

**NATIONAL ASSEMBLY FOR WALES**  
**REPORT FROM THE FINANCE COMMITTEE**

**GEN-LD7095 - Supplementary Budget Motion 2007-08 (23 June 2008)**

**Background:**

1. Standing Order 27 states:

*27.23 A supplementary budget motion tabled under Standing Order 27.21 may not be moved until either:*

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

*27.24 The Finance Committee's report may recommend changes to the amounts proposed in the supplementary budget motion provided that the net effect of those variations would not increase or decrease the aggregate amounts of resources or cash proposed in the supplementary budget motion.*
2. The Welsh Assembly Government laid this Supplementary Budget motion on Tuesday 24 June 2008. The deadline for the Finance Committee reporting on it is therefore Tuesday 15 July.
3. The Government's Finance Director, Dr Christine Daws, also wrote to the Finance Committee to explain the reasons for asking the Assembly to authorise the change after the financial year-end. The text of this letter is attached as an Annex. The Committee is grateful to Dr Daws for her explanation and concluded it did not need to call any further witnesses before reporting.

**Need for the latest supplementary budget motion**

4. The last Supplementary Budget Motion for 2007-08 was passed on 11 March 2008 shortly before the financial year-end. In respect of the ambit for "Other Ministerial Services" it authorised the use of resources up to a total of £7,092,000. Interestingly, this reduced the amount previously authorised by the November 2007 Supplementary Budget Motion (£7,801,000).
5. Dr Daws' letter said that an accounting adjustment made in respect of the cost of the E-Coli Inquiry has resulted in an overspend of some £400,000. If the latest supplementary budget motion is not passed, that (unauthorised) excess would be deemed irregular resulting in a qualification of the Auditor General's opinion on the 2007-08 accounts. This latest Supplementary Budget Motion seeks to

combine the “Other Ministerial Services” ambit with the ambit for “Central Administration”. As the latter has been underspent by more than the excess on “Other Ministerial Services”, the Government does not need to ask for additional resources overall.

## **Conclusions**

6. The Finance Committee notes that the latest Supplementary Budget Motion would not have been necessary if the March Supplementary Budget Motion had not reduced the authorised amount of resources for “Other Ministerial Services”. This suggests that the Government was unaware of the total level E-Coli expenditure for 2007-08 until just before or possibly even after the year-end. The Committee would therefore be interested to know the reasons for the overspend and why it was not discovered until late in the day.
7. Dr Daws’ letter said that, going forward, the Government proposes to review the smaller ambits and consider amalgamating them where necessary without losing the transparency that is vital to aid effective scrutiny. Specifically, the Government proposes to merge the “Central Administration” and “Other Ministerial Services Ambits” for 2008-09 and later years. The Finance Committee does not object in principle to the merging of these two ambits and is content for this to be done for 2007-08. However, the issue of transparency was a concern raised by the Committee during the 2008-09 budget setting process and it asks the Government to seek the Committee’s views before making any further changes of this nature.
8. Given the nature and small amount of the overspend, and the Finance Committee’s agreement to the merging of the two ambits, the Finance Committee is content to recommend that the Assembly agrees to the latest Supplementary Budget Motion. However, the principle that the Government should seek authorisation from the Assembly for the use of resources is an important control within our democratic framework and must not be undermined. Furthermore, Accounting Officers have a duty to operate within the resource limits that have been authorised by the Assembly.
9. For the future therefore, the Committee would not normally be content for a supplementary budget motion to be tabled after the year-end if its sole purpose was to give retrospective authorisation to excess expenditure in advance of the accounts being audited. This would be particularly important if an excess was due to poor financial management as, in that situation, the Committee considers that the Assembly should have the benefit of a report from the Auditor General on the reasons for the excess and the views of the Audit Committee before being asked to authorise the amounts involved.

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

## **Annex**

*Text of letter dated 23 July 2008 from the Welsh Assembly Government Finance Director to the Finance Committee Clerk*

### **SUPPLEMENTARY BUDGET 2007/08**

The Assembly Government will today table a Supplementary Budget covering the 2007-08 financial year. In view of its technical nature I thought that it would be helpful to outline the context for the small changes that the Supplementary Budget seeks to make. I am writing to you in the temporary absence of the Minister for Finance and Public Service Delivery.

Our experience of the first year of the operation of the Government of Wales Act 2006 has led us to conclude that the inclusion of a number of small individual ambits within the overall budget has not facilitated the effective management of resources across the Assembly Government.

Going forward, we therefore propose to review the smaller ambits that appear in the budget and consider amalgamating where appropriate – but without losing the transparency that is vital to aid effective scrutiny. Specifically, through future Final and Supplementary Budgets we propose to merge, for 2008/09 and later years, the Other Ministerial Services (OMS) and the Central Administration ambits. The case for merging these two ambits is supported by the fact that they cover expenditure of a broadly similar nature (OMS covers a variety of small budgets related to corporate activities such as communications and statistics).

We also propose to merge these two ambits retrospectively for 2007/08, which is the main effect of the Supplementary Budget tabled today.

Making the change for 2007/08 will facilitate comparisons of expenditure between years. Moreover, we believe that merging these two ambits is the best approach for addressing the implications of a necessary manual accounting adjustment made during the preparation of the annual accounts. The accounting adjustment, made in relation to expenditure by the E-Coli Inquiry, indicates that expenditure on this in 2007/08 will exceed the budgeted level. A downside of creating small individual budget ambits is that if a small overspend emerges it is unlikely to be offset by underspends elsewhere in the ambit, as tends to happen in larger departments. In this case the indications are that the small overspend on the inquiry is likely, without the Supplementary Budget, to lead to expenditure within the overall OMS budget being slightly higher than the level stated in the ambit by some £400k. By merging the OMS and Central Administration ambits in the Supplementary Budget, a larger forecast underspend on the Central Administration ambit in 2007/08 should more than offset the higher expenditure on the Inquiry and thereby ensure that overall expenditure within the new merged ambit, entitled Central Services and Administration, is within budget.

We also propose to take the opportunity provided by this Supplementary Budget to make a small adjustment to the text of the Children Education, Lifelong Learning and Skills income ambit (Schedule 2, Part 5), to explicitly cover income in respect of student loans. This adjustment would bring the text in respect of the Budget for 2007/08 into alignment with that included in the 2008/09 Final Budget, as approved by the Assembly in January 2008.

These are the only two changes that the Supplementary Budget proposes, and have no net impact on the total Assembly Government budget in 2007/08.

I hope that this letter helps to set the context of the Supplementary Budget tabled today and that you find it useful.

**Dr Christine Daws**  
**Finance Director**