

EXPLANATORY MEMORANDUM TO THE GOVERNMENT OF WALES ACT 2006 (BUDGET MOTIONS AND DESIGNATED BODIES) ORDER 2016

This Explanatory Memorandum has been prepared by the Office of the First Minister and Cabinet Office Group and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2016.

Mark Drakeford
Cabinet Secretary for Finance and Local Government
18 November 2016

1. Description

1.1 The Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2016 (“the Order”) designates bodies in relation to the Welsh Ministers. The purpose of such designation is so that information relating to the resources expected to be used by such bodies can be included within a Budget Motion.

2. Matters of special interest to the Constitutional and Legislative Affairs Committee

2.1 Section 126A(9) and (10) of the Government of Wales Act 2006 (“GOWA 2006”) provide for the Order to be subject to either the affirmative or the negative resolution procedure.

2.2 The Cabinet Secretary for Finance and Local Government is of the view that the Order be subject to the negative resolution procedure as there are no factors indicating the use of the affirmative procedure. The Order designates bodies for the purposes of including within a Budget motion, information relating to the resources expected to be used by those bodies. Inclusion of the resources of the designated bodies within the Budget Motion will minimise alignment discrepancies between the Budget, Budget Motion and consolidated accounts, but will have no effect on the resource limits of those bodies. The subject matter of the Order can therefore be regarded as administrative as the effect on the Budget will be presentational.

3. Legislative background

3.1 This Order is made by the Welsh Ministers in exercise of the powers conferred on them by section 126A(2) and (3) GOWA 2006. This is the first use of the power.

3.2 In accordance with section 126A(6) GOWA 2006, the Welsh Ministers have consulted where they think appropriate the Treasury. In accordance with section 126A(4) the Treasury have consented to the making of this Order. This Order is made using the negative resolution procedure.

4. Purpose and intended effect of the legislation

Background

4.1 In March 2015, the Finance Committee of the Fourth Assembly recommended as part of its inquiry into Best Practice Budget Processes, that “the Welsh Government work closely with the Wales Audit Office to help ensure that the alignment of the budget and the Welsh Government’s

accounts with the Treasury's budget boundary is completed timeously and successfully".

4.2 Under current arrangements, there are 3 main documents which set out the financial position of the bodies funded by the Welsh Consolidated Fund;

- the Budget to plan, monitor and control income and expenditure;
- the Annual Budget Motion (ABM) to gain Assembly approval for income and expenditure; and
- after the year end, the Consolidated Accounts to report and account for income and expenditure.

The boundaries of each of these documents i.e., the income and expenditure of the bodies which are included, differ for each causing misalignment and, accordingly can make it difficult to understand the links and inter-relationships between them. This can lead to a lack of transparency and understanding of the Welsh Government public expenditure.

4.3 The budget voted by the Welsh Assembly within the Budget Motion is aligned to the Welsh Government core account boundary. This is a different boundary to that used for the Welsh Government Consolidated Accounts and is subsequently different again to the boundary used for the Treasury budget.

4.4 Alignment is required to ensure that the Welsh Government's accounts use the same boundary for the budget presented to the Welsh Assembly, as that used by the Treasury for the control of public expenditure. Alignment will mean that the scope of the main control mechanisms is consistent. A key component of this is the consolidation into ambits of income and expenditure by all bodies within the Welsh Government boundary.

Purpose

4.5 The Order designates specified bodies in relation to the Welsh Ministers for the purpose of including within a Budget motion the resources expected to be used by those bodies.

Effect

4.6 The designation of the bodies in the Order will allow closer alignment of the ABM to the existing Welsh Government Consolidated Boundary. The resources expected to be used by the designated bodies can therefore be included within the ABM replacing the cash funding they receive.

4.7 The Order, therefore, aligns the Treasury budget boundary to the Budget Motion and the Welsh Government Consolidated Accounts, enabling

expenditure to be more easily tracked through the Budget Motion and Consolidated Accounts process. This will provide the benefits of increased transparency and understanding of Welsh public expenditure, making it easier for the Assembly, and the wider public, to understand and challenge spending plans and outturn. In turn, this should contribute to better involvement and awareness of public expenditure in Wales, therefore, indirectly contributing to well-being goals.

4.8 The Order leads to a more efficient approach to the impact on scrutiny of the ABM by the Finance Committee and the consolidated accounts by the Public Accounts Committee as variances between budget and outturn will be more consistent. In addition, the number of reconciliations required within the schedules supporting the ABM will be reduced.

4.9 There would be no impact on the MEG budgets and limited impact on preparation of the consolidated accounts.

4.10 The Order does not amend or consolidate any other piece of legislation.

5. Consultation

5.1 The Welsh Government undertook a targeted consultation with Welsh Government Groups sponsoring the bodies proposed to be included in the Order and the Wales Audit Office from 20th September 2016 to 27th October 2016.

5.2 Those responding to the consultation were generally supportive and proposals were modified to take account of the comments received, but there were no objections to the principle of designation and alignment.

5.3 As a result of the consultation, the Order contains bodies that are considered for consolidation within the WG Consolidated Accounts and are classified by ONS to the Central Government Sector.

5.4 Following receipt of responses from Welsh Government Groups and Wales Audit Office, HM Treasury were contacted to obtain consent to designate bodies that are in receipt of funding from a 'relevant Consolidated Fund', as required under section 126A(4) and (5) of the Government of Wales Act 2006.

5.5 HM Treasury were also consulted in accordance with section 126A(6), where a complete list of bodies to be designated was provided. Consent was subsequently provided by HM Treasury to the making of the Order.

5.6 A second phase of alignment is planned for 2018-19.

6. Regulatory Impact Assessment (RIA)

- 6.1 A Regulatory Impact Assessment has not been prepared to accompany this Order; it is not expected to impose any cost on business, local government or the voluntary sector. This is consistent with the Welsh Ministers' Regulatory Impact Assessment Code for Subordinate Legislation.
- 6.2 Bodies to be designated in the Order already form part of the Welsh Government budgetary controls and so Welsh Government Groups are already monitoring in-year spending. In addition the Whole of Government Accounts project requires the collection of similar outturn data from all public bodies, there should therefore be no material impact on the public sector.