

Scrutiny of the Welsh Government First Supplementary Budget 2022-23

July 2022



1. Introduction

1. On 21 June 2022, the Minister for Finance and Local Government (the Minister) laid the Welsh Government First Supplementary Budget 2022-23 (the supplementary budget);¹ an accompanying Explanatory Note² and Main Expenditure Group (MEG) allocations.³ The Committee took evidence from the Minister at its meeting on 30 June 2022.⁴

2. This supplementary budget reflects budgetary changes since the Final Budget for 2022-23 was laid on 1 March 2022⁵ and approved by the Senedd on 8 March 2022.⁶ It also includes requested adjustments to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and Audit Wales, as considered by the Committee on 11 May⁷ and 9 June 2022⁸.

¹ Welsh Government, [1st Supplementary Budget 2022 to 2023](#)

² Welsh Government, [1st Supplementary Budget 2022 to 2023: Explanatory Note](#)

³ Welsh Government, [1st Supplementary Budget 2022 to 2023: Main expenditure group allocations](#)

⁴ Finance Committee, [RoP](#), 30 June 2022

⁵ Welsh Government, [Final Budget 2022-23](#)

⁶ Plenary, [RoP](#), 8 March 2022

⁷ Finance Committee, [Agenda](#), 11 May 2022, Item 8

⁸ Finance Committee, [Agenda](#), 9 June 2022, Item 4

2. Overview

3. Since the Final Budget 2022-23,⁹ there has been a net increase in fiscal resource to the Welsh Government of £27.8 million, as a result of the UK Budget and Main Estimates. Other main elements of the supplementary budget include:

- Non-cash resource increases by £262.8 million, mainly from Barnett consequentials in the Main Estimates in May 2022 (which amounted to £115.1 million).
- General capital funding increases by £339.3 million, received as a result of the Main Estimates in May 2022. Of this:
 - £284.3 million is in respect of the implementation of the new accounting standard for leases (the supplementary budget also increases non-fiscal resource by £85.2 million for this);
 - £47.5 million relates to non-Barnett funding for City and Growth Deals; and
 - £7.5 million from Barnett consequentials.

4. There are no changes to devolved financing: income expected from Welsh Rates of Income Tax (WRIT), Land Transaction Tax, Landfill Tax and non-domestic rates remain as per the Final Budget 2022-23. There are no changes either to Financial Transactions Capital.

5. The Explanatory Note¹⁰ shows an overall increase in revenue plus capital (excluding Annually Managed Expenditure) allocated to Welsh Government departments of £392.3 million (1.8 per cent), from £21.6 billion in the Final Budget 2022-23 to £22.0 billion. A summary of all resource and capital allocations are included in Table 1 below.

⁹ Welsh Government, [Final Budget 2022 to 2023](#), 1 March 2022

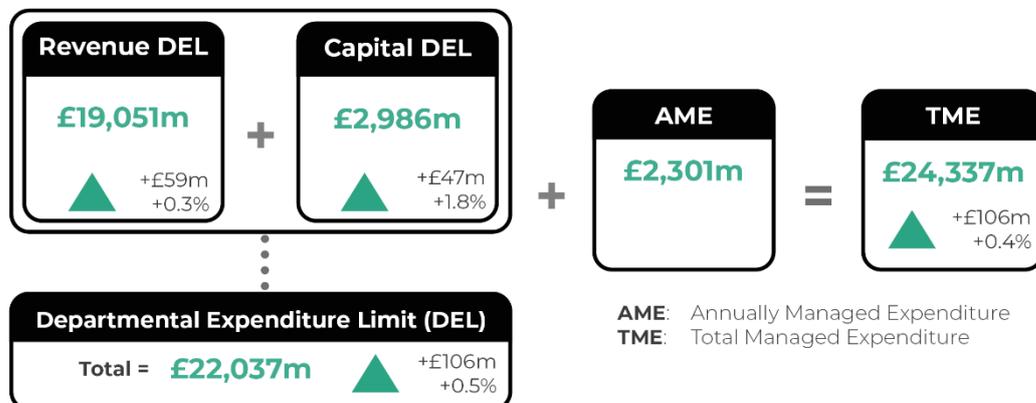
¹⁰ Welsh Government, [1st Supplementary Budget 2022 to 2023: Explanatory Note](#), 21 June 2022

Table 1: First Supplementary Budget 2022-23: Summary – Welsh Government Resource and Capital Allocations (Excluding Annually Managed Expenditure) (£'000)¹¹

Main Expenditure Group	Final Budget 2022-23	Changes				Supplementary Budget 2022-23
		Leases (IFRS 16)	Other Allocations	MEG to MEG transfers	Total Change	
Health and Social Services	10,132,618	85,190	39,757	(1,400)	123,547	10,256,165
Finance and Local Government	4,651,732	0	65,546	1,376	66,922	4,718,654
Education and the Welsh Language	2,571,046	572	0	8,549	9,121	2,580,167
Climate Change	2,811,085	199,154	0	(4,062)	195,092	3,006,177
Economy	485,213	956	(1,000)	(6,457)	(6,501)	478,712
Rural Affairs	393,162	(22)	0	(69)	(91)	393,071
Social Justice	246,081	0	1,056	1,152	2,208	248,289
Central Services and Administration	353,510	437	622	911	1,970	355,480
	21,644,447	286,287	105,981	0	392,268	22,036,715

¹¹ Welsh Government, Welsh Government First Supplementary Budget 2022-23, 21 June 2022

6. The infographics below show cash movements in the supplementary budget and the total revenue and capital allocations by department, including changes from the Final Budget 2022-23:



DEL is the discretionary part of the budget that the Welsh Government chooses how to spend.

