

**National Assembly for Wales**  
Finance Committee

**Best Practice Budget Process**  
Part 2 - Planning and implementing  
new budget procedures

March 2015

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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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.

Their remit also includes specific statutory powers under the Public Audit Act 2013 relating to new responsibilities for governance oversight of the Wales Audit Office.

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## 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



**Mike Hedges**  
Welsh Labour  
Swansea East



**Alun Ffred Jones**  
Plaid Cymru  
Afon



**Ann Jones**  
Welsh Labour  
Vale of Clwyd



**Julie Morgan**  
Welsh Labour  
Cardiff North



**Nick Ramsey**  
Welsh Conservatives  
Monmouth

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## Chair's foreword

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As a Committee we have conducted our inquiry into Best Practice Budget Processes in two parts, with this second report being the culmination of our work in this area. We hope that it will provide a valuable starting point for discussions on financial procedures in Wales.

The evidence presented to the Committee has shown the limitations of the current Welsh budget system; currently the authorisation of the budget is centred on the Finance Minister and the Finance Committee. We firmly believe the new system should focus on key allocation decisions but also ensure adequate time to enable policy committees to scrutinise the relevant Ministerial portfolio spending. To enable this to happen, we have recommended a move to a two part budget process. This includes a suggested outline model which we hope will form the basis of new procedures. The Minister has indicated that she would like the revised budget process to be based on a cross party agreement in the Assembly and we look forward to continued collaboration with the Welsh Government to ensure this happens.

An area in which the Committee heard much evidence related to the provision of economic data in Wales and the importance this plays in the democratic process. The evidence has shown that whilst the Welsh Government has taken steps to improve the availability of data in Wales, it is clear that information in this area still needs to be improved, particularly in relation to independently validated information. Members of the Committee were particularly impressed by the steps taken in the Netherlands with the Bureau for Economic Policy Analysis and the creation of the Fiscal Commission in Scotland. We would like to see the Welsh Government undertake further work on a strategy to address the provision of economic data and give further consideration to the creation of a Welsh body similar to the Dutch and Scottish models.

The Committee has also made a recommendation in relation to a Financial Framework Bill which we believe is essential in taking forward and governing the financial arrangements for Wales. However, we do recognise that there are practicality issues around this and the

recommendation should be considered in light of the St David's Day process. Regardless, we look forward to further discussions on this.

In addition to these areas this report includes a number of recommendations; around well-being indicators, linking outputs with budget allocations, the production of Whole of Government accounts and the provision of information in future budgets.

Finally, I would like to thank everyone who has taken the time to contribute to both parts of this inquiry. Particular thanks to Ian Summers who has acted as an advisor to the Committee for the duration of this inquiry. Ian has provided valuable advice to Members and officials which has helped to shape our recommendations. This is clearly an exciting time for constitutional arrangements in Wales and as a Committee we look forward to the changes to come. We hope this report is the starting step in ensuring future financial arrangements for Wales are effective, robust and transparent.

A handwritten signature in black ink, appearing to read "Jocelyn Davies".

**Jocelyn Davies AM**  
**Chair**

## **The Committee's Recommendations**

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The Committee's recommendations are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** The Committee recommends that the Welsh Government and the Assembly should work together to develop a new budget process, which allows for:

- UK budget announcements,
- a two part process,
- the need to provide an early indication to other public bodies of their budgets for the following financial year,
- adequate time for Assembly scrutiny, and
- “future proofing” for any further fiscal devolution (Page 15)

**Recommendation 2.** The Committee recommends that an integrated approach is taken to ensure that well-being indicators and budget headings align with one another where possible. This will increase the value of both sets of information. (Page 19)

**Recommendation 3.** The Committee recommends that the Welsh Government should consider further how key targeted output or delivery measures could be linked to budget allocations as part of the budget process, perhaps with pilot trials undertaken in one or two Ministerial portfolio areas before rolling it out across the Welsh public sector. (Page 21)

**Recommendation 4.** The Committee recommends that the Welsh Government works closely with the Wales Audit Office to help ensure that the alignment the budget and the Welsh Government's accounts with the Treasury's budget boundary is completed timeously and successfully. (Page 27)

**Recommendation 5.** With regards to the production of a wider Whole of Government of Wales Account, the Committee considers that the arguments made by the Auditor General for Scotland apply equally to Wales especially if further fiscal devolution is delivered, and

recommends the Welsh Government works with the Wales Audit Office on the production of a such an account. (Page 27)

**Recommendation 6.** The Committee welcomes the steps taken by the Welsh Government so far in relation to improved economic data, but would like to see firm steps taken as soon as possible to ensure that better data and analysis will be ready in good time for the 2018-19 budget at the latest. The Committee recommends that a strategy should be developed which explains how the Welsh Government will collect, forecast and publish Welsh economic data. This should include provision for forecasts to be produced independently or subjected to independent validation. (Page 34)

**Recommendation 7.** The Committee recommends the Welsh Government considers further the advantages and disadvantages of establishing a fiscal commission for Wales having regard to the arrangements in place for Scotland and The Netherlands and share its analysis with the Committee. (Page 34)

**Recommendation 8.** The Committee recommends that the Welsh Government develops the capability to publish Welsh spending and revenue data on a consistent basis, similar to that produced in Scotland. This will, overtime, provide key information on the Welsh economy and should promote wider debate. (Page 34)

**Recommendation 9.** As regards information provided by the Welsh Government in support of capital expenditure proposals in future budgets the Committee recommends this should specifically include

- i. Clarity on how capital expenditure proposals will be financed (grant, taxation, borrowing or other methods such as private financing or not for profit vehicles);
- ii. Information on outstanding borrowing and other capital commitments going forward including how much is owing in terms of principal and interest and the period over which the amounts have to be repaid. (Page 34)

**Recommendation 10.** The Committee recommends that an independent arbitration mechanism would be an appropriate route if the Welsh Government and the Treasury failed to agree the amount of any block grant adjustment. The Welsh Government should keep the

Committee informed of any agreements on the block grant adjustment which are reached with the UK Government. (Page 36)

**Recommendation 11.** The Committee recommends that the Welsh Government should seek to ensure that interest should be received from the UK Government when surplus revenue is “banked” by the Welsh Government and such an arrangement should form part of the discussions between the Welsh Government and the UK Government.

(Page 37)

**Recommendation 12.** The Committee recommends that a Financial Framework Bill should be introduced in the next Assembly. However, the Committee does recognise that discussions on further devolution to Wales are taking place and this recommendation should be considered in the light of any further announcements on devolution.

