

Scrutiny of Welsh Government First Supplementary Budget 2019-2020

July 2019



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Scrutiny of Welsh Government First Supplementary Budget 2019-2020

July 2019



About the Committee

The Committee was established on 22 June 2016. Its remit can be found at:
www.assembly.wales/SeneddFinance

Committee Chair:



Llyr Gruffydd AM
Plaid Cymru
North Wales

Current Committee membership:



Rhun ap Iorwerth AM
Plaid Cymru
Ynys Môn



Alun Davies AM
Welsh Labour
Blaenau Gwent



Mike Hedges AM
Welsh Labour
Swansea East



Rhianon Passmore AM
Welsh Labour
Islwyn



Nick Ramsay AM
Welsh Conservatives
Monmouth



Mark Reckless AM
Brexit Party
South Wales East

The following Member attended as a substitute during this inquiry:



Mick Antoniw AM
Welsh Labour
Pontypridd

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1. Overview

- 1.** The Minister for Finance and Trefnydd (the Minister) laid the First Supplementary Budget 2019-20 on 18 June 2019. The Supplementary Budget allocates an additional £264.2 million to departments, increasing Welsh Government expenditure from £18.4 billion at the Final Budget 2019-20 to £18.7 billion, an increase of 1.4 per cent.
- 2.** The First Supplementary Budget regularises a number of allocations from reserves and transfers within and between portfolios, as well as including adjustments to the Departmental Expenditure Limits (DEL) to reflect transfers and consequential changes received in the UK Government's 2019 Main Estimates and forecast changes to Annually Managed Expenditure (AME).
- 3.** The First Supplementary Budget 2019-20 was scrutinised by the Finance Committee (the Committee) on 27 June 2019.

Changes to Financing

- 4.** Finance available to the Welsh Government is due to increase by £245.7 million (1.3 per cent), compared to the 2019-20 Final Budget. This includes a net increase in revenue funding of £255.7 million (1.6 per cent) and a net decrease in capital financing of £10 million (-0.3 per cent). Total Welsh Financing stands at £19.4 billion.
- 5.** There are no changes to the proposed borrowing of £125 million and no changes to the forecast financing available through Welsh taxes.
- 6.** The net changes to reserves are an increase in cash revenue of £43.3 million (32.1 per cent) and decrease in general capital reserves of £64 million (-38.9 per cent).

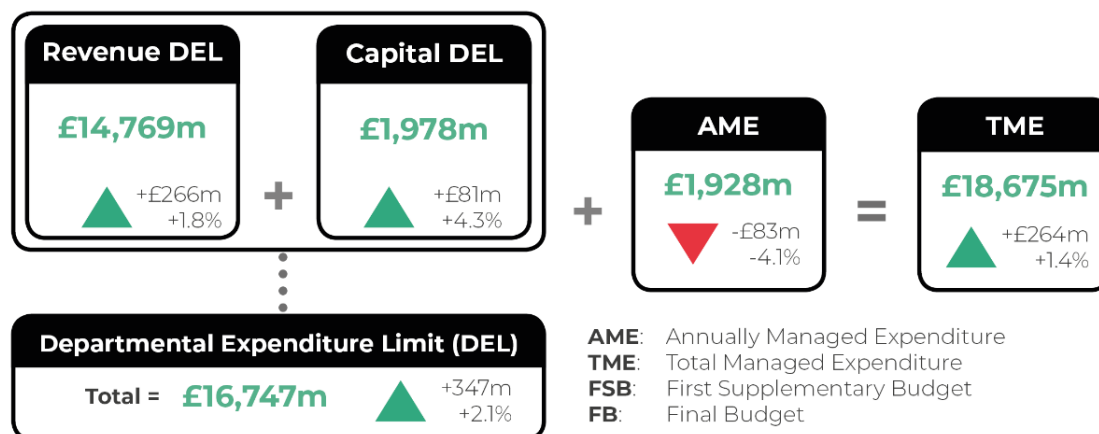
Changes to baselines

- 7.** Fiscal Resource (revenue cash) finance has increased by a net amount of £309.4 million (2.6 per cent) to £12 billion. Non-fiscal resource has also increased by £83,000 as a result of a transfer from Defra in respect of cross border forestry functions.
- 8.** There is a net increase to general capital of £17.1 million (0.9 per cent), there has been no change to Financial Transactions Capital (FTC) since the final budget.

June 2019

Welsh Government First Supplementary Budget 2019-20

Headline figures from the First Supplementary Budget (FSB), showing cash movements from the Final Budget (FB) 2019-20



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.

	Total revenue and capital allocation*	Change FB to FSB
Health and Social Services	£8,374m	+£186m 2.3% ▲
Housing and Local Government*	£4,521m	+£95m 2.2% ▲
Education	£1,729m	+£11m 0.6% ▲
Economy and Transport	£1,291m	+£34m 2.7% ▲
Environment, Energy and Rural Affairs	£298m	+£5m 1.8% ▲
Central Services and Administration	£356m	+£35m 11.1% ▲
International Relations and the Welsh Language	£177m	-£19m -9.9% ▼

*Excludes £1bn non-domestic rates income.



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Figures are rounded, please refer to the Welsh Government Supplementary Budget 2019-20 for exact figures.

