

NATIONAL ASSEMBLY FOR WALES
REPORT FROM THE FINANCE COMMITTEE

GEN-LD6961 - Supplementary Budget Motion 2007-08

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 19 February 2008. The deadline for the Finance Committee reporting on it is therefore Tuesday 11 March

3. The Finance Committee invited the Minister for Finance and Public Service Delivery to present the budget to the Finance Committee at its meeting 6 March 2008. Unfortunately, the Minister was not, at short notice, available for this meeting and the Committee was grateful that Dr Christine Daws, the Finance Director for the Welsh Assembly Government was able to attend in his place. The Committee wishes to thank the Finance Director giving evidence to the Committee.

Budgetary procedures

4. The Finance Committee expressed concern in its report on the Government's draft budget proposals for 2008-09 about the tightness of the deadlines set by Standing Orders for the consideration by Committees of Assembly budgets and the difficulty that Ministers have in fitting in with these and Committee schedules. The Committee fully understands the Finance Minister's non-availability at such short notice for the Finance Committee's discussion of the draft budget. This is a further demonstration of the difficulties with the

existing procedures which will be considered by the Committee as part of its review of the procedures for the budget process.

Transparency

5. The Finance Director told the Committee that the supplementary budget was very much a technical adjustment to budgets and effectively a tidying up of financial movements that have taken place during the year. The Committee understands this. It also recognises that at this stage of the financial year it is difficult to examine in any detail the underlying factors giving rise to underspends or overspends against budget. The Finance Director also told the Committee that it was a transparent process and a matter of good practice that that all the movements of budgets from one ministerial area to another should be voted through the Assembly.

6. The Finance Committee endorses the last point and considers that it should be able to see clearly where significant changes to budgets are proposed and to understand the Government's reasons for making them. In this regard, the Committee would like the information supporting the Supplementary Budget Motion to be set out in a way which would allow comparisons to be made more easily.

Transfer of reserves

7. In the discussion of the need for the additional £190m The Finance Director told the Finance Committee that the £83.1m into health had been planned for a number of years. The Committee recognises her openness in saying that this adjustment should have been made at the beginning of the year not the end. It notes also that the decision on this expenditure was made "a couple of years ago". **The Committee hopes that future Supplementary budgets will clearly show when the proposed transfers were announced and debated by, the Assembly.**

8. The Committee has drawn up the following table which sets out and summarises the changes in relation to reserves that were given in the Explanatory Notes sent to Members at the time of laying the Supplementary Budget motion:

	<i>£m</i>		
	from reserves	to reserves	Department total
<i>Health & Social Services</i>			
Delivery of the waiting times target	83.1		
Increased capital charges on NHS estate and movements in provisions	76.7		<u>159.8</u>

Environment, Sustainability & Housing

Social housing grant	4.6		<u>4.6</u>
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Rural Affairs

Light lambs scheme	3.2		
Tir Cymru		-1.0	<u>2.2</u>

Economy and Transport

Ebbw Vale rail link	13.6		
Bus service operators' grant	2.0		
Concessionary fares	7.0		
Rail support	1.5		
Wales for Africa programme	0.3		
Road depreciation and impairment		-20.0	<u>4.4</u>

Children, Education, Lifelong Learning & Skills

Various underspends		-8.5	<u>-8.5</u>
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Heritage

Wales Millennium Centre	14.5		
National Botanic Garden of Wales	1.7		<u>16.2</u>

Central Administration

Capital charges and movements in	10.0		
Audit fees	0.3		<u>10.3</u>

Other Ministerial Services

Election costs	1.4		
Living in Wales and Public Life survey	0.2		
Corporate communications	0.2		<u>1.8</u>

Totals	<u>220.3</u>	<u>-29.5</u>	<u>190.8</u>
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End Year Flexibility

9. The Finance Committee noted that overall these changes constituted a net increase in expenditure of £190.8m but the budget motion proposed that unallocated reserves would fall only by a total of £100.028m. The Finance Director told the Committee that the gap between these two figures would be met by a transfer from the Treasury of £30m of revenue and £60m of non-cash from accrued End Year Flexibility money.

10. The Finance Committee notes that the accrued funds from end year flexibility were as set out in the table below and is surprised that these were not

reported in the budget. **The Committee believes that this information should be made publicly available with the main budget and in-year drawing down of end year flexibility should be reported in Supplementary Budgets :**

	£m
Revenue (cash)	65
Non cash (depreciation charges and the cost of capital charges)	300
Capital	140
Total	505

11. The Finance Committee calls for the Welsh Assembly Government to confirm the level of resource available to it from end year flexibility and to identify from where the accumulated savings came. The Committee intends to revisit this issue and calls on the Assembly Government to set out clearly how these will be used.

12. The Committee notes that confirmation has been received from the Treasury that these resources will be carried forward into 2008-09 but seeks confirmation, given the various statements made by the UK Government about the future tight UK financial position, that the £505m is not at risk of being lost to Wales.

13. The Committee has noted that the Government has not indicated what it is to be used for in 2008-09 and reiterates the call, in its report on the 2008-09 draft budget, for a clear statement from the Government on its policy in relation to reserves.

Conclusion

14. The Finance Committee notes the changes in the Supplementary budget and the Government's explanations of the reasons for them. It does not recommend any changes to the amounts proposed in the supplementary budget motion.

15. It is however concerned about the transparency of the process and has recommended a number of ways in which it could be improved in future years.

**Alun Cairns AM
Chair, Finance Committee**