(Page 39)

# 1. Introduction

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1. The Commission on Devolution in Wales ('Silk Commission') published its Part 1 report<sup>1</sup> in November 2012. The report recognised that the devolution of tax and borrowing powers would require changes to existing financial management and scrutiny arrangements. In particular, Chapter 8 discussed the implementation of the new powers, with recommendations 29 to 33 focussing on the need for new fiscal and budget processes.
2. The Wales Act 2014 gave effect to much of the Silk Commission Part 1 Recommendations. It gives the Assembly powers to replace stamp duty land tax and landfill tax, powers to vary income tax rates (subject to a referendum), and it provides the Welsh Government with wider short term borrowing powers and new powers to borrow for capital expenditure. The Act also allows the Assembly to legislate to determine a process for the scrutiny and approval of the annual budgets for the Welsh Government and certain other public bodies.

## Terms of Reference

3. The Committee decided to consider the inquiry in two parts. It was agreed to consider:

### **Part 1 – Budgetary best practice and its applicability to Wales**

- International best practice for financial accountability and budget processes, particularly in devolved administrations
- Opportunities for the budget processes to incorporate new concepts - such as preventative spending, less restrictive annual budgeting, and programme/outcome-based budgets.
- **International best practice** – What are the principles of fiscal accountability? How do other countries achieve devolved financial accountability while retaining central fiscal control?
- **Are the devolved powers tailored to the Welsh devolution settlement** – as the powers in the Wales Bill are based on those in the Scotland Act, does this create unforeseen problems in Wales?
- **Linking budgets to outcomes.** What new budget procedures are needed to improve the links between policies, spending

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<sup>1</sup> [Silk Commission Part 1 report \[Accessed 1 December 2014\]](#)

programmes and outcomes? How would outcomes generated by the UK Government and the global economy be identified separately from those generated by local Welsh Government policies?

## **Part 2 – Planning and implementing new budget procedures**

- Financial control –outlining the budgetary mechanisms which will control the new tax and borrowing powers, and how these impact on the Welsh block and the Welsh economy. In particular, how the Holtham Commission recommendations will be met.
- The implementation of new budget procedures to reflect the additional powers.
- **Tax and borrowing issues** identified in the Holtham Report; e.g. the impact on the block grant and the ‘indexed method’ for adjustments; the basis of the devolved taxes; the lack of a needs based floor; no clear resolution of ‘convergence’ issues; what is the tax yield and what borrowing could be made against this income; what would be the basis of any new taxes and will they be governed by principles or rules?
- **Managing budgetary risk** - what additional budgetary risks are introduced by the new powers and how will these be monitored and managed (e.g. how are shortfalls in revenue managed)?
- **How can the new budget processes be made transparent and understandable** to all stakeholders, and how can stakeholders engage and participate in the budget process.
- **UK budget planning** - how does the Assembly work with Welsh Government, UK government and other public bodies under the new arrangements; how should the budget process be timetabled to meet Welsh and UK Government requirements (e.g. UK spending reviews)
- **Implementation** – how does the Assembly formally implement the devolution of the financial powers; how does the Assembly scrutinise, approve and monitor the Welsh Government’s annual tax, borrowing and expenditure requirements; how does Welsh Government seek approval for new tax and borrowing powers from HM Treasury, and what role should the Assembly have in agreeing such changes.

4. The Committee's report on part one of this inquiry was published in July 2014.<sup>2</sup>

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<sup>2</sup> National Assembly for Wales, Finance Committee, Best Practice Budget Processes Inquiry, July 2012

## 2. Authorisation and timing of the budget

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### Timetable for authorisation

5. The Committee considered how the Assembly should approve the Welsh Government's spending plans under the new budget process, and its plans for financing that spending.

6. The Committee considered the current budget process, whereby a budget for the forthcoming financial year starting on 1 April is approved in the previous December before the Christmas Recess. This process, culminating in the passing of a budget resolution tabled in the Assembly by the Welsh Ministers, has its origins in the Government of Wales Act 2006. The provisions were written to enable the Assembly to give statutory authorisation to the allocation of resources provided by the Treasury. That process did not envisage the devolved taxation and borrowing powers now provided by the 2014 Act.

7. The current budget timetable set by the Assembly's Standing Orders, suffers from the fact that the changes to the Welsh Block allocations made by the Treasury via the Barnett Formula are often announced in the UK Government's Autumn Statement (usually given after the publication of the Welsh Government's draft budget) and the UK Government's Budget Statement shortly before the start of the financial year. The consequence is that any changes to the allocations made by the UK Government's Autumn Statement and Budget have to be reflected in supplementary budget motions passed during the financial year. This problem of resource allocations from the Treasury being adjusted during and after the Assembly's budget process is often further exaggerated in the years when the UK Government conducts a spending review.

8. The current timing might also be problematic if the Assembly was required to approve changes to devolved tax rates and bandings over three months before the start of the financial year. For example, there could be considerable movement in the tax forecasts before the start of the financial year. Also, the signalling of taxation changes months before they are implemented might result in unwelcome market distortions.

9. In written evidence, CIPFA also noted that the Welsh budget process should not become focussed on the timing of UK budget announcements:

“In recent years the UK Government’s Spending Review cycle has become less reliable, with delays to their publications and the Spending Round 2013 providing figures for only two years (2014-15 and 2015-16), with no forecasts for financial years beyond the next UK general election. As the timetable for the spending review cycle is subject to political influence, it should not dictate the timing of the Welsh budget process and risk such potential instabilities.”<sup>3</sup>

10. In consideration of the new budget process the Minister for Finance and Government Business (‘the Minister’) told the Committee that:

“There is no single budget format which can meet all information requirements. It is also important to understand that while strategic decisions are taken in the autumn, the operational detail of budget plans will continue to develop up to the beginning of the financial year. A balance is required between the commitment to providing information with the need for that information to remain meaningful.”<sup>4</sup>

#### ***Committee view***

11. The Committee notes that the current budget timetable does not allow much time for Assembly scrutiny and can be problematic for the Welsh Government, especially in years when there is a UK Government Spending Review.

12. The Committee does not wish to constrain the Welsh Government and the Assembly by seeking to impose a new detailed budget process at this stage, but would like to see officials from both organisations work together to implement a procedure which, as far as possible, meets the needs of all concerned, including those organisations who are reliant on the funding details given by the Welsh Government during the budget period.

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<sup>3</sup> Written evidence, Finance Committee, BPBP03

<sup>4</sup> FIN(4)-24-14 - Paper 1 - Evidence from the Minister for Finance and Government Business

13. The Committee welcomes the Minister’s commitment to working with the Assembly to create a mutually agreeable process for all concerned.