AME is the non-discretionary part of the budget.

Note: The changes compared with the Final Budget do not reflect the budget reclassifications for the implementation of International Financial Reporting Standard (IFRS) 16, Leases, which are included in the allocations for Revenue DEL, Capital DEL, and AME.

	Total revenue and capital allocation	Change from the Final Budget to First Supplementary Budget 2022-23***	
 Health and Social Services	£10,256m	£38.4m 0.4%	
 Finance and Local Government*	£4,719m	£66.9m 1.4%	
 Education and the Welsh Language**	£2,580m	£8.5m 0.3%	
 Climate Change	£3,006m	£4.1m 0.1%	
 Economy	£479m	£7.5m 1.5%	
 Rural Affairs	£393m	£0.07m 0.0%	
 Central Services and Administration	£355m	£1.5m 0.4%	
 Social Justice	£248m	£2.2m 0.9%	

* Excludes around £1 billion non-domestic rates income.

** Includes allocation of £460 million of non-fiscal revenue due to student loans.

*** The changes do not reflect the budget reclassifications for the implementation of International Financial Reporting Standard (IFRS) 16, Leases, which are included in the figures for the Total revenue and capital allocations.

7. As mentioned above, the majority of the increases in the supplementary budget relate to non-fiscal or non-cash resource and they fall into three categories:

- changes required for the implementation of the new accounting standard for leases (IFRS 16);
- other allocations; and
- MEG to MEG transfers (the supplementary budget also provides details of transfers within ministerial portfolios).¹²

¹² Welsh Government, *Welsh Government First Supplementary Budget 2022-23*, 21 June 2022

8. The supplementary budget includes the following in relation to the unallocated reserves held:

- fiscal resource of £152.3 million (an increase of £52.2 million since the Final Budget 2022-23);
- non-fiscal resource of £699.2 million (an increase of £178.8 million since the Final Budget 2022-23); and
- financial transactions capital of £214.1 million (an increase of £1.0 million since the Final Budget 2022-23).

9. As was the case in the Draft and Final Budgets for 2022-23, the Welsh Government continues to over-allocate against its general capital budget. The over allocation in the supplementary budget is £68.2 million, a decrease of £7.5 million since the Final Budget 2022-23.¹³

10. In response to Recommendation 11 made by the Committee in its report on the Draft Budget 2022-23,¹⁴ the Welsh Government stated that an update on funding contained in the Wales Reserve would be provided following publication of the Welsh Government's consolidated accounts.¹⁵ The Welsh Government has not yet laid before the Senedd its accounts for 2020-21 and so the balance on the Wales Reserve at 31 March 2021 is not known. However, the funding in the supplementary budget includes £34 million drawdown from the Wales Reserve, unchanged from the Final Budget 2022-23.

11. Planned capital borrowing remains at £150 million, the maximum annual limit within the Fiscal Framework.¹⁶

¹³ Welsh Government, [1st Supplementary Budget 2022 to 2023: Explanatory Note](#), 21 June 2022, page 10

¹⁴ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, recommendation 11

¹⁵ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23: Welsh Government response](#), March 2022

¹⁶ Welsh Government, [Agreement on the Welsh Government's fiscal framework](#), December 2016

3. Impact of Inflation, Cost and Wage Pressures

12. The global situation has changed considerably since the Final Budget for 2022-23 was published on 1 March 2022.¹⁷ The war in Ukraine is having a growing impact, particularly on energy and food prices; and there are still impacts to markets and supply chains following the COVID-19 pandemic and also post-Brexit trading arrangements. In terms of economic output, the Organisation for Economic Co-operation and Development projects that Gross Domestic Product growth in the UK will be around 3.6 per cent for the rest of 2022, before stagnating in 2023 at 0.0 per cent growth.¹⁸

13. The latest Office for National Statistics inflation figures were released on 22 June 2022 and reported that Consumer Price Index inflation was 9.1 per cent.¹⁹ The Bank of England expects inflation to continue increasing to around 11 per cent towards the end of 2022.²⁰

14. When asked whether revenue and capital allocations for 2022-23 could continue to meet its stated objectives in light of increased inflationary pressures, the Minister stated that:

"There's nothing in the supplementary budget that relates specifically to the impact on inflation, because we are still very much early on in this financial year and it will take time, I think, for us to assess what the wider macro-economic trends are going to be and what their impacts will be on us here in Wales. But we've already made the assessment that our budget will be worth £600 million less over this three-year spending period than we understood it to be at the time it was settled. We've been making a strong case to UK Treasury that budgets should be given a general uplift to account for that to help us in meeting our plans."²¹

15. However, the Minister added that additional funding from the UK Government may not be sufficient to address the pressures currently experienced:

¹⁷ Welsh Government, [Final Budget 2022 to 2023](#), 1 March 2022

¹⁸ OECD, [United Kingdom Economic Snapshot: Economic Forecast Summary](#), June 2022