Figure 1: Infographic showing headline figures from Welsh Government First Supplementary Budget 2019-20 and cash movements from Final Budget 2019-20

9. Changes to AME include a net decrease in both fiscal and non-fiscal revenue of £55.7 million (-37.0 per cent) and reductions in capital AME of £27.2 million (-3.4 per cent).¹

Impact assessments and presentation

10. The Minister was asked about providing further narrative information in the supplementary budget (as the Committee had recommended following scrutiny of the Second Supplementary Budget 2018-19¹). She suggested that the narrative included with the supplementary budget documentation needed to be “proportionate”:

“...the vast majority of the supplementary budget relates to pensions money, and, if we don't include that, obviously we're looking at just over 0.5 per cent of the Welsh Government's budget, so I think we have to be proportionate in terms of the kind of information that we provide. But, of course, all of these decisions that are reflected in the second supplementary budget have been through the normal impact assessment work that goes on.”²

11. The Welsh Government advised the Committee that it was committed to reviewing its integrated impact assessment tool and would be undertaking that work over the summer. This would include a meeting with the Future Generations Commissioner and other stakeholders in July.³

12. The Minister went on to say that she felt the integrated impact assessment tool has been well received by colleagues and that:

“...one of the things it's fair to say is that colleagues now are recognising that they need to employ this much earlier on in the decision-making process. So, we need to demonstrate the decisions that are being considered or the advice that is being presented to Ministers and how that has changed as a result of impact assessments, and I think that's what the commissioner particularly wants to see, and I think it's what Ministers want to see as well, to show that the impact on people with protected characteristics or the environment and all of these items have been considered early on in the development of proposals, rather

¹ Finance Committee, Scrutiny of Welsh Government Second Supplementary Budget 2018-2019, February 2019, Recommendation 2

² Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 166

³ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 168

than working up proposals and then working out how they will impact on people and the environment and so on.”⁴

13. The Joint Committee session held on the draft budget 2019-20 specifically considered impact assessments. The Welsh Government's response to recommendations from that session noted details of a meeting to discuss the impact assessment tool amongst Commissioners:

“At the meeting concerns were expressed by some members about the potential dilution of consideration of impact in taking an integrated approach. It was agreed that Welsh Government officials would further engage with the Advisory Panel during the review of the IIA tool and seek to address concerns raised. Officials have agreed with the Future Generations Commissioner that they will attend the next Advisory Panel meeting in July 2019 to discuss the review's progress and further steps. These further steps will involve ongoing engagement with external stakeholders, including the Commissioners.”

14. The Minister also mentioned the “journey checker” that the Welsh Government has been developing with the Future Generations Commissioner and which the Committee requested more information on following scrutiny of the draft budget 2019-20. The Minister noted that Welsh Government officials have been working closely with the Commissioner:

“I know the committee was really interested in the future generations commissioner's challenge of Government last year in terms of our budget. One of her key asks, I think, of Government was to develop a journey checker so that we can understand the route that we're on, how far we've come so far in terms of embedding the Act, but then how much further we need to go to really ensure that it is at the centre of decision making. So, officials have been working really closely with her and her office to develop that journey checker as well.”⁵

15. In response to Recommendation 2 of the Committee's report on the Second Supplementary Budget 2018-19, the Welsh Government accepted in principle the need to align supplementary budget information more closely with draft and final budgets. It said:

⁴ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 172

⁵ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 80

“We continually review the information provided to support the supplementary budget motion. Going forward, we will look to provide a more comprehensive narrative for significant allocations from reserves in supplementary budgets.”⁶

Committee view

16. Whilst the Committee accepts that there is a need to be proportionate with regard to the information that is included in budget documentation, and particularly in the First Supplementary Budget, the narrative accompanying this supplementary budget could be more transparent regarding the impact of decisions and better explain those allocations. For example, the allocation of £85 million of capital is significant and was announced on the day of the Supplementary Budget. The Supplementary Budget only includes a brief explanation of that funding and it is not clear from the documentation how it links to Brexit or the Welsh Government's wider economic objectives. The Minister also stated that these impact assessment processes are being undertaken as a matter of course. If this is the case, the Committee would not expect the inclusion of that information to be a significant undertaking.

17. The Committee is pleased that the Welsh Government is reviewing its impact assessment tool over the summer. However, the Committee still has concerns about the functions of the tool and how it is being used. The Committee is particularly concerned by the Minister's comments that it is only now becoming standard practice that impact assessment forms a part of the early development of policy decisions.

Recommendation 1. The Committee recommends that the Welsh Government provides information on the review it intends to conduct of its impact assessment tool. Those details should be provided before the draft budget 2020-21 is laid.

Recommendation 2. The Committee repeats its previous recommendation, and again recommends that the Welsh Government reviews the content of its future supplementary budget information with a view to aligning its narrative more closely with draft and final budgets.

Recommendation 3. The Committee recommends that the Welsh Government provides further information on the Well-being of Future

⁶ [Welsh Government response to the Finance Committee's report: Scrutiny of the Welsh Government Second Supplementary Budget 2018-19](#)

Generations journey tracker/checker that was referred to during scrutiny of the draft budget, including what milestones will be included.

2. Public Sector Pensions

18. The supplementary budget includes £239.4 million of revenue funding to meet the additional costs to public sector organisations due to changes to the Civil Service Pension Scheme (CSPS) introduced by the UK Government.

19. Funding for these pension changes has been allocated to departments as follows:

- Health and Social Services £170.6 million;
- Housing and Local Government £46.2 million;
- Education £9.1 million;
- International Relations and the Welsh Language £494,000;
- Environment, Energy and Rural Affairs £2.0 million;
- Central Services and Administration £11.1 million.

20. In March 2019 the Minister confirmed that the pension costs would be fully funded. On the morning of the Supplementary Budget evidence session the Minister issued a written statement providing details of the funding from the UK Government, which noted:

“... the UK government has confirmed the final allocation for the Welsh Government in respect of these costs for 2019-20 is £219 million. The total cost of these changes for devolved and non-devolved public service pension schemes in Wales is £255 million, a funding gap of £36 million.”

21. In evidence the Minister said:

“Welsh Government is not in a position to not fund those pension increases. Of course, it's the right thing to do for our public sector staff, and, as such, that means that we've had to divert £36 million of revenue from other investment and other priorities that we would have as a Government to meet that shortfall.”⁷

22. The Minister explained that a shortfall in the funding had occurred due to the fact that the UK Government had treated the Welsh Government as it had

⁷ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 10

treated other departments, which it also did not provide the full funding for, thus affecting the available Barnett Consequential.⁸

23. The June 2019 written statement detailed that the Statement of Funding Policy says:

“where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the UK government or, alternatively, decisions of UK government departments or agencies lead to additional costs for any of the devolved administrations, where other arrangements do not exist automatically to adjust for such extra costs, the body whose decision leads to the additional cost will meet that cost.”⁹

24. The written statement detailed that it was on this basis that the Minister was content to allocate the additional funding to public sector organisations in Wales.¹⁰

