

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee
room 3, Senedd and video conference
via Zoom

For further information contact:

Owain Roberts

Committee Clerk

Meeting date: 13 September 2023

0300 200 6388

Meeting time: 09.30

SeneddFinance@senedd.wales

Registration (09.00–09.15)

Private Pre-meeting (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

(Pages 1 – 10)

Minutes of the meetings held on 21 June, 28 June and 6 July.

2.1 PTN 1 – Letter from the Minister for Health and Social Services: Health Service Procurement (Wales) Bill – Revised timelines – 30 June 2023

(Pages 11 – 14)

2.2 PTN 2 – Letter from the Minister for Finance and Local Government – Finance: Interministerial Standing Committee – 6 July 2023

(Pages 15 – 16)

2.3 PTN 3 – Letter from the Minister for Finance and Local Government: Welsh rates of Income Tax outturn statistics 2021–22 – 7 July 2023

(Pages 17 – 18)

2.4 PTN 4 – Letter from the Minister for Education and Welsh Language: School budget overspends – 11 July 2023

(Page 19)



- 2.5 PTN 5 – Letter from the Minister for Finance and Local Government: Financial information for Directly Funded Bodies to consider in their budget planning – 12 July 2023**
(Pages 20 – 21)
- 2.6 PTN 6 – Letter from the Chair of the Culture, Communications, Welsh Language, Sport, and International Relations Committee: Draft Budget 2024–25 timetable – 17 July 2023**
(Pages 22 – 23)
- 2.7 PTN 7 – Letter from the Minister for Rural Affairs and North Wales, and Trefnydd: The Environment (Air Quality and Soundscapes) (Wales) Bill – 13 July 2023**
(Page 24)
- 2.8 PTN 8 – Letter from the First Minister to the Llywydd: Environmental Protection (Single–use Plastic Products) (Wales) Act 2023 – 27 July 2023**
(Page 25)
- 2.9 PTN 9 – Scrutiny of the Welsh Government First Supplementary Budget 2023–24: Welsh Government response – 11 August 2023**
(Pages 26 – 33)
- 2.10 PTN 10 – Letter from the Chair of the Reform Bill Committee – 23 August 2023**
(Page 34)
- 2.11 PTN 11 – The Environment (Air Quality and Soundscapes) (Wales) Bill: Welsh Government response – 1 September 2023**
(Pages 35 – 41)
- 2.12 PTN 12 – Letter to the Minister for Finance and Local Government: Cost of living payment – 11 July 2023**
(Pages 42 – 43)
- 2.13 PTN 13 – Letter from the Minister for Finance and Local Government: Cost of living payment – 1 August 2023**
(Pages 44 – 45)

**2.14 PTN 14 – Letter from the Minister for Finance and Local Government –
Finance: Interministerial Standing Committee – 7 September 2023**
(Pages 46 – 47)

**2.15 PTN 15 – Letter from Audit Wales: Notification of audit deadlines – 3 August
2023**
(Pages 48 – 50)

**2.16 PTN 16 – Letter from the Minister for Finance and Local Government:
Evidence papers supporting the 2024–25 Draft Budget – 8 September 2023**
(Pages 51 – 52)

**3 Motion under Standing Order 17.42 (ix) to resolve to exclude the
public from items 4,5,7,8,9 and 10**
(09.30)

**4 Welsh Government Draft Budget 2024–25 – Technical briefing
with the Chief Economist**
(09.30–10.00) (Pages 53 – 68)
Jonathan Price, Chief Economist, Welsh Government
Julian Revell – Head of Fiscal Analysis, Welsh Government

Supporting documents:

FIN(6)–13–23 P1 – Presentation slides

**5 Welsh Government Draft Budget 2024–25 – Technical briefing
with the Chief Economist: Consideration of evidence**
(10.00–10.15)

6 Welsh Government Draft Budget 2024–25 – Pre–budget scrutiny
(10.15–11.15) (Pages 69 – 79)
Rebecca Evans MS, Minister for Finance and Local Government
Emma Watkins, Deputy Director, Budget & Government Business
Gawain Evans, Director of Finance

Supporting documents:

Research Service Brief

**7 Welsh Government Draft Budget 2024–25 – Pre–budget scrutiny:
Consideration of evidence**

(11.15–11.30)

**8 Welsh Government Draft Budget 2024–25: Approach to budget
scrutiny**

(11.30–11.45)

(Pages 80 – 95)

Supporting documents:

FIN(6)–13–23 P2 – Letter from the Minister for Finance and Local Government
– 20 July 2023

