

Scrutiny of the Welsh Government Second Supplementary Budget 2021-22

March 2022



1. Introduction

1. On 15 February 2022, the Minister for Finance and Local Government (the Minister) laid the Welsh Government Second Supplementary Budget 2021-22,¹ and an accompanying Explanatory Note.² The Committee took evidence from the Minister at its meeting on 2 March 2022.³

2. This Supplementary Budget reflects budgetary changes since the First Supplementary Budget 2021-22, laid on 22 June 2021.⁴ It sets out allocations from reserves, transfers between Welsh Government portfolios and includes revised Annually Managed Expenditure (AME) forecasts. It also includes revisions to forecasts of devolved taxes, Block Grant Adjustments, funds drawn from the Wales Reserve, and proposed borrowing from the National Loan Fund.

3. The Second Supplementary Budget also includes adjustments to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and Audit Wales, as considered by the Committee on 21 January 2022.⁵

¹ Welsh Government, [Second Supplementary Budget 2021 to 2022](#), 15 February 2022

² Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022

³ Finance Committee, RoP, 2 March 2022

⁴ Welsh Government, [First Supplementary Budget 2021 to 2022](#), 22 June 2021

⁵ Finance Committee, [Agenda](#), 21 January 2022, Item 7

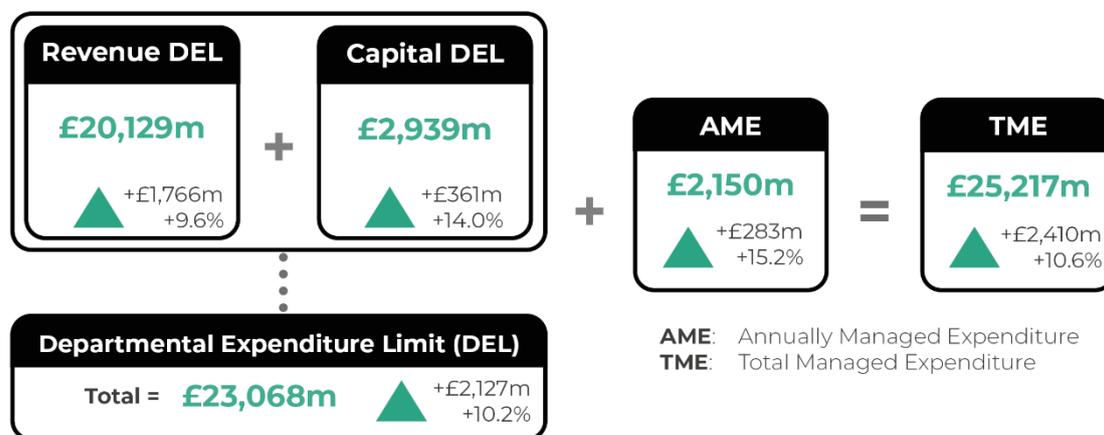
2. Overall Allocations

4. The Explanatory Note⁶ states that the Second Supplementary Budget allocates an additional £2.1 billion in Departmental Expenditure Limit (DEL) to Welsh Government departments, reflecting the following increases compared with the First Supplementary Budget in June 2021:

- £1.7 billion in fiscal resource (9.7 per cent);
- £420.3 million for general capital (16.8 per cent);
- £80.4 million in non-fiscal resource (8.3 per cent).

5. These increases are partly offset by a reduction of £59 million (or 73.7 per cent) in allocations for financial transactions capital.

6. Compared to the First Supplementary Budget, DEL allocations to Welsh Government departments increase from £20.9 billion to £23.1 billion, an increase of 10.2 per cent, as shown in the infographics below.



⁶ Welsh Government, Second Supplementary Budget 2021-22: Explanatory Note, February 2022, Table 3.1

		Total revenue and capital allocation	Change from First Supplementary Budget to Second Supplementary Budget	
	Health and Social Services	£10,537m	£793m 8.1%	
	Finance and Local Government*	£5,394m	£666m 14.1%	
	Education and the Welsh Language**	£2,796m	£358m 14.7%	
	Climate Change	£2,770m	£137m 5.2%	
	Economy	£707m	£111m 18.6%	
	Rural Affairs	£367m	£11m 3.0%	
	Central Services and Administration	£352m	£30m 9.3%	
	Social Justice	£146m	£22m 17.5%	

Source: Senedd Research and Welsh Government Second Supplementary Budget 2021-22⁷

Notes:

* Excludes around £722 million non-domestic rates income.

** Includes allocation of £498 million of non-fiscal revenue for Student Loans Resource Budget Provision.

⁷ Welsh Government, Second Supplementary Budget 2021-22: Explanatory Note, February 2022, Table 3.1

3. Funding

7. On 3 February 2022, the UK Government announced⁸ measures to help with the cost of living in light of the rise in the energy price cap.⁹ This included a £150 council tax rebate from April 2022 for households in England which are in council tax bands A-D. The UK Government announcement stated that the Welsh Government would receive £175 million in consequential funding as a result of this decision,¹⁰ noting that “The devolved administrations will be able to choose whether to spend this funding this year or next year”.¹¹ Further details regarding funding allocated through the Second Supplementary Budget to support people through the cost of living crisis is included in Chapter 4 of this report.

8. On 9 February 2022, the First Minister stated¹² that Wales would not receive any additional funding as a result of this decision. In response, the Chief Secretary to the Treasury reported¹³ this was not the case and the Welsh Government would receive £180 million of Barnett consequentials as a result of the council tax rebate.

9. In her letter on 11 February 2022,¹⁴ the Minister confirmed that the Welsh Government would not receive more than the previous indicative funding allocations.

10. The Minister explained the recent adjustments to the Welsh Government’s funding to the Committee on 2 March:

“So, every year, the Welsh Government and all devolved Governments receive an indication from HM Treasury of any changes to the in-year budgetary position that we should expect at the UK supplementary estimates. So, on 26 January, Treasury informed us that we could expect a further £178 million as a result of spending in England, and this then was on top of the £270 million that had been announced on 19 December to respond to the omicron variant.”