14. The Committee considered two potential options:

- To use a single annual budget motion or Finance Bill to approve all tax raising and expenditure plans prior to the start of the financial year. This is the process [agreed in Scotland](#).<sup>5</sup> The Scottish Government’s tax forecasts are scrutinised by the Scottish Fiscal Commission and Scottish Parliament as part of the Draft Budget scrutiny in October and November;
- Give formal approval to Welsh Government spending plans after the start of the financial year. This is the process used at [Westminster](#)<sup>6</sup> to agree UK Government spending. The detailed spending plans are announced before the March budget (when the taxation proposals are announced) but are not formally approved by Parliament until later in the summer after the start of the financial year. A formal “Vote on Account” is granted before 31 March to allow the Welsh Government to continue spending in the early part of the financial year. This process allows more time for detailed scrutiny of departmental spending plans.

15. The Committee has noted that the existing constrained timetable has resulted in budget scrutiny in the Assembly being centred around the Finance Committee and Finance Minister. Other Ministers are responsible for detailed spending plans within their overall allocations but the tight timetable prevents adequate scrutiny of those plans by the relevant subject committees.

**The Committee recommends that the Welsh Government and the Assembly should work together to develop a new budget process, which allows for:**

- UK budget announcements,**
- a two part process,**
- the need to provide an early indication to other public bodies of their budgets for the following financial year,**

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<sup>5</sup> Scottish Parliament, [Session 4 Agreement between the Scottish Government and the Finance Committee](#), December 2013 [accessed 19th February 2015]

<sup>6</sup> Westminster Parliament, [The Budget and Parliament](#), [accessed 19th February 2015]

- **adequate time for Assembly scrutiny, and**
- **“future proofing” for any further fiscal devolution.**

16. The Committee would anticipate this revised two part budget process to include the following:

<b>Part One (Autumn term)</b>	<b>Part Two (Spring term)</b>
<ul style="list-style-type: none"> <li>- could take place in the autumn and culminate in the approval by the Assembly of high level allocations to Ministerial portfolios.</li> <li>- Settlements for Local Government and NHS for the forthcoming financial year would be announced at this stage, in good time for the start of the financial year.</li> <li>- Scrutiny at this stage would involve mainly the Finance Minister and Finance Committee and would include such matters as how the budget is seen against the backdrop of the Welsh public finances and the wider economic background.</li> <li>- It would also cover financing matters including amounts that would need to be raised through taxation and borrowing (although the detail of any necessary taxation changes might be dealt with in Part 2).</li> <li>- A plenary debate would take</li> </ul>	<ul style="list-style-type: none"> <li>- could take place in the spring (possibly early summer) and would involve scrutiny by subject committees of the detailed spending plans produced by the relevant Ministers (which would be tabled before the start of the financial year).</li> <li>- Such scrutiny would likely focus in detail on what is expected to be achieved with the allocations that are being made</li> <li>- The Assembly would authorise any changes to taxation rates and bandings prior to the start of the financial year.</li> <li>- It would be important to ensure that there is a binding link between the Assembly approval for taxation and the spending plans i.e. if the Assembly did not, for whatever reason, authorise the Welsh Government’s proposed taxation changes, then the spending plans would also fall and would need to be revised accordingly. This</li> </ul>

place on the Finance Committee's report and the Welsh Government's outline plans	link could be achieved through Standing Orders.
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17. The Committee has considered a suggested model (see Annex A) which seeks to meet these requirements. The Committee has provided this purely as a starting point for discussions, and hopes it proves useful in consideration of a revised budget procedure.

### **3. Incorporating outcomes, outputs and preventative spending / Allocation of resources**

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#### **Well-being indicators**

18. The [Well-being of Future Generations \(Wales\) Bill](#)<sup>7</sup> introduces a set of national indicators for assessing the well-being of Wales as well as longer-term goals. The Bill also emphasises the importance of preventative spending.

19. In relation to the wellbeing indicators prescribed by the Bill the Minister said:

“Obviously, it is early days, and it is a complex area. So, if we perhaps think of some examples, in relation to public health, for example, ‘a healthier Wales’ has indicators, but it also has national goals. However, on ‘a resilient Wales’, there are going to be such a lot of cross-cutting issues that it is going to be difficult to know how you score that in a budget in terms of achieving those bigger goals in terms of the Bill. However, what we cannot do is turn this into another technical exercise, where people cannot engage in this and see, ‘Well, this amount of money...’. I think, on the point that the Chair made earlier, particularly in terms of forecast, we are talking about a declining budget and declining public finance. We may then be having to use our tax revenues—hopefully, in an important, proactive way—but we are talking about a constrained budgetary exercise and how we can make this meaningful, I think. That is the challenge of the Well-being of Future Generations (Wales) Bill: to make it meaningful, so that we can then get people involved in these discussions, and other public bodies, and communities. So, I think that we can test it out, for example, in things like the public health budget in terms of a healthier Wales. It does link a bit back to this thorny question of prevention and the points that we discussed in terms of scrutiny on what does this mean in terms of prevention, and whether the whole of the health budget is a preventative budget or whether it is just the things related to public health

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<sup>7</sup> National Assembly for Wales, [The Well-being of Future Generations \(Wales\) Bill](#), [accessed 19th February 2015]

that are particularly preventative. So, we are certainly working very closely in preparation for the opportunities to have indicators and these bigger goals for Wales in terms of the Well-being of Future Generations (Wales) Bill.”<sup>8</sup>

### ***Committee view***

20. Following the expected passing of the Well-being and Future Generations (Wales) Bill, the Committee will consider whether the indicators introduced by the Bill can be utilised within the new budget process.

**The Committee recommends that an integrated approach is taken to ensure that well-being indicators and budget headings align with one another where possible. This will increase the value of both sets of information.**

### **Resource allocations**

21. Evidence given to the Committee during its inquiry suggests that international best practice is to improve the links between the budget and performance but that it is often difficult to link annual budget allocations to longer-term outcomes, especially those that could be affected by external factors beyond the Welsh Government’s control. However, that evidence also suggests that it should be possible to link annual allocations to specific key short-term delivery targets or outputs as is done in other jurisdictions. By way of illustrative examples:

- Grants provided to attract inward investment to secure additional jobs;
- Proportion of NHS patients seen and treated within a specific period after referral;
- Completion of environmental initiatives on time and within budget;
- Completion of capital projects (e.g. road building) to the required standards, within budget and on time.

22. The outturn against such targets could be published in the annual reports of the organisations responsible for delivery.

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<sup>8</sup> Finance Committee, ROP, 10 December 2014, paragraph 115

23. Hard annual output measures of this type may well be used by the Welsh Government already but the Committee considers that there would be merit providing a link between the key output measures and the related resource allocations as part of the budget process.

