

WELSH GOVERNMENT RESPONSE TO CONCLUSIONS FROM THE FINANCE COMMITTEE REPORT: SCRUTINY OF WELSH GOVERNMENT SECOND SUPPLEMENTARY BUDGET 2017-18

Conclusion 1

The Committee would welcome more detail around how significant new allocations within the supplementary budget have been prioritised and how investment decisions have been challenged by Prosperity for All, Programme for Government or the Well-being of Future Generations Act.

Supplementary Budgets are a standard part of the annual financial management process providing opportunities to amend budgetary plans for the current financial year. They are primarily technical in nature, detailing adjustments to the Final Budget approved before the start of the financial year.

The draft and final budget planning process focuses on how allocations reflect the Welsh Government's priorities and the influence of the Well-being of Future Generations Act. As the purpose of supplementary budgets is to propose adjustments to those plans, it focusses more appropriately on addressing the pressures and opportunities that arise in year.

Nevertheless, allocative decisions within a supplementary budget are not taken in isolation. When the Cabinet Secretary for Finance gave evidence to the Finance Committee, he provided examples of the impact of Prosperity for All and the Well-being of Future Generations Act on those decisions.

We have previously acknowledged that the presentation of budgetary information and embedding the principles of the Well-being of Future Generations Act is an evolutionary process. We will reflect on the Committee's conclusion with a view to including further information in future supplementary budgets.

Conclusion 2

The Committee concludes that to enable more transparent scrutiny of such decisions, more explicit financial details need to be made available in terms of how commitments are funded, for example, whether commitments are funded from reserves or underspends in other areas, when such announcements are made.

Announcements on funding allocations in year are made by Welsh Ministers as part of the normal process of effectively managing their portfolios to deliver the Welsh Government's objectives.

An assessment of how those commitments are funded is made at the time of the

decision and should be communicated within the announcement. However, the scale and diversity within the Welsh Government's budget will inevitably lead to changes in the financial position over the course of the year.

Part of the role of supplementary budgets, particularly the second supplementary budget towards the end of a financial year, is to consolidate the in year movements to determine the most cost effective method for funding the Welsh Government's expenditure. Any changes to the sources of funding which may have occurred since an announcement was made will be detailed within the supplementary budget.

Conclusion 3

The Committee acknowledges the constraints of financial transactions funding but urges the Cabinet Secretary to continue to explore all avenues to utilise the available funding, within the UK Treasury rules, whether that is for new schemes, such as the Wales Stalled Sites Fund, or, for example, if future payments of existing schemes receiving general capital funding make use of available financial transaction funding.

The Welsh Government continues to work with other parts of the public sector to find new and innovative ways in which to best use financial transaction funding. We also intend to continue to work with HM Treasury on how the constraints on usage impact the Welsh budget.

The Chief Secretary to the Treasury recently agreed to the Welsh Government's request for additional flexibility, allowing a carry forward facility for the £90m of unspent financial transaction funding provided in the UK Autumn Budget of November 2017. This is in addition to the amounts that can be carried forward under the Wales Reserve arrangements.

Conclusion 4

The Committee found it helpful to have early notification of the intention to seek variation to the agreed budgets of the directly funded bodies and commends this approach.

The Welsh Government is responsible for managing and reporting on the entirety of the funding made available through the Welsh Consolidated Fund and agrees with the Committee that early notification of variations to budgets of those bodies directly funded from the Welsh Consolidated Fund is helpful.

Variations to those budgets have a direct impact on the money that is available for public services and early engagement on any in year changes relating to directly funded bodies helps us manage those impacts. The Welsh Government recognises the important role of the Committee to scrutinise any requests to vary those budgets in a robust and rigorous way.