¹⁹ Office for National Statistics, [CPI ANNUAL RATE 00: ALL ITEMS 2015=100](#)

²⁰ Bank of England, [How high will inflation go?](#)

²¹ Finance Committee, RoP, 30 June 2022

*"... if there is any additional funding forthcoming from the UK Government, it's probably going to be unlikely to meet all of the pressures that we are seeing. So, we will have to think about how we deliver our plans."*²²

16. High inflation has also placed an increased focus on whether public sector pay rates should be increased. The Bank of England's Monetary Policy Committee's May report suggests that average wage increases are currently around 5 per cent.²³ The UK Government published civil service pay remit guidance²⁴ on 31 March 2022 which gave direction that departments are able to make average pay awards up to 2 per cent with additional flexibility to pay up to a further 1 per cent where they can demonstrate that pay awards are targeted to address specific priorities.

17. Main pay negotiations and reviews for 2022-23 for the public sector in Wales, such as NHS, local authority and teachers pay, are still underway. When asked about the impact of the outcome of pay negotiations on the Welsh Government's budget plans, the Minister stated that:

*"Whatever we decide has to be affordable within existing budgets, because, as you see in the supplementary budget, there's not a huge amount in the reserve."*²⁵

18. The Minister noted that additional funding was needed to show "respect" to the public sector workforce and that she had raised this issue with the Chief Secretary to the Treasury, but acknowledged that the likelihood of additional funding being provided by the UK Government to meet any potential increases was low and that their position is "very fixed".²⁶

Committee View

19. The Committee notes that this year's unexpectedly high inflation rates will have a significant impact on the costs of providing services and delivering projects funded within the Welsh Government's budget. The Committee also notes that the Welsh Government has very limited reserves in the current budget to mitigate these impacts.

20. With inflation rates expected to remain at persistently high levels throughout the rest of this financial year, the Committee is concerned that this will call into question the affordability of

²² Finance Committee, RoP, 30 June 2022

²³ Bank of England, [Monetary Policy Report](#), May 2022

²⁴ GOV.UK, [Guidance: Civil Service Pay Remit guidance, 2022 to 2023](#)

²⁵ Finance Committee, RoP, 30 June 2022

²⁶ Finance Committee, RoP, 30 June 2022

delivering the Welsh Government's stated outcomes. The Committee also acknowledges the Minister's concerns that any additional funding provided by the UK Government is unlikely to be sufficient to protect services and the public at large from economic pressures arising from a combination of high inflation, high energy costs and stagnating public sector wages. Given that such exceptional pressures are likely to continue and may worsen, the Committee believes that the Minister will need to allocate required funding to priority areas as a matter of urgency, particularly with regard to construction costs. As a result, the Committee calls on the Minister to consider bringing the second supplementary budget forward this financial year to ensure this happens.

21. The Committee notes the significant challenges facing the Welsh Government as it responds to pay reviews and undertakes pay negotiations. With public sector wage settlements yet to be decided this financial year, there is a risk public sector workers will receive significant real terms pay cuts. The Committee shares the Minister's concerns that salary levels in the public sector are in danger of falling behind comparable levels in the private sector and the impact this will have on the ability of public services to retain its workforce. The Committee recognises the crucial contribution of public sector workers in Wales, highlighted particularly during the pandemic, and supports the Welsh Government in ensuring that staff are given a fair deal in terms of future wage increases.

22. In light of these extraordinary pressures, it will be more important than ever for the Committee to have a full understanding of the Welsh Government's in-year funding position and its impact on spending priorities. This includes receiving regular updates regarding changes to in-year consequential received by the Welsh Government as soon as practicable following fiscal events occurring at the UK level, such as the UK autumn budget statement or if there are significant UK funding announcements.

Recommendation 1. The Committee recommends that the Welsh Government provides an assessment of how inflationary pressures have impacted on its spending plans for 2022-23, including details of actions taken by the Welsh Government where expectations of outcomes have been deferred or reappraised as part of the next supplementary budget.

Recommendation 2. The Committee recommends that, given the exceptional inflationary pressures which are likely to persist and may worsen this financial year, the Welsh Government considers bringing forward its second supplementary budget so that funding can be allocated to priority areas as a matter of urgency.

Recommendation 3. The Committee recommends that the Welsh Government provides details of consequential funding made to Wales by the UK Government and publishes any differences between figures provided by the Welsh and UK Governments in light of any UK autumn fiscal event and following receipt of UK supplementary estimates.

4. Other Allocations and Priorities

24. The Explanatory Note²⁷ accompanying the supplementary budget outlines changes to allocations since the Final Budget 2022-23. These are summarised below alongside priorities identified by the Committee during its consideration of the supplementary budget.

Response to the war in Ukraine

25. The supplementary budget allocates an additional £20 million from reserves as emergency financial assistance for local government to support the response to the crisis in Ukraine. The Welsh Government has established a network of welcome centres across Wales, in partnership with local authorities and a range of other organisations. It is also working with local authorities to support people to move into sustainable next stage accommodation, and a helpline and arrival hubs, together with a national contact centre, have also been set up to ensure that refugees from Ukraine are matched to appropriate accommodation and support.

26. Alongside these initiatives, the Welsh Government is developing a homes for Ukraine data platform, which will support significant data sharing between authorities, including the Home Office, Welsh Government and other partners.