24. Dr Joachim Wehner, London School of Economics, noted that there should be a balance when considering the detail to which performance is attributed to budget headings:

“if you put the budget on a performance orientation, particularly on an outcome basis—which I think is the most problematic—it means you need to look at bigger spending categories. That means that you lose a lot of financial detail, and then there are the whole problems of not being able to attribute effects of particular interventions by particular organisations in rigorous ways to many of the outcomes that we care about.”<sup>9</sup>

25. In Canada the Office of the Parliamentary Budget Officer advocates the OECD guidance and an approach of:

“identifying the short and medium-term program outputs (ie the direct, measurable results of expenditures), and then setting these in the context of broader outcomes (ie overall results of across the economy which is influenced by the specific programme and other factors.”<sup>10</sup>

26. New Zealand has gone further and has introduced a statutory requirement to link most revenue expenditure to output measures. These measures and information on how the outturn will be reported is given in the documentation supporting the budget.

27. The Committee considered the reporting framework the Scottish Government has developed called '[Scotland Performs](#)'<sup>11</sup> which sets Strategic Objectives for the Scottish Government, and reports the performance of [50 National Indicators](#) against [16 high-level National Outcomes](#) over the next 10 years. Each budget heading in the Scottish Government's [2015-16 Draft Budget](#) includes a 'Contribution to National Outcomes' briefly describing the wider outcomes of the spending.

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<sup>9</sup> Finance Committee, ROP, 14 May 2014, paragraph 218

<sup>10</sup> Written evidence, Finance Committee, BPP02

<sup>11</sup> The Scottish Government, [Scotland Performs](#), [accessed 19 February 2015]

28. More significantly, the Scottish Government has also produced a '[Scotland Performs Update](#)' alongside the 2015-16 Budget on performance and outcomes.

29. In terms of linking budget allocation to performance the Minister said:

"I think we have done good work, and very much good work together with the Finance Committee over how we can improve our budgetary process to ensure that the budget is linked to a programme for government and to outcomes for the longer term and the shorter term...So, we have to move forward in terms of improving the ways in which we can demonstrate the link to resource allocation and to outcomes. Evaluation has a key part to play in that as well, in terms of understanding and being clear on what the evidence is on what is working and what the outputs and outcomes are."<sup>12</sup>

### ***Committee view***

30. The Committee firmly believes linking resource allocations to outcomes and outputs needs to be done appropriately. For example, the relationship between spending and wider social outcomes might be better considered outside the budget documentation as a part of policy evaluation.

31. The Committee recognises that the documentation presented by the Welsh Government in support of the proposed budget has developed over recent years and now includes a significant amount of information on performance in support of desired outcomes. The Committee finds this information helpful and indeed wishes such outcome evaluations against the programme for government to continue. However, the Committee wishes to take the process further so that the Assembly and the public are able to see the key annual deliverables or outputs that are expected to be achieved with the resource allocations that the Assembly is being asked to approve.

**The Committee recommends that the Welsh Government should consider further how key targeted output or delivery measures could be linked to budget allocations as part of the budget process, perhaps with pilot trials undertaken in one or two**

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<sup>12</sup> Finance Committee, ROP, 10 December 2014, paragraph 103

**Ministerial portfolio areas before rolling it out across the Welsh public sector.**

## 4. Alignment of budget and accounts

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32. HM Treasury completed the [Clear Line of Sight Project<sup>13</sup>](#) in 2010, also known as the “Alignment” Project, to simplify the way government public expenditure information is presented and published. The project aimed to better align the measures of government spending used for various purposes, including those used, and voted upon, by Parliament - in particular the:

- departmental Budgets set by Government,
- the Estimates approved by Parliament, and
- the Accounts prepared by departments and audited by the National Audit Office.

33. Although, the Government of Wales Act 2006 has been amended to enable the Welsh Government to align its budget and accounts with the boundary for the Welsh block budget, this has not yet been done so there remains difficulty in understanding how the financial performance of the wider Welsh public sector relates to the money voted by the National Assembly.

34. Specifically, the resource budget (total managed expenditure) set by the Treasury covers spending by the Welsh Government and related public bodies (e.g. Health Boards and sponsored public bodies), the Assembly Commission, Public Services Ombudsman for Wales ('the Ombudsman') and the Wales Audit Office ('WAO'). However, the budget motion only authorises the expenditure by the Welsh Government, Assembly Commission, Ombudsman and WAO.

35. Therefore, the cash funding by the Welsh Government to the NHS and sponsored public bodies is authorised as part of the budget motion but the direct expenditure by those bodies is not. Also, the annexes to the budget motion have to include complex reconciliations to explain the difference between the total resources handed down by the Treasury and the total allocations that the Assembly is being asked to approve.

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<sup>13</sup> HM Treasury, [Alignment \(Clear Line of Site\) Project](#), March 2009 [accessed 19 February 2015]

36. The Welsh Government's consolidated accounts are prepared on a different basis again as they incorporate the results of the health boards but not the sponsored bodies.

37. This was explained further by the WAO:

"If you look at the budget motion at the moment, particularly at the explanatory notes to the budget, you will see that there are some quite complicated tables there. To get the reader from the Welsh Government's administrative budget, where you have the resource and capital DEL, the departmental expenditure limit, and AME, the annually managed expenditure, which gives the total managed expenditure, to the actual resources requested in the budget line, there are a whole load of reconciling items. It should be possible, with further work on alignment, to eliminate some or most of those reconciling items....

"So, there is scope for some further alignment, and that is an example of one of the things that could be done, but it does get horrendously technical."<sup>14</sup>

38. The evidence given by the WAO to the Committee suggests that there is no real impediment to aligning the budget motion and the Welsh Government's accounts to the Treasury's budget boundary for total managed expenditure. A reconciliation between the budget motion and the total managed expenditure is already provided with the former so the main barrier to such an alignment is the production of a consolidated account for the Welsh Government that incorporates the financial results of all the bodies that it funds that are within the Treasury's boundary.

39. The Committee considers that such an alignment would also be beneficial in linking budget allocations to targeted outputs (see the previous section) as responsibility for delivery against such targets often lies with NHS and sponsored bodies.

40. In his consultation response, the Auditor General for Wales has gone one step further and has said that consideration should also be given to the publication of an annual 'Whole of Government of Wales

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<sup>14</sup> Finance Committee, ROP, 22 October 2014, paragraph 182

Account'.<sup>15</sup> Such an account is now produced by the Treasury for the UK Government and incorporates the results of all public sector governmental bodies including local government.