25. When asked how the pension changes in future years will be funded, the Minister said:

“We have no confirmation of future funding, so it would be part of the discussion of a comprehensive spending review and, ...we don't yet know when that might take place.”¹¹

26. The Minister advised that the finance quadrilateral meetings between the four UK Governments are “less frequent” than she would like and “less frequent than the other devolved nations would like”.¹²

27. Regarding the statement of funding policy, the Minister stated:

“...in the meeting that we did have with the Chief Secretary to the Treasury, I was very clear that we did need to review the statement of funding policy, and that work is being led by Welsh Government officials in partnership with officials across the other nations. But it

⁸ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 12

⁹ Welsh Government, Written Statement: Allocation of funding to meet additional public sector pension costs in Wales in 2019-20, 27 June 2019

¹⁰ As above

¹¹ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 27

¹² Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 32

certainly needs to be, I think, tightened up, so there's absolutely no room for ambiguity and no room for UK Government not to deliver on the items that are in the statement."¹³

28. The Minister was asked how pension changes will be reflected in school budgets for teaching support staff, and agreed to write to the Committee with additional information on the funding arrangements for teaching support staff.

Committee view

29. The Committee is deeply concerned by the approach taken by the UK Government regarding the funding of pension increases, and supports the Welsh Government in its efforts to ensure that these changes are fully funded, both this financial year and for future years.

30. The Committee believes that the Statement of Funding Policy has not been correctly applied in these circumstances, this is an integral element of the devolution settlement and should be adhered to by both the Welsh Government and the UK Government. The Committee believes the issue with the Statement of Funding Policy should be addressed at the earliest opportunity.

31. The Committee will investigate whether there is any further action that can be taken to show support to the Welsh Government, in order to ensure that the correct level of funding is received in respect of the pension changes. The Committee is concerned that the Welsh Government will not receive full funding for the additional pension costs and welcomes the funding that the Welsh Government is providing to cover the shortfall. These changes are due to a UK Government decision and as such, the Committee believes these costs should be fully funded in line with the Statement of Funding Policy.

32. The Committee is also concerned that there is no confirmation of future funding and, while it notes the UK Government's view that this is part of the Comprehensive Spending Review, it urges the UK Government to provide assurances on this funding for the current financial year and future years.

33. The Committee believes that the way in which this decision has been taken and the way in which funding has been provided potentially sets a worrying precedent regarding the Statement of Funding Policy.

Recommendation 4. The Committee recommends that the Welsh Government pursues all avenues available to it to resolve the issue of funding for

¹³ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 32

public sector pensions and provides the Committee with further information as and when it becomes available.

Conclusion 1. The Committee intends to write to the Chief Secretary to the Treasury regarding the approach to funding pension changes in Wales and the Statement of Funding Policy.

3. Brexit

34. At the time of the Committee's scrutiny of the draft Budget 2019-20 and Second Supplementary Budget 2018-19, the UK was due to leave the EU on the 29 March 2019. Since then the UK has received two extensions to that date, initially until either 22 May or 12 April 2019 and subsequently a "flexible" extension until 31 October 2019.

35. On 4 June the Counsel General and Brexit Minister, in a statement to plenary, noted that preparations for a "no deal" must continue and that "since the extension was agreed in April, we have been taking the opportunity to review the preparations". The Counsel General went on to say "we continue to strike a balance to ensure we allocate resources on 'no deal' preparations appropriately and proportionately".

36. This Supplementary Budget allocates an additional £9 million associated with the EU Transition Fund. The Fund is designed to help businesses, public and third sector organisations prepare for Brexit by involving businesses and communities in identifying those areas that require additional support as Brexit approaches. It provides direct financial support to sectors across Wales.

37. When asked how the supplementary budget amends the Welsh Government's plans to take consideration of the fact that the UK has not yet left the EU, the Minister said:

"...there are two main areas where the latest situation on Brexit has been reflected, the first being the capital allocations of £85 million to support Wales, particularly in the event of a 'no deal'. As a Government, we view the threat of 'no deal' extremely seriously. ...Clearly, it's something that we need to be sure that we have done everything possible to prepare for. So, the capital stimulus package was intended to give some confidence and some certainty to business. We've seen already, over the last month or so, just how fragile the sector can be at the moment. So that was the main allocation of £85 million, and we can talk a bit more about how that's broken down, if you like.

The other main allocation is £11.4 million allocated from the EU transition fund. And that's been, again, designed to help business, the public sector, third sector organisations and others prepare for Brexit, providing support across sectors, from UK field epidemiology to enhanced export services, compliant wood packaging, and so on. So

there have been a large number of projects that have been funded in that £11.4 million. Most of them are under £1 million, and they reflect bids that were put in by individual Ministers based on the kind of representations they're getting from their stakeholders and others.”¹⁴

38. On 18 June (the date this Supplementary Budget was laid) the Minister announced a capital investment package totalling £85 million (included in the Supplementary Budget), presented in the context of Brexit:

“This announcement is just one measure the Welsh Government is undertaking to address the very real challenges to our economy that Brexit poses. In conjunction with initiatives such as our dedicated £50 million EU Transition Fund, and the £121 million Business Finance package, delivered through the Development Bank of Wales, we are deploying a suite of measures to prepare for the impacts of Brexit. As we move closer to Brexit day, we will continue to explore all measures to protect the economy and jobs, including the deployment of further capital.”

39. The £85 million will be allocated across four areas across the Housing and Local Government and Economy and Transport MEGs.

40. The majority of the £85 million capital funding package announced on the same day as the supplementary budget has been allocated to Housing and Local Government. The budget narrative notes that:

“these allocations were made in line with a set of evaluation criteria covering a wide range of considerations. Proposals taken forward at this stage were those that could be delivered quickly in year whilst also providing economic benefits aligned with the Welsh Government’s priorities.”¹⁵

41. Part of the funding for local government was £20 million in general capital funding in-year. The Supplementary Budget notes:

“Welsh Government will work closely with Local Authorities in the deployment of this funding to where it is needed as part of this wider stimulus package.”