⁸ Welsh Government, [Press Release: More than £330m to help people tackle cost-of-living crisis](#), 14 February 2022

⁹ Ofgem, [Press Release: Price cap to increase by £693 from April](#), 3 February 2022

¹⁰ HM Treasury, [News Story: Millions to receive £350 boost to help with rising energy costs](#), 3 February 2022

¹¹ HM Treasury, [News Story: Millions to receive £350 boost to help with rising energy costs](#), 3 February 2022

¹² Twitter, [@PrifWeinidog](#), 9 February 2022

¹³ Twitter, [@SimonClarkeMP](#), 9 February 2022

¹⁴ [Letter from Minister for Finance and Local Government to the Finance Committee](#), 11 February 2022

We were told that this funding wouldn't be able to be carried over into the next financial year. That was funding for Wales totalling £448 million, which is a significant amount of money late on in the financial year. And I would add at this point that, in previous years, when we've had very late allocations, we have had the ability to carry over funding. So, I think that this speaks to the difficult parameters within which we have to operate and why it is so important that we keep pressing for further flexibilities."¹⁵

11. The Minister went on to explain the latest position for the additional funding due to Wales as a result of the cost of living allocations in England:

"... on 3 February, the UK Government ... announced its council tax rebate scheme. At that point, they said it would mean an additional £175 million for Wales. That was subsequently then increased to £180 million. But the latest supplementary estimates position issued to the Welsh Government on 8 February does reveal that increase of £180 million to reflect the council tax rebate scheme, but it's more than offset by a reduction of £189 million in our overall position. So, overall, following that announcement, we were £9 million worse off."¹⁶

12. In her letter on 11 February 2022, the Minister noted:

"This has created an extra, unhelpful layer of uncertainty at a time when we are already facing exceptional challenges. I have urgently written with the other Devolved Finance Ministers to the Chief Secretary to express our collective concern, to seek re-instatement of this funding, and to request the ability to carry it forward to 2022-23."¹⁷

13. The Minister added that she had asked the Chief Secretary to jointly review the in-year and end-year budget processes.¹⁸

¹⁵ Finance Committee, RoP, 2 March 2022, paragraphs 17 and 18

¹⁶ Finance Committee, RoP, 2 March 2022, paragraph 19

¹⁷ [Letter from Minister for Finance and Local Government to the Finance Committee](#), 11 February 2022

¹⁸ [Letter from Minister for Finance and Local Government to the Finance Committee](#), 11 February 2022

Budget consequentials and transfers

14. The Explanatory Note accompanying the Second Supplementary Budget¹⁹ suggests that the overall finance for the Welsh Government has increased by £1.1 billion mainly due to Barnett consequentials and UK transfers. This includes:

- UK Government funding of £737.8 million fiscal resource, which includes a £45.7 million reduction due to recalculated block grant adjustment;
- Increases in devolved tax forecasts (Land Transaction Tax and Landfill Disposal Tax) of £98 million;
- A net decrease in general capital of £72.1 million. As well as increases in Barnett consequentials, it also reflects a decrease of £149.1 million as a result of a 2020-21 capital department expenditure limit (DEL) spend adjustment;
- Decrease in financial transactions capital funding of £18 million;
- Increase of £62.5 million non-fiscal resource.²⁰

15. These figures do not reflect that the Welsh Government is switching £415.4 million from revenue to capital budgets and drawing down £50 million from the Wales Reserve for financial transactions capital.

16. While the UK Supplementary Estimates 2021-22²¹ had not been published when the Second Supplementary Budget was laid, the Welsh Government's Second Supplementary Budget include the following expected allocations from those estimates:

- £134 million additional revenue;
- £54 million reduction in general capital; and
- £18 million reduction in financial transactions capital.

17. The Explanatory Note accompanying the Second Supplementary Budget says that the expected additional revenue of £134 million is 'net' of £180.2 million additional funding in

¹⁹ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Table 3.1

²⁰ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Table 3.1

²¹ HM Treasury, [Supplementary Estimates 2021-22](#), 22 February 2022

respect of Council Tax rebate measures that will be “carried forward for use by the Welsh Government into 2022-23”.²²

18. The Minister provided the latest funding position as a result of recent transfers and consequentials, stating that:

“... of the additional resources set out in the supplementary budget, £686 million of those arise as a result of Barnett consequentials that were confirmed in the UK Government's supplementary estimates: £629 million were fiscal revenue; £18 million non-fiscal revenue; £57 million general capital, and then there was a reduction of £18 million financial transactions capital.”²³

19. When asked how the Welsh Government ensured that any additional transfers received from the UK Government were calculated correctly, the Minister's official stated that “there are a lot of conversations and discussions that go on to make sure that, the methodology that's been used, we are in agreement with it” adding that the process was underpinned by the Treasury's block grant transparency report, the last of which was published in December 2021.²⁴

Funding flexibilities

20. The Explanatory Note states that the planned resource drawdown from the Wales Reserve is unchanged at £125 million.²⁵ It also shows the £50 million drawdown from the Wales Reserve for financial transactions capital, noted in paragraph 15. However, the Explanatory Note does not provide details of the funding held in the Wales Reserve. When asked about the known and expected balances at the end of the financial years 2020-21 and 2021-22 respectively, the Minister confirmed the Wales Reserve was at a maximum of £350 million at the end of 2021, adding that:

“We've drawn down £175 million in this financial year—that's the maximum that we are able to draw down. But that then creates a maximum headroom for us to be able to put money back into the Wales reserve if we do have

²³ Finance Committee, RoP, 2 March 2022, paragraph 25

²⁴ Finance Committee, RoP, 2 March 2022, paragraph 51

²⁵ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Table 3.1

*underspends ... I would hope to be in a position to go into the financial year having put money back into the reserve."*²⁶

21. The Minister told the Committee during scrutiny of the Welsh Government Draft Budget 2022-23 that she expects current in-year reserves would be within agreed carry-forward limits.²⁷ However, with a UK fiscal event taking place in March 2022,²⁸ there is a possibility that positive or negative consequentials could take funding outside limits.