41. The Welsh Government provides consolidated financial information from public bodies in Wales to the Treasury as part of the production of these accounts. The WAO told the Committee:

“It would be a fairly straightforward process, we think. Each of the relevant public bodies in Wales is already required to produce and have audited—we audit it—a consolidation pack, which takes its accounts into a common format. That pack then goes to the Treasury, which enables it to produce the UK whole-of-Government accounts. That process has been running for well over a decade now....

“So, you have already got the information on the intra-Government balances that would need to be eliminated within a Welsh account. The information is already there. You know, the hard work, really, is done. It would, I think, enable you to have a set of accounts that produces, if you like, the accounts for the Welsh public sector in totality, not just expenditure but also the income. I think, actually, it is the move to devolved taxation that strengthens the case for having something like this.”<sup>16</sup>

42. The Committee has noted that the Auditor General for Scotland, Caroline Gardner, has recently made a similar request for a Scottish public sector account. In an interview for Public Finance<sup>17</sup> she said such accounts would give a ‘rounded picture’ of what the government raises and what it spends it on, what it owns and what it owes.

“Although they’re not perfect, they do give a really clear insight into some of the trends that we’re seeing and some of the risks that have to be managed and, increasingly, the choices that are being made about investment, borrowing, capital investment, those sorts of things.

“We don’t yet have that in Scotland, and you can argue that it didn’t matter too much in the years when Scotland was only

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<sup>15</sup> Written evidence, Finance Committee, BPBP04

<sup>16</sup> Finance Committee, ROP, 22 October 2014, paragraph 186

<sup>17</sup> [Gardner: we need whole picture on Scotland’s public finances](#), Public Finance, 2 December 2014

spending the money that came from Westminster. But as we're making choices about raising taxes, different forms of investment, the increasing use of revenue-financed investment to build our infrastructure, that picture becomes increasingly important to all of us.”<sup>18</sup>

43. In addition the ‘whole systems approach to public financial management’ is advocated by CIPFA:<sup>19</sup>

44. In evidence when asked about the benefit of a whole of Government of Wales account, Cardiff Business School said:

“... it would also give a statement of Government assets and liabilities in Wales, which I think would be valuable. ... You would be adding to transparency and giving people more information so that they can see a little bit more of the efficiency with which the Government is spending money. So, for me, that would be a very welcome development. I believe that much of the data are already there; it is just about reorganising them into accounts, and that, in my opinion, would be a valuable step forward.”<sup>20</sup>

45. The Minister was asked how the Welsh Government could produce a single national account covering the entire devolved Welsh public sector and what difficulties this would entail for the Welsh Government. The Minister said:

“I think that a preparation of a single set of financial accounts would be a very complex prospect for the whole of the public sector in Wales. There is not a mechanism at the moment for consolidating information made available by public sector bodies. In fact, you can look at the whole-of-Government accounts that are produced by the Treasury on a UK-wide basis; it does not actually identify Welsh bodies separately. So, I think that we could look at this, but what would the purpose be, really? We would need to justify it, and look at whether there is another way. What is the best way to get that kind of information, whether you are thinking of this in terms of the

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<sup>18</sup> [Gardner: we need whole picture on Scotland's public finances](#), Public Finance, 2 December 2014

<sup>19</sup> Written Evidence, Finance Committee, BPBP03

<sup>20</sup> Finance Committee, ROP, 22 October 2014, paragraph 35

purpose of it, in terms of a single, national account? So, it would be a lot of new work to do.”<sup>21</sup>

### ***Committee view***

46. The Committee notes that the Welsh Government is now undertaking the preparatory work needed to align the budget and the Welsh Government’s accounts with the Treasury’s budget boundary and welcomes this development.

47. The Committee believes that this alignment will improve the link between resources authorised by the Assembly and key deliverables which will often be the responsibility of bodies within the boundary other than the Welsh Government.

**The Committee recommends that the Welsh Government works closely with the Wales Audit Office to help ensure that the alignment of the budget and the Welsh Government’s accounts with the Treasury’s budget boundary is completed timeously and successfully.**

**With regards to the production of a wider Whole of Government of Wales Account, the Committee considers that the arguments made by the Auditor General for Scotland apply equally to Wales especially if further fiscal devolution is delivered, and recommends the Welsh Government work with the Wales Audit Office on the production of such an account.**

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<sup>21</sup> Finance Committee, ROP, 10 December 2014, paragraph 136

## 5. Information needed to support the budget

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48. The Committee considered the availability of medium term information on the economic outlook for Wales and the impact of Welsh Government policies.

49. Countries such as Scotland have developed a clearer framework for discussing the macroeconomic impact of government policies. As part of this inquiry the Committee visited Scotland, where the Committee discussed the Fiscal Commission in Scotland. This is a Parliamentary body, whose responsibilities include reviewing Government forecasts of receipts from the devolved taxes, and to scrutinise the economic determinants underpinning forecasted receipts from non-domestic rates. The Commission is not charged with doing its own economic forecasts or original analysis.<sup>22</sup>

50. When asked about examples of good practice in collecting economic data, Cardiff Business School referred to the Scottish approach as 'a very, very good exemplar of the way things might be done', whilst acknowledging there was still work to be done in Scotland. It was said:

"… the way that they are trying to do things there and the way that the Scottish Executive tries to work with the academic community across the Scottish universities and more widely to bring in expertise to understand things is good practice. I think that that is the model that Wales ought to be looking at and learning from. It might not be straight followership, but it is certainly something we should be learning from."<sup>23</sup>

51. To consider other examples of independent fiscal institutions the Committee took oral evidence from the Netherlands Bureau for Economic Policy Analysis ('CPB'), who provide economic forecasts in the Netherlands. They have additional responsibilities relative to most fiscal bodies, and described the role as:

"Our main task is to provide economic forecasts for the Dutch Government and to provide assessments of the budgetary

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<sup>22</sup> Scottish Fiscal Commission, [Report by the Scottish Fiscal Commission](#), October 2014 [accessed 19 February 2015]

<sup>23</sup> Finance Committee, ROP, 22 October 2014, paragraph 64

stance, but our work is not limited to that. We also provide analysis on a broad range of topics, varying from cost-benefit analysis of infrastructure projects to reports on the financial markets and on healthcare. So, it is a very broad scope of topics, and not only the classical work of an independent fiscal institute. Our main task is to provide this type of analysis and we provide this type of analysis for the public at large, not just the Government. Most of our analysis is publicly available, for everyone who would like to read it, on our public website. We also provide analysis for the Government at its specific request, but also political parties and various other parties like social partners, so, unions or employers' organisations can also pose specific questions to us and then we can provide analysis if and when we have both resources and knowledge available. So, in broad summary, we provide economic analysis and forecasts, which are publicly available, we give tailored answers to the Government, but also tailored answers at the specific request of other people involved in Dutch policy making.”<sup>24</sup>