¹⁴ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraphs 64 and 65

¹⁵ Welsh Government Supplementary Budget 2019-2020 Explanatory Note, June 2019

42. The Minister was asked about how the Welsh Government was planning for Brexit, she noted that:

“I was clear when I made the announcement of the £85 million that there would be the potential for a further capital stimulus package, should it be needed, as we get closer to that Brexit date. And I'm asking colleagues already to start prioritising items within their portfolios, which, again, could be brought forward and delivered quickly.”¹⁶

43. The Minister was also asked about the possibility of additional funding from the UK Government in the event of a no deal. She suggested that there had been limited arrangements agreed:

“...we're making the case but, unfortunately, the response is not as we would wish it to be. When I was discussing it with the Chief Secretary to the Treasury, she was adamant that there was no need to have a discussion about funding in the event of a 'no deal' Brexit, because a deal would be done and we didn't need to concern ourselves with planning for a 'no deal' Brexit, because it wouldn't be on the cards.”¹⁷

44. The Minister went on to say that “discussions across the piece, really, are unsatisfactory”.¹⁸

Committee view

45. The Committee welcomes the additional £85 million capital funding, however, it is not clear how this funding meets the Welsh Government's priorities in terms of its Brexit strategy. The Committee expects that any further funding announcements relating to Brexit are clear in how those projects mitigate any negative circumstances that the Welsh Government has identified.

46. The Committee is concerned by the Minister's comment that the Chief Secretary to the Treasury is not engaging in discussions about funding in the event of a no deal Brexit. The Committee is disappointed that the UK Government is not engaging with the Welsh Government on this important issue.

¹⁶ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 69

¹⁷ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 73

¹⁸ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 75

Recommendation 5. The Committee recommends that the Welsh Government provides additional details on how the £85 million capital funding will address the challenges posed by Brexit.

Recommendation 6. The Committee recommends that, should the Welsh Government allocate additional funding for a further stimulus package, details are included of the risks that the funding is designed to mitigate.

Recommendation 7. The Committee recommends that the Welsh Government continues to work with the UK Government to understand funding that might be available in the case of a “no deal Brexit” and that the Committee is kept informed of those discussions.

4. Climate Emergency

47. On the 29 April, the Minister for Environment, Energy and Rural Affairs declared a climate emergency in Wales. That statement outlined that the declaration draws attention to the “magnitude and significance” of the latest evidence from the Intergovernmental Panel on Climate Change and “highlights” the recent climate protests across the UK. The Welsh Government was due to receive advice following the declaration from the UK Committee on Climate Change as to the options for setting net zero targets for carbon emissions and greenhouse gases. The statement goes on to say:

“We hope the declaration by Welsh Government can help to trigger a wave of action at home and internationally, from our own communities, businesses and organisations to parliaments and governments around the world.

Tackling climate change is not an issue which can be left to individuals or to the free market. It requires collective action and the government has a central role to making collective action possible.”

48. The Welsh Government’s “Prosperity for all: A low carbon Wales” (March 2019) sets out how the Welsh Government aims to meet its first carbon budget (2016-2020). The Welsh Government has a statutory duty under the Environment (Wales) Act 2016 to reduce emissions of greenhouse gases in Wales by at least 80 per cent in 2050. The Future Generations Commissioner welcomed the announcement of a climate emergency and in a blog stated:

“In declaring an emergency, I call on the Welsh Government to set out how it intends to respond and resource the challenges we’re facing from a changing climate, specifically in their annual budget, and how they will take steps to limit emissions.”

49. On 11 June 2019, the Minister for Environment, Energy and Rural Affairs accepted the recommendations of the Committee on Climate Change (CCC) report “Net Zero – The UK’s contribution to stopping global warming”, which recommended that the Welsh Government should aim to reduce emissions by 95 per cent by 2050. That Minister suggested that the Welsh Government would target net zero emissions no later than 2050.

50. The Minister was asked how this Supplementary Budget is targeted to delivering the Welsh Government’s aspirations towards climate change. The Minister responded:

“The first supplementary budget is relatively small in the sense that it represents only 1.9 per cent of the budget; 1.6 per cent is relating to the pensions issue. So, in effect, we're talking about just over 0.5 per cent of the budget, which is why what we can actually do in terms of climate change is relatively constrained.”¹⁹

51. The Minister detailed that climate change and the Well-being of Future Generations Act are at the “centre” of her discussions with Government Ministers, and stated that Vaughan Gething, Minister for Health and Social Services, has been asked by the First Minister to lead on decarbonisation. The Minister continued:

“So, Vaughan [Gething] will be asking colleagues, in the decisions that they're taking about their budget, to demonstrate how are they responding to the climate emergency, how are they dealing with decarbonisation in the decisions that they're making. It's to make sure that we aren't missing opportunities and that there isn't opportunity for join-up across Government that we haven't yet spotted.”²⁰

52. The Minister provided an update on the Government's work with the Future Generations Commissioner and the development of a “journey checker”:

“...officials have been working really closely with her and her office to develop that journey checker as well. So, I think it is fair to say that the conversations that are being had are changing now with decarbonisation and climate change more widely at the centre of it.”²¹

Committee view

53. The Committee is surprised that despite the Government's recent declaration of a climate emergency, this supplementary budget gives no indication that this has led to a change in priorities for the Government. The Committee is concerned that this Supplementary Budget has not been used as an opportunity to take action that would be expected following an emergency declaration of any sort.

54. The Committee is unconvinced by the Minister's comments that climate issues are “very much at the centre now of the approach” and would like to see

¹⁹ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 78

²⁰ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 79

²¹ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 80

more information on how decision making has changed following the announcement of a climate emergency.

55. Additionally, the Committee are unsure why the Minister for Health and Social Services is leading on decarbonisation within the Government, and would welcome clarification on the reasoning behind this decision.

Recommendation 8. The Committee recommends that the Government provides details as to how it intends to plan future budgets in the context of a climate emergency and what specific actions will be implemented to ensure the emergency declaration is reflected in budget planning.

Recommendation 9. The Committee recommends that the Welsh Government provides it with details of the costs associated with moving from a statutory target of 80 per cent reduction in emissions by 2050 to a 95 per cent target.

