

Adrian Crompton, Auditor General for Wales

14 January 2019

Dear Adrian

Directly funded bodies' annual budget proposals

As you are aware, the Finance Committee has been concerned for some time with the increase in the funding of directly funded bodies, given that many other public services in Wales are facing extensive and continuing real terms cuts. As a result, the Committee asked directly funded bodies to ensure that their budgets do not exceed any changes to the Welsh block grant.

During the Committee's recent scrutiny of the funding requested for 2019–2020, it became apparent that directly funded bodies are interpreting increases in the block grant differently. Consequently, the Committee agreed to set a limit of 1.6%, which is based on the likely increase in the Welsh block for the upcoming financial year rather than the Welsh block increase of the previous financial year.

Going forward, it is clear that linking the budgets of directly funded bodies to the block grant increase will continue to be problematic because of the different ways of interpreting the increase and the timing of the Welsh Government and UK budgets. This is complicated further by other influences on the amount of funding available in any given year, such as Welsh Government tax policy decisions, UK Government announcements of additional funding leading to subsequent consequential for Wales, and the UK Government's Spending Review planned for 2019.



Therefore, the Committee would welcome your views on the direction and guidance it issues to directly funded bodies in formulating future estimates. It would be helpful if we could receive a response from you by Friday **22 February 2019**.

Should you require any clarification or further information, please contact: Bethan Davies, Committee Clerk, 0300 200 6372, SeneddFinance@assembly.wales

Yn gywir



Llyr Gruffydd AM

Chair

Croesewir gohebiaeth yn Gymraeg neu'n Saesneg.

We welcome correspondence in Welsh or English.

