbeing objectives have influenced the budget allocations.

Similarly, we think that a reference to the Welsh Government's well-being objectives would be useful in paragraph 21. 3. At paragraph 33, it might be helpful for clarity to revise the last sentence to specifically refer to the Welsh Government providing a reconciliation to changes at the BEL level. 4. While the changes to paragraph 40 seem helpful, particularly the replacement of "undertakes therefore to continue" with "will" in the penultimate sentence, the cross reference in the previous sentence would seem to be more appropriate if given as paragraph 34 rather than paragraph 26. Similarly, "direct funded" in the penultimate sentence would seem to be better as "directly funded".

For ease of reference, tracked versions of these changes are included as an annex to this letter, and are in addition to the changes already put forward in our letter of 11 December 2023.

The Commission did not suggest any specific changes to the Protocol in its response, but made reference to two key issues which are outlined below.

Changes to budget procedures proposed by the Directly Funded Bodies

In our letter to DFBs on 4 May 2023 we asked for views on the supplementary budget/estimate process and whether the current arrangements provide sufficient flexibility or if they need to be strengthened.

In their initial responses, the DFBs asked for minimal, and largely administrative, changes. However, in light of issues experienced following a supplementary request made by Audit Wales, to accommodate the Cost of Living payment to staff in August 2023 (which was subsequently withdrawn), we wrote again to the DFBs on 18 October 2023, asking for further views.

In their responses, both Audit Wales and the Public Services Ombudsman for Wales (PSOW) supported changing Standing Orders to explicitly require the Welsh Government to incorporate requests from DFBs for supplementary funding in a supplementary budget motion, if supported by the Finance Committee.

In its response, the Senedd Commission stated that "The cost of living payment made to Commission staff in this financial year has highlighted some issues with the supplementary budget process which it may be helpful to address", adding that:

"The Commission accepts that it is appropriate for the Welsh Government alone to have the right to bring forward supplementary budget motions. However, it would be helpful to amend Standing Orders to formalise the process ... This would mean that when the date of the Welsh Government's Supplementary budget is known,

DFBs, if requiring a variation to their agreed budgets, would submit their explanatory memorandum to the responsible Committee. This would happen in advance of the motion being tabled to allow time for a responsible committee to report and make recommendations regarding the requests for additional information made by the DFB(s)."

According to the Commission, the aim of doing so would be to remove any perception that the Welsh Government can "block" requests from DFBs, maintaining their independence.

On a separate point, the Commission also called for "Standing Orders to be revised so that the Commission's budget timetable could be moved to a later date". It suggested a "small change to Standing Order 20.20, to broaden the provision whereby the Commission could propose a different timetable to that specified in Standing Orders". This would allow the Commission to request flexibility in the event of a late UK autumn statement or if the publication of the Welsh Government's draft budget is delayed, as has been the case in recent years.

The Committee is supportive of these proposed changes and ask you to consider them, in addition to those already outlined in my letter of 11 December 2023, so we can move these matters forward with a view to reaching a satisfactory conclusion.

As mentioned in the joint response to your letter on the statutory review of the Welsh Tax Acts etc. (Power to Modify) Act 2022, the Committee is committed to developing a budget process that befits a modern legislature, and I hope these proposals are a step in that direction.

The Committee's intention is to produce a report on these matters to enable the Senedd to consider and vote on changes to the Protocol and related procedures early in 2025, in good time ahead of the 2026 Senedd election.

This letter has been copied to the DFBs and the Llywydd's Committee given their responsibility for oversight of the Electoral Commission, for information.

Yours sincerely,



Peredur Owen Griffiths MS
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.



Senedd Cymru
Welsh Parliament

Proposed changes	Reasons for change, according to Audit Wales
<p>Changes to Paragraph 17</p> <p>“17. With this in mind, the Finance Committee would anticipate seeing at the time the outline budget is published:</p> <ul style="list-style-type: none"> • the rationale for taxation levels; • a range of relevant economic statistics and analyses for Wales; • <u>an explanation of how the Welsh Government’s wellbeing objectives</u> demonstration of how the programme for Government and Well-Being of Future Generations (Wales) Act 2015 have influenced the budget allocations.” 	<p>Paragraph 17 of the Protocol says— “With this in mind, the Finance Committee would anticipate seeing at the time the outline budget is published...a demonstration of how the programme for Government and Well-being of Future Generations (Wales) Act 2015 have influenced the budget allocations.”</p> <p>As the duty to set well-being objectives is the main mechanism within the 2015 Act for putting principles into practice, and as the Programme for Government is itself not a statutory requirement per se, we think it would be helpful to revise this paragraph so as to refer to an explanation of how the Welsh Government’s wellbeing objectives have influenced the budget allocations.</p>
<p>Changes to Paragraph 21</p> <p>“21. Each portfolio will aim to be consistent and provide information which supports the decisions behind the proposals. This could include:</p> <ul style="list-style-type: none"> • how the proposals align to Welsh Government priorities, <u>well-being objectives</u> and desired outcomes; • assessments of the impact of the proposals in line with the Welsh Government’s legal and relevant policy obligations such as equality, Welsh Language, United Nations Rights of the Child; 	<p>Similarly, we think that a reference to the Welsh Government’s well-being objectives would be useful in paragraph 21.</p>



<ul style="list-style-type: none"> • an explanation of significant changes to budget headings from the previous published plans.” 	
<p>Changes to Paragraph 33</p> <p>“33. The Welsh Government will publish the Annual Budget Motion in accordance with Standing Orders. In supporting the Annual Budget Motion, the Welsh Government agrees to provide, at the same time as laying the Annual Budget Motion, its final budget incorporating spending plans and any changes to financing plans proposed in the outline budget. A reconciliation to changes at the BEL level (or equivalent) will also be provided by the Welsh Government.”</p>	<p>At paragraph 33, it might be helpful for clarity to revise the last sentence to specifically refer to the Welsh Government providing a reconciliation to changes at the BEL level.</p>
<p>Changes to Paragraph 40 (additional changes to those already proposed by the Committee included in grey)</p> <p>“Any change to the required resources of these directly 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 34 26, the Welsh Government is committed to providing the same frequency of two supplementary budgets <u>each financial year as previously provided</u>. The Welsh Government undertakes therefore to continue to will liaise regularly with the <u>directly</u> 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”</p>	<p>While the changes to paragraph 40 seem helpful, particularly the replacement of “undertakes therefore to continue” with “will” in the penultimate sentence, the cross reference in the previous sentence would seem to be more appropriate if given as paragraph 34 rather than paragraph 26.</p> <p>Similarly, “direct funded” in the penultimate sentence would seem to be better as “directly funded”.</p>