5. Capital funding package

56. The £85 million general capital funding package announced on the day that the Supplementary Budget was published was allocated as follows:

- £10 million to the Business Development BEL in respect of the Economy Futures Fund that will accelerate the delivery of the various support packages within the Fund across all Welsh regions;
- £5 million to the Network Operations BEL in respect of Trunk Road and Motorway Carriageway to support the maintenance of the road network in all parts of Wales, whilst also supporting the specialist supply chain;
- £50 million to the Social Housing Grant BEL in respect of social housing investment to support the delivery of up to 650 affordable homes across Wales;
- £20 million to the Local Government General Capital Funding BEL in respect of the Local Authority Funding Package.

57. Regarding the funding for the Economy Futures Fund, the Minister outlined the types of project that the fund might be used for:

“the kind of areas that could be supported would be the automotive sector, manufacturing, life sciences and advanced battery manufacturing. And those sectors could be supported through the six schemes that are currently included in the economy futures fund, which are capital investment and aid for job creation, SMART Cymru research and development, the tourism investment support scheme, the environmental protection scheme and the creative production funding and also a repayable fund for small and medium-sized enterprises.”²²

58. The Committee questioned the use of the funding for affordable homes and whether this would be available to local authorities to build council houses. The Minister advised that it would be available for those purposes and would be provided through the social housing grant.²³

²² Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 96

²³ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraphs 157 and 159

59. The Committee also questioned how the £20 million funding to be provided to local authorities under general capital would be allocated. The Minister outlined that:

“the Minister for Housing and Local Government has her officials currently liaising with the Society of Welsh Treasurers' executive, to explore ensuring that the grant gives local authorities enough flexibility to use that funding as they choose, in terms of their own priorities locally. Again, this is about ensuring that local authorities are able to take forward projects very quickly and in year, based on their local priorities.”²⁴

60. The Supplementary Budget notes that “Welsh Government will work closely with Local Authorities in the deployment of this funding to where it is needed as part of this wider stimulus package”.

Committee view

61. As has previously been stated in this report, the Committee welcomes the £85 million funding announced on the day that the supplementary budget was published. However, the Committee is unclear how the funding package specifically relates to Brexit and to what extent it meets the Welsh Government's objectives in that respect.

62. The Committee is also unclear how the Welsh Government intends to achieve objectives associated with the £20 million general capital funding that has been allocated to local authorities and how it will work with local authorities in the deployment of that funding.

Recommendation 10. The Committee recommends that the Welsh Government provides further information as to how it intends to work with local authorities to deliver on its objectives for funding announced as part of its £85 million capital funding package.

²⁴ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 164

6. M4 relief road project

63. On 4 June 2019, the First Minister announced his the decision to not proceed with development of the Black Route M4 Relief Road. In the statement, the First Minister outlined a number of future steps, reiterated in a written statement by the Minister for Economy and Infrastructure the following day. Those next steps include short term immediate measures:

- additional traffic officers;
- dedicated on-call recovery vehicles;
- live journey time information;
- exploration of the operation of junctions to reduce the load on the Brynglas tunnels;
- a driver behaviour campaign.

64. Long-term measures include the appointment of an expert Commission to make recommendations on the next steps for the transport network in South East Wales.

65. The statement notes that £114 million has been spent since 2013 on developing the proposals. It goes on to say that money will:

“...not be wasted, and will be put to good use by the Commission, making sure it is fully informed in terms of transport modelling, environmental surveys and all the other factors in play across the region.”

66. The Minister confirmed that this was the final cost and “covers everything” (including VAT). In terms of the funding that might be available to any future projects, the Minister stated:

“In terms of next steps, the First Minister has been clear that the work that the commission does in terms of identifying potential solutions for congestion and traffic problems in and around Newport would have the first call on the funding that would otherwise have been spent on the M4 black route.”²⁵

²⁵ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 104

67. The Minister also detailed some “next steps” previously outlined by the First Minister that would be included in the Second Supplementary Budget:

“There are some shorter term initiatives, which the First Minister has also talked about—so, increased or additional traffic officers, increased live journey time information and a behavioural campaign. We expect that to amount to around between £4 million and £5 million over two years, and you'll see that reflected in the second supplementary budget.”²⁶

68. However, the Minister noted that there was no money identified in this Supplementary Budget that could be utilised for decisions from the Commission that had been established. The Minister confirmed that the £20 million of capital due to be deployed this year, should the Black Route have proceeded, “remains in reserves for deployment to other projects”.²⁷

69. In Plenary on 4 June 2019, the First Minister stated that the Commission will have “first call on the money that otherwise would have been set aside for the M4 relief road”.²⁸ The Committee questioned the Minister as to what this meant in practice. The Minister stated that there was “no set budget”²⁹ and that the £20 million that had been allocated for the M4 had now been moved to reserves³⁰. The Minister went on to say:

“...we don't want the commission, which is only now being established, to feel constrained or to design projects to meet a specific budget. The commission needs to have the space to do its work and come back with the recommendations that they think will make a difference and then we can judge those in the round in terms of the affordability of projects.”³¹

70. In terms of the Welsh Government's borrowing capacity following the decision on the M4 Black Route, the Committee questioned the Minister as to how that funding would now be deployed. The Minister stated:

“...we can only borrow up to a maximum of £1 billion and we can draw down £150 million a year, and that was profiled into the spend in terms

²⁶ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 104

²⁷ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 106

²⁸ Plenary 4 June 2019, para 153

²⁹ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 112

³⁰ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 120

³¹ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 122

of delivering the M4. And on top of that, then, we would have been using our capital budgets in those years as well.”³²

71. However, the Minister went on to say:

“We only borrow to increase our overall spending capacity. So, we don't borrow specifically for specific projects, but we had plans to borrow—. We do plan to borrow £125 million this year, of which £25 million has now been allocated. The rest remains in reserves for allocation throughout the year.”³³

Committee view

72. The Committee accepts that the Welsh Government borrows to increase its overall spending capacity, rather than on specific projects. However, it is not clear what the rationale is to continue borrowing at the levels required to fund the M4 Black Route now that project will not progress. The Committee is keen to understand what projects will be brought forward, reprofiled or established that may require the Welsh Government to increase its spending capacity in this way and would welcome information as to how the Welsh Government's borrowing profile has been impacted by the decision not to proceed with the M4 Black Route.