22. To address this, the Minister told the Committee that she is seeking agreement from HM Treasury to enable the Welsh Government to use a full additional financial year to spend any such allocations as "that would help us a great deal with our budget management".²⁹ The Minister added that the current arrangement:

*"... doesn't really lend itself to more longer term strategic planning for the use of funding. So, that's one of the challenges and it's why we're asking Treasury to allow us a full financial year to use funding from the point at which consequentials come forward."*³⁰

23. According to the Minister, this approach is necessary due to the size of the Wales Reserve:

*"... if the UK Government came forward with even further allocations in respect of consequentials within this financial year, then if they come very late, as they did last year, that does present us with challenges, because the size of the Wales reserve that we're able to use to manage the money across years is very small."*³¹

Committee View

24. The Committee is disappointed that the Minister continues to face difficulties in obtaining timely and accurate information from HM Treasury about changes to the Welsh Government's budget, and notes the particular difficulties experienced by the Minister towards the end of this financial year.

²⁶ Finance Committee, RoP, 2 March 2022, paragraphs 33-34

²⁷ Finance Committee, RoP, 22 December 2021, paragraph 23

²⁸ The UK Budget 2022 is scheduled for 23 March 2022. See: HM Treasury, [Forecast 2022 date announcement](#), 23 December 2021

²⁹ Finance Committee, RoP, 22 December 2021, paragraph 26

³⁰ Finance Committee, RoP, 2 March 2022, paragraphs 33-34

³¹ Finance Committee, RoP, 22 December 2021, paragraph 33

- 25.** However, the Committee believes that more can be done by both the Welsh and UK Government to provide transparency when funding announcements are made that would result in positive or negative transfers and consequentials. In particular, further transparency is required on the amounts received from the UK Government, including whether they relate to 'new' money or not. The issues surrounding the consequential funding received by the Welsh Government in light of the council tax rebate announced in England is a case in point.
- 26.** The Committee welcomes comments made by officials that the Welsh Government monitors and reviews the funding provided by the Treasury to ensure that they are allocated in line with the correct methodology. However, the lack of public information makes it very difficult to hold such processes to account, especially when trying to understand the amounts of consequential funding the Welsh Government should receive when the UK Government moves funding from non-devolved to devolved areas.
- 27.** Sadly, these are not new concerns. The Finance Committee in the Fifth Senedd wrote to the Secretary of State for Wales³² and the then Minister for Finance and Trefnydd³³ calling on them to confirm in any future funding announcements whether they related to 'new' money and they should follow the budget guidance to ensure transparency. The Committee also recommended in its report on the fiscal framework³⁴ that the Welsh Government aides transparency of funding by publishing its calculations on consequentials from UK spending announcements.
- 28.** The Committee is concerned that similar patterns are emerging in the early years of the Sixth Senedd and calls on greater efforts to be made by both the Welsh and UK Government in presenting announcements relating to funding as clearly as possible to ensure maximum transparency and to allow for effective scrutiny.
- 29.** In terms of funding flexibilities, the Committee agrees with the Minister that the Welsh Government should have a year in which to allocate positive or negative consequentials that are notified by HM Treasury late in the financial year. This is a very reasonable principle which would allow for effective budget management and an approach that HM Treasury has allowed previously. The Committee is therefore disappointed with this apparent departure from past practice.

³² [Letter to the Secretary of State for Wales from the Finance Committee \(Fifth Senedd\)](#), 24 September 2020

³³ [Letter to the Minister for Finance and Trefnydd from the Finance Committee \(Fifth Senedd\)](#), 24 September 2020

³⁴ Finance Committee, [Inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework](#), 2 February 2021, Recommendation 12

30. The Committee notes, in its documentation to support the Final Budget 2022-23, published on 1 March 2022, the Welsh Government says it is carrying forward £180 million funding from 2021-22, “outside the normal Wales Reserve arrangements”, to fund measures to respond to the cost of living crisis.³⁵ This funding arises from the UK Government council tax reduction scheme.

31. The Committee welcomes the Minister’s efforts in requesting a joint review, with the Chief Secretary to the Treasury, of the in-year and end-year budget processes and believes this to be particularly important given the lack of flexibility to carry forward in-year changes to Welsh Government funding.

32. The Committee notes the Minister’s intention to return any underspends to the Wales Reserve if possible. The Committee notes the Welsh Government has not published 2020-21 consolidated accounts or outturn report for 2020-21 to date. In line with recommendations made in relation to the Draft Budget for 2022-23,³⁶ the Committee believes that timely and regular reporting of the Wales Reserve balance, including how spending decisions impact on the balance, is essential for transparency and scrutiny.

Conclusion 1. The Committee shares the Welsh Government’s view regarding the importance of receiving timely and accurate information about changes to the budget and supports the Minister in obtaining such information from HM Treasury in future.

Recommendation 1. The Committee recommends that the Welsh Government takes steps to publish information about in-year consequentials and transfers it receives from the UK Government, including how those are calculated and whether they are done so in-line with the agreed methodology, particularly when different figures are being quoted by the Welsh and UK Governments.

Recommendation 2. The Committee recommends that the Welsh Government continues to press the UK Government for additional flexibility to spend allocations it receives late in the financial year and calls on the Welsh Government to provide an update on any discussions it has with HM Treasury on this matter.

