

National Assembly for Wales
Finance Committee

Report on the Supplementary Budget Motion
2009-10 (23 February)

March 2010



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Committee Membership



Angela Burns
(Chair)

Carmarthen West and South
Pembrokeshire
Welsh Conservative Party



Lorraine Barrett

Cardiff South and Penarth
Labour



Andrew Davies

Swansea West
Labour



Chris Franks

South Wales Central
Plaid Cymru



Brian Gibbons

Aberavon
Labour



Ann Jones

Vale of Clwyd
Labour



Nick Ramsay

Monmouth
Welsh Conservative Party



Janet Ryder

North Wales
Plaid Cymru



Kirsty Williams

Brecon and Radnorshire
Welsh Liberal Democrats

GEN-LD7928 - Supplementary Budget Motion 2009-10 (23 Feb 2010)

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 23 February 2010. The deadline for the Finance Committee reporting on it is therefore Tuesday 16 March 2010.
3. Jane Hutt, AM, the Minister for Business and Budget presented the Supplementary Budget to the Finance Committee, and answered questions on it, at its meeting on 3 March. The Minister was accompanied by officials: Andrew Jeffreys, Head of Strategic Budgeting, and Jeff Andrews, Specialist Policy Adviser.

Changes proposed in the supplementary budget motion

4. The explanatory note to the Supplementary Budget says that it is mainly administrative in nature and reflects reprioritisations within portfolios and a number of budget transfers between portfolios. It also sets out a number of additional allocations from our reserves, which have been augmented by the drawdown of resources from stocks of End Year Flexibility and includes allocations from the Strategic Capital Investment Fund.
5. The Supplementary Budget motion includes a transfer of £1.161m from the Assembly Commission Revenue DEL to its Capital DEL. It also includes a small (£11,000) adjustment in respect of the Public Service Ombudsman for Wales. Neither of these results in any net increase in expenditure.

Observations

6. The Finance Committee notes that the Supplementary budget allocates an additional £569m in DEL to the Welsh Government Departments and the Explanatory Note states that the changes are mainly administrative in nature.
7. The Finance Committee noted that the supplementary budget included drawing down £321m from End Year Flexibility. The Minister for Business and Budget stated that after this supplementary budget the current stocks would be £639m made up of £124m capital, £131m near-cash and £383m non-cash.
8. In relation to reserves for 2009-10, the Supplementary budget proposed reducing revenue reserves from £80.674m to £21.625m and capital reserves from £49.509m to £2.1m. The Minister for Business and Budget told the Finance Committee that the most important consideration was to ensure they effectively balance the full use of resources to deliver strategic priorities but also to be prudent with resource levels. She also told the Committee that £0.5m of the £21.6m was near cash and the remainder non-cash reserves.
9. The largest element of the change is an increase of £351.61m for Health and Social Services and of this there is an increase of £260.4m in 'non cash'. The latter reflects movement in provisions of which an increase of £140.78m is to account for depreciation charges which the Minister attributed to a classification change. There is a corresponding budget transfer from Treasury to reflect this.
10. The Health and Social Services increase also incorporates £27m in respect of the cost of swine flu. The Finance Committee noted the widespread concerns that the level of swine flu vaccinations has proved lower than forecast and that as a consequence there are significant surplus stocks of vaccine. The Minister for Business and Budget told the Finance Committee that as well as paying for the costs of vaccine stocks there was a need for a revenue allocation to fund an award payment to GPs for administering the vaccination programme. The Finance Committee has been concerned before about the way in which resources have been provided for the possibility of a flu pandemic and commented in its report on the draft budget for 2009-10 on the way in which provision for this was being made out of capital. **The Finance Committee intends to explore this further.**
11. The next largest departmental change is the increase of £98.3m for the Economy and Transport Department. This includes an allocation of £14m for EU disallowances and other EU programme pressures including costs

relating to exchange risks. The Finance Committee noted that there is a significant difference between costs arising from what is essentially 'clawback' of EU grants, and costs arising from variations in exchange rates. **It has asked the Minister to provide further information on these.**

12. The non-cash elements of the increase for the Economy and Transport Department include a reduction of £54m for depreciation and impairments on the roads. The Finance Committee was surprised that this figure should be so high because depreciation on roads ought to be predictable. Officials indicated that there were reasons for this figure fluctuating a little and that outturns could sometimes be significantly different from the budget. **The Minister is to provide the Finance Committee with a note on this.**
13. The Supplementary Budget also includes an allocation of £97m from reserves to reflect the external borrowings of Finance Wales. The Minister told the Finance Committee that these have been the subject of ongoing discussions between the Assembly Government and the Treasury and that options for the future funding of Finance Wales were being explored. **The Finance Committee has asked to be kept in touch with progress with this.**
14. The Minister confirmed that the Supplementary Budget included additional funding for the CELLS Department to meet the additional costs arising from pressures on student finance and ReAct. Members commented that the need for additional funding for post-16 special educational needs was equally important and **the Minister agreed to share the outturn for the 2009-10 budget when it became clear.**
15. The Finance Committee noted that despite there being an indicative allocation of £40m for the 'invest-to-save' fund the draw down had been just 25% of this at £10m. The Finance Committee is disappointed at the general lack of enthusiasm for a strategic use of resources by local government, the health service and further and higher education. **The Minister confirmed that the fund will remain open in the next financial year and hoped that she would be able to stimulate demand.**
16. In relation to staff costs in the Welsh Government, the Committee noted that although the increase of £3m was modest within a budget of £242m it was a concern at a time of constraint. The Minister agreed to provide information on numbers, whole time equivalents and costs of staff since 1999. **The Finance Committee intends to explore further the numbers and costs of staff in the Welsh Government.**
17. The Finance Committee noted that the reduction of £4.828m for 'Making the Connections' was not in fact a reduction in expenditure on efficiency

improvements of this kind but the result of a transfer of finds to a different budget. The Minister confirmed that these monies were still being used for their original purpose.

Conclusions

18. The Finance Committee notes the changes proposed in the Supplementary Budget motion and the Government's explanations of the reasons for them. It proposes to explore one or two issues further during the forthcoming year but does not recommend any changes to the amounts proposed in the Supplementary Budget Motion.

Angela Burns, AM
Chair, Finance Committee