73. The Committee is unclear what the budget and ambitions of the M4 Commission are. The Committee understands that the £20 million that had been allocated for a potential M4 Black Route project has now been placed in reserves. It is not clear how this reconciles with the Minister's and First Minister's comments that the Commission will have “first call” on funding that was due to be made available to the Black Route project, as it seems this funding is not ring-fenced.

74. The Committee would have liked to have seen progress in the First Minister's “next steps” around the M4 in this Supplementary Budget, as this has been a long term issue for the Government and communities in South Wales. Activities associated with this issue should be considered as urgent and it is not clear from the Minister's evidence when the Government intends to deliver its “next steps”.

Conclusion 2. The Committee will continue to monitor developments around the financing of any projects that the Government intends to take forward that may utilise finance previously available for the M4 Black Route project.

³² Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 136

³³ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 141

Recommendation 11. . The Committee recommends that the Welsh Government provide it with details of the funding it intends to provide to the M4 Commission and for the “next Steps” identified by the First Minister.

Recommendation 12. The Committee recommends that the Welsh Government provide it with information on funding priorities within its 2019-20 capital programme in light of the decision to not proceed with the M4 project, particularly in regards of how this has impacted its borrowing strategy.

7. Directly funded bodies

75. The supplementary budget motion proposes a variation to the budgets of three bodies directly funded from the Welsh Consolidated Fund (WCF). The Committee considered these supplementary budget requests at its meeting on 15 May 2019.

76. Each directly funded body is seeking a variation to its 2019-20 budget due to an increase in employer pension contributions to the CSPS.

77. The Minister confirmed that the approach to funding the additional pension costs for directly funded bodies would be the same as for other public sector bodies.³⁴

Public Services Ombudsman for Wales

78. The explanatory memorandum (annex 1) seeks an increase in the Public Services Ombudsman for Wales (the Ombudsman) budget for 2019-20 of £148,000 to reflect changes to employer pension costs.

79. The Ombudsman is also seeking a £251,000 increase in relation to implementation of the Public Services Ombudsman (Wales) Act 2019. This is made up of:

- £27,000 one-off costs (staff recruitment, office furniture, fittings and IT);
- £224,000 part-year ongoing costs, assuming commencement of the Act in July 2019 (£186,000 of which relates to staff costs).

80. The Ombudsman notes that the costs set out in the Regulatory Impact Assessment accompanying the Public Services Ombudsman (Wales) Bill in October 2017 have been updated to reflect current prices (Consumer Price Index inflation, pay awards and the employer pension increase). This results in an increase of £19,000.

Assembly Commission

81. The Assembly Commission is requesting £0.965 million to fund the expected increase in employer pension contributions in 2019-20.

³⁴ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 38

Auditor General for Wales and the Wales Audit Office

82. The Wales Audit Office (WAO) is seeking to increase its requirement for revenue resources by £732,000 for 2019-20 to fund the increase in employer pension costs.

83. The WAO's Explanatory Memorandum (annex 2) also included a technical adjustment to the way in which it accounts for year-end carry forward. The WAO's Supplementary Budget states:

“Our Director of Finance has agreed a revised accounting approach with Welsh Government Finance officials and our external auditors which, from 2018-19 onwards, notionally returns our full cash balance to the WCF at the year-end (31 March) then re-draws it the following year (1 April). This is a notional return and redraw rather than a physical transfer of cash and is in line with HM Treasury's Financial Reporting Manual.”³⁵

84. The Minister's official confirmed that the Welsh Government and WAO agreed that the WAO should not hold large amounts of cash if it is drawing funds from the WCF, noting:

“...there are two mechanisms by which you can regularise that position. One is effectively to actually just physically pay the cash back into the fund. The other is to notionally make a payment, and effectively it comes off your next year total. So, we've had that discussion with them and we're content with their proposal in that respect.”³⁶

Committee view

Conclusion 3. The Committee is content with the variation to the budgets for the Public Services Ombudsman for Wales, the Assembly Commission and the Auditor General for Wales and the Wales Audit Office.

85. The Committee notes the variation requested by the Ombudsman to implement the Public Services Ombudsman (Wales) Act 2019. The Committee also reminds the Ombudsman of his obligation in relation to the requirements for post implementation review of the Act (section 73), set out in the Explanatory Memorandum that accompanied the Bill on introduction (paragraphs 14.14-15). The Committee requires the Ombudsman to keep records to separately report

³⁵ Wales Audit Office and Auditor General for Wales, First Supplementary Budget 2019-20: Explanatory Memorandum, paragraph 17

³⁶ Finance Committee, Draft Record of Proceedings, 27 June 2019, paragraph 41

the actual costs incurred as a result of the Bill and the number of complaints made under the respective new powers.

86. The Committee acknowledges the revised accounting approach agreed between the Wales Audit Office, its external auditors and the Welsh Government regarding its year end position.

Conclusion 4. The Committee will consider the operation of the revised accounting approach implemented by the Wales Audit Office when conducting its annual scrutiny of the Auditor General Wales and Wales Audit Office in the Autumn.

Annex 1

Public Services Ombudsman for Wales

Supplementary Budget 2019-20

Explanatory Memorandum to the Chair of the Finance Committee

Background

The Estimate for 2019/20 was scrutinised by Finance Committee in November 2018 and included in the Annual Budget Motion in December 2018.

Included within the Estimate submission were references to the requirement to submit a Supplementary Budget in respect of:

- Costs associated with the new PSOW Bill that reflect those detailed in the Explanatory Memorandum. These have been uplifted to reflect current pay and prices as per Conclusion 1 of the Finance Committee Scrutiny of the Public Services Ombudsman for Wales's Estimate for 2019-2020 published in November 2018.
- Additional employer pension costs in respect of National increases to the employer contribution rates for public sector pensions.

The additional cost of these two items are included in Annex A of this note.

Employer Pension Increase from 1 April 2019

The UK Government announced plans last year to introduce further changes to public service pension schemes from April 2019. These changes will result in increased employer pension contributions from April 2019 for which the UK Government set aside £4.7bn in the autumn Budget to help public sector organisations meet these costs in 2019-20.

