

Mark Drakeford AM/AC

**Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government**



**Llywodraeth Cymru
Welsh Government**

Eich cyf/Your ref
Ein cyf/Our ref: MA-P/MD/6191/16

Simon Thomas AM,
Chair Finance Committee,
The National Assembly for Wales,
Cardiff Bay,
Cardiff
CF99 1NA

18 August 2016

Dear Simon,

Thank you for your Committee's scrutiny of the First Supplementary Budget 2016-17 and the report that followed.

I attach a written response to the recommendations made.

I hope you find this useful and look forward to working with you in future.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Written Response to the Report of the Finance Committee: Scrutiny of the Welsh Government First Supplementary Budget 2016-17

10 August 2016

This Supplementary Budget was the first opportunity to amend budgetary plans for the current financial year which were published and approved by the previous Assembly in March.

The main purpose of this budget was to realign those plans into the portfolios of the new government. This is essential for future accountability of the Cabinet and effective management of the Welsh Block. The net effect on the overall budget of these changes was zero.

The budget also allowed us to reflect a small number of adjustments which arose from decisions made in the previous administration.

It was also the first budget of the new government to be scrutinised by this Committee. For this I would like to thank the Finance Committee for the work undertaken and I look forward to working in partnership with the members in future.

Detailed Responses to the report's recommendations are set out below:

Recommendation 1

The Committee recommends the Welsh Government continue to take up opportunities to minimise costs of elections to the taxpayer.

Response: Accept

We are always looking to minimise costs and our guidance to Returning Officers encourages this.

Returning Officers act in an independent capacity when conducting elections. The Guidance which accompanies the National Assembly for Wales

(Returning Officers fees and Charges) Order 2016, stressed all expenditure must be for the efficient and effective conduct of the election. Returning Officers are encouraged to seek value for money and cost savings when procuring electoral goods and services. Local authority contracts and frameworks may be used to provide electoral services provided they are value for money.

Returning Officers are required to submit their accounts within six months of the date of the election. Unlike the UK Government who audit a proportion of Returning Officer accounts, all the accounts submitted to the Welsh Government will be audited. Historical election account data will be used to build a picture of spending and used to monitor variations.

The draft Wales Bill proposes to devolve powers over certain electoral functions to the Welsh Government. I am hosting a workshop in the autumn to look at how these powers might be used to modernise the electoral system and if there are opportunities to reduce costs in the longer term.

Financial Implications: None.

Recommendation 2

The Committee recommends that in future the Welsh Government publishes greater evidence setting out the rationale behind budget allocations such as the business rate relief scheme, including details of the anticipated economic impact. This will assist Assembly Members and the people of Wales to scrutinise programmes in terms of their success and the value for money they offer.

Response: Accept

We take account of a range of evidence to inform the decisions we take about allocating our budgets. It is vital that we are clear about what the Welsh Government is proposing to do, and why, and that people can access the

information which has been considered. This is why we publish the statistics, research, evaluation and other evidence which has been material to our decisions.

In 2011-12, Wales was the first UK Administration to publish an impact assessment of spending plans. Since then, we have continually looked for opportunities to improve our approach and have taken steps in subsequent budgets to increase the scope of issues included and supporting analysis. The improvements we have made reflect the recommendations of both the Finance Committee's Inquiry into Best Practice Budget Procedures and the Budget Advisory Group for Equality (BAGE).

At Draft Budget stage, we publish a narrative which includes an assessment of the best available evidence which has informed our spending plans at the strategic level. Within the narrative, we draw on and integrate evidence provided in the Strategic Integrated Impact Assessment with data on future trends and relevant evaluations. The full Strategic Integrated Impact Assessment is also published alongside the Draft Budget narrative. The evidence which informs detailed spending plans within portfolios is published in the evidence papers which Cabinet Secretaries send to the Finance Committee to support informed scrutiny of plans.

We are guided by a set of high level principles to drive research and evaluation, including the assessment of value for money. In line with our principles, we are always looking for ways to improve the way we evaluate our policies and programmes so that we can draw on the best evidence available to inform our budget decisions.

Financial Implications: None.

Recommendation 3

The Committee recommends that the Cabinet Secretary presents information to ensure that it is possible to track allocations to departments and major projects over the course of this Assembly term. This should include enabling comparisons to be made when the portfolios of Cabinet Secretaries change.

Response: Accept

This government is committed to openness and transparency. Our approach to this budget was to limit the number of changes. We wanted to show clearly how the new portfolio budgets were formed out of the previous plans and I think we achieved that.

Within the published documentation we included tables which showed the movement of funding from the previous plans to the new portfolios.

We will continue to present budget documentation in a simple format that facilitates an easy understanding of the numbers. We will also continue to provide a narrative description of the key changes to figures including any significant allocations from reserves.

When there is a change in portfolios we will ensure that there is a reconciliation between the old and the new.

Financial Implications: None.

Recommendation 4

The Committee recommends that the Cabinet Secretary keeps the Committee informed of discussions with the UK Treasury on any decisions that may result in changes to the Welsh Government's budget in the coming months.

Response: Accept

Response: Accept

Since I gave evidence to the Committee on the First Supplementary Budget 2016-17, I have discussed my concerns about the implications of the EU referendum vote on public finances and the Welsh budget with both the Chancellor to the Exchequer and the Chief Secretary to the Treasury. In his response to the Monetary Policy Commission's recent Inflation Report, the Chancellor confirmed that he is prepared to take any necessary steps to support the economy and promote confidence. He went on to confirm that the UK Government will set out its fiscal plans at Autumn Statement, once the Office for Budget Responsibility has produced a new forecast.

I expect to meet the Chief Secretary again early in the new session and I will be pressing for early engagement and clarity ahead of the Autumn Statement. I will keep the Committee informed of any resulting changes to the Welsh settlement.

Financial Implications: None.

Mark Drakeford AM

Cabinet Secretary for Finance and Local Government