

National Assembly for Wales
Finance Committee

Report on Welsh Assembly Government
Supplementary Budget 2010-11 (June 2010)

July 2010



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

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Finance Committee

The Finance Committee's remit is to ensure that proper scrutiny is given to the budget and expenditure of the Welsh Government, the Assembly Commission, the Ombudsman, the Children's Commissioner, the Older People's Commissioner and various Welsh Government Sponsored Bodies and NHS Bodies.

The Committee has in broad terms three main functions:

- to consider and report on Assembly budget proposals;
- to consider and, where it sees fit, report on the financial information presented in support of Assembly Measures;
- to consider any other matter relating to, or affecting, expenditure by the Government or out of the Welsh Consolidated Fund.

Powers

The Committee was established on 26 June 2007. Its powers are set out in the National Assembly for Wales' Standing Order 14. These are available at: www.assemblywales.org

Committee Membership



Angela Burns (Chair)
Carmarthen West and South
Pembrokeshire
Welsh Conservative Party



Lorraine Barrett
Cardiff and South Penarth
Labour



Peter Black
South Wales West
Welsh Liberal Democrats



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

Report on GEN-LD8095 - Welsh Assembly Government Supplementary Budget 2010 -2011

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 Monday 21 June 2010. The deadline for the Finance Committee reporting on it is therefore Monday 12 July 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 1 July. 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 Minister for Business and Budget told the Finance Committee that the supplementary budget reflected changes since the Final Budget for 2010-11. One of the main effects was to reflect the portfolio changes resulting from the First Minister's Cabinet appointments in December 2009. The Minister said she felt it important that spending plans reflected the Government's structures accurately. The supplementary budget also took into account the allocation from capital reserves of £232.5 million for Strategic Capital Investment Framework

projects and allocations from revenue reserves of £20 million for projects under the Invest to Save Fund. There were also technical adjustments to non-cash budgets as a result of the previous UK Government's Alignment ('Clear line of Sight') project. This Treasury-led project was being carried out in order to simplify, modernise and improve the UK's public expenditure system. Whilst the project was making a number of changes in the Assembly's budgeting and accounting systems, the result aims to create a simpler and more coordinated system. The Minister for Business and Budget emphasised that these alignment adjustments do **not** alter the Government's spending plans materially. The Supplementary Budget also accounted for a number of baseline adjustments, due to transfers with UK departments.

5. In comparison to the Final Budget 2010-11, the Supplementary Budget shows the following changes:

- Overall total managed expenditure is reduced by 3.7 per cent (£610 million).
- Total managed expenditure allocated to Welsh Government departments is reduced by 1.5 per cent (£230.4 million).
- Overall departmental expenditure limits are reduced by 1.3 per cent (£206.6 million).
- Departmental expenditure limits allocated to Welsh Government departments is increased by 1.1 per cent (£173.5 million).
- Revenue departmental expenditure limits allocated to Welsh Government departments is reduced by 0.5 per cent (£65.3 million). This is due to allocations from revenue reserves of £25.4 million and reductions of £90.7 million relating to the Alignment (Clear Line of Sight) project.
- Capital departmental expenditure limits allocated to Welsh Government departments is increased by 17 per cent (£238.8 million). This is solely due to allocations from capital reserves.
- Annual managed expenditure is reduced by 57.3 per cent (£403.4 million). The majority of this is due to adjustments made in respect of the Alignment (Clear Line of sight) project in relation to the Economy & Transport main expenditure group.

Observations

Transparency

6. Members broadly welcomed the changes in the presentation of the supplementary budget, which improved the clarity and, in particular, welcomed that changes that the Minister for Business and Budget had made to the budget tables and the explanatory notes in order to improve their transparency and aid scrutiny.

7. Members were however concerned about there being so many 'technical' adjustments. The Minister for Business and Budget told the Finance Committee that many of these were due to the Treasury's alignment project, which will help put the Welsh block budget set by the Treasury, the Assembly budget motion and the accounts on a consistent and comparable basis. The main adjustment for 2010-11 is the removal of the notional cost of capital charge from the budgets and the accounts.