It has been confirmed that the Welsh Government will provide additional funding to public sector organisations in 2019-20 to enable them to fully meet the additional costs associated with these pension changes.

Employer Pensions Notice 567, posted on 9 February 2019, provides information on the changes in employer contribution rates from 1 April 2019.

Band	2018-19	2019-20	Change
Band 1 (£23,000 and under)	20.0%	26.6%	6.6%
Band 2 (£23,001 to £45,500)	20.9%	27.1%	6.2%
Band 3 (£45,501 to £77,000)	22.1%	27.9%	5.8%
Band 4 (£77,001+)	24.5%	30.3%	5.8%

Pension Increase Effect on PSOW

PSOW employs 67 staff of whom 65 are members of the Civil Service Pension Scheme. The pay budget for 2019-20 is £2,514,000 and the impact of the pension increase is an additional 5.9% growth in employer contributions amounting to £148,000, payable to Civil Service Pensions from 1 April 2019 onwards. The costs are included in the Supplementary Budget at Annex A.

New PSOW Bill

The National Assembly for Wales approved the Public Services Ombudsman (Wales) Bill with a vote at the Senedd on Wednesday, 20 March 2019. It is the first Bill to be passed which was introduced by an Assembly committee.

Original costs detailed in the 2017 explanatory memorandum included additional staff, professional advice, IT and office costs as well as one-off set up costs including IT and office equipment as well as staff recruitment. These amount to £340k and are detailed in the table below.

	Pay	Advisor Fees	Travel Training	Office / IT	One off Costs	Total
	£000	£000	£000	£000	£000	£000
Oral complaints	35	0	1	5	5	46
Own Investigation	115	10	2	10	10	147
Complaints standards	115	10	2	10	10	147
Total	265	20	5	25	25	340

It was agreed that when the Bill was approved the costs should be updated to current prices - CPI inflation, pay awards and the employer pension increase. The full year cost is £359k.

	Pay	Advisor Fees	Travel Training	Office / IT	One off Costs	Total
	£000	£000	£000	£000	£000	£000
Oral complaints	36	0	1	5	5	47
Own Investigation	121	11	2	11	11	156
Complaints standards	121	11	2	11	11	156
Total	278	22	5	27	27	359

It is anticipated that following Royal Assent the commencement date will be July 2019, resulting in part-year recurring costs of £224k plus one-off costs of £27k amounting to £251k – as shown below.

	Pay	Advisor Fees	Travel Training	Office / IT	One off Costs	Total
	£000	£000	£000	£000	£000	£000
Oral complaints	24	0	1	3	5	33
Own Investigation	81	8	1	8	11	109
Complaints standards	81	8	1	8	11	109
Total	186	16	3	19	27	251

These part-year recurring costs and one-off set up costs are included in the Supplementary Budget at Annex A.

Annex A

Public Services Ombudsman for Wales

Supplementary Budget 2019/20	Budget 2019/20	Pension Costs	New PSOW Bill		Total Revised Budget
			Recurring (Part Year)	One-off	
	£000	£000	£000	£000	£000
A. Capital DEL	22	0	0	5	27
B. Fiscal Revenue DEL					
Staff costs	3,385	148	186	0	3,719
Training and recruitment	55	0	0	20	75
Advisory and legal fees	260	0	16	0	276
Communications	45	0	0	0	45
Travel and subsistence	35	0	3	0	38
Office costs	120	0	19	1	140
IT	180	0	0	1	181
Premises	380	0	0	0	380
Sub total	4,460	148	224	22	4,854
Income	-17	0	0	0	-17
Total Fiscal Revenue DEL	4,443	148	224	22	4,837
C. Non-cash DEL					
Depreciation	70	0	0	0	70
Revenue DEL (B+C)	4,513	148	224	22	4,907
Total DEL (A+B+C)	4,535	148	224	27	4,934
Annually Managed Expenditure					
Movement on LGPS	0	0	0	0	0
Provisions movement	20	0	0	0	20
Total AME	20	0	0	0	20
Total Managed Expenditure	4,555	148	224	27	4,954
Resources Required	4,555	148	224	27	4,954
Depreciation	-70	0	0	0	-70
Change in Provisions	-20	0	0	0	-20
Movements in Working Capital	20	0	0	0	20
Net Cash Requirement	4,485	148	224	27	4,884



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2020

Date issued: May 2019

Document reference: 1243A2019-20



Explanatory memorandum

Submitted to the Finance Committee of the National Assembly for Wales for consideration under Standing Order 20.35.

Adrian Crompton
Auditor General for Wales

Isobel Everett
Chair, on behalf of the **Wales Audit Office**

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Purpose of this explanatory memorandum

Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the National Assembly. The Committee must examine that estimate and lay it before the National Assembly after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2019-20 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 15 January 2019 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £14.475 million of accruing resources, generated through fees charged to audited bodies, and supplied a further £7.146 million of other resources in support of our expenditure plans for the year. Together, this £21.621 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2020.

Reason for change

- 5 Our [Estimate for 2019-20](#) referred to an expected increase in employer's pension contributions due to a valuation of the Civil Service Pension Scheme which was being carried out, but which had not been completed at the time our Estimate was laid.
- 6 Our expectation was for an increase to our costs of around £750,000 which, as explained at that time, could not be absorbed within our budget for the year. We explained to the [Finance Committee](#) that our options would be either to come back to the Committee to increase our call on the Welsh Consolidated Fund (WCF) or look to pass it on through our fee charges in which case we would need to come back to the Committee to agree a revised fee scheme as well as a revised Estimate.
- 7 On 7 February 2019, the Cabinet Office announced rates from 1 April 2019 based on the draft valuation results and plans to revise these from 1 April 2020 once the valuation has been completed. Now that the rates from 1 April 2019 have been confirmed, we can quantify the increased cost to the Wales Audit Office as £732,000 for the financial year 2019-20.

