

**WELSH GOVERNMENT RESPONSE TO CONCLUSIONS FROM THE FINANCE COMMITTEE REPORT:
SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2018-19**

AUGUST 2018

Conclusion 1

The changes in this supplementary budget are not substantial, however, the Committee valued the opportunity to consider the changes and believes this good practice should continue. The Committee has identified areas where additional information would be helpful at the draft budget stage.

Supplementary budgets are an important part of the annual financial management process ensuring transparency and accountability of the Welsh Government's spending plans.

It has become the practice to lay two supplementary budgets a year and the Welsh Government expects this to continue.

We are always looking to improve the information we provide as part of the budget process. We will continue to develop our approach to budgeting and will reflect further on the Committee's comments in developing future budgets.

Conclusion 2

The Committee welcomes the approach taken by the Welsh Government in regards to utilising financial transaction capital and would welcome further investigation into innovative and creative means to utilise this funding.

The Welsh Government is collaborating with its stakeholders to find new and innovative ways to best deploy financial transaction funding to support Welsh priorities, despite its restrictive nature. We continue our dialogue with HM Treasury on how the constraints on usage impact the Welsh budget.

Conclusion 3

The Committee intends to return to consideration of financial transaction capital when considering the draft budget in the Autumn. The Committee requests that detail relating to how financial transactions capital is allocated in the outline and detailed budgets and any repayment commitments should form part of the general summary of Welsh Government debt and repayment schedules provided at the same time as the outline budget.

The outline draft budget will provide the total amount of financial transaction funding allocated to each main expenditure group (MEG) with the detailed draft budget providing further information specific to each portfolio.

As financial transaction capital is a funding stream from HM Treasury, it is unlike loans from the National Loan Fund, and does not have fixed payment dates; attract interest or penalties. As such we would not consolidate this funding stream alongside Welsh Government borrowing. We will consider the best way to present this information.

Conclusion 4

The Committee intends to return to consideration of funding for Health and Social Care when scrutinising the draft budget in the Autumn, particularly in the light of its inquiry into the cost of caring for an ageing population, and requests that additional detail on any further changes to the mechanism for allocating funds to NHS bodies is provided at that stage.

We await the outcome of the Committee's inquiry into the cost of caring for an ageing population, and will consider the impact any recommendations may have on the mechanism for allocating funds to NHS bodies. Any further changes to the mechanism for allocating funds to NHS bodies, in response to any recommendations arising from this inquiry, will be reported to the Committee.

Conclusion 5

The Committee intends to return to consideration of the rail franchise fiscal agreement when considering the draft budget in the Autumn and requests that additional available details on how this agreement influences the 2019-20 and future budgets is provided at that stage.

We have reached agreement on the fiscal arrangements for the operation of rail services with the UK Government, and will publish that agreement as soon as possible. The Cabinet Secretary for Economy and Transport issued a Written Statement to update Assembly Members on the future railway access charges on 1 June 2018.

Conclusion 6

The Committee intends to return to consideration of decarbonisation and the impact of the Well-being of Future Generation (Wales) Act 2015 when considering the draft budget in the Autumn and requests that, in line with previous recommendations draft budgets should demonstrate how decision making is in alignment with well-being goals, meeting Prosperity for All priorities and also decarbonisation.

We have previously acknowledged that embedding the principles of the Well-being of Future Generations Act in our budget planning would be an evolutionary process and would develop over a number of years. In developing the 2019-20 draft Budget we are working across government to review the alignment of our spending plans to Prosperity for All, Welsh Government well-being objectives and the ways of working. This includes consideration of the three specific areas agreed with the Future Generations Commissioner of which decarbonisation is one.

Conclusion 7

The Committee intends to return to the consideration of issues relating to the long-term affordability of student loan policies when considering the draft budget 2019-20 in the autumn and requests that additional detail is provided at that stage.

The latest forecasts for student loan liabilities will be included in the 2019-20 draft budget.

The student finance system was recently the subject of a two year independent review which considered, among other things, affordability and sustainability. The recommendations of the review were well received by all stakeholders and the Welsh Government is now in the process of implementing the resulting reforms. Student loan provision is underwritten by HM Treasury, who have approved the funding of the reforms on the basis that our system will continue to be less costly, with respect to student loans, than the UK Government's policies.