27. The Minister explained how the £20 million allocated in the supplementary budget was being spent and whether it would be sufficient in the long-term:

"We are putting together a package for people arriving from Ukraine that goes very much above and beyond that which is available across the border, and we're funding that from our own resources ... Is it enough? Well, there is potential, I think, that further funding will be required later on and, if that is the case, you'll see it in the second supplementary budget. It does depend very much on how many people arrive, how long they stay in the welcome centres, and so on, but we're monitoring that really closely and working very closely with local government."²⁸

28. The Minister noted that the UK Government will be providing local authority funding for individuals arriving on or before 31 March 2023 and to households for hosting them, for a maximum of 12 months, up to 31 March 2023. The UK Government was also providing funding

²⁷ Welsh Government, [Second Supplementary Budget 2021-22: Explanatory Note](#), 21 June 2022, Table 3.1

²⁸ Finance Committee, RoP, 30 June 2022

to support young people entering education. The Minister said this funding is only for one year of the three years people are able to stay in the UK. She added:

*"So, this is something that we're pressing the UK Government on particularly, to confirm funding for years 2 and 3. Our concern is that they won't do that because I think that their view is that people arriving from Ukraine to the UK will become integrated into the welfare system, into the education system and that, potentially, they won't need support from years 2 or 3, but we're continuing to challenge that because there is a risk that local authorities will incur unfunded costs from next year."*²⁹

29. On 30 June 2022, the Minister issued a written statement³⁰ on funding for military support in Ukraine following reports³¹ that the Welsh Government had contributed to the UK Government's £1 billion of military support for Ukraine, with no meaningful consultation. It stated that:

*"This is a novel, worrying and potentially divisive approach by the Treasury – seeking to use devolved budgets, that should be for investment in devolved areas, like health and education, to fund reserved spending areas such as military aid and defence. Funding for these areas should rightly be met by the UK Government."*³²

30. On the same day, the Minister provided the Committee with further information on this issue :

"The background to this is that I had a call from the Chief Secretary to the Treasury a week ago saying that the UK Government was looking to all Whitehall departments to return 1.5 per cent of their capital budgets to fund this particular intervention. And the choice at that time was to either provide an upfront contribution from Wales, which would be around the same order of funding, or to wait until later on in the year and have that reduced as a negative consequential. So, given the extraordinary situation in Ukraine, we accepted that at this time and took the decision to provide the funding at this point in the financial year, because it does give us that financial certainty and

²⁹ Finance Committee, RoP, 30 June 2022

³⁰ Welsh Government, [Written Statement: Funding for Military Support for Ukraine](#)

³¹ ITV Wales, [Welsh Government 'not consulted' over budget raid for Ukraine military aid](#)

³² Welsh Government, [Written Statement: Funding for Military Support for Ukraine](#)

we're not waiting for the end of the year to find out exactly how much is coming off ... We want to support Ukraine, clearly, but we obviously don't want this to be a precedent as to how the UK Government seeks to fund matters that are clearly in the reserved space and which, I think it's fair to say, the UK Government could have".³³

31. The Minister added that the Welsh Government had requested to increase its capital borrowing limit by £30 million and for this to be made available later in the year to avoid any negative impacts on its budgets:

"We did make a pragmatic suggestion ... to have an additional £30 million capital borrowing available to us in this financial year. So, we're waiting for a response from the Treasury on that ... [and] are asking the UK Government to take a pragmatic approach in terms of our borrowing for this year".³⁴

32. Details of the contribution made by the Welsh Government to the UK Government's military support package for the Ukraine was also provided by the Minister in a letter issued to the Committee on 4 July.³⁵

Public Sector Employment

33. In May 2022, the Prime Minister announced plans to cut 91,000 civil service jobs, which represented about a fifth of the current workforce, to return UK Civil Service staff numbers to 2016 levels.³⁶ Similarly, the Scottish Government announced in May 2022 that it needed to "reset" its public sector "after years of growth ... due to Brexit and the pandemic" and that this included "returning to a pre-pandemic size".³⁷ This suggested a reduction of around 30,000 public sector jobs.

34. When asked about the impact these plans would have on public sector employment in Wales, the Minister explained that:

"We didn't grow our civil service here in Wales to the same extent as they have done in England or Scotland, and they did so as a response to Brexit

³³ Finance Committee, RoP, 30 June 2022

³⁴ Finance Committee, RoP, 30 June 2022

³⁵ [Letter from the Minister for Finance and Local Government, 4 July 2022](#)

³⁶ Civil Service World, [Prime Minister announces plan to cut 91,000 civil service jobs](#), 13 May 2022

³⁷ Scottish Government, [Resource Spending Review Framework: Ministerial statement](#)

and then the pandemic. So, we don't have that greatly enlarged workforce, as compared to a few years ago".³⁸

35. However, the Minister noted concerns with the UK Government's plans, going on to say that 80 per cent of civil servants in Wales are employed by UK Government departments and that a Barnett share of the 91,000 jobs would amount to approximately 6,000 jobs being lost in Wales.³⁹ She added that:

"...we wouldn't want to see jobs in Wales being lost as a result of choices that the UK Government has made. So, it is a worry for us. We don't have clarity yet on what that might mean for our own budget".⁴⁰

36. An official accompanying the Minister confirmed that "there remains a level of uncertainty" regarding the impact of these proposals and no further details had been shared with the Welsh Government regarding the "broader efficiency review"⁴¹ being undertaken by the UK Government.