8. The most significant change from the original budget was in the Economy and Transport portfolio where there was a reduction of £112 million in the departmental expenditure limits and of £432 million in annually managed expenditure. However, these changes were to 'non-cash' budgets and did not result in any reduction to the spending power of the Welsh Assembly Government. There were also 'technical' changes to reflect the transfer of activities, and corresponding expenditure between ministerial portfolios. These too did not involve any change in the Government's spending plans.

9. The Minister for Business and Budget confirmed that the changes to the budgets for the National Assembly for Wales Commission and the Public Service Ombudsman for Wales also flowed from the alignment project and were 'adjustments' rather than real changes in budgetary provision. Members recalled that a similar adjustment had been made in 2009-10 due to changes to International Accounting Standards

10. While Members acknowledged that such adjustments are needed from time to time to match developments elsewhere, they were concerned that it might also be possible for a series of 'one off' adjustments to mask real reductions in expenditure. Responding to

this the Minister for Business and Budget assured the Finance Committee that the Supplementary Budget was not about reducing the spending plans that had been agreed in December.

11. Members noted that a more critical issue was that of future presentation because, in the next few years, the Government would face a real loss of resources. It was important then that these 'alignment' adjustments did not hide changes that were more substantial and real. The Minister acknowledged this and said that the current issue was about getting the technical adjustments out of the way and understood before they started to address the difficult challenges that had to be faced in terms of reducing budgets.

End Year Flexibility

12. The Finance Committee noted that an effect of the 'alignment' project was that stocks of non cash end year flexibility would be reduced to reflect the overall reduction in the Government's non-cash budgets. The Minister for Business and Budget said that the Government would retain 70 per cent of these and stocks will be detailed in the public expenditure outturn white paper which would be published in July. She said she had still to confirm with the Treasury the level of end year flexibility that would be available for 2010-11, and that there would be no changes to the Welsh Government's ability to access to EYF stocks. The Committee notes that since taking evidence from the Minister for Business and Budget there has been a statement from the Wales Office which indicates that the position has since moved on. The Finance Committee has asked the Minister for an update on the position.

Strategic Capital Investment Framework

13. The Minister for Business and Budget confirmed that around £230 million had been allocated to SCIF projects in this supplementary budget, and assured the Committee that further funds could be drawn down if required.

Invest to Save

14. The supplementary budget shows an allocation from revenue reserves of £20 million for the Invest to Save programme of which £9.3 million is allocated to Health and Social Services, £4 million to Economy and Transport, and £6.7 million to Central Services and Administration. The Minister for Business and Budget said that the Invest to Save fund

was the lever that she was using to steer efficiency and innovation programmes. She emphasised that the programme was very much for public sector partners to take advantage of rather than for departmental or ministerial leads. The Finance Committee noted that, while this was to some extent a separate issue from the supplementary budget that was under consideration, investment to make savings through realignment or redrawing of services, or greater collaboration, was going to be increasingly important to offset forthcoming cuts in public expenditure. The Committee expressed disappointment at the apparent reluctance of the public sector in taking forward this kind of opportunity.

Conclusions

15. The Finance Committee notes the changes proposed in the Supplementary Budget motion and welcomes and acknowledges the improvements the Government has made in its presentation and transparency. Members noted that the majority of the changes in this supplementary budget related to the way in which the budget was presented and that there were very few changes in relation to actual expenditure plans. However, while they acknowledged the need for 'technical' changes, they were concerned that these could at the same time mask real reductions in expenditure plans. Members welcomed the Minister for Business and Budget's assurance that her aim was to get the adjustments out of the way now, and before the draft budget which will be laid in the autumn. Members request that the Minister presents future budget proposals in a format that will enable clear 'year on year' comparisons to be made. Therefore the Committee asks the Minister for Business and Budget to ensure this is addressed in the presentation of the Government's 2011-12 draft budget in the autumn.

16. Subject to this, and the comments above, the Finance Committee notes the supplementary budget and does not recommend any changes to the amounts proposed in it.

Angela Burns, AM
Chair, Finance Committee