

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA – P/MD/0457/18

Simon Thomas AC
Chair of the Finance Committee

7 February 2018

Dear Simon

Thank you for your letter of 8th December regarding the Committee's inquiry on the Remuneration Board's determination underspend.

As you know, the Welsh Government is responsible for laying the annual and supplementary budget motions under the Government of Wales Act 2006 and for incorporating into those budget motions the budgets of all bodies directly funded by the Welsh Consolidated Fund (WCF).

Standing Orders sets out the budget setting process for each body directly funded from the WCF, ensuring budgets and expenditure are properly scrutinised by the Assembly and bodies are accountable for the funds that they use.

The Welsh Government uses the information published and agreed under those arrangements to compile and gain formal approval of the budget in the annual and supplementary budget motions.

The Welsh Government is also responsible for reporting on the Welsh Block as a whole to HM Treasury including the total underspend position each year and manages the arrangement to carry forward underspends. In practice, communication channels are established between officials of each direct funded body and the Welsh Government to ensure the in-year position is effectively managed.

I was interested to read see Committee's report on the Assembly Commission's Draft Budget and the information provided by the Auditor General for Wales included in your letter. Whilst it would not be appropriate for me to comment on how the Assembly Commission should set and gain agreement for its budget, I would like to offer the following observations.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.

As you know, the Welsh Government has taken a number of steps to increase the transparency of its budget over the years. In times of austerity, this is of particular importance as budgets within the public sector are increasingly constrained. I would welcome any measures to increase transparency across the other bodies funded from the WCF.

Our approach to transparency within the Welsh Government ensures that resources are used for the purposes for which they were voted and estimates of expenditure are robust and realistic. When proposing budgets, we draw on the best possible evidence available to inform our planning.

In respect of the more technical aspects concerning the reporting and utilising of underspends, the Wales Reserve will provide the mechanism to carry forward underspends from one year into the next. Underspends from all bodies funded from the WCF at year end will go into the Reserve. All bodies may propose and request changes to their budget in year via the supplementary budget process and additional funding requirements in year are managed by the Welsh Government following the Assembly's scrutiny of the body's proposal.

Given the relatively small sums involved in respect of other direct funded bodies, this approach has worked well to date. However, should the levels of underspend and/or request for resources in year increase (as could be the case under the suggestion put forward by the AGW), we would need to ensure there is a proportional level of governance around this process to enable the Welsh Government to continue to effectively manage the reserve position and in-year resources are not compromised. In practice, I would expect this to be reflected in an enhancement to the clear lines of communication that are already established between officials of the relevant bodies.

I hope you find this information helpful.

Best wishes,

A handwritten signature in black ink that reads "Mark". The letters are cursive and slightly slanted to the right.

Mark Drakeford AM/AC

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Cabinet Secretary for Finance