Recommendation 3. The Committee recommends that the Welsh Government provides an update on the joint review of the in-year and end-year budget processes it has requested be

³⁵ Welsh Government, [Final Budget 2022-23: Explanatory Note](#), March February 2022, paragraph 1.05

³⁶ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, Recommendation

carried out once a response is received from the Chief Secretary to the Treasury, and asks for details regarding its terms of reference to be shared with the Committee prior to its commencement, assuming its request is granted.

Recommendation 4. The Committee recommends that the Welsh Government publishes information about the balance on the Wales Reserve at the outturn position and also as part of documentation accompanying all future budgets.

4. Allocations

33. The Explanatory Note³⁷ accompanying the Second Supplementary Budget presents the changes to allocations since the First Supplementary Budget 2021-22 under three main headings:

- COVID-19 funding for which fiscal resource and general capital funding allocations have been made. The Welsh Government notes “All the COVID-19 allocations are not recurrent in 2022-2023”;
- Other allocations to/from reserves; and
- Main Expenditure Group (MEG) to MEG transfers.

34. The following table provides a summary of the changes by MEG under these headings. This shows allocations to Welsh Government departments increase by a net £1.4 billion for COVID-19, of which all but £45.6 million is for fiscal resource funding. Other allocations with a net total value of £728.7 million have also been included.

35. Table 1: Second Supplementary Budget 2021-22. Changes by category (£m)

Main expenditure Group (MEG)	2021-2022 Supplementary Budget June 2021	MEG to MEG Transfers	COVID-19 Allocations from Reserves		Total COVID-19 Allocations from Reserves	Other Allocations (to) from Reserves	2021-22 New Plans 2 nd Supplementary Budget February 2022
			Fiscal Resource	General Capital			
Health and Social Services	9,744	(4)	613	46	658	139	10,537
Finance and Local Government	4,728	(7)	333	0	333	340	5,394
Education and the Welsh Language	2,438	5	116	18	133	219	2,796
Climate Change	2,633	10	113	(37)	76	51	2,770
Economy	596	(6)	153	15	169	(52)	707
Rural Affairs	356	(0)	8	4	12	(1)	367
Social Justice	124	1	16	1	17	4	146
Central Services and Administration	322	0	1	0	1	29	352
	20,941	0	1,353	46	1,398	729	23,068

³⁷ Welsh Government, Second Supplementary Budget 2021-22: Explanatory Note, February 2022, Table 3.1

Source: Senedd Research and Welsh Government Second Supplementary Budget 2021-22³⁸

Allocations to support people with the cost of living crisis

36. On 14 February 2022, the Welsh Government announced a package of “expanded measures” to help people with the cost of living crisis, allocating a total of £330 million.³⁹ This includes a payment of £150 to households who live in properties in Council Tax bands A-D, in line with a similar announcement made in England on 3 Feb (see paragraph 7) and also all those households in receipt of the Council Tax Reduction Scheme, irrespective of the property band. The payments, for which £152 million has been allocated, will be made by local authorities “as soon as possible”.⁴⁰ The Minister told the Committee that the £330 million package was intended to support those affected by the cost of living crisis across both the 2021-22 and 2022-23 financial years:

“In this supplementary budget, you'll see £152 million allocated to this, and the large part of that, really, is about providing the £150 cost-of-living payment to all households in council tax bands A to D, and also those households in receipt of council tax reduction scheme support in any band. There is a further £25 million for local authorities to provide discretionary support, recognising that there will be individuals and households who fall out of that eligibility criteria but still very much need support.”⁴¹

37. In terms of making people aware of the support available, the Minister said “It’s about making sure that people are aware of everything that they’re entitled to”⁴² adding that:

“... the help might be there for those people, but also people who are facing hardship for the first time, who might feel embarrassed to reach out for help. So, we need to just break down those kinds of barriers and make sure that people who are eligible for that funding come forward for it.”⁴³

³⁸ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022

³⁹ Welsh Government, [Press Release: More than £330m to help people tackle cost-of-living crisis](#), 14 February 2022

⁴⁰ Welsh Government, [Press Release: More than £330m to help people tackle cost-of-living crisis](#), 14 February 2022

⁴¹ Finance Committee, RoP, 2 March 2022, paragraph 8

⁴² Finance Committee, RoP, 2 March 2022, paragraph 76

⁴³ Finance Committee, RoP, 2 March 2022, paragraph 76

38. The Committee asked why this announcement was not made before the Plenary debate on the Draft Budget for 2022-23 on 8 February, to allow maximum parliamentary scrutiny, the Minister stated in response that:

"We had no forewarning at all, so we couldn't start to plan, but we were in a position then to act as quickly as we possibly could to put in place that support and make the announcement."⁴⁴

Other Allocations

Health and Social Services

39. Overall, DEL allocations for the Health and Social Services MEG increase by a net £792.8 million (or 8.1 per cent) in the Second Supplementary Budget compared with the First Supplementary Budget for 2021-22. Of this, the allocations for revenue increase by £658.6 million (or 7 per cent) and capital by £134.1 million (or 34.6 per cent). The net increase reflects additional funding for COVID-19 of £657.5 million and includes the support announced in August 2021⁴⁵ by the Welsh Government for health and social services for which £551 million was allocated, comprising:

- £411 million for the ongoing costs of dealing with the pandemic until April 2022, including funding for the vaccination programme, testing, PPE and new cleaning standards for infection control;
- £100 million for Local Health Board recovery plans, including addressing the impact of the pandemic on waiting times; and
- £40 million capital funding for equipment and adapting the NHS estate to "increase capacity for routine procedures, whilst maintaining COVID safe areas".⁴⁶

40. When asked what the additional funding of £411 million would achieve, the Minister stated that:

"... this particular funding was for NHS stabilisation. It also included funding for contact tracing, for vaccination programmes and for personal protective

⁴⁴ Finance Committee, RoP, 2 March 2022, paragraph 16

⁴⁵ Welsh Government, [Press Release: £551m extra COVID funding for health and social services](#), 19 August 2021

⁴⁶ Welsh Government, [Press Release: £551m extra COVID funding for health and social services](#), 19 August 2021

equipment and other COVID response. So, it was very much about continuing the response to the pandemic".⁴⁷

41. The Minister added that the additional funding provided is having an impact on frontline healthcare:

"... we've seen, through some of the modelling that we've done and looking at the estimates of waiting lists, that what we're doing already is having an impact, so our waiting lists aren't as long as we would have expected them to be, thanks to the investment that we are making."⁴⁸

Social Care

42. The Second Supplementary Budget contains £140.7 million specifically for social care recovery,⁴⁹ with elements of this funding spread throughout the Local Government; and Health and Social Services MEGs. The Minister outlined how the additional funding to address social care pressures would be allocated:

"... referring first to the £42.7 million in the supplementary budget for this year, that was to create a package of support based on what we were told by the care action committee was required for this year; £20 million of that was to support social services for children. There was £9.8 million for the regional partnership boards work, £5.5 million to support unpaid carers, £3.8 million to support early intervention and prevention, and then there's another range of smaller items, including funding for the third sector, unaccompanied asylum seekers, and the work that we're doing to advertise social care as an attractive profession to people."⁵⁰

43. In addition to these allocations, on 10 February 2022⁵¹ the Welsh Government announced a one-off payment to around 53,000 social care workers of £1,498 before deductions for tax and national insurance contributions. Care workers on the basic rate of income tax could expect to receive £1,000 after deductions. The payment, which the Welsh Government expects to be

⁴⁷ Finance Committee, RoP, 2 March 2022, paragraph 58

⁴⁸ Finance Committee, RoP, 2 March 2022, paragraph 62

⁴⁹ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Page 5

⁵⁰ Finance Committee, RoP, 2 March 2022, paragraph 67

⁵¹ Welsh Government, [Press Release: £96m investment to give tens of thousands of social care staff a £1,000 extra payment](#), 10 February 2022

included in pay from April to June 2022, will cost £96 million.⁵² This investment is in addition to the funding provided through the Local Government Settlement to enable local authorities to meet the costs of paying social care workers the real living wage from April 2022.⁵³

44. In terms of support for unpaid carers and hospices, the Minister said:

"The supplementary budget includes £0.27 million for the third sector carers hardship fund, so that is a pot of money that carers can go to to access funding specifically put there for carers, and anything we can do, really, to promote that to carers is really important.

And on the hospices side, we did, in the worst part of the pandemic, particularly around the lockdown period, provide additional funding for hospices, recognising that so much of their funding is received through fundraising activities and so on, but obviously those couldn't take place at that point, so we did provide additional funding for hospices in recognition of that."⁵⁴

45. Going on to say:

"Carers' organisations worked with us in respect of this fund, and I know they've been promoting it really heavily to carers within communities who they are aware of and so on. But, obviously, yes, we would want to do more."⁵⁵

Local Government

46. The Finance and Local Government MEG is due to receive additional allocations of £666.3 million within the Second Supplementary Budget. £526.1 million of that allocations is revenue and £333.5 million of that amount relates to allocations associated with the COVID-19 pandemic. Within those COVID-19 allocations, £135.5 million is allocated to the Local Government Hardship fund.⁵⁶

⁵² Welsh Government, [Press Release: £96m investment to give tens of thousands of social care staff a £1,000 extra payment](#), 10 February 2022

⁵³ Welsh Government, [Written Statement: A Real Living Wage for Social Care Workers in Wales](#), 21 December 2021

⁵⁴ Finance Committee, RoP, 2 March 2022, paragraphs 73 and 74

⁵⁵ Finance Committee, RoP, 2 March 2022, paragraph 76

⁵⁶ Welsh Government, [Local Government Hardship Fund](#), 11 February 2021

47. The Welsh Government also makes other allocations from reserves to local government in the Second Supplementary Budget. These include an additional £70 million capital, to be distributed to local authorities on the basis of the local government general capital grant funding. A further £65.5 million to enable the annual instalments of government funding to be paid to the Cardiff Capital Region, Swansea Bay and North Wales deals following the UK Government's decision to reprofile its contributions to the deals.

48. When asked about the £70 million of capital funding allocated to local government, the Minister explained that:

"... I was able to provide money in this financial year to support local authorities, which they can use in this financial year, they can use it for displacement, or they can put it into reserves and planning for future years, potentially looking at those more difficult years 2 and 3 within the budget".⁵⁷

49. Funding for flooding is also allocated to local authorities with £19 million to help meet recovery costs arising from the widespread and significant damage caused by flooding in February 2020. When asked how the Minister would fund more recent storm damage, she confirmed that the Welsh Government had not received any additional requests from local government through the emergency financial assistance fund to date.⁵⁸

Climate Change and Transport

50. A further £75.1 million of COVID-19 funding in the Supplementary Budget is allocated for transport, comprised of £53.1 million for rail and £22 million for bus support.

51. The rail franchise in Wales was taken into public ownership in February last year.⁵⁹ Additional funding has been allocated throughout the pandemic to support with reduced income due to passenger levels, and this continues to be necessary. The Explanatory Notes state:

"This required is [sic] due to the suppressed passenger demand leading to reduction in farebox revenue and the changes in how rail services are now managed."⁶⁰

⁵⁷ Finance Committee, RoP, 2 March 2022, paragraph 94

⁵⁸ Finance Committee, RoP, 2 March 2022, paragraph 98

⁵⁹ Welsh Government, [Press Release: Welsh rail franchise now in public ownership](#), 8 February 2021

⁶⁰ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Page 22

52. The purposes for bus support differ slightly. While demand was still below pre-pandemic levels, the Welsh Government reports the objective of the funding was to:

"...support the bus industry maintain and improve levels of service provision to meet evolving passenger demand and enable operators and passengers to use the network safely through the transitional period as the country recovers from the pandemic."⁶¹

53. In responding to questions on the support for train services included in the Supplementary Budget, the Minister stated that:

"... the £53.1 million was allocated to support rail in light of the reduced passenger numbers. During the most difficult point of the pandemic, during lockdown, we were looking at a 95 per cent fall in patronage. It started to get up to about 60 per cent of the demand prior to COVID, and it's still, I think, improving now ... Obviously, we'll be keeping this figure under review and adjusting it accordingly."⁶²

Central Services and Administration

54. The budget line for the Welsh Government's staff costs within the Central Services and Administration MEG now stands at £225 million, an increase of £19.7 million or almost 10 per cent.

55. Although the Explanatory Note does not set out any information about this additional funding, the Minister's official told the Committee:

"... the Welsh Government delegated running cost ... has increased by £19.7 million in the supplementary budget. So, of that, £3.1 million has gone to a pay award for 2021-22; £12 million has gone for 2020-21 for central funded pressures, which includes a pay award, it includes recruitment of additional senior civil servants—around 20 of those—as well as annual salary incremental increases; and then there's about £4.6 million that relates to intra-ministerial expenditure group arrangements, so that's things like dealing with the Transfer of Undertakings (Protection of Employment) Regulations 1981, for example, in relation to our ICT contract and social

⁶¹ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), February 2022, Page 22

⁶² Finance Committee, RoP, 2 March 2022, paragraph 122

*partnership as well. So, this will then be reviewed, in terms of permanent baselining of budgets for 2022-23 going forward.*⁶³

56. The official added:

*"Over the last couple of years, the Welsh Government, obviously, has had to support a range of staffing pressures in relation to both COVID, but also the UK's departure from the EU as well, which has put additional pressures on that as well, and that's meant some short-term increases to staff numbers. But we have a new Permanent Secretary in place. He's looking at our operating model, he's looking at efficiency, effectiveness, across the Welsh Government and, I'm sure, in time, will be able to say more about that as well."*⁶⁴

Committee View

57. The Committee notes the significant challenges posed by the ongoing recovery from COVID-19 as well as difficult economic circumstances and welcomes the steps taken by the Welsh Government, through the Second Supplementary Budget, to mitigate these factors.

58. In particular, the Committee welcomes the allocation of funding to help with the cost of living crisis especially given that recent developments, such as the rise in inflation and increases in energy bills, suggest that assistance in these areas will become more important. The Committee is therefore pleased that the Minister recognises that some people will be facing hardship for the first time and that the Welsh Government needs to break down barriers to ensure that the support for these people is maximised.

59. However, the Committee is not convinced that enough is being done to ensure that the support available is accessible to those who need it. In its report on the Draft Budget for 2022-23, the Committee pressed the Welsh Government to raise the profile of grants and schemes designed to address the cost of living crisis⁶⁵ and asked for the development of an integrated system of support in response to the acute financial pressures many families are experiencing.⁶⁶

⁶³ Finance Committee, RoP, 2 March 2022, paragraph 134

⁶⁴ Finance Committee, RoP, 2 March 2022, paragraph 135

⁶⁵ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, Recommendation 38

⁶⁶ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, Recommendation 40

The Committee believes that the Welsh Government can do better in this area and reiterates its call for further action to be taken in relation to these issues.

60. In terms of the additional allocations provided to support the health service, the Committee notes the Minister's evidence that additional Welsh Government funding is having an impact, particularly in relation to recovery from the pandemic and in addressing waiting times. However, with over 680,000 patients waiting to start treatment in December 2021 and over 240,000 of those waiting more than 36 weeks,⁶⁷ clearly there is much left to do. Little detail has been published to explain how the additional funding provided has addressed or will address waiting times and lead to the desired outcomes. The Committee therefore believes that the Welsh Government should set out clear targets and expectations for reductions in waiting times. More broadly, the Welsh Government could do more in terms of presenting budgetary information linked to outcomes and impacts, in line with what the Committee recommended in its report on the Draft Budget for 2022-23.⁶⁸

61. Although the Second Supplementary Budget includes a range of measures for social care, the Committee did not get a clear idea of the Welsh Government's overall objectives in this area and how it links to the additional funding provided. Similarly, in terms of support for unpaid carers and hospices, although the Minister told the Committee that she wanted to promote the work that carers do, no detail was provided on how this would be achieved. The Committee notes the funding available for carers mentioned by the Minister and work done with carers' organisations in terms of promotion, but also notes the Minister's view that there's more that Welsh Government would want to do in this area.

62. As stated previously, the Committee is highly supportive of measures to make the caring profession more attractive. We would therefore like the Welsh Government to provide information to the Committee on how funding in the Second Supplementary Budget is used in this area, including how the Welsh Government is working in collaboration with partners/stakeholders to monitor and assess the effectiveness of these initiatives to support the care workforce.

63. The Committee notes the £70 million capital funding provided to local government. The Committee understands this has been provided through general capital funding, and it is

⁶⁷ [Patient pathways waiting to start treatment by month, grouped weeks and stage of pathway](#), StatsWales (accessed 7 March 2022)

⁶⁸ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, Recommendation 3

therefore up to local authorities how to use it. However, given the “constrained outlook”⁶⁹ for capital described during scrutiny of the Draft Budget for 2022-23, the Committee is surprised that funding has been allocated on the basis that local authorities can put this funding in reserves for use in later financial years. The Committee therefore calls on the Minister to provide further information on how this funding has been allocated and clarity on the Welsh Government’s objectives for it.

64. The Committee notes that transport, particularly bus and train services, have been severely impacted by the loss of revenue caused by the pandemic and welcomes the additional funding allocated to support the continuation of these key services. However, the Committee was not convinced that the additional funding allocated for bus services was sufficient, and asks the Minister to provide further information regarding how the amount was determined as well as the objectives and expected outcomes for this funding.

65. The Committee notes the increase of £20 million in Welsh Government staff costs contained within the Central Administration and Services MEG and that these would be recurrent costs. The Committee further notes that some of this additional funding will be used to cover the costs associated with 20 additional Senior Civil Servants posts. These represent relatively significant increases, and the Committee calls on the Minister to provide further information about these allocations and the changes to the Welsh Government’s delegated running costs. The Committee was interested to hear that the new Permanent Secretary will be looking at the Welsh Government’s operating model, and the efficiency and effectiveness of the Welsh Government Civil Service.

Recommendation 5. The Committee calls on the Welsh Government to provide further updates on the work it is doing to raise the profiles of grants and schemes designed to address the cost of living crisis and reiterates its call for the development of an integrated system of support in response to the acute financial pressures many households are experiencing.

Recommendation 6. The Committee recommends that the Welsh Government sets out its targets for reducing waiting times and more generally, include in its budget documentation, the outcomes and impacts expected for additional NHS funding and how it will progress its NHS recovery plan.

Recommendation 7. The Committee recommends that the Welsh Government takes further steps to promote the financial support available to carers through the Second Supplementary

⁶⁹ Welsh Government, [Draft Budget 2022-23: A Budget to build a stronger, fairer and greener Wales](#), page 2

Budget, including unpaid carers, so that they are aware of funding to which they're entitled and calls for such initiatives to be evaluated and for the Committee to be notified of any outcomes.

Recommendation 8. The Committee recommends that the Welsh Government provides a breakdown of the additional £70 million capital funding allocated through this Second Supplementary Budget by local authority, and further information to the Committee on why this was allocated, as well as clarify the objectives the Welsh Government expects this funding to achieve.

Recommendation 9. The Committee recommends that the Welsh Government provides further information regarding how the additional £22 million allocated to bus services in the Second Supplementary Budget was determined, how it has assessed the sufficiency of this support to meet its objectives and how the Minister intends to evaluate its impact.

Recommendation 10. The Committee recommends that the Welsh Government provides further information about the appointment of 20 additional Senior Civil Servant posts, including why they were needed, what roles the successful candidates have taken up in the organisation and whether the appointments are made on a permanent or fixed term basis.

Recommendation 11. The Committee recommends that the Welsh Government provides further information regarding the scope and timing of the Permanent Secretary's review of the Welsh Government's operating model, the efficiency and effectiveness of the Welsh Government Civil Service. .

5. Directly funded bodies (DFBs)

66. The Supplementary Budget motion proposes a variation to the budgets of the three bodies directly funded from the Welsh Consolidated Fund (WCF). The Committee considered these requests at its meeting on 21 January 2022.⁷⁰

Public Services Ombudsman for Wales

67. The Public Services Ombudsman for Wales (PSOW) wrote to the Committee on 28 September 2021, to notify the Committee of his intention to submit a supplementary budget for 2021-22.⁷¹

68. The The PSOW Supplementary Budget⁷² requests an increase in the total resource requirement of £178,000 (or 3.5 per cent), compared with the Estimate for 2021-22.⁷³ The net cash requirement increases by £176,000 (or 3.5 per cent). Additional resources were sought for staff (£85,000) and ICT costs (£93,000).

Staff costs - Pay Award (an increase of £85,000 revenue)

69. The PSOW said he has taken measures to meet a pay award of 1.75 per cent (£65,000) within his existing budget. However, he reported that the pay offer of 1.75 per cent has been rejected by trade unions and he has been advised by the Finance Control Department at the Welsh Government to include a 'contingency' in his Supplementary Budget to cover a pay award of up to 4 per cent. If the pay award is less than 4 per cent, the PSOW said he will return the excess as part of the balance to be repaid to the Welsh Consolidated Fund (WCF).⁷⁴

ICT Costs (an increase of £93,000, comprising £70,000 revenue, £21,000 capital and £2,000 for the related depreciation)

70. The PSOW reported he had commissioned a new IT provider to review systems to identify "risks to security, resilience and performance". The report identified "critical investment required to manage security and performance deficiencies".⁷⁵

⁷⁰ Finance Committee, [Agenda](#), 21 January 2022

⁷¹ [Letter from the Public Services Ombudsman for Wales to the Finance Committee](#), 28 September 2021

⁷² Public Services Ombudsman for Wales, [PSOW's Second Supplementary Budget 2021-22](#)

⁷³ Public Services Ombudsman for Wales, [PSOW Estimate 2021-22](#)

⁷⁴ Public Services Ombudsman for Wales, [PSOW's Second Supplementary Budget 2021-22](#)

⁷⁵ [Letter from the Public Services Ombudsman for Wales to the Finance Committee](#), 28 September 2021

71. The PSOW said that whilst these are significant costs, he is mindful of the huge costs of loss of IT systems and/or data and the high cost in non-productive staff time if systems are lost. He also noted the estimated cost of managing and resolving a cyber security incident for a similar size organisation is £2.9 million.⁷⁶

Audit Wales

72. In November 2021, Audit Wales wrote to the Committee with an update on the Travel and Subsistence review, alongside its Estimate for 2022-23.⁷⁷

73. Audit Wales's Travel and Subsistence Scheme includes an annual fixed travel allowance of £3,350, paid to all workers who meet the eligibility criteria. The Estimate outlines £746,000 for the travel allowance in 2022-23. The travel allowance is intended to contribute toward the cost of owning a car. Staff in receipt of the annual fixed travel allowance can also claim for the miles travelled in the course of business.⁷⁸

74. Following a value for money review of its travel and expenses handbook, undertaken by its external auditors, RSM, Audit Wales is proposing removing the annual fixed travel allowance from April 2024. Instead, Audit Wales will provide for all travel to be reimbursed at standard HMRC mileage rates. Staff would, however, have the option of receiving an upfront payment of £7,000 for early buy-out from the annual fixed travel allowance (comprising two years of the allowance plus a small incentive) in exchange for which they would move to the new scheme two years earlier, in April 2022.⁷⁹

75. In constructing a successor scheme, the WAO Board has committed to achieving at least £1 million savings over a 5-year period from 2024-25.⁸⁰

Early buy-out of the travel allowance

76. Audit Wales has proposed that the cost of the upfront payment for early buy-out of the travel allowance (a maximum of £1.48 million) be funded from the WCF. The Committee has previously discussed the request to fund an early buy-out and the proposed new scheme with

⁷⁶ Letter from the Public Services Ombudsman for Wales to the Finance Committee, 28 September 2021

⁷⁷ Letter from Audit Wales to the Finance Committee, 1 November 2021

⁷⁸ Audit Wales, Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ending 31 March 2023, October 2021

⁷⁹ Letter from Audit Wales to the Finance Committee, 1 November 2021

⁸⁰ Letter from Audit Wales to the Finance Committee, 1 November 2021

the Auditor General for Wales (AGW) and Chair of the Board during a private meeting on 24 November 2021.⁸¹ At the Committee's request, Audit Wales subsequently provided further detailed information about the related costs and savings. This included a commitment to write to the Committee early in the next financial year to provide an update on the actual costs and savings and to discuss the following options for returning any underspend and savings in 2022-23:

- return the funding to the WCF as an underspend in the 2022-23 accounts;
- lay a Supplementary Estimate to return the full saving to the WCF in the year;
- lay a Supplementary Estimate and a revised Fee Scheme to share the savings between the WCF and fees.⁸²

77. On 1 December 2021, the Committee agreed in principle to the supplementary budget of £1.48 million in 2021-22 to fund an early buy-out of the existing Audit Wales Travel Allowance.⁸³

78. The supplementary budget seeks provision for the maximum £1.48 million funding required to offer all eligible the early buy-out option.⁸⁴ The Explanatory Memorandum notes:

*"As requested by Finance Committee, in the event that the take up of the upfront payment is significantly less than expected, a Supplementary Estimate for 2022-23 will be prepared to adjust the cash drawdown accordingly."*⁸⁵

Senedd Commission

79. The Senedd Commission (the Commission) is not making any changes to its operational budget for 2021-22 of £41.7 million, however, it proposes to return surplus funds within the post-election costs budget to the WCF. This includes decreasing the Remuneration Board's Determination budget by £1.2 million and the election related budget by £500,000.⁸⁶

80. The current forecast for the Remuneration Board's Determination budget for 2021-22 is £15.3 million, an underspend of £1.5 million. The Commission explains that the underspend "is

⁸¹ Finance Committee, [Agenda](#), 24 November 2021

⁸² [Letter from Audit Wales to the Finance Committee](#), 25 November 2021

⁸³ [Letter to Audit Wales from the Finance Committee](#), 1 December 2021

⁸⁴ Audit Wales, [Audit Wales Supplementary Estimate 2021-22](#)

⁸⁵ Audit Wales, [Audit Wales Supplementary Estimate 2021-22](#)

⁸⁶ [Letter from the Senedd Commission to the Finance Committee](#), 10 January 2022

mainly due to the budget reflecting two consecutive pay increases for Members of the Senedd which subsequently did not take place". The Commission proposes reducing this budget line by £1.2 million of the identified underspend, rather than the full £1.5 million amount, in case any further changes are made to the Determination during the remaining part of the financial year and the likelihood of unexpected items impacting on this budget (such as death in service payments and late claims).⁸⁷

81. The election budget provides funds to cover the costs of terminating the office of those Members who are not returned after the election and their support staff who will receive redundancy payments. It also provides ICT equipment and additional support to new incoming Members; the costs of the Official Opening and any accommodation changes that are required. The current forecast for the election budget for 2021-22 is £1.9 million, an underspend of £0.7 million. The Commission proposes reducing this budget line by £0.5 million of the identified underspend, rather than the full amount, in case any late items arise.⁸⁸

82. In accordance with Standing Order 20.32, following the Committee's consideration of the Commission's proposals, the Commission laid an explanatory memorandum noting the supplementary budget and stating why it is required.⁸⁹

Committee view

83. The Committee notes the supplementary budget requests from the three DFBs. The Committee reminds the DFBs that, in line with the Finance Committee's Statement of Principles,⁹⁰ in-year funding pressures on their respective budgets should be mitigated in the first instance by making in-year savings and efficiencies, rather than relying on supplementary budgets as a matter of course. In particular, DFBs should be mindful of the funding pressures facing the wider public sector and the need to continually seek to improve processes and accrue efficiencies before requesting additional funding. Although the Committee is broadly content with the supplementary budget requests from both Audit Wales and the PSOW, it would like to avoid considering similar requests in future years wherever possible.

84. The Committee welcomes the return of surplus funds from the Senedd Commission from within its post-election costs, thereby reducing the cash sought from the Welsh Consolidated Fund. The Committee is pleased that, following an inquiry by the previous Finance Committee

⁸⁷ [Letter from the Senedd Commission to the Finance Committee](#), 10 January 2022

⁸⁸ [Letter from the Senedd Commission to the Finance Committee](#), 10 January 2022

⁸⁹ Senedd Commission, [Supplementary Budget 2021-22: Explanatory Memorandum](#), January 2022

⁹⁰ Finance Committee, [Statement of Principles](#)

into the use of the Remuneration Board's Determination underspend,⁹¹ the Commission gave a commitment in its 2021-22 Commission Budget⁹² to return an underspend or surplus funds to the WCF. The Committee believes that managing underspends in this manner avoids funds being redirected from their stated purpose and ensures transparent budgeting.

Conclusion 2. The Committee is content with the variation to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and the Wales Audit Office and Auditor General for Wales.

⁹¹ Finance Committee, Report: The Assembly Commission's use of the Remuneration Board's Determination underspend, May 2018

⁹² Senedd Commission, Draft Budget 2021-22, September 2020
