

National Assembly for Wales
Finance Committee

Scrutiny of Supplementary Budget motion 2014-15

July 2014



Cynulliad
Cenedlaethol
Cymru

National
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Wales

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Information on the Committee, its membership, its remit and previous publications can be found at: **www.senedd.assemblywales.org/mgCommitteeDetails.aspx?ID=229**

A list of witnesses and oral and written evidence of relevance to this report is available at: **<http://www.senedd.assemblywales.org/mgIssueHistoryHome.aspx?IId=5722>**

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Finance Committee

The Committee was established on 22 June 2011. The Finance Committee's role is to carry out the functions set out in Standing Order 19. This includes consideration of the use of resources by the Assembly Commission or Welsh Ministers, and in particular reporting during the annual budget round. The Committee may also consider any other matter relating to expenditure from the Welsh Consolidated Fund.

Current Committee membership



Jocelyn Davies (Chair)
Plaid Cymru
South Wales East



Peter Black
Welsh Liberal Democrats
South Wales West



Christine Chapman
Welsh Labour
Cynon Valley



Paul Davies
Welsh Conservatives
Preseli Pembrokeshire



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Ann Jones
Welsh Labour
Vale of Clwyd



Julie Morgan
Welsh Labour
Cardiff North

1. Overview

1. The Minister for Finance (Jane Hutt AM) laid the first Supplementary Budget Motion 2014-15 on 24 June 2014. This was accompanied by an explanatory note and tables showing the main expenditure group (“MEG”) allocations. This supplementary budget amends the Final Budget 2014-15 agreed in Plenary in December 2013.
2. The Finance Minister (“the Minister”) appeared before the Finance Committee (“the Committee”) on 2 July 2014.¹
3. On 15 July 2014 the National Assembly for Wales will debate whether or not to approve the changes made in the Supplementary Budget Motion.
4. This report is structured around the four principles of financial scrutiny:
 - Affordability - In other words, to look at the big picture of total revenue and expenditure, and whether these are appropriately balanced;
 - Prioritisation - In other words, whether the division of allocations between different sectors/programmes is justifiable and coherent;
 - Value for money - Essentially, are public bodies spending their allocations well – economy, efficiency and effectiveness (i.e.) outcomes; and
 - Budget processes - are they effective and accessible and whether there is integration between corporate and service planning and performance and financial management.

Summary

5. In comparison to the Final Budget 2014-15 it can be seen that:
 - TME allocated to Welsh Government departments is increased by 0.7 per cent, or £117.5 million.

¹ RoP, Finance Committee, 2 July 2014

- Overall departmental expenditure limit (“DEL”) is increased by 0.4 per cent, or £65.7 million.

6. **Note:** All figures used in this report are in absolute terms. As figures refer to the current financial year, no adjustments have been made for inflation.

2. Affordability

7. The Committee notes that the first supplementary budget 2014-15 includes only new money from Barnett consequentials. Furthermore, the DEL has only increased by 0.3%, which means that the balance of income and expenditure is very close to what it was in the Final Budget 2014-15. Therefore, there are no new affordability issues that the Committee wishes to raise for this budget.

3. Prioritisation

Programme for Government

8. The Welsh Government published their annual report on the Programme for Government (“PfG”) in June 2014.² In the Draft Budget 2014-15 an annexe was provided which linked actions from the budget to sub-outcomes and chapters in the PfG. The Committee was unconvinced that the Welsh Government was able to demonstrate an alignment between resources and priorities in all cases, and recommended that further work be done to improve transparency in this area. The Committee followed this up in scrutinising this supplementary budget.

9. The Committee questioned the Minister about how PfG fits in with allocations in the budget and how priorities, and progress with regard to the PfG have influenced the allocations made in the supplementary budget. The Minister said in relation to moving beyond showing budget allocations against just four outcomes:

“One of the issues we have is that there is a lot of cross-portfolio working to deliver on those core themes. You also need to be able to, as do we as a Government, look at the long-term impact of our investment in terms of the budget, and our meeting commitments in the programme for government. It is all there in the budget; it is how we can make it as transparent as possible for you, recognising that there are often multiple funding streams that are particularly used in order to deliver a key objective. So, it is always about striking a balance between transparency—making sure that we can map and chart longer-term impacts—and recognising the big overarching picture.”³

Committee view

While the Committee recognises that the Government is making progress in this area, and that there are a number of difficulties in presenting the budget allocations against the Programme for government, we still expect to see continual progress towards linking budget allocations to the Government priorities in each budget round.

² Welsh Government, [Programme for Government](#) [accessed 2 July 2014]

³ RoP, 2 July 2014, paragraph 11

Pupil Deprivation Grant

10. The Committee questioned the Minister about the presentation of the pupil deprivation grant. There appeared to be confusion among schools with regards to whether the additional pupil deprivation grant money, was intended to be part of the 1% increase above the overall percentage change in the Welsh budget for schools which the Welsh Government allocated in the programme for government.