FIN(6)–13–23 P3 – Letter from the Llywydd and Chair of the Business
Committee – 2 August 2023

FIN(6)–13–23 P4 – Letter from the Llywydd and Chair of the Business
Committee – 4 July 2023

FIN(6)–13–23 P5 – Approach to budget scrutiny

FIN(6)–13–23 P6 – Consultation letter

9 Review of the budget protocol

(11.45–12.00)

(Pages 96 – 112)

Supporting documents:

FIN(6)–13–23 P7 Letter from the Minister for Finance and Local Government
to the Llywydd – 9 August 2023

FIN(6)–13–23 P8 Letter from the Minister for Finance and Local Government –
20 July 2023

Research Service Brief

10 Future work: Strategic planning

(12.00–12.30)

(Pages 113 – 119)

Supporting documents:

FIN(6)–13–23 P9 – Strategic planning

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 3, Senedd and video conference via Zoom**

This meeting can be viewed on [Senedd TV](#) at: <http://senedd.tv/en/13612>

Meeting date: Wednesday, 21 June 2023

Meeting time: 10.15 – 11.20

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS
Witnesses:	Rebecca Evans MS, Minister for Finance and Local Government Sharon Bounds, Welsh Government Emma Watkins, Welsh Government
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk)

Registration (09.15–09.30)

Private pre-meeting – Informal (09.30–10.15)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.



1.2 Apologies were received from Rhianon Passmore MS.

2 Paper(s) to note

2.1 The papers were noted.

- 2.1 PTN 1 – Letter from the Chair of the Health and Social Care Committee – Financial scrutiny of Health Boards – 24 April 2023
- 2.2 PTN 2 – Welsh Government Second Supplementary Budget 2022–23: Welsh Government response – April 2023
- 2.3 PTN 3 – Letter from Peter Fox MS to the Minister for Rural Affairs and North Wales, and Trefnydd: Food (Wales) Bill – 4 May 2023
- 2.4 PTN 4 – Health Service Procurement (Wales) Bill report: Welsh Government response – 5 May 2023
- 2.5 PTN 5 – Letter from the Minister for Health and Social Services: Health Service Procurement (Wales) Bill – 5 May 2023
- 2.6 PTN 6 – Letter from Jonathan Athrow, HMRC: Administration of WRIT – 9 May 2023
- 2.7 PTN 7 – Letter from the Minister for Rural Affairs and North Wales, and Trefnydd: Agriculture (Wales) Bill – 9 May
- 2.8 PTN 8 – Letter from the Minister for Finance and Local Government: Inflation in the cost estimates accompanying future Bills – 12 May 2023
- 2.9 PTN 9 – Letter from the Legislation, Justice and Constitution Committee: UK/Ireland/EC: Financing Agreement on the PEACE PLUS Programme 2021–2027 – 12 May 2023
- 2.10 PTN 10 – Letter from the Counsel General to the Chair of the Legislation, Justice and Constitution Committee: Inter-Ministerial Standing Committee – 17 May 2023
- 2.11 PTN 11 – Food (Wales) Bill: Response from Peter Fox MS, Member-in-charge of the Bill – 19 May 2023

**2.12 PTN 12 – Letter from the Chair of Economy, Trade and Rural Affairs Committee:
Food (Wales) Bill – 31 May 2023**

**2.13 PTN 13 – Letter from the Minister for Health and Social Services: The Health
Service Procurement (Wales) Bill – Stage 2 Government Amendment – 24 May 2023**

**2.14 PTN 14 – Letter from the Senedd Commission: Update in relation to Committee
report recommendation – 24 May 2023**

**2.15 PTN 15 – Letter from the Minister for Climate Change: The Environmental
Protection (Single-use Plastic Products) (Wales) Bill – 31 May 2023**

**2.16 PTN 16 – Letter from the Minister for Finance and Local Government: Finance:
Interministerial Standing Committee – 13 June 2023**

3 Welsh Government First Supplementary Budget 2023–24: Evidence session

3.1 The Committee took evidence on the Welsh Government First Supplementary Budget 2023–24 from Rebecca Evans MS, Minister for Finance and Local Government; Emma Watkins, Deputy Director, Budget and Government Business; and Sharon Bounds, Deputy Director, Financial Controls.

