

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales

17 December 2015

Dear Jocelyn

Finance Committee's legacy – Budget process and financial scrutiny of legislation

Thank you for your letter of 17 November, seeking the views of the Children, Young people and Education Committee on the budget process and financial scrutiny of legislation.

The Committee considered your letter at its meeting on 2 December, and welcomed the opportunity to feed in to the Finance Committee's consideration of the budget process. As outlined in your letter, there are two distinct areas of financial scrutiny for Committees – overall budget scrutiny and the financial scrutiny of legislation. The Committee considered these areas based on the specific questions raised in your letter. The Committee also had a number of general concerns that we thought would be useful to feed into the Finance Committee's legacy.

The effectiveness of the overall approach to budget scrutiny

The Committee's main concern in relation to the budget process is that the time available for budget scrutiny needs to be managed more effectively. This is particularly relevant to the limited time between the Welsh Government laying the draft budget and the deadlines for Committees to feed into the process.



In order for scrutiny to be effective, Committees need to focus on budget scrutiny in a more concentrated way. However, current practice is that the Assembly's business continues as normal, which can result in insufficient focus being placed on budget scrutiny. Consideration could be given to changing the way the Assembly schedules its business during the Budget period, including using alternative or additional business slots for budget scrutiny.

It is also a concern that the Assembly may not have the skills required to ensure effective budget scrutiny. To be effective, Committees need to switch into 'finance mode' and have the ability to call upon specialist support during the budget period.

Engagement with stakeholders during the Budget period is to be welcomed in principle and is a useful way to increase the Assembly's capacity. However, time is limited and stakeholders' resources are being put under increasing pressure due to financial constraints. In future, stakeholders may not have the capacity to contribute fully to the Budget scrutiny process. This is an issue the Assembly may wish to bear in mind as it considers arrangements for future budget scrutiny.

The effectiveness of financial scrutiny of legislation

The financial scrutiny of Bills has proven to be difficult, as the information contained in the Explanatory Memorandum is often very complex and unclear. As a result, it has been difficult for the Committee to scrutinise the financial implications of Bills in enough detail.

To assist the financial scrutiny of Bills, consideration should be given to developing a clear template for Explanatory Memoranda, setting out in detail the financial information that is required. The Committee understands that the Auditor General for Wales has also recommended the use of such a template.

The Committee notes Recommendation 3 of the Chairs' Forum Report: Legacy from Fourth Assembly Committees, that *"Committees could be more assertive in ensuring that legislation is 'fit for purpose' by returning Bills to the*



Welsh Government where they are ill-thought through or clearly not ready". The Committee agrees with this in principle and believes that Committees should be more robust in demanding clear and sufficient financial information to assist it in the scrutiny process.

General financial scrutiny by Committees

There was agreement that Committees should undertake more detailed in-year financial scrutiny, but this needs to be focussed. Committees should embed financial scrutiny in their work, so that budget allocations are scrutinised initially and, late in that budget cycle, the outcomes and spending is scrutinised. Not enough is being done on the latter.

In conclusion, the Committee believes that scrutiny of the budget by committees has improved during this Assembly. However, further improvements are needed and we hope that the Finance Committee's legacy report will lay the foundation for that work.

Yours Sincerely



Ann Jones AC / AM
Cadeirydd / Chair