52. To understand the UK perspective the Committee took evidence from the Office of Budget Responsibility ('OBR'), who outlined they had a number of key tasks. These include the production of economic and fiscal forecasts, an assessment of the extent to which the government's fiscal targets have been met and looking at the long term sustainability of the UK public finance.<sup>25</sup>

53. As part of the inquiry the Committee considered the differing role of the CPB in the Netherlands and the Office of Budget responsibility in the UK. When asked about the different roles of the two bodies the CPB said:

“I think the Office for Budget Responsibility in the UK has a more limited scope, because it basically aims for fiscal analysis, while the CPB also does analysis on a broad range of other topics ... the Office for Budget Responsibility formally has only 19 members or employees and, at the CPB, there are over 100 employees. ... Focusing on the fiscal part, we both make forecasts for macro-economic items and, in the Netherlands, the Government has to use those forecasts when it rolls out the

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<sup>24</sup> Finance Committee, ROP, 24 September 2014, paragraph 7

<sup>25</sup> Finance Committee, ROP, 24 September 2014, paragraph 84-88

budget. We assess the budget and we also give our own estimate of the Government's overall balance or the economic and monetary union balance.

"Unlike the Office for Budget Responsibility, basically, we give a point estimate; we do not give an assessment of what the chances are that they will hit a certain target, so we do not give a range of possible outcomes. What we do is make an assessment of sustainable public finance in the long term, like the Office for Budget Responsibility. In the Netherlands, only the CPB makes those types of estimates—so, whether Dutch Government finances are sustainable in the long run, which is what we call the 'ageing sums'. So, that is something that we also share with the Office for Budget Responsibility. However, basically, we also do other things than it does."<sup>26</sup>

54. It was noted that the OBR 'only look at the current policies of the current Government; we should not pronounce on the overall alternatives',<sup>27</sup> whilst the CPB have a role a wider role, which includes costing political parties manifestos in the lead up to an election<sup>28</sup>. The OBR confirmed that for them to undertake this type of role would require a change in legislation,<sup>29</sup> although they have talked to party groups on an informal basis<sup>30</sup>.

55. The Committee have heard evidence of the need for better (official) economic forecasts, taxation revenue forecasts and borrowing proposals.<sup>31</sup>

56. It was recognised that Scotland had been producing macroeconomic models of the Scottish economy data since the late 1970s,<sup>32</sup> whilst there is currently little 'data collected especially for Wales'.<sup>33</sup>

57. Cardiff University Business School identify that no such formal arrangements exist in Wales, although 'this macroeconomic

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<sup>26</sup> Finance Committee, ROP, 24 September 2014, paragraph 11-12

<sup>27</sup> Finance Committee, ROP, 24 September 2014, paragraph 95

<sup>28</sup> Finance Committee, ROP, 24 September 2014, paragraph 54-55

<sup>29</sup> Finance Committee, ROP, 24 September 2014, paragraph 98

<sup>30</sup> Finance Committee, ROP, 24 September 2014, paragraph 96

<sup>31</sup> Written Evidence, Finance Committee, BPBP05

<sup>32</sup> Finance Committee, ROP, 22 October 2014, paragraph 15

<sup>33</sup> Written Evidence, Finance Committee, BPBP08

information provides the backbone to understanding how Wales's economy works'.<sup>34</sup>

58. It was recognised in evidence that the introduction of Welsh taxes would create a requirement for 'the Assembly to consider the macroeconomic impact of taxation decisions in the future'<sup>35</sup> and 'if tax raising powers were to be devolved, there would need to be sufficient economic models and data available in Wales to inform debate over the consequences of such actions'.<sup>36</sup>

59. In addition the Committee recognises that there is wider criticism on the lack of economic data/analysis:

"...if we are taking about devolving more powers to Wales we need better economic intelligence to be able to develop that and make the most out of it."<sup>37</sup>

60. The lack of economic data will clearly be a challenge for Welsh Government and the OBR in relation to forecasting revenues from taxes when there is a lack of information available for Wales.

61. Furthermore, this lack of data will also impact on the Welsh Government's ability to 'adequately plan their finances and assess whether plans are financially sustainable for the future'.<sup>38</sup>

62. The Auditor General for Wales recognised the difference in geographical arrangements between Wales and Scotland, which leads to cross-border fiscal risk with unintended macro-economic consequences which are likely to be significantly higher than those faced by Scotland.<sup>39</sup>

63. The Auditor General continues:

"To manage this risk effectively, the existing capacity of the Welsh Government for economic modelling and forecasting may need to be reviewed and enhanced."<sup>40</sup>

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<sup>34</sup> Written Evidence, Finance Committee, BPBP08

<sup>35</sup> Written Evidence, Finance Committee, BPBP03

<sup>36</sup> Written Evidence, Finance Committee, BPBP08

<sup>37</sup> Western Mail, [Wales is lagging behind due to lack of investment in data](#), 8 December 2014 [accessed 19 February 2015]

<sup>38</sup> Written Evidence, Finance Committee, BPBP03

<sup>39</sup> Written Evidence, Finance Committee, BPBP04

<sup>40</sup> Written Evidence, Finance Committee, BPBP04

64. However, despite the criticism levelled at the lack of economic data modelling taking place in Wales, there was some recognition that progress was being made, Cardiff Business School said:

“There are good relationships with the economists in the Welsh Government in the economic advice division. Cardiff Business School and Swansea University have had a role in training many of the economists that Welsh Government uses. Over the last 15 or 20 years, the number of economists in Welsh Government and the allied institutions has increased quite markedly, which I welcome—that is an important first step. When I first came to work in Wales, there were only a handful of economists within the old Welsh Office. You might not welcome that, but the number of economists within the institution has increased quite markedly. That is a good foundation to work on...