3.2 The Minister for Finance and Local Government agreed to ask the Minister for Education to provide a note on:

- school budget overspends and whether any deficit can be carried forward into the next financial year.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting

4.1 The motion was agreed.

5 Welsh Government First Supplementary Budget 2023–24: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Legislative Consent Memorandum (LCM): Non–Domestic Rating Bill

6.1 The Committee considered the correspondence and agreed to take no further action in relation to the LCM on the Non–Domestic Rating Bill.

7 Audit Wales – Notification of audit deadlines

7.1 The Committee considered the paper on the notification of audit deadlines and agreed to write to Audit Wales.

8 Consultation with Senedd Committees on documentation accompanying the Draft Budget

8.1 The Committee considered the letters submitted by Committee Chairs and agreed to write to the Minister for Finance and Local Government.

9 The Environment (Air Quality and Soundscapes) (Wales) Bill: Consideration of draft report

9.1 The Committee considered and agreed the report.

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 4 Ty Hywel and video conference via Zoom**

This meeting can be viewed on [Senedd TV](#) at:

<http://senedd.tv/en/13366>

Meeting date: Wednesday, 28 June 2023

Meeting time: 09.30 – 11.58

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Sir Paul Silk Dyfrig John Lord Bourne of Aberystwyth Eurfyl ap Gwilym Julie James MS, Minister for Climate Change Neil Hemington, Welsh Government Owen Struthers, Welsh Government
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Leanne Hatcher (Second Clerk) Martin Jennings (Researcher)



	Christian Tipples (Researcher) Owen Holzinger (Researcher) Mike Lewis (Deputy Clerk)
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1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

2 Paper(s) to note

2.1 The papers were noted.

2.1 **PTN 1 – Letter from the Public Services Ombudsman for Wales: Permission to appeal a decision of the Adjudication Panel for Wales – 22 June 2023**

3 Silk Commission – 10 years on: Evidence session

3.1 The Committee took evidence on Silk Commission – 10 years on, from Sir Paul Silk, Dyfrig John, Lord Bourne of Aberystwyth and Eurfyl ap Gwilym.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from items 5, 6 and 8, and the meeting on 6 July

4.1 The motion was agreed.

5 Silk Commission – 10 years on: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Welsh Government First Supplementary Budget 2023–24: Consideration of draft report

6.1 The Committee considered the report and agreed it with minor changes.

7 Financial implications of the Infrastructure (Wales) Bill: Evidence session

7.1 The Committee took evidence on the Financial Implications of the Infrastructure (Wales) Bill from Julie James MS, Minister for Climate Change; Neil Hemington, Chief

Planner, Welsh Government; and Owen Struthers, Head of National Consenting, Welsh Government.

8 Financial implications of the Infrastructure (Wales) Bill: Consideration of evidence

8.1 The Committee considered the evidence received.

Concise Minutes – Finance Committee

Meeting Venue: **Video Conference via Zoom**

Meeting date: Thursday, 6 July 2023

Meeting time: 09.30 – 10.50

This meeting can be viewed on [Senedd TV](#) at:

<http://senedd.tv/en/13627>

Private, Remote

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Catherine McKeag (Secretariat) Martin Jennings (Researcher) Owen Holzinger (Researcher)

At its meeting on 28 June 2023, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from today's meeting.

Registration (09.15–09.30)

1 Introduction, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.



2 Welsh Government Draft Budget 2024–25: Approach to Budget Scrutiny

2.1 The Committee considered the correspondence and the paper on the approach to budget scrutiny.

2.2 The Committee agreed to write to the Minister for Finance and Local Government on the Draft Budget timetable 2024–25.

3 Consideration of the Forward Work Programme

3.1 The Committee considered the Forward Work Programme.

4 Financial implications of forthcoming legislation to reform the Senedd

4.1 The Committee considered the paper on the Financial implications of forthcoming legislation to reform the Senedd.

5 UK Parliament: Public Administration and Constitutional Affairs Committee Inquiry

5.1 The Committee considered the inquiry terms of reference.

6 Consideration of responses on the Statement of Principles review

6.1 The Committee considered the responses on the Statement of Principles review.

7 Audit Wales Supplementary Estimate 2023–24

7.1 The Committee considered the Audit Wales Supplementary Estimate 2023–24.

Eluned Morgan AS/MS
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Russell George MS
Chair, Health and Social Care Committee

Huw Irranca-Davies MS
Chair, Legislation, Justice and Constitution Committee

Peredur Owen Griffiths MS
Chair, Finance Committee

30 June 2023

Dear Colleague,

The Health Service Procurement (Wales) Bill – Stage 2 and Stage 3 Senedd scrutiny

I am writing to update you on progress