

Llyr Gruffydd AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

3 May 2019

Dear Llyr

Directly funded bodies' annual budget proposals

I am writing in response to your letter dated 4 April 2019 which followed your request in January for views on the direction and guidance the Finance Committee could issue to directly funded bodies in formulating future budget proposals.

We note that you have considered the views of all of the directly funded bodies and that you believe the best approach would be to agree a Memorandum of Understanding (MoU) between the Committee and directly funded bodies.

Having considered the MoU we welcome the series of clear principles for consideration when preparing our annual budget proposals and note that these are reflective of our current budget setting principles i.e. that they should be transparent, prudent and reflect the financial constraints in the public sector.

The Committee will be aware that our strategy is to set a budget that provides only the resources needed to deliver our statutory requirements and our prioritised investment plans, with the majority of our expenditure being on the Remuneration Board's Determination, staffing and accommodation/ICT costs.

We will, of course, continue to provide robust explanations for any changes to our budget e.g. changes in activity and increasing demand, especially where significant increases are required.



We will again be constructing our budget by taking a “zero-based” approach – where, rather than simply inflating our prior year budget, we will set our budget based on known costs e.g. existing staffing and committed costs e.g. rent. Any additional amounts e.g. items funded from our project fund, will be supported by a strong supporting case including how they present Value for Money.

We look forward to receiving further information from the Minister for Finance and Trefnydd on various factors which can be drawn upon to inform future budget plans including the Welsh Government’s best possible assessment of the overall level of funding available in future years.

We look forward to your Committee’s review of the MoU, following a year of implementation.

As ever, if there is any further information your Committee would like, please let me know.

Yours sincerely

A handwritten signature in black ink that reads "Suzy Davies". The signature is written in a cursive, flowing style.

Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan

