

**National Assembly for Wales**  
Finance Committee

Legacy Report

March 2011



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## Finance Committee

The Finance Committee's remit is to ensure that proper scrutiny is given to the budget and expenditure of the Welsh Government, the Assembly Commission, the Ombudsman, the Children's Commissioner, the Older People's Commissioner and various Welsh Government Sponsored Bodies and NHS Bodies.

The Committee has, in broad terms, three main functions:

- to consider and report on Assembly budget proposals;
- to consider and, where it sees fit, report on the financial information presented in support of Assembly Measures;
- to consider any other matter relating to, or affecting, expenditure by the Government or out of the Welsh Consolidated Fund.

## Powers

The Committee was established on 26 June 2007. Its powers are set out in the National Assembly for Wales's Standing Order 14. These are available at [www.assemblywales.org](http://www.assemblywales.org)

## Committee Membership



**Angela Burns (Chair)**  
Carmarthen West and South  
Pembrokeshire  
Welsh Conservative Party



**Lorraine Barrett**  
Cardiff and South Penarth  
Labour



**Peter Black**  
South Wales West  
Welsh Liberal Democrats



**Andrew Davies**  
Swansea West  
Labour



**Chris Franks**  
South Wales Central  
Plaid Cymru



**Brian Gibbons**  
Aberavon  
Labour



**Ann Jones**  
Vale of Clwyd  
Labour

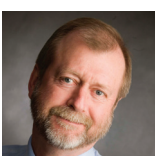


**Nick Ramsay**  
Monmouth  
Welsh Conservative  
Party



**Janet Ryder**  
North Wales  
Plaid Cymru

The following Members attended meetings of the Finance Committee as substitutes during the period of this report:



**Jeff Cuthbert**  
Caerphilly  
Labour



**Alun Davies**  
Mid and West Wales  
Labour

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## **Introduction**

1. The Finance Committee was created at the start of the 3<sup>rd</sup> National Assembly for Wales. It was the first time the National Assembly had established a Finance Committee and the general view of the Committee is that it has made a significant contribution to the level of scrutiny in the 3<sup>rd</sup> Assembly. The purpose of this report is to present some observations and suggestions to the 4<sup>th</sup> Assembly and a future committee (or committees) undertaking financial scrutiny.
2. The report indicates the key lessons learned by the Finance Committee and what it sees as the current priorities for consideration by a successor Committee.

## **Background**

3. The Finance Committee was created under Standing Order 14 (Annex 1). Its scrutiny functions fall into 3 broad areas:
  - A. Budgets (Welsh Government, Assembly Commission and Ombudsman);
  - B. The Financial information presented in support of Assembly Measures; and
  - C. “any other matter” relating to expenditure from the Welsh Consolidated Fund

## **Role for a Finance Committee**

4. Standing Orders have been revised for the 4<sup>th</sup> Assembly and no longer specify the individual committees that need to be created. They do however specify a range of financial scrutiny that must be carried out - the difference being that the Business Committee will decide the committees to be established and the scrutiny duties that will be allocated to them. This approach was proposed on the assumption that less-specific Standing Orders would give the new Assembly greater freedom to determine which Committees it should have rather than having to change Standing Orders if it wanted something different from the previous Assembly. The financial scrutiny functions that must be undertaken by ‘committees’ within the Assembly fall within SOs 19, 20 and 21 which are shown at Annex 2.
5. Finance is the thread that joins every aspect of the Welsh Assembly Government’s work and the Finance Committee considers that the effectiveness of holistic financial scrutiny would be greatly diminished if these functions were distributed across a number of different Committees.

There are a number of specific reasons for this:

- the main function of a Finance Committee is to scrutinise the Government's budget proposals. Funding and budgets exist to serve and support policy objectives and the delivery of public services. It is important that financial policy operates consistently, and in a joined up way, across the Welsh Assembly Government;
- similarly, legislation does not exist in a vacuum. It invariably has financial consequences and financial scrutiny of legislative proposals needs to be carried out in a consistent and joined up way;
- financial policy and the need to deliver best value for money, to improve efficiency continually, and to be able to measure the effectiveness with which services are delivered, should apply equally and consistently across all aspects of Government activity;
- the 'language' and technical aspects of finance (eg GDP deflator, Barnett consequential, end year flexibility) is complex and well understood by officials and the Finance Minister. If scrutiny is to be effective, Committee Members need to have a strong understanding of it to enable meaningful and effective challenge of Ministers and officials. Spreading the work across a number of committees would spread the technical expertise more thinly than necessary;
- the existence of a Finance Committee with a full range of financial responsibilities allows the Assembly to have a 'financial voice' in relation to matters that go wider than the Welsh Assembly Government such as the relationship with the United Kingdom Government and the Treasury in particular. For example, this report refers (below) to a recent meeting with the Chief Secretary to the Treasury. It is unlikely this would have happened, and would certainly have been less effective, if the Assembly had not had a single Committee with a responsibility for overall financial scrutiny.

6. In a nutshell, splitting the various roles between a number of Committees will significantly reduce the level and effectiveness of financial scrutiny in the Assembly and make it significantly more difficult to hold the Government to account for the management of its finances. The Finance Committee therefore strongly urges the new Assembly to ensure that it establishes a single Committee with responsibility for scrutinising all financial matters.

7. While on the face of it there is a link between the work of the Finance Committee and that of the Public Account Committee, the roles are in reality



quite different. The Public Accounts Committee primarily receives and considers reports of value for money examinations carried out by the Auditor General for Wales. It rarely looks at fiscal or budgetary matters and always considers expenditure that has been incurred already, rather than the provisions and arrangements for future Government funding. Moreover, the Public Accounts Committee, whose functions come directly from the Government of Wales Act, is already fully occupied.

### ***Budgets***

8. **General approach:** There is only limited time available to scrutinise the Government's draft budget and the Finance Committee selected its focus each year in the light of the current priorities and issues. In examining the 2011-12 budget, at a time of particular financial stringency, the Finance Committee focused on scrutinising the outcomes that the Government was seeking to deliver with the resources available, and how it would measure these outcomes and ensure they are effectively delivered against their stated strategic priorities. The Finance Committee feels this is a particularly valuable approach to follow and one worth pursuing further in future years.

9. **Information requirements:** Financial scrutiny depends critically on the financial and activity information that is available and the Finance Committee spent some time in its earlier days discussing with the Ministers and officials the information that it considered should be presented in support of the Government's budget. A draft protocol was also prepared and, while this was agreed with WAG officials, it was (for various reasons) never formally agreed between the Committee and the Finance Minister. In subsequent reports on draft budgets the Committee made further recommendations on the information it would like to see in support of draft budgets and a summary of these is at Annex 3.

10. The discussion on information made available was facilitated by the good working relationship that the Finance Committee developed with the Finance Ministers and officials and the Committee believes this approach was considered mutually beneficial. Notwithstanding the fact that scrutiny involves asking questions which may sometimes be awkward to answer, the Committee saw its role as one of a 'critical friend' to the Government and believes that, in many cases, Ministers acknowledged and, in the spirit of a confident, democratic organisation, welcomed the debate. A future Committee might find the summary at Annex 3 a useful starting point for its consideration of the Government's draft budget.

11. **Timing:** This is always going to be an issue when scrutinising a complex budget such as that of the Welsh Assembly Government. The Finance Committee concluded that it needed six working weeks in order to do this effectively. The Standing Orders for the 4<sup>th</sup> Assembly provide five weeks for consideration of the Government's draft budget and, while this is less than the Finance Committee considers ideal, it is probably a realistic timescale within the Government's current operating parameters – ie a draft budget that cannot be agreed until after the summer recess and a final budget that has to be agreed before Christmas. There is perhaps a wider debate to be had on whether these parameters should be changed.

12. **Meetings with the Chief Secretary to the Treasury:** The Holtham Commission recommended<sup>1</sup> that a Treasury Minister should be invited to meet the National Assembly for Wales's Finance Committee at least once in every spending review period to discuss the funds made available to Wales. The Finance Committee met Danny Alexander on 22 November 2010 for the first such meeting. While there are limits on the extent to which an Assembly committee can 'scrutinise' a UK Government Minister, the meeting allowed the Committee to gain a better understanding of the operating relationship between the funding of the National Assembly for Wales and the UK Government.

13. It also allowed the Finance Committee to offer 'Assembly' support for the Finance Minister in areas such as the policies related to the Barnett Formula and end year flexibility. From an Assembly point of view this was a very valuable opportunity and the Finance Committee strongly recommends that these meetings continue on an annual basis. The Finance Committee also considers it unlikely the Chief Secretary would agree to a regular meeting of this kind with a Committee other than one, like the existing, Finance Committee which has with a full range of financial responsibilities.

14. **Supplementary Budgets:** The main budget is usually finalised around three months before the start of the financial year. Supplementary budgets are therefore required during the financial year to reflect the utilisation of reserves and EYF, and to make any transfers needed to reflect structural changes and/or changes in Ministerial priorities. Often the supplementary budgets are technical in nature but the Finance Committee has played an important role in questioning the Finance Minister and officials with a view

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<sup>1</sup> Independent Commission on Funding and Finance for Wales, *First Report, Funding devolved government in Wales: Barnett & Beyond*, July 2009

to ensuring that any “spare” resources have been deployed in the most effective “citizen focussed” way.

**15. Recurrent themes:** The outgoing Finance Committee found the following themes recurring in its consideration of the Welsh Assembly Government’s budget:

- The specification of desired outcomes and their delivery and measurement;
- Efficiency and effectiveness – and, particularly, the importance of distinguishing genuine ‘efficiency savings’ which deliver the same or more for fewer resources from simply surrendering budgets that were not needed in the first place;
- Levels of End Year Flexibility;
- Capital and the Strategic Capital Investment Framework;
- Transparency in the budget presentation.

**16. Assembly Commission:** The Assembly Commission budget is the normally the first to be approved by the Assembly during the budget round each year. While it is relatively small, compared with the budget for the Welsh Assembly Government, its consideration by the Finance Committee is probably one of the main forms of external scrutiny given to the Commission’s financial management. Given the many concerns about the way the UNO (ICT) programme had been carried out the Finance Committee gave serious consideration to carrying out an inquiry into its management by the Assembly Commission but was unable to do this due to time constraints.

**17. Public Service Ombudsman Wales:** Standing Orders 27.28 and 27.29 also provide for the Finance Committee to exercise a scrutiny function in relation to the financial estimates of the Public Service Ombudsman Wales. In its latest report on this budget the Committee raised a number of concerns and concluded:

“The Committee considers that it would be better if provision was made for a fuller and more considered scrutiny of the management of the resources used by the Public Service Ombudsman. This might involve a fuller discussion of the work of the Public Service Ombudsman at a different time of the year and in a way which would facilitate a more focused discussion during the short time available in the budget round. This kind of scrutiny should be of benefit both to the Assembly and to the Public Service Ombudsman.”

18. A new Finance Committee might, at an appropriate time, like to follow up progress with this recommendation.

### ***Legislation***

19. **Information requirements:** Standing Order 14.2(i) requires the Finance Committee to consider and, where it sees fit, report on the financial information contained within Explanatory Memoranda accompanying a proposed Measure. The Finance Committee has frequently been disappointed at how little financial analysis has underpinned the Measures that have been introduced by the Government. The Committee hopes that when future Welsh Bills are presented they will be accompanied by a significantly more thorough analysis of their potential financial impact.

20. Bearing in mind the requirement in SO 23.18(vi) for an Explanatory Memorandum to contain a range of information on the costs that would result from a proposed Measure, the Finance Committee drew up and issued guidance on the information it required in order to scrutinise a Measure's financial implications. This is shown at Annex 4.

21. In the future there would be merit in focusing more on the assessment of the potential financial implications of legislation as it is drafted and not merely on how the present Government intends to use it. This is important because, once passed, legislation is available to a future Government and to one that might wish to use the powers in a quite different way. A future Committee might wish to revise the guidance to reflect this. It might also consider a role for itself in flagging up regulations which are likely to have potentially high-cost implications and to recommend that these should be subject to particular legislative (eg special-affirmative) procedures in the future.

22. **Time available:** The scrutiny of legislation carried out by the Finance Committee formed part of the Stage 1 consideration of the 'principles' of a proposed Assembly Measure for which the Government typically allowed the Assembly 10-15 weeks. However in a number of cases the time available was less than this and for two Measures it was less than 4 weeks. This was a disappointingly short period of time given that the Measure would create law (and the financial implications are not the only aspect of a Measure that need to be scrutinised). In order to make the process as efficient as possible the Finance Committee has coordinated its scrutiny with that of the Legislation Committee - sharing in their consultation exercise and trying not to take evidence from the same witnesses. Good liaison between Clerks has made

that possible but, despite this, the time pressures and other commitments have made it difficult for the Finance Committee to take evidence from anyone other than the Member responsible for the Measure.

23. The Government has suggested informally that it would be easier to work within their deadlines if the Finance Committee and the relevant Legislation Committee undertook a joint scrutiny of a Measure. While it is not difficult to see the attractiveness to the Government of the Minister having to give evidence to just one Committee, it is difficult to see how such an approach would provide the same level of scrutiny given that Finance Committee members have a higher level of knowledge and experience in scrutinising financial matters and are concerned about different issues from the legislation Committee. If joint scrutiny means two Committees meeting together to hear the same evidence then it means a less efficient use of Members' time – if indeed it were possible to schedule such meetings. Joint scrutiny would only save time if there were fewer evidence sessions - and hence less scrutiny! **The Finance Committee therefore recommends that separate financial scrutiny should continue to be an integral part of the consideration of a proposed Assembly Measure and carried out by a Committee with knowledge and experience of dealing with financial scrutiny.**

24. Even if the 4<sup>th</sup> Assembly were to move from using dedicated Legislation Committees to 'Subject' Committees that both examined legislation and undertook policy scrutiny, it should do so in a way that ensures that this does not result in financial scrutiny becoming absorbed into the general scrutiny of a Bill.

25. **Primary and secondary legislation:** There is an apparent gap in the way that the financial implications of legislation are examined. Standing Orders have provided a role for the Finance Committee in relation to a proposed Assembly Measure but none in relation to secondary legislation.

26. During the 3<sup>rd</sup> Assembly the Finance Committee became increasingly concerned about the way that the Welsh Assembly Government was using Measures to provide it with 'enabling' powers at a level so broad that it was impossible to carry out any form of financial scrutiny. This was particularly apparent with the Proposed Welsh Language (Wales) Measure and the Proposed Waste (Wales) Measure. A similar problem occurred with the major amendments to the (second) Proposed Local Government (Wales) Measure where very substantial powers were sought without any detail being provided

in the Measure. Because these were introduced at Stage 2 there was no requirement for any form of financial analysis to accompany them.

27. Ministers have frequently told the Finance Committee that the secondary legislation, when presented, would be accompanied by a full Regulatory Impact Assessment, and a full financial analysis. However, this is little substitute for this information being included in the Explanatory Memorandum because the Assembly's procedures do not provide as much time, or opportunity, for Secondary Legislation to undergo detailed scrutiny. The Finance Committee does not consider this an appropriate way to make legislation at any time although this is perhaps more an issue for Legislation Committees to address. Moreover, given the current tight fiscal position, and the exhortations from the Government for all public sector bodies to make savings, it seems particularly inappropriate at the present time.

28. The Finance Committee nonetheless does acknowledge that the National Assembly for Wales is ahead of other comparable institutions (such as the House of Commons) in making explicit provision in its legislative processes for financial scrutiny but considers that further work needs to be done to make this more effective.

29. **In terms of its own role:** The Finance Committee has sought to report on all proposed Measures presented including those which include very little that is specific or which can be assessed meaningfully in relation to potential financial implications. Notwithstanding the concerns about the appropriateness of enabling legislation, a future Committee might consider whether the limited time it has available might be more effectively used by adopting some kind of prioritisation and adopting a differential approach reflecting the content of the legislation (such as that adopted by the Scottish Parliament's Finance Committee).

### *Frequency of meetings*

30. A major challenge for the Finance Committee has been to manage its workload, and meet its deadlines, within the time made available in the Committee calendar. Initially the Finance Committee was allocated 'fortnightly' slots but it quickly became clear that the deadlines set by Standing Orders for the various budgets, and for legislation, required more frequent meetings of the Finance Committee – if only to consider and approve Committee reports by the deadlines set. However, having allocated all the available slots to other Committees, the Finance Committee was forced to hold its extra meetings early on a Wednesday morning or on a

Monday afternoon. Initially these additional meeting were agreed for particular times of the year, such as during the autumn budget round, but even these proved inadequate and in July 2010 it was agreed that the Finance Committee could meet every week if needed.

31. Given the Committee's workload the Finance Committee strongly recommends that a subsequent Finance Committee has scheduled weekly slots at a mainstream Committee time. In the first instance this would reduce the stress on members (and Committee Service and Members Research Service staff). It would also benefit the Government in reducing the risk that the Finance Committee would fail to report by the due deadline and thus, inadvertently, impede the progress of Government business.

### ***Committee inquiries***

32. The Finance Committee has considered it important to do more than just scrutinise budgets and proposed legislation and feels it had an important part to play focusing attention on particular financial issues. Because this work is generated by the Committee itself, it has inevitably had to be fit in around work in relation to budgets and legislation. There were two topics on which the Finance Committee started an inquiry but was unable to pursue the issues as far as it would have liked and any future Finance Committee might wish to pursue these further. They are:

- Welsh Assembly Government staff numbers and costs - a report on which was published on 22 March 2011 and which made recommendations for further work;
- the allocation of capital resources in Wales - the conclusion of the Finance Committee's inquiry into capital allocations was delayed due to the comprehensive spending review and the subsequent reduction in the level of capital resources available in Wales. Following the approval of the Welsh Assembly Government's budget, the Minister for Business and Budget committed to making a statement on capital in early March and the Committee reported on this just prior to dissolution. A future Finance Committee might like to continue pursuing further some of the issues raised in this report. It might also wish, following on from this, to explore the efforts being made by the Government and other public bodies to make capital go further and work harder.

33. A future Finance Committee might also wish to consider reviewing progress and following up the work of the current Finance Committee on, in particular:

- The funding of the Foundation Phase;
- Public Private Partnerships – particularly in relation to these such as the development of infrastructure investment as part of a national strategic programme; the exploration of alternative funding models for attracting private sector investment in infrastructure; and borrowing powers for Wales;
- Specific grants in education – the conclusions and recommendations of which have figured in the general budget discussions – and for which a key issue is the agreement and implementation of Outcome Agreements.

34. A future Finance Committee might also wish to consider undertaking an inquiry into how the funding Wales is receiving from Europe under the various structural fund programmes is utilised, particularly in relation to impact and effectiveness of spend against objectives and value for money. While elements of match funding for these fall within the Welsh Assembly Government's budget, there is no separate scrutiny within the Assembly of the overall programme expenditure. In previous assemblies the relevant Subject Committee held regular discussions of these programmes with the Chairs of the Programme Monitoring Committees, and the Wales European Funding Office. However, since then, there has been no systematic Committee scrutiny of these programmes

35. For completeness, and to set the context for the Finance Committee's work, a full list of its reports is at Annex 5.

**Angela Burns**  
**Chair, Finance Committee**



## **Annexes**

- Annex 1 (3<sup>rd</sup> Assembly) Standing Order 14 - Finance Committee
- Annex 2 Finance references in 4<sup>th</sup> Assembly SOs 19, 20 and 21
- Annex 3 Finance Committee – summary of Committee comments and recommendations on the presentation of information supporting Welsh Assembly Government budgets
- Annex 4 Finance Committee Guidance on information to support a proposed Assembly Measure
- Annex 5 Reports from the Finance Committee 2007-2011

## **Annex 1 - STANDING ORDER 14 - Finance Committee**

14.1 There is to be a Finance Committee to consider and report on:

- (i) any report or other document laid before the Assembly by Welsh Ministers or the Commission containing proposals for the use of resources, including budget motions and supplementary budget motions prepared under sections 125 and 126 of the Act;
- (ii) the estimates of income and expenses prepared by the Ombudsman under paragraph 15 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005; and
- (iii) the use of resources and payments out of the Welsh Consolidated Fund reported to the Assembly by Welsh Ministers under section 128 of the Act.

14.2 The Committee may also consider and, where it sees fit, report on:

- (i) financial information in explanatory memoranda accompanying proposed Assembly Measures;
- (ii) the timetable for the consideration of budget proposals and budget motions and on the handling of financial business; and
- (iii) any other matter relating to or affecting the expenditure of the government or other expenditure out of the Welsh Consolidated Fund.

14.3 A reference to the use of resources is a reference to their expenditure, consumption or reduction in value and includes expenditure payable out of the Welsh Consolidated Fund and any other expenditure met out of taxes, charges and other sources of revenue.

## **Annex 2 – Finance Obligations in the Draft Standing Orders for the Fourth Assembly**

### **STANDING ORDER 19 - Finance**

#### **Committee**

19.1 In proposing the remits of committees under Standing Order 16.2, the Business Committee must ensure that there is a committee (referred to within Standing Order 19 as “the responsible committee”) with responsibility for the functions specified in Standing Order 19.

#### **Functions**

19.2 The responsible committee must consider and report on any report or other document laid before the Assembly by Welsh Ministers or the Commission containing proposals for the use of resources.

19.3 The responsible committee may also consider and report on any other matter relating to or affecting expenditure out of the Welsh Consolidated Fund.

19.4 A reference to the use of resources is a reference to their expenditure, consumption or reduction in value and includes expenditure payable out of the Welsh Consolidated Fund and any other expenditure met out of taxes, charges and other sources of revenue.

### **STANDING ORDER 20 – Finance Procedures**

20.1 References to “the responsible committee” within Standing Order 20 means the committee with responsibility for the functions specified in Standing Order 19.

#### **Welsh Assembly Government**

20.2 In each year, the Minister with responsibility for government business must notify the Business Committee of the following:

- (i) the date by which a Welsh Minister will lay the draft budget for the government, in accordance with Standing Order 20.7; and,
- (ii) the date by which a Welsh Minister will table the annual budget motion in accordance with Standing Order 20.25, and taking account of Standing Order 20.4.

20.3 The Minister must make the notification required under Standing Order 20.2 at least two weeks before the summer recess in each year.

20.4 Having been notified under Standing Order 20.2 and consulted the responsible committee, the Business Committee must establish and publish a timetable for the consideration of the budget, which must include:

- (i) the dates notified in accordance with Standing Order 20.2;
- (ii) the deadline by which the responsible committee must report to the Assembly on the draft budget for the government.

20.5 In determining the deadline under Standing Order 20.4(ii) or 20.6, the responsible committee must be given at least 5 weeks to report on the draft budget for the government.

20.11 The responsible committee's report may recommend changes to the amounts proposed in the draft budget provided that the net effect of those changes would not increase or decrease the aggregate amounts of resources or cash proposed in the draft budget for the government.

20.14 The responsible committee must consider and report to the Assembly on the draft budget for the Commission no later than three weeks after it has been laid before the Assembly. The responsible committee's report may recommend variations in the amounts proposed in the draft budget provided that the net effect of those variations would not increase the aggregate amounts of resources or cash proposed in the draft budget for the Commission.

20.15 A member of the Commission must lay before the Assembly a budget for the Commission. The budget may not be laid until after the deadline by which the responsible committee is required to report on the draft budget for the Commission.

### **Ombudsman**

20.23 The Ombudsman must submit the estimate of income and expenses required under paragraph 15 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005 to the responsible committee as soon as practicable but in any event no later than 1 November in each financial year.

20.24 The responsible committee must consider and lay before the Assembly, no later than 22 November, the estimate, with any modifications

which the Committee, having consulted and taken into account any representations made by the Ombudsman, considers appropriate.

20.33 A supplementary budget motion tabled under Standing Order 20.30 may not be moved until either:

- (i) the responsible committee has reported on the motion; or
- (ii) if the responsible committee has not reported on the motion, three weeks have elapsed after it has been tabled.

20.34 The responsible committee's report may recommend changes to the amounts proposed in the supplementary budget motion provided that the net effect of those variations would not increase or decrease the aggregate amounts of resources or cash proposed in the supplementary budget motion.

20.36 If the supplementary budget motion proposes a variation to the budget for the Ombudsman:

- (i) the Ombudsman must provide an explanatory memorandum to the responsible committee stating why the variation to the budget is required;
- (ii) the responsible committee may lay before the Assembly a report on the proposed variation within three weeks of the supplementary budget motion being tabled. The report may propose any modifications to the proposed variation which the Finance Committee, having consulted and taken into account any representations made by the Ombudsman, considers appropriate.

## **STANDING ORDER 21 – Constitutional and Legislative Affairs**

21.3 A responsible committee may consider and report on whether the Assembly should pay special attention to any statutory instrument or draft statutory instrument required by any enactment to be laid before the Assembly on any of the following grounds:

- (i) that it imposes a charge on the Welsh Consolidated Fund or contains provisions requiring payments to be made to that Fund or any part of the government or to any local or public authority in consideration of any licence or consent or of any services to be rendered, or prescribes the amount of any such charge or payment;

### **Annex 3 - Finance Committee – summary of Committee comments and recommendations on the presentation of information supporting Welsh Assembly Government budgets**

1. The protocol agreed between officials states the following:

*“At or around the time of tabling the draft Budget, the Finance Minister would make available supporting information, including:*

- an overview of the draft budget;*
- the total expected DEL and AME making up the resources available from the Treasury. In a UK Spending Review year this would normally include information on the Spending Review settlement. In other years, it could contain information on in-year changes and other adjustments. Information will also be given on the amount of accrued End of Year Flexibility;*
- a breakdown of total managed expenditure by organisation (Wales Office, Assembly Commission, Public Services Ombudsman for Wales, Auditor General for Wales and the Assembly Government) and reserves set aside by the Assembly Government;*
- for the Assembly Government, a breakdown of the resource allocations by Ministerial portfolio plus central services. This will be supported by a commentary;*
- breakdowns of the proposed allocations for each Ministerial portfolio (plus central services) to spending programme level, together with a commentary;*
- details of new resources allocated to the SCIF and any allocations from the SCIF to portfolios;*
- a reconciliation between the total managed expenditure and the resources to be requested in the budget motion;*
- a reconciliation between the resources and cash to be requested in the budget motion;*
- a summary of the estimated inflows and outflows within the Welsh Consolidated Fund;*
- a draft of the budget motion for the year in question only; and*
- any other information that the Assembly Government considers is necessary to help understand the draft budget.*

*“In general, the financial information provided will cover the next financial year and provisional amounts for the subsequent two years or for such other period as the Minister considers appropriate.”*

2. The Committee has also separately sought information on movements in overall reserves, in addition to the capital reserve held for SCIF.
3. In relation to Supplementary budgets the Committee has asked for details of in year changes, reallocations and contingency payments.
4. The Committee has also sought to link expenditure, and changes in expenditure, to the commitments in One Wales:

The Finance Committee’s first report on the Government 2008-09 draft budget, [Paragraph 24] said:

*“The Finance Committee has yet to see evidence to demonstrate that the “One Wales” commitments can be met financially and expects to receive further information on which policies will be prioritised and which will be only pilot projects, together with broad financial costings for each policy. **The Minister did accept that, in the future, it would assist the Finance Committee and the Government to be able to audit progress by making a clear link between the strategic policy objectives and particular budget lines. The Finance Committee expects this to be done well before the next budget round.**”*

Also in this report, the Committee asked [Paragraph 27]:

*“In the pursuit of clarity, the Government should provide at least percentage increases to Main Expenditure Group figures both in real and absolute terms. This would enable a more informed discussion around the real changes to ministerial portfolios. The Finance Committee calls for explicit notes and figures reconciling the baselines the Government is using, as they do not appear to correspond with other data available.”*

5. In the Committee's report on the [Operation of the Budget Process](#) (July 2008), some of the issues raised in the protocol were set out as a recommendation:

***“The scrutiny of the Government’s draft budget would be aided by a written explanation of its main features and a better linking of the spending plans to policy objectives.***

*10. The Government’s draft budget took the form of a draft budget motion for 2008-09 which was extended to provide indicative figures for 2009-10 and 2010-11.*

*11. In essence this document showed the total resources required to be authorised for each Ministerial portfolio (plus central services and some “Match Funding”) and resource to cash and other reconciliations required by the Standing Orders.*

*11. The draft budget document was supplemented by a breakdown of the budget for each Main Expenditure Group (MEG). The MEG totals differed from the amounts to be authorised for each portfolio as the former included items that are not part the Government’s accounts and do not therefore form part of the resources to be authorised for use by Ministers (e.g. local authority supported borrowing and capital charges for NHS and other public bodies). It was therefore difficult to relate one document to another.*

*12. The budget documents contained very little by way of written explanation of how the amounts allocated to each portfolio and the amounts to be held in the contingency reserve had been derived. Furthermore it was not possible to clearly link the Government’s spending plans to its policy objectives.*

*13. The Finance Committee considers that the draft of the formal budget motion needs to be supplemented by:*

- An explanation of the resources being made available by the Treasury in spending review years and any in-year changes in non-spending review years including any proposed use of resources accrued under the Treasury’s End of Year Flexibility regime;*
- A commentary on the Finance Minister’s resource allocation to portfolios and contingency reserve;*



- A commentary and appropriate breakdown on the spending plans for each portfolio; and
- A clear link between the spending plans and the Government's policy objectives.

14. In respect of the latter, the Financial Reporting Manual requires the Government's annual accounts to show the resources used for each objective and it would be appropriate for the budget information to be produced on a comparable basis. However, a necessary prerequisite would be to produce meaningful objectives to which resources can be attributed."

The report also goes on to recommend that:

***"The protocol should provide for information to be given to the Finance Committee on in-year reallocations of resources within departments, outturn against budgets and proposals to enter into significant contingent liabilities***

35. As stated above (paragraph 27), the Assembly authorises resources at portfolio level. Budget changes within portfolios are a matter for the Government's internal procedures. However, in order to enhance transparency and accountability, it would be appropriate for the Finance Minister to inform the Assembly of movements within departmental budgets to the extent that they affect the detail given in the documents supporting the original budget. As a minimum this should be done each time the Government tables a supplementary budget motion or every three months if sooner. The Finance Committee recommends that provision for this should be included in the protocol.

