



Ombwdsmon
Ombudsman
Cymru · Wales

Your ref:

Ask for: Michelle Morris

Our ref: MAM/CV/mm

Date: 12 June 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

Thank you for your letter of 4 May and for the opportunity to comment on the Statement of Principles that the Finance Committee expects Directly Funded Bodies to have regard to in their budget proposals.

The budget principles, in my view, continue to be appropriate and relevant and I have worked to make sure that my Estimates submission and Supplementary Budget submissions respect and reflect those principles.

The information provided by the Minister for Finance and Local Government is broadly helpful. There is an unavoidable tension here in that early receipt of that information is helpful in our preparation of the draft Estimate for consideration by my Advisory Panel, but inevitably the financial picture becomes clearer and more certain as time progresses.

I will now turn to the Supplementary Budget process. Firstly, I have no strong views on changes to Standing Orders to reflect the way that the Committee and Directly Funded Bodies work in practice. Whilst this detail is not currently reflected in Standing Orders, Standing Orders do not hinder or prevent this approach.

ombwdsmon.cymru
holwch@ombwdsmon.cymru
0300 790 0203
1 Ffordd yr Hen Gae, CF 35 5LJ
Rydym yn hapus i dderbyn ac
ymateb i ohebiaeth yn y Gymraeg.

ombudsman.wales
ask@ombudsman.wales
0300 790 0203
1 Ffordd yr Hen Gae, CF 35 5LJ
We are happy to accept and respond
to correspondence in Welsh.

More generally, the Supplementary Budget process is essential where budgets include no contingency, where there is no ability to carry funding from one year to another and where we are not able to hold reserves. That means that the Supplementary Budget process is the only mechanism to deal with significant in-year budget pressures. In the case of my office, as you know, these are likely to be either pay award costs (which are outside my control) or legal costs associated with challenges to decisions of the Adjudication Panel for Wales in Code of Conduct cases (or potentially to legal challenges to my casework decisions on public service complaints). In recent years, additional legal costs have been the result of Code of Conduct cases.

Under current arrangements there are only two opportunities to submit Supplementary Budgets – early in the financial year or in January of the following year. The early Supplementary Budget is valuable but, since it is so early in the year, there is substantial scope for pressures to emerge after the deadline for submission. The second Supplementary Budget process does not result in a decision until March, very close to the year-end. If a Supplementary Budget were to be unsuccessful, this gives no time to attempt to save money on an emergency basis, looking to reduce staff numbers, delay contract payments or take other action to avoid overspending and the resultant qualified accounts. A mid-year Supplementary Budget (perhaps to be considered at the same time as Directly Funded Bodies' Estimates for the following year) would therefore be hugely valuable.

On more general budget issues, I would like to move towards development of a three-year budget plan, which I would share with the Committee. I recognise the difficulties of multi-year budgeting, but I consider that sharing this with the Committee might be helpful to the Committee. I would welcome any greater certainty over future years' funding that the Committee could give.

Yours sincerely

Handwritten signature of Michelle Morris in black ink.

Michelle Morris
Public Services Ombudsman