“I also welcome that the Welsh Government is already taking steps to develop new capacity. For example, the Welsh Government supports some PhD training opportunities in Wales. Supporting those PhD training opportunities is one way of developing the skill sets locally that you will need to assess the significance of these tax-varying powers.”<sup>41</sup>

65. When asked whether any consideration has been given to the creation of a Welsh Fiscal Commission, the Minister said:

“It was interesting to talk a bit to the Scottish Minister for Finance, John Swinney, about the Scottish Fiscal Commission. We are already working very closely with academic and other interests, really, in terms of generating that economic data. I think that our treasury team is all ready, in terms of the fact that we have our own economists and statisticians, as well as policy advisers, and I have my tax advisory group, and a tax forum, which includes a lot of expertise, including academic expertise. Actually, we are sponsoring a PhD student at Cardiff Business School, for example, to investigate whether a macroeconomic modelling approach would bring a useful perspective to policy development on devolved taxes. So, you

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<sup>41</sup> Finance Committee, ROP, 22 October 2014, paragraphs 98-99

know, we are very engaged, and, hopefully, that will be a useful source of expertise.”<sup>42</sup>

66. In a follow up letter to the Committee regarding the different academic links with the Welsh Government, the Minister said:

“Under the Code of Practice for Official Statistics, statisticians engage with a wide range of users across the academic, public and private sector to inform decisions on statistical priorities. The ranges from formal consultation exercises, user engagement events to more informal dialogue as required. In terms of economic data this has included major consultations in 2009 and 2012 ... The Chief Economist engages frequently with a variety of academic experts, both within Wales and beyond, in the context of procuring economic research and disseminating findings. I recognise the importance of engaging further over the next few months and years with academic experts from other sectors, as we obtain new financial powers.”<sup>43</sup>

### ***Committee View***

67. The Committee has recognised in previous work<sup>44</sup> that there is also a need for more information on existing borrowing, repayment periods and other financing commitments, such as the financing arrangements for capital expenditure etc.

68. The Committee also recognises that there is a firm requirement for improved financial data and medium term information on the economic outlook for Wales and the impact of Welsh Government policies. The move towards greater fiscal devolution and the introduction of borrowing powers means that more informative, timely, robust, independent and objective information will be needed to support the production and scrutiny of future budgets.

69. The Committee is attracted by the arrangements in place in The Netherlands where its CPB has a role that is more enhanced than most of its counterparts. The Committee also recognises the benefits in looking to Scotland who have been implementing similar provisions

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<sup>42</sup> Finance Committee, ROP, 10 December 2014, paragraph 144

<sup>43</sup> FIN(4)-01-15 Paper 10 - Letter from Minister for Finance and Government Business

<sup>44</sup> National Assembly for Wales, Finance Committee, Borrowing powers and innovative approaches to capital funding, July 2012

over several years through their GERS reports, and more recently through the budget. However, the cross border factors which are unique to Wales are likely to result in more difficulty in identifying which economic factors are within the control of the Welsh Government.

**The Committee welcomes the steps taken by the Welsh Government so far in relation to improved economic data, but would like to see firm steps taken as soon as possible to ensure that better data and analysis will be ready in good time for the 2018-19 budget at the latest. The Committee recommends that a strategy should be developed which explains how the Welsh Government will collect, forecast and publish Welsh economic data. This should include provision for forecasts to be produced independently or subjected to independent validation.**

**The Committee recommends the Welsh Government considers further the advantages and disadvantages of establishing a fiscal commission for Wales having regard to the arrangements in place for Scotland and The Netherlands and share its analysis with the Committee.**

**The Committee recommends the Welsh Government develops the capability to publish Welsh spending and revenue data on a consistent basis, similar to that produced in Scotland. This will, overtime, provide key information on the Welsh economy and should promote wider debate.**

**As regards information provided by the Welsh Government in support of capital expenditure proposals in future budgets the Committee recommends this should specifically include:**

- i. Clarity on how capital expenditure proposals will be financed (grant, taxation, borrowing or other methods such as private financing or not for profit vehicles);**
- ii. Information on outstanding borrowing and other capital commitments going forward including how much is owing in terms of principal and interest and the period over which the amounts have to be repaid.**

## 6. Additional issues

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### Block grant adjustments

70. The Command Paper which accompanied the Wales Bill sets out that the adjustment of the block grant for stamp duty land tax and landfill tax should not be indexed against the corresponding UK tax base. This means that the Welsh Government will carry the full responsibility for managing any volatility of these devolved tax revenues. The Command Paper states:

“...it is not straightforward to identify the precise nature (or size) of such an adjustment that both governments agree is likely to be equitable in the longer term.”<sup>45</sup>

71. The Committee heard evidence that it has proved difficult for the Scottish and UK governments to reach agreement on the block grant adjustments that will need to be made when devolved taxes are introduced in April 2015. CIPFA said that the issue of block grant adjustment has been a point of contention in Scotland.<sup>46</sup>

72. In evidence regarding using the OBR forecast to make adjustments to the block grant, the OBR said

“we produce the best forecast that we can on the basis of the UK forecast that we produce, and a judgment on share that we are transparent about, but it is not our job to say how that should affect the block grant.”<sup>47</sup>

73. In written evidence to the Committee the Minister recognised that the block grant would need to be adjusted to reflect the reduced revenues flowing to the UK Exchequer.<sup>48</sup>

74. In oral evidence when asked further questions about the block grant adjustment mechanism for the new devolved taxes, the Minister said:

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<sup>45</sup> Wales Bill: Financial Empowerment and Accountability, Cm 8838

<sup>46</sup> Written evidence, Finance Committee, BPBP03

<sup>47</sup> Finance Committee, ROP, 24 September 2014, paragraph 117

<sup>48</sup> FIN(4)-24-14 - Paper 1 - Evidence from the Minister for Finance and Government Business

“It is a matter of negotiation, and what comes out of Scotland—we have common cause with Scotland now, because what comes out of Scotland is very likely to be reflected in negotiations for Wales. I raised this at the joint exchequer committee in October. That committee is overseeing the transfer of financial powers. We are very clear that we need to agree these block grant adjustments.”<sup>49</sup>

75. When asked about the possibility of an independent body to look at disputes in relation to block grant adjustments, the Minister agreed this would be a good idea.<sup>50</sup>

### ***Committee view***

76. The Committee recognises that the same difficulty in relation to block grant adjustments which have occurred in Scotland may arise in Wales.

**The Committee recommends that an independent arbitration mechanism would be an appropriate route if the Welsh Government and the Treasury failed to agree the amount of any block grant adjustment. The Welsh Government should keep the Committee informed of any agreements on the block grant adjustment which are reached with the UK Government.**

### **Short-term Treasury Management**

77. The Wales Act 2014 will allow the Welsh Government to borrow from the National Loans Fund to address a temporary shortfall in the Welsh Consolidated Fund or to manage short-term downturns in taxation receipts. The Welsh Government will also be able to “bank” any surplus revenues with the Treasury for future use although arrangements on how this will work have yet to be agreed.

78. During evidence from HM Treasury it was clarified how this would operate:

“There will be a pot of cash held within the UK Government, rather than in a bank account, that the Welsh Government will be able to access. Well, initially, it will be able to pay money into it if tax revenues are high, and it will then be able to

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<sup>49</sup> Finance Committee, ROP, 10 December 2014, paragraph 33

<sup>50</sup> Finance Committee, ROP, 10 December 2014, paragraph 33

access that revenue if tax revenues subsequently come in below the forecast.”<sup>51</sup>

79. When asked about the payment of interest on surplus revenue, the Minister said a lot of the detail was yet to be agreed, but said the payment of interest was ‘very fair point’.<sup>52</sup>

#### ***Committee view***

80. The Committee notes that interest will be payable on any short-term borrowings from the National Loans Fund. Such interest payable will be a direct charge on the Welsh Consolidated Fund.