Free School Meals

37. The Welsh Government announced on 20 June 2022 that the free school meals roll-out would commence in September 2022, and would be completed as quickly as possible in response to the rising cost-of-living crisis.⁴² The practical effect of the policy would be as follows:

"This will mean that most children in Reception classes will start receiving universal primary free school meals from this September.

By April 2023 the majority of children in Years 1 and 2 will also start receiving free school meals, with local authorities given the flexibility, support and funding to start delivering free school meals to those in Years 1 and 2 earlier than April if they can".⁴³

³⁸ Finance Committee, RoP, 30 June 2022

³⁹ Finance Committee, RoP, 30 June 2022

⁴⁰ Finance Committee, RoP, 30 June 2022

⁴¹ Finance Committee, RoP, 30 June 2022

⁴² Welsh Government, [Press Release: Universal Free School Meals Roll-out to Commence in September](#)

⁴³ Welsh Government, [Press Release: Universal Free School Meals Roll-out to Commence in September](#)

38. When asked whether sufficient funding was being made available so that schools would have suitable facilities to deliver free school meals, the Minister stated that:

"We have provided £25 million in the first instance to support adaptations to schools to ensure that the facilities are there to provide those meals. I haven't had a request for further funding, and I'm sure that they're seeking to explore how they work through that £25 million in the first instance, and that's part of the overall £225 million, actually, which we're committed to over the period of the co-operation agreement to deliver the commitment".⁴⁴

39. The Minister also confirmed that action was being taken by the Welsh Government to ensure that food for free school meals was being sourced and procured as local as possible:

"From a procurement perspective, there's definitely a move to exploring how we can do better in terms of sourcing more locally and supporting the local economy in terms of the purchasing of food for schools".⁴⁵

Allocations for NHS Recovery

40. On 26 April 2022, the Welsh Government published its NHS recovery plan, which aimed to transform and modernise planned care and reduce waiting lists.⁴⁶ The plan sets out a number of key ambitions to reduce waiting times, including that no-one will wait longer than a year for their first outpatient appointment by the end of 2022. Alongside these plans, the Welsh Government announced "an extra £60m – £15m a year over the next four years – for health boards", which it said meant it had "now committed more than £1 bn this Senedd term to help the NHS recover from the pandemic".⁴⁷

41. The Minister explained that the purpose of this funding was to address issues within planned care and that "Clearing the backlog is clearly a major priority for the health Minister and something that I know she monitors very closely through the work that her and her officials do with the health boards".⁴⁸

42. In May 2022, Audit Wales published its report, Tackling the Planned Care Backlog in Wales.⁴⁹ It found that NHS bodies struggled to spend all of the Welsh Government's 2021-22

⁴⁴ Finance Committee, RoP, 30 June 2022

⁴⁵ Finance Committee, RoP, 30 June 2022

⁴⁶ Welsh Government, [Press Release: Ambitious plan to end long waiting times and transform planned care](#)

⁴⁷ Welsh Government, [Press Release: Ambitious plan to end long waiting times and transform planned care](#)

⁴⁸ Finance Committee, RoP, 30 June 2022

⁴⁹ Audit Wales, [Tackling the Planned Care Backlog in Wales](#), May 2022

funding for planned care in the short-term. It said NHS bodies returned £12.8 million of the £200 million allocated in 2021-22 to the Welsh Government at the end of March 2022.⁵⁰ NHS bodies reported staff capacity, lack of physical space and limited private capacity to carry out planned care as barriers to spending the additional funding.

43. When asked why these additional funds to address backlogs in planned care were not spent, the Minister stated that:

"What we didn't know at that time was that omicron was going to come along and throw a spanner in the works quite significantly, again taking us a step back, I think, in terms of our path through the pandemic. So, it was very much omicron that prevented the spend of all of that funding."⁵¹

44. In addition, Audit Wales also expressed concerns that significant barriers existed within the NHS that are restricting planned care activity, including workforce issues, adding that the "NHS Wales workforce is tired, stretched thinly and under pressure".⁵² In response to these points, the Minister recognised "everything that's been said about the very stretched workforce" and outlined how the Welsh Government plans to support NHS staff to address these issues:

"The workforce plan that the Minister [for Health and Social Services] is leading on is multifaceted. It's about having record investment in training and recruitment, and trying to retain people within the NHS as well, but also reflecting that we have to be using technology in a much smarter way as well."⁵³

Accounting for leases

45. From 1 April 2022, public sector bodies are required to comply with IFRS 16 - Leases when preparing their financial statements (or accounts).