36. The Finance Minister has agreed to provide the Finance Committee with periodic statements of outturn against budget. The arrangements for this could also be included in the protocol.

37. The 2006 Act effectively transferred the function of entering into contingent liabilities (e.g. giving indemnities or guarantees) from the Assembly to Ministers. Provisions relating to these are therefore no longer in the Standing Orders. However, it would be appropriate for the Assembly to have some oversight and scrutiny of any such significant (e.g. in excess of £1 million) contingent liabilities before they are finalised. This is because they have the effect of binding the Assembly into authorising the resources in the event of indemnities

*maturing or guarantees being called. The Finance Committee considers that provision for this should also be included in the protocol.”*

6. The report on the [Supplementary Budget Motion 2007-08](#) (March 2008) made recommendations relating to showing movements on reserves and EYF as well as showing transfers between portfolios in supplementary budgets (paragraphs 5-11).

7. The Draft Budget 2009-10 (October 2008) was the first to be accompanied by the narrative document. This was also the year that the Committee asked for further changes in a technical annex to its report. In its [report](#) the Committee welcomed the narrative and recommended that (Paragraphs 6-7):

*“...the Government continues to develop the linking of spending plans to policy objectives to further aid transparency and scrutiny. The Government is required to include a Statement of Operating Costs by Aims and Objectives within its annual accounts. At present this is a broad high level statement which adds little to the information given elsewhere. The Committee would like the Government to explore the possibility of refining the tables in parts 2 to 10 of the explanatory document accompanying the budget, so as to map clearly the allocations for each spending department to the key policy objectives and for the accounts to present the end of year outturn in a similar and consistent manner.*

*“Additionally the Finance Committee recommends that the Government considers some technical issues detailed in Annex 2 which will greatly improve the consistency and presentation of the draft budget.”*

Paragraph 22 also reiterated the request that all movements on reserves and explained as part of the supplementary budget documentation.

Paragraph 33 recommended that:

*“The Committee recommends that when presenting its budget proposals each year, the Welsh Assembly Government should include reports on efficiency savings that have been delivered and a breakdown of achievement by NHS, local government and other public sector organisations.”*

In a the technical annex to this the Committee requested a number of further presentational changes, in relation to transfers with UK Government, End Year Flexibility, direct charges on the Welsh Consolidated Fund, departmental restructuring, and differences between allocations and amounts to be authorised – and all, with the exception of the latter have been provided.

8. In its report on the [Draft Budget 2010-11](#) (October 2009) the Committee reiterated the recommendation that (paragraph 44):

*“...when presenting its budget proposals each year, the Welsh Assembly Government should include reports on efficiency savings that have been delivered and a breakdown of achievement by NHS, local government and other public sector organisations.”*

Also in this report the Committee expressed concerns about the restructuring of the Government’s departments, and the difficulty some committees had in obtaining reconciliations between the old and new structures (paragraphs58-59).

**Consideration will also need to be given to the changes in relation to the provisions in the Constitutional Reform and Governance Act which seeks to bring the Welsh Assembly Government’s accounts budgets and the Welsh Block into closer alignment. These, which result from the Treasury’s ‘Alignment’ project, should limit the number of ‘reconciling items’ detailed in the budget motion.**

## **Annex 4 - Finance Committee Guidance on information to support a proposed Assembly Measure**

1. Standing order 23.18 states in the section “Documentation to Accompany a Proposed Measure”

*23.18 At the same time as a Member introduces a proposed Measure, he or she must also lay an Explanatory Memorandum which must: .....*

*(vi) set out the best estimates of:*

- (a) any administrative, compliance and other costs to which the provisions of the proposed Measure would give rise;*
- (b) the timescales over which such costs would be expected to arise; and*
- (c) where the costs would fall;*

2. The Finance Committee needs to be able to assess whether the potential financial implications of the proposed measure, and the assumptions on which they are based, are reasonable and realistic. In order to do this, the Committee needs to be able to understand the basis on which the Government or Member responsible for the proposed Measure has assessed the potential financial implications of the proposed Measure.

3. The Committee accepts that in some cases it will not be possible to provide detailed figures but, in all cases, it should be possible to present the fullest information available to provide transparency and clarity to the process of costing the potential financial implications of the proposed Measure.

4. This information should include clear statements of the estimated potential financial impact of the Measure, for at least the next 3 years; and set out in detail;

- the sources and dates of the data used;
- the calculations or financial models used;
- the estimates and/or assumptions that have been made; and
- an indication of the accuracy and robustness of the figures, estimates and assumptions that have been used in the calculations and of the final costings.

5. If it is not possible to give an accurate estimate, a range of costs (minimum and maximum) might be given.
  
6. In order to smooth the process of legislation the Committee Clerk is always available to discuss with officials the information that might be made available to the Committee.

**Angela Burns**  
**Chair, Finance Committee**

**January 2009**

## **Annex 5 - Reports from the Finance Committee, 2007-2011**

### **2010 - 2011**

Report on The Allocation of Capital Funds in Wales  
March 2011

Report on on Welsh Assembly Government Staff Numbers and Costs  
March 2011

Report on the Supplementary Budget Motion 2010 - 11 (08 February 2011)  
March 2011

Report on the Financial Implications of the Proposed Education (Wales)  
Measure  
January 2011

Report on the Public Service Ombudsman for Wales' Estimates for the  
Financial Year 2011-12  
January 2011

Report on the Financial Implications of the Proposed Housing (Wales)  
Measure  
January 2011

Report on GEN-LD8296 - Draft Budget Proposals 2011-12  
January 2011

Report on the Financial Implications of the Proposed Safety on Learner  
Transport (Wales) Measure  
December 2010

Report on the Financial Implications of the Proposed Local Government  
(Wales) Measure  
December 2010

Report on GEN-LD8272 - National Assembly for Wales - Assembly  
Commission Revised Draft Budget Proposals (post Spending Review 2010)  
2011-12  
November 2010

Report on the Financial Implications of the Proposed Domestic Fire Safety  
(Wales) Measure  
November 2010

Report on the Financial Implications of the Proposed Rights of Children and Young Persons (Wales) Measure  
October 2010

**2009 - 2010**

Report on Proposed Welsh Language (Wales) Measure  
August 2010

Report on Welsh Assembly Government Supplementary Budget 2010-11 (June 2010)  
July 2010

Report on the Financial Implications of the Proposed Mental Health (Wales) Measure  
July 2010

Report on the Financial Implications of the Proposed Waste (Wales) Measure  
June 2010

Report on the Financial Implications of the Proposed Carers Strategies (Wales) Measure  
May 2010

Report on the Supplementary Budget Motion 2009-10 (23 February)  
March 2010

Report on the Proposed National Assembly for Wales (Remuneration) Measure  
February 2010

Supplementary Report on the Proposed Shipment of Waste for Recovery (Community Involvement in Arrangements) (Wales) Measure  
February 2010

Report on Funding Road Infrastructure  
January 2010

Report on the Public Service Ombudsman for Wales' Estimates for the Financial Year 2010-11  
November 2009

Report on the Financial Implications of the Proposed Shipment of Waste for Recovery (Community Involvement in Arrangements) (Wales) Measure  
November 2009

Report on the Draft Budget Proposals 2010-2011  
November 2009

Report on the Financial Implications of the Proposed Social Care Charges (Wales) Measure  
October 2009

Report on the National Assembly for Wales Assembly Commission Draft Budget Proposals 2010-11 and National Assembly for Wales Assembly Commission Supplementary Budget 2009-10  
October 2009

Report on the Supplementary Budget Motion 2009-10 (14 July 2009)  
October 2009

## **2008 - 2009**

Report on Inquiry into Specific Education Grants  
August 2009

Report on Proposed Education (Wales) Measure  
June 2009

Report on Proposed Children and Families (Wales) Measure  
June 2009

Report on Proposed National Assembly for Wales Commissioner for Standards Measure  
May 2009

Report on Supplementary Budget Motion 2008-09 (3 March 2009)  
March 2009

Report on Proposed Playing Fields (Community Involvement in Disposal Decisions) (Wales) Measure  
March 2009

Report on Inquiry into Public Private Partnerships - Concluding Statement and Recommendations  
March 2009



Report on the Financial Implications of the Proposed Local Government (Wales) Measure  
December 2008

Supplementary report on the Financial Implications of the Proposed Learning and Skills (Wales) Measure  
December 2008

Report on the Public Service Ombudsman for Wales' estimates of income and expenses for the Year ending 31 March 2010  
November 2008

Report on the Financial Implications of the Proposed Learning and Skills (Wales) Measure  
November 2008

Report on the Draft Budget Proposals 2009-2010 and Indicative Resource and Cash Allocations for 2010-2011  
November 2008

Report on The National Assembly for Wales Commission Draft Budget for the year ending 31 March 2010  
October 2008

Report on the Inquiry into Public Private Partnerships  
September 2008

## **2007 - 2008**

Report on the Foundation Phase  
July 2008

Report on the Supplementary Budget Motion 2007-08 (23 June 2008)  
July 2008

Report on Proposed Healthy Eating in Schools (Wales) Measure, 2008  
July 2008

Report on the Operation of the Budget Process  
July 2008

Report on Proposed Learner Travel (Wales) Measure  
April 2008

Supplementary Report on NHS Redress (Wales) Measure, 2007  
April 2008

Report on the Welsh Assembly Government Supplementary Budget Motion  
2007-08  
March 2008

Report on the Financial Impact of the Foot and Mouth outbreak on the Welsh  
Assembly Government budget  
January 2008

Report on Draft Budget Proposals - 2008-09  
December 2007

Report on the Public Service Ombudsman for Wales' estimates of income and  
expenses for the Year ending 31 March 2009  
November 2007

Report on NHS Redress (Wales) Measure, 2007  
October 2007

Report on the National Assembly for Wales Commission Draft Budget for the  
Year Ending 31 March 2009  
October 2007