81. In situations where surplus revenues are “banked”, the Committee considers, in the interest of fairness, that interest should be received from the UK Government (e.g. paid into the Welsh Consolidated Fund or a suitable credit added to the amount banked).

**The Committee recommends that the Welsh Government should seek to ensure that interest should be received from the UK Government when surplus revenue is “banked” by the Welsh Government and such an arrangement should form part of the discussions between the Welsh Government and the UK Government.**

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<sup>51</sup> Finance Committee, ROP, 18 June 2014, paragraph 99

<sup>52</sup> Finance Committee, ROP, 10 December 2014, paragraph 52

## 7. Financial framework legislation

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82. The Wales Act 2014 includes a provision that will enable the Assembly to legislate for its budget setting procedures. The Committee heard evidence that many legislatures have a framework enactment to govern the budget and accountability arrangements for their jurisdictions. For example, the Scottish Parliament has the Public Finance and Accountability (Scotland) Act 2000 and the UK Parliament has the Government Resources and Accounts Act 2000.

83. In Wales such arrangements are governed by Part 5 of the Government of Wales Act 2006. In the absence of tax raising and borrowing powers, the budget provisions in that Act (i.e. the budget motion process) were devised solely for the purpose of authorising the allocation of resources provided by the Treasury.

84. In evidence to the Committee CIPFA advocates the introduction of a framework law in Wales, CIPFA believes this should define:

- The overarching objectives of public financial management – fiscal control, strategic resource allocation, operational effectiveness, service orientation;
- The principles – accountability, integrity, transparency, compliance with rules, participation;
- The process – budget preparation, execution, reporting, audit.
- The responsibilities – of whom, for what, how and when; including the division of responsibilities between the government and legislature.<sup>53</sup>

85. In relation to the required changes to the budgetary procedure the Minister said:

“These changes could be implemented using the existing legal framework within the Government of Wales Act 2006. This would be a flexible approach within which to consider the ongoing implementation of new fiscal powers under the Wales Bill, together with the developments for further fiscal devolution.

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<sup>53</sup> Written evidence, Finance Committee, BPBP03

“To implement the necessary changes, there would be a requirement for the revision of the Standing Orders of the National Assembly for Wales and/or the Budget Protocol agreed between the Welsh Government and the Finance Committee to set out clearly the additional information to be provided to ensure transparency and effective scrutiny of the new fiscal powers. The Annual and Supplementary Budget Motions would be retained as a means of legally approving the budget.”<sup>54</sup>

86. The Minister also referred to the benefits of agreeing procedures by looking at the use of Standing Orders and Protocol agreements.<sup>55</sup>

#### ***Committee view***

87. The Committee recognises that the present provisions could continue to be used in the short-term but they are likely to become increasingly restrictive over time as fiscal devolution is progressed and the Welsh Government and the Assembly seeks to update and renew the budget process.

88. However, the Committee recognises that the Wales Act 2014 does not give the Assembly competence to amend the accountability provisions in the 2006 Act. The Committee is also aware that further discussions are currently taking place on the devolution settlement for Wales.

**The Committee recommends that a Financial Framework Bill should be introduced in the next Assembly. However, the Committee does recognise that discussions on further devolution to Wales are taking place and this recommendation should be considered in the light of any further announcements on devolution.**

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<sup>54</sup> FIN(4)-24-14 - Paper 1 - Evidence from the Minister for Finance and Government Business

<sup>55</sup> Finance Committee, ROP, 10 December 2014, paragraph 67

## **Annex A – Suggested Outline Budget Process**

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**(for discussion)**

*(dates are purely indicative and would be agreed by protocol)*

*By 30 September* – Government publishes outline budget showing:

- (i) Overview of Welsh public finances;
- (ii) Expenditure allocations to Ministerial portfolios and how they have been aligned with Government priorities and desired outcomes;
- (iii) How the expenditure will be financed (block grant, taxation, borrowing, other (e.g. not for profit) financing vehicles etc.)
- (iv) Effect of capital borrowing and other financing on overall debt levels and repayment/interest commitments going forward;
- (v) Any Treasury management (short-term revenue borrowing) issues;
- (vi) Rationale for taxation levels e.g. how they will affect the Welsh economy and public finances.

Latest economic statistics/forecasts for Wales could be published at the same time

*By mid-November* – Finance Committee examines, takes evidence and reports to Assembly on outline budget

*By 30 November* – Assembly debate Finance Committee report and vote on outline budget

*By 20 December* – Welsh Government announce local government and NHS settlements

*By 14 February* – Welsh Government tables final budget documents including:

- (i) Update to information produced at outline stage;
- (ii) Budget Bill;

- (iii) Taxation resolutions (to give authority for any changes to rates and bandings for devolved taxes and Welsh income tax);
- (iv) Detailed expenditure plans for each Ministerial portfolio. This should be accompanied by information on capital projects and key delivery/output targets for revenue expenditure.

*By mid-March* – Assembly vote on taxation resolutions and Stage 1 of Budget Bill (taken together – if a taxation resolution fails, so does the Bill).

*By 30 April* – Subject Committees examine and report on detailed spending plans.

*By 31 May* – Budget Bill passed by the Assembly and submitted for Royal Assent

*n.b. Standing Orders could provide for fast track Stage 1 process for Budget Bill given earlier stages of budget process*

## Annex B - Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at

[www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=1243](http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=1243)

*24 September 2014*

Laura van Geest	Director, CPB Netherlands Bureau for Economic Policy Analysis
Wim Suyker	Programme Leader, CPB Netherlands Bureau for Economic Policy Analysis
Robert Chote	Chairman of the Office for Budget Responsibility

*22 October 2014*

Professor Max Munday	Director of Welsh Economy Research Unit, Cardiff Business School
Mike Usher	Sector Lead, Health & Central Government, Wales Audit Office

*10 December 2014*

Jane Hutt AM	Minister for Finance and Government Business
Andrew Jeffreys	Director Treasury, Finance & Corporate Services, Welsh Government
Matt Denham-Jones	Head of Budgetary Control & Reporting, Welsh Government
Jeff Andrews	Specialist Policy Advisor

## **Annex C - Written evidence**

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All written evidence for Part 1 and Part 2 of the inquiry can be view in full on the [Finance Committee website](#).