46. The Welsh Government says the budget implications of IFRS 16 are being met by HM Treasury over the three years covered by the Spending Review, 2022-23 to 2024-25. The

⁵⁰ Audit Wales, [It could take NHS Wales up to seven years or more to return waiting lists to pre-pandemic levels](#), May 2022

⁵¹ Finance Committee, RoP, 30 June 2022

⁵² Audit Wales, [Tackling the Planned Care Backlog in Wales](#), May 2022

⁵³ Finance Committee, RoP, 30 June 2022

Minister also confirmed that “despite all of the technical exercise that has been undertaken, there's no material change to what we have available to us to spend”.⁵⁴

47. An official accompanying the Minister explained why the new standard had been adopted and the work undertaken by the Welsh Government to comply with the new requirements, which included providing assurances to HM Treasury that the Welsh Government was meeting its obligations in respect of IFRS 16. The official also stated that:

“... it [IFRS 16] will be revisited in the supplementary estimates from a UK Government perspective, so we could very well see some changes, but it will give us a chance to review what has actually happened, are those numbers correct, and have an opportunity to revise that”.⁵⁵

Committee View

48. The Committee welcomes the Welsh Government’s humanitarian efforts to support those affected by the war in Ukraine, particularly the additional £20 million allocated in this supplementary budget to support Ukrainian refugees in Wales. The Committee also acknowledges the incredible efforts being made by local authorities, health boards, the third sector and other partners in proactively delivering this support. However, the Committee is concerned that the funding is not sufficient to ensure the long-term sustainability of these initiatives, particularly as the funding from the UK Government in this area has not been extended past the end of this financial year.

49. The Committee is deeply concerned with the UK Government’s approach of using devolved budgets to help fund military support for Ukraine. The Committee agrees with the Minister that funding in non-devolved areas, such as military aid and defence, should be met by central government budgets. Not doing so in this instance sets an unfortunate precedent and puts unnecessary pressure on inter-governmental relations. It is also regrettable that such a decision was made with only minimal consultation and before the UK Government has responded to the Welsh Government’s request to increase its annual borrowing within the overall borrowing cap to offset the contributions made. This is particularly concerning given that the Welsh Government has overprogrammed capital spend this year, which is putting further pressure on already constrained capital budgets.

⁵⁴ Finance Committee, RoP, 30 June 2022

⁵⁵ Finance Committee, RoP, 30 June 2022

50. Furthermore, the Committee believes it is becoming increasingly difficult to identify elements within the budget that support the Welsh Government's activities in this area. As the support for Ukrainian refugees increases and becomes more complex, additional transparency will be required to show how such dedicated support is funded.

51. The Committee further notes the UK Government's plans to cut 91,000 civil service jobs across the UK and the impact this will have on the number of well-paid and secure jobs in Wales. The Committee is reassured by the Minister's comments that the Welsh Civil Service has not grown to the same extent as in Scotland or England. However, the Committee is concerned that the cuts in UK Civil Service jobs could impact disproportionately on Wales, which would be contrary to the aims of the levelling-up agenda. The Committee notes that the UK Government's Public Bodies Review Programme will look to identify a minimum of 5 per cent savings for each organisation⁵⁶ and believes that a better understanding is needed of the UK Government's intentions in this area, its impact on the Welsh workforce and its potential impact on the Welsh Government's budget.

52. The Committee welcomes recent announcements regarding the implementation of free school meal policies at an accelerated pace in light of the cost of living crisis. However, the Committee is aware that individual schools will be in very different situations in terms of whether they have the infrastructure to implement this policy. The Committee also considers that there is a lack of clarity around how much of this funding will be needed by local authorities and schools for the provision of relevant facilities to support this initiative and to ensure a successful roll-out.

53. The Committee also believes that the Welsh Government should take this opportunity to encourage local authorities to pay a greater regard to quality and sourcing local food as part of school meals procurement. Furthermore, as this is a key policy area that falls within the Minister for Education's portfolio, the Committee believes that the Children, Young People and Education Committee will have a particular interest in these matters and will write to them to bring these issues to their attention so that further scrutiny can be undertaken on this issue.

54. The Committee notes the recent report from Audit Wales which said the NHS Wales "workforce is tired, stretched thinly and under pressure" and identified this as one of the serious barriers to restricting planned care services. The Welsh Government's additional investment in education and training for the NHS workforce was noted in the Committee's report on the Draft

⁵⁶ UK Government, [Press release: New public bodies review programme launched](#), 26 April 2022

Budget 2022-23,⁵⁷ and although additional resource for these areas is welcome, it is still not clear how funding in this area will alleviate immediate pressures on staffing.

55. The Committee is concerned about the growing pressures on staff, performance and waiting times, and believes that a strategic approach to workforce planning and training by the Welsh Government is needed within the NHS and more broadly across the Welsh public sector. In particular, the Welsh Government needs to put greater efforts into long-term workforce planning so that services are sustainable and affordable. Investment is also needed from education through to apprenticeships and training to ensure Wales has a highly skilled workforce and attractive career pathways.

56. The Committee notes that the Welsh Government says it has met its commitment to invest £1 billion this Senedd term to help the NHS recover from the pandemic. As stated in the Committee's report on the Draft Budget 2022-23,⁵⁸ it is important that the Welsh Government provides information about how the additional funding will be used and the specific outcomes it is expected to be deliver for each of the years it is being provided, linking to the priorities for action over the next four years set out in the NHS recovery plan.

57. In terms of the additional funding allocated in 2021-22 to the health service to support recovery, the Committee expresses concern that health boards were not able to fully utilise this and some funding was returned to the Welsh Government. Although the Committee accepts the unanticipated and significant impact of the omicron variant on health service planning, it is concerning that local health boards were not able to spend all the allocation on planned care services and tackling the waiting times backlog.