- 8 We have been advised that the Treasury has provided funding to departments to meet these increased costs in 2019-20¹. And, on 8 March, Rebecca Evans AM, Minister for Finance and Trefnydd, announced that the 'Welsh Government will provide additional funding to public sector organisations in 2019-20 to meet the additional costs associated with the UK Government pension changes'.
- 9 We have reviewed the scope to absorb a proportion of these additional costs within our existing Estimate for the year and have concluded that the financial risks in doing so would be too high. This is in the context of our Estimate requiring in-year staff vacancy savings of circa £800,000 plus an additional £574,000 to be found in-year through other savings and efficiencies.
- 10 We also considered increasing our fee rates and therefore the fees we charge public bodies for our audit work, to meet the additional costs. We concluded this would carry significant reputational damage for the Wales Audit Office, particularly with the Minister having protected public services from the direct costs of the increase. For these reasons, we seek the Finance Committee's support to increase our call on the WCF. This Explanatory Memorandum sets out the adjustments required to the Wales Audit Office Estimate for 2019-20.

Adjustments to revenue and capital resources

- 11 As explained above, the Wales Audit Office is seeking to increase its requirement for revenue resources by £732,000 for 2019-20 to fund the increase in employer's pension costs. Further detail is provided in [Appendix 1](#).
- 12 The budget changes required are set out in [Exhibit 1](#).

Exhibit 1: budget changes 2019-20

	Approved Estimate 2019-20 £'000	Supplementary Estimate 2019-20 £'000	Revised Estimate 2019-20 £'000
Revenue resource	6,936	732	7,668
Capital resource	210	–	210
Accruing resources	14,475	–	14,475
Total expenditure	21,621	732	22,353

¹ [Pensions: Written statement – HCWS1286](#) '... the Treasury is in the process of allocating funding to departments to help with these costs'.

Net cash requirement – explanation of changes

- 13 Along with increasing our net cash requirement to reflect the increase in employers' pension contributions, we need to make a further technical adjustment to reflect our cash position for the year just ended.
- 14 In previous years, at the year-end we have returned only the element of underspend which specifically relates to the budget for 'resources, other than accruing resources', in our approved budget ambit (as adjusted for any movements in working capital and non-cash transactions such as depreciation). In other words, we only returned the element of cash that related to WCF-funded activities.
- 15 This reflected the fact that our cash balances are largely in respect of fee income from audited bodies which had been received in advance of audit work being carried out. Most of our fees are charged in monthly instalments through the year, with the phasing of audit work continuing across financial years.
- 16 In other words, when we receive income before having undertaken the work to which it relates, we need to carry forward that income to match our costs when we do actually undertake the work. Throughout the financial year it is a non-issue, but at the year-end, it becomes an issue for WCF accounting as we move from one financial year to another. Income received by March for work undertaken from April onwards needs to be carried forward from one financial year to the next.
- 17 Our Director of Finance has agreed a revised accounting approach with Welsh Government Finance officials and our external auditors which, from 2018-19 onwards, notionally returns our full cash balance to the WCF at the year-end (31 March) then re-draws it the following year (1 April). This is a notional return and re-draw rather than a physical transfer of cash and is in line with HM Treasury's Financial Reporting Manual. Our draft accounts for 2018-19 include a year-end cash balance of £1,776,000.
- 18 Under this revised accounting approach, we will notionally return our **full cash balance** at the year-end (£1,776,000 for 2018-19) and seek an adjustment to the WCF cash funding Estimate in the new financial year (2019-20) to reflect the year-end position.
- 19 To carry forward this balance for the new financial year and reflect the increased cash required to meet additional pension costs, we need to increase our net cash requirement for 2019-20 by £2,640,000 as represented in **Exhibit 2**.

Exhibit 2: changes to net cash requirement 2019-20

	Approved Estimate 2019-20 £'000	Supplementary Estimate 2019-20 £'000	Revised Estimate 2019-20 £'000
Net request for resources – revenue and capital	7,146	732	7,878
Non-cash adjustment	(200)	–	(200)
Adjustment for working capital 2018-19 (per Exhibit 3)		1,908	1,908
Net cash requirement from the WCF	6,946	2,640	9,586

20 The adjustments for working capital per our draft Annual Report and Accounts 2018-19 are as set out in [Exhibit 3](#).

Exhibit 3: adjustment for working capital 2018-19

	£'000
Trade receivables and work in progress at 31 March 2019	(2,259)
Other receivables at 31 March 2019	(339)
Trade and other payables at 31 March 2019	1,538
Deferred income at 31 March 2019	2,371
Provisions for liabilities and charges due in 2019-20 at 31 March 2019	597
Adjustment to cash balances 2018- 19	1,908

Summary

21 Exhibit 4 provides a summary of the revised capital and revenue resources and net cash requirement on approval of this supplementary estimate.

Exhibit 4: summary of revised resources and cash requirements 2019-20

	Resource request £'000	Net cash requirement £'000
Revenue resource	7,668	9,376
Capital resource	210	210
Total	7,878	9,586

Appendix 1

Wales Audit Office Income and Expenses 2019-20 (revised)

Exhibit 5: Wales Audit Office Income and Expenses 2019-20 (revised)

		Estimate, year to 31 March 2020 (Revised) £'000	Estimate, year to 31 March 2020 £'000
Expenses	Staff costs	15,917	15,185
	Short-term contracted staff	737	737
	Travel and subsistence	1,216	1,216
	Accommodation	993	993
	Private sector firms (including VAT)	905	905
	Balance of irrecoverable VAT	500	500
	ICT	480	480
	Wales Audit Office Governance Arrangements	300	300
	External training	289	289
	Translation of documents	165	165
	Legal and professional fees	162	162
	Other supplies and services	479	479
	EXPENSES TOTAL	22,143	21,411
	Income	Audit fees	13,277
Grant certification fees		1,198	1,198
INCOME TOTAL		14,475	14,475
	Total revenue budget to be funded by the WCF	7,668	6,936

Appendix 2

Summary of the 2019-20 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 ('the 2006 Act'), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2020, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in [Table 1](#) below.

Table 1: summary of the estimated 2019-20 budget requirements

	£'000
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office: <ul style="list-style-type: none">• Revenue• Capital	7,668 210
Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services; for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	14,475
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,586

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