

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-P-1501-15

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff
CF99 1NA

11 January 2016

Dear Jocelyn,

Thank you for your letter of 17 November regarding Committee's consideration of the arrangements for budget scrutiny and the impact of the Committee's role, as part of its legacy.

Openness and transparency are at the heart of the Welsh Government and have been central considerations over the course of this administration in the context of the budget process, including supporting effective scrutiny. The scrutiny stage of the Budget process is an important step in testing and developing our budget proposals and a crucial element of our democratic accountability. The Welsh Government has been committed throughout this time to improving our approach to budgets and to the presentation of budget material. Working constructively with the Finance Committees, we have made some significant progress in this regard over the last five years and I am committed to continuing to look for opportunities to improve the budget process.

A defining feature of budget scrutiny in this term has been the difficult and challenging financial backdrop. With reducing budgets, it is more important than ever that we maximise the effective spend of public resources. In this context, I welcomed the Committee's support early on in this administration to our proposal to amend the Welsh Government's Annual Budget Motion and to introduce a single expenditure limit for the Welsh Government, in place of individual budget control totals for each Main Expenditure Group. This step increased our flexibility to manage resources more effectively and, importantly, to align funding with our priorities, particularly towards the end of the financial year. The development of the Budget Protocol which ensued has also helped to maintain transparency and accountability in respect of the in-year financial management practices.

Integral to our budget preparations is drawing on all of the available evidence to ensure that we are spending our resources on those interventions that deliver the maximum benefits and support delivery of our outcomes. Listening to the views of stakeholders on priorities and the services that matter most to them is an important element of our approach. During my annual Budget Tours, I have talked to those that will be affected by budget decisions, including service providers and users, about the challenges we face in managing our priorities within a budget that continues to reduce in real terms. In this context, the Finance Committee's pre-scrutiny of the budget and engagement with stakeholders has helped to shape our thinking on priorities and inform our budget preparations.

There have been a number of recurring themes highlighted during budget scrutiny over recent years. These have covered a broad spectrum of issues, such as the call for a greater level of detail on the costs associated with the Government's legislative programme, the importance of preventative spend and taking action now to prevent problems arising or to prevent current problems from getting worse and the need to understand the impact of our funding decisions, and how our budgets and spending plans support our priorities. In keeping with this, we have taken a number of steps in successive Budgets to address these issues and provide greater clarity and information to help inform scrutiny. As we continue this journey, we will look to build on these measures in future budgets.

As we look to the future, a number of important factors will influence our approach to the budget and scrutiny processes. In my letter of 30 November in response to the Finance Committee's post legislative scrutiny of the Well-being of Future Generations Act, I highlighted how the framework of the Act has already been influential in shaping our budget preparations and draft spending plans for 2016-17. When I gave evidence to the Committee on the Draft Budget 2016-17 last month, I elaborated on this further and more detail on our approach is set out in the Draft Budget 2016-17 narrative which was published as part of the budget documentation.

In terms of the appropriateness of timescales for the process, current timescales for scrutiny, along with various other issues, are being considered as part of reforming our budgetary procedures, in light of our new fiscal responsibilities under the Wales Act 2014. An over arching priority in any budget round is to provide early funding certainty to the organisations we fund. In a normal budget year, we look to complete the budget process by Christmas in order to achieve this. Balancing this with the need to ensure that the Assembly has the opportunity to complete meaningful scrutiny of our plans, this normally means publishing our plans at the start of the Autumn term. This does, however, present challenges in completing scrutiny within a single term. This constraint is further compounded by the timing of the Autumn Statement in relation to the Final Budget motion, which often means our Budget plans are out of date before they have been agreed by the Assembly. This is a constraint I have highlighted previously and the timing challenges are important issues we need to consider as part of the reformed budgetary procedures.

The Finance Committee's inquiry into Best Practice Budget Processes is integral to these considerations, and we are working closely with officials within the Assembly Commission to develop our proposals including consideration of the Committee's suggestion of a two-stage budget process.

As these changes will affect the 2018 -19 budget planning exercise, in line with implementation of the new fiscal powers, the precise nature of the reforms will be developed and agreed by the Fifth Assembly.

I hope this is helpful.

A handwritten signature in black ink that reads "Jane". The signature is written in a cursive style with a horizontal line above the first few letters.

Jane Hutt AC / AM

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