58. Given the large amounts of funding provided by the Welsh Government in this portfolio area, the Committee will also write to the Health and Social Care Committee to bring these issues to their attention so they can be considered in further detail during this financial year and during the consideration of the Draft Budget for 2023-24.

59. The Committee notes the changes relating to the introduction of IFRS 16 and how the Welsh Government has obtained assurance it is meeting its related obligations. The Committee further notes the Welsh Government will have an opportunity to compare the actual figures with those set out in the budget, and make any revisions through the UK supplementary estimates.

⁵⁷ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, paragraph 212

⁵⁸ Finance Committee, [Scrutiny of the Welsh Government Draft Budget 2022-23](#), February 2022, recommendation 23

Recommendation 4. The Committee recommends that the Minister continues to press the UK Government to commit to providing continued funding to support local authorities, households hosting Ukrainian refugees and the education sector for the next financial year and beyond, as soon as possible.

Recommendation 5. The Committee recommends that the Minister provides a breakdown of funding being provided by the UK and Welsh Governments to support and host Ukrainian refugees, within future annual and supplementary budgets.

Recommendation 6. The Committee regrets the UK Government's approach of using contributions from devolved budgets towards funding its military support for Ukraine and calls on the Minister to raise this issue with counterparts elsewhere in the UK to ensure that devolved budgets are protected from being used to fund non-devolved areas in future.

Recommendation 7. The Committee recommends that the Minister provides details of the potential impact of the UK Government's broader efficiency review of the Civil Service, including any assessments made by the Welsh Government of likely cuts to UK Civil Service workers in Wales, so that its impact on well-paid and secure jobs can be measured and mitigated.

Recommendation 8. The Committee recommends that the Minister makes representations to the UK Government to ensure that any decisions to cut Civil Service staff will not have a detrimental impact on Welsh public services.

Recommendation 9. The Committee recommends that a further breakdown of the funding provided to local authorities to support the Welsh Government's free school meals policy is provided in future budgets so that its implementation can be evaluated in future budget rounds.

Recommendation 10. The Committee recommends that the Welsh Government develops a strategic long-term approach to workforce planning and training across the public sector to mitigate future staffing pressures with the long-term aim of making public services sustainable and affordable.

Recommendation 11. The Committee recommends that the Welsh Government provides information about how the additional funding for NHS recovery will be used and the expected outcomes for the additional funding it has committed to provide over this Senedd term.

Recommendation 12. The Committee recommends that the Welsh Government provides further information to explain why local health boards were not able to fully utilise the additional funding provided in 2021-22 to support NHS recovery and reduce the waiting times backlog, as

well as set out what actions it is taking to address them to ensure current year and future allocations can be appropriately targeted to deliver its ambitions and provide value for money.

5. Directly Funded Bodies (DFBs)

60. The Supplementary Budget motion proposes a variation to the budgets of the three bodies directly funded from the Welsh Consolidated Fund (WCF). The Committee considered the requests from the Senedd Commission (the Commission) and the Public Services Ombudsman for Wales (PSOW) at its meeting on 11 May 2022,⁵⁹ and the request from Audit Wales on 9 June 2022.⁶⁰

Senedd Commission

61. The Commission is requesting an increase to its resource budget of £2.061 million, the majority of which relates to IFRS 16, and an increase to its net cash requirement of £325,000. The Commission is proposing the following changes:

- IFRS 16: an increase of £1.736 million in the overall budget, with no increase in the net cash requirement.
- Changes to the budget identified for the Independent Remuneration Board's (IRB) Determination on Members' Pay and Allowances: no increase in the overall amount, however changes are proposed to the individual budget lines.
- Costs to support the administration of the IRB: an increase of £218,000 and decrease to the costs of the Standards Commissioner's Office of £68,000, representing an overall net increase of £150,000.
- Staffing costs: an increase of £175,000 in the overall budget and net cash requirement, to reflect the increase in employer National Insurance contributions.

62. These changes bring the Commission's total budget to £65.003 million, an increase of £2.061 million. The increase in the net cash requirement is £325,000.

63. Following the Committee's consideration of the Commission's proposals, the Chair wrote to the Commissioner for Budget and Governance, Ken Skates MS noting that the additional funding request of £218,000 to support the IRB was a considerable proportion of the £477,000 support costs requested in the Supplementary Budget. The Committee requested further

⁵⁹ Finance Committee, [Agenda](#), 11 May 2022, Item 8

⁶⁰ Finance Committee, [Agenda](#), 9 June 2022, Item 4

information, including how the figure was reached, and how the Commission concluded that the IRB's request was reasonable.⁶¹

64. The Commissioner responded to the Committee's request on 17 May 2022.⁶²

65. In accordance with Standing Order 20.32, following the Committee's consideration of the Commission's proposals, the Commission laid an explanatory memorandum noting the supplementary budget and stating why it is required.⁶³

Public Services Ombudsman for Wales

66. The PSOW supplementary budget seeks an increase in total resource requirement of £51,000 (or 1 per cent) compared with the approved Estimate for 2022-23. The net cash requirement increases by £38,000 (or 0.7 per cent).⁶⁴

67. The supplementary budget requests additional resources for the increase, from April 2022, in employer National Insurance contributions of £38,000, which was not reflected in the Estimate for 2022-23. Staff costs also increase by a further £2,000, which is matched by a corresponding increase in income, for additional payroll work that the Ombudsman's office is undertaking for the Future Generations Commissioner for Wales.