11. The Committee discussed with the Minister whether the confusion around the pupil deprivation grant suggested a lack of transparency in the presentation of the government expenditure and budget. The Minister explained that:

“It is important to say, first, that, with regard to the pupil deprivation grant, the budget agreement last autumn, which came at draft budget time for this financial year, was to double the pupil deprivation grant from £450 to £918 per pupil. That is what we agreed in the budget agreement. The budget agreement, as I said, was published in the draft budget, so there could be full scrutiny around those proposals. The 1% commitment is not part of the budget agreement. In fact, it would be useful for the committee to know that the Minister for Education and Skills will be publishing data very shortly with regard to the 1% protection.”⁴

Committee view

The Committee welcomes that the additional money for pupil deprivation grant is administered through the regional consortia directly to schools. However, the Committee feels that there is some confusion and misunderstanding around the 1% increase for schools, and whether the pupil deprivation grant is additional to this. We believe that a clearer explanation is needed with regards to what is meant by the 1% increase to help schools plan effectively and would recommend that this is published alongside the data on the 1% protection.

⁴ RoP, 2 July 2014, paragraph 52

4. Value for Money

Wales Infrastructure Investment Plan

12. The supplementary budget includes £18 million of Health-related capital projects. However, these fall below the £15 million threshold for inclusion in the Wales Infrastructure Investment Plan (WIIP) so it is difficult to see how these relate to the WIIP.

13. The Committee asked the Minister whether it was possible to have a list of the number of capital projects which fell under the £15 million threshold and the total value for these projects. The Minister explained that:

“The difficulty is that we are talking about hundreds and hundreds. If you think below £15 million, we could be talking about projects—. We are funding projects worth thousands of pounds up to millions of pounds. Every portfolio department, obviously, has its capital programme and can account for its spending, but there are hundreds of capital projects.”⁵

Committee view

While the Committee understands that there may be a significant number of projects that fall under the threshold, there needs to be a centrally held list of these projects, and more information published about these projects. Projects valued at just under £15 million are a significant investment and should be mapped against the WIIP. The release of this information could be done via banded information or through releasing information about WIIP projects above a certain cut off point, for example £1 million. This is essential to be able to establish links between the WIIP and the budget.

Invest to Save

14. The Committee questioned the Minister about whether low cost capital schemes, which fall under the invest to save threshold (£200,000), are utilising opportunities to group projects together to qualify for ‘Invest-to-Save’, rather than utilising other capital sources. The Minister outlined that:

⁵ RoP, 2 July 2014 paragraph 91

“I think that we probably already have a couple of examples that we could give you of where that has happened. Again, going back to your report, it is about promoting a different way of working and a different culture. However, with reducing capital budgets, the health service particularly is looking at this more carefully.”⁶

15. The Committee raised concerns around whether the outcomes of these projects being evaluated in terms of value for money, and whether the reduction in unit costs for capital expenditure are being achieved. The Minister agreed to provide the Committee with further information on this.

Committee view

The Committee believes that it is important to consider the outcomes of any proposed capital projects to make sure the projected savings are achieved.

⁶ RoP, 2 July 2014, Paragraph 106

5. Budget Process

In year announcements

16. Following a recent announcement from the First Minister about additional £1.6 million funding for the Welsh Language, the Committee raised concerns with the Minister about the ability for the public to identify where funding is being sourced from when announcements of in-year allocations are made. The Committee felt that it was important that when a Minister made an announcement about a new in-year project that there was clarity on how it would be funded. When the Committee questioned the Minister about the feasibility of this, she told the Committee that:

“Ministers are usually asked that question anyway, and that would be absolutely helpful and constructive.”⁷

Committee view

The Committee recommends that any in year announcement from a Minister tied to a funding allocation sets out clearly where funding is being sourced, whether from existing departmental budgets, or a transfer from reserves or another department.

Barnett Consequentials

17. The Committee questioned the Minister about whether the Welsh Government would consider publishing a full list of Barnett consequentials when available. This is the practice in Scotland, where the Scottish Government releases a comprehensive list of its consequentials after each autumn statement and UK Budget. The Minister said:

“Well, we certainly could consider looking at that. It is not always immediately clear what the consequentials are in terms of final effects on budgets, and we are talking about positive and negative consequentials, of course. I always feel that I have to make sure that the negatives, unfortunately, have to be recognised as well as the positives. However, I think that we can look at this, Chair, in terms of information. I mean, it is a very important point of principle in terms of our devolved

⁷ RoP, 2 July 2014, paragraph 44

settlement that it is for Welsh Ministers to decide how those consequential should be used in terms of our programme for government and that we do not hypothecate them to policy areas.”⁸

Committee view

The Committee recommends that the Welsh Government publish all Barnett consequential (both positive and negative) as they come through from the UK Government. The Committee believes that this would help make the consequential more easily identifiable and transparent.

⁸ RoP, 2 July 2014, paragraph 131