

Rebecca Evans AM
Minister for Finance and Trefnydd
BY EMAIL

4 April 2019

Dear Rebecca,

Directly funded bodies' annual budget proposals

I wrote to you and the directly funded bodies on 14 January, asking for views on the direction and guidance the Finance Committee could issue to directly funded bodies to assist the bodies when formulating future budget proposals. Whilst the funding of directly funded bodies is not a role for the Welsh Government, the Committee is mindful of the impact that these budgets have on the Welsh Block Grant and we were grateful to receive your response.

After considering the responses from the directly funded bodies, we believe the best approach would be to agree a Memorandum of Understanding (MoU) between the Committee and directly funded bodies, which sets out the principles that they should consider when preparing their future budget proposals.

The aim of the MoU is to ensure budget proposals are transparent, prudent and reflect the financial constraints in the public sector.



In your letter you agreed to write to the Committee prior to summer recess with information on various factors which could be drawn upon to inform future budget plans such as the latest guidance on public sector pay remits, GDP deflator forecasts, forecasts of devolved taxes and our best possible assessment of the overall level of funding available in future years.

We would welcome the provision of this information, in planning our own budget scrutiny, but also to share with the directly funded bodies for their consideration when preparing their budget proposals.

I have also attached the draft MoU to this letter for your information and would be grateful to receive any comments you may have by **Friday 3 May 2019**.

Should you require any clarification or further information, please contact: Leanne Hatcher, Second Clerk, 0300 200 6343, SeneddFinance@assembly.wales

Yn gywir



Llyr Gruffydd AM

Chair

Croesewir gohebiaeth yn Gymraeg neu'n Saesneg.

We welcome correspondence in Welsh or English.



Memorandum of Understanding

Between the Finance Committee of the National Assembly for Wales and Directly Funded Bodies¹

April 2019

Introduction

1. This paper comprises a series of principles that directly funded bodies should consider when preparing their annual budget proposals.
2. The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector.

Principles approach

3. Budget requests should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.
4. Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved.
5. Bodies should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies.
6. Bodies should continually seek to improve processes and accrue efficiencies.
7. Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified.

Available Information to draw upon

8. The Minister for Finance and Trefnydd has offered to provide information on various factors which can be drawn upon to inform future budget plans such as the latest guidance on public sector pay remits, GDP deflator forecasts, forecasts of devolved taxes and the Welsh Government's best possible assessment of the overall level of funding available in future years.

¹ Including the Assembly Commission; Auditor General for Wales and Wales Audit Office; Public Services Ombudsman for Wales

This information will be forwarded to directly funded bodies for their consideration.

Review of this Memorandum of Understanding

9. This document will be reviewed by the Finance Committee the year of implementation and periodically thereafter and updated as necessary.

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