68. The supplementary budget also reflects the impact of the implementation of the new accounting standard for leases - IFRS 16. The changes result in a net increase of £13,000 to the total resource requested but do not impact on the Ombudsman's net cash requirement.

Audit Wales

Background

69. On 21 January 2022, the Committee considered a Supplementary Estimate for 2021-22 from Audit Wales⁶⁵ to fund an upfront payment associated with the removal of a contractual entitlement to Travel Allowance for staff who had been required to travel across Wales to undertake their work.

⁶¹ Letter from the Chair of the Finance Committee, 16 May 2022

⁶² Letter from the Commissioner for Budget and Governance, 17 May 2022

⁶³ Senedd Commission, [Supplementary Budget 2022-23: Explanatory Memorandum](#), May 2022

⁶⁴ [Public Services Ombudsman for Wales: First Supplementary Estimate 2022-23](#)

⁶⁵ [Audit Wales: Supplementary Estimate 2021-22](#)

70. Additional resource funding of £1.48 million was approved which allowed for all eligible staff to receive an upfront payment of £7,000 (pro rata) in return for relinquishing their entitlement to an annual Travel Allowance of £3,350 (pro rata) from April 2022. Staff had alternative options of continuing to receive the allowance until March 2024 or, for trainees and apprentices, the option to move to a new, benchmarked, salary scale with no allowance.

Audit Wales's Supplementary Estimate 2022-23

71. Audit Wales's Supplementary Estimate will return a total of £394,000 this year (2022-23), with a further £354,000 returned next year (2023-24).⁶⁶ This is because:

- 67 per cent of eligible staff opted for the 'buy out' payment at a total cost of £1.086 million.
- Audit Wales was able to fund £378,000 from savings on other budgets and, as a result, utilised only £708,000 of the additional £1.48 million provided.
- In line with what the Auditor General for Wales and Chair told the Committee at a private session on 11 May 2022, Audit Wales proposes to reduce its call on the WCF by £354,000 in 2022-23 and 2023-24 to 'repay' the £708,000 funding utilised in 2021-22.
- Audit Wales's Estimate for 2022-23 also provided £750,000 for movements in working capital in the year which it was potentially looking to use to fund the upfront payment. This is being reduced by £40,000 due to the lower take-up of the upfront payment, taking the decrease in the total amount for 2022-23 to £394,000.

72. The Estimate also includes a covering letter which provides more detail on the narrative and provides an update on the actual costs and savings associated with the removal of the travel allowance from staff in 2024-25 and associated 'buy out' scheme.⁶⁷

Committee view

73. The Committee notes the supplementary budget requests from the Senedd Commission, Public Services Ombudsman for Wales and Audit Wales.

⁶⁶ [Audit Wales: First Supplementary Estimate 2022-23](#)

⁶⁷ [Letter from Audit Wales, 1 June 2022](#)

74. The Committee notes that the Senedd Commission, Audit Wales and PSOW's supplementary budgets reflect the impact of the implementation of the new accounting standard for leases (IFRS 16). Its implementation by the public sector was delayed until 1 April 2022 by HM Treasury due to the pandemic.

75. In relation to the Senedd Commission's supplementary budget, the Committee welcomes the presentation of the IRB's budget as separate to the Commission's operational budget. This is a positive development and will assist the Committee in its scrutiny of the IRB's budget in future years. It also reflects the IRB's independent status and the Commission's role in providing its administrative support.

76. Although the Committee welcomes the Commission's presentation of the IRB's budget, it reiterates its view that increasing the Commission's call on the WCF to support increases in staffing capacity should only be done after all other options are exhausted. The Committee welcomes the additional information provided to the Committee on 17 May 2022 and accepts such a request is reasonable. However, the Committee wishes to emphasise that requesting additional funding to increase staff numbers should be the exception rather than the rule. The Committee reminds the Commission therefore that requests for more staff in future will be treated robustly and that it should expect to provide detailed explanations to justify such decisions.

77. In relation to the increased costs associated with the increase in employer's national insurance contributions for 2022-23 by both the Senedd Commission and the PSOW, the Committee reiterates the views expressed previously that both organisations should fund in-year pressures by making in-year savings and efficiencies, rather than through supplementary budgets. We also reiterate our view that all the DFBs continue to apply the Committee's Statements of Principles⁶⁸ before requesting supplementary budgets. Where possible in-year funding pressures should be mitigated in the first instance by making in-year savings and improving processes. However, the Committee is acutely aware of the financial pressures facing the DFBs, and agrees that the increased call on the WCF in this instance is reasonable and proportionate.

78. We are grateful to the DFBs for their continued co-operation and for providing further information when requested by the Committee. As the DFBs will appreciate, any budgetary increases require rigorous scrutiny, and the Committee needs to be satisfied that any requests

⁶⁸ Finance Committee, Statement of Principles that the Finance Committee of the Senedd Cymru expects Directly Funded Bodies to have regard to when making budget proposals, 8 July 2021

for additional calls on the WCF are made as a last resort and that all potential savings and efficiencies have been explored first.

Conclusion 1. The Committee is content with the variation to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and the Wales Audit Office and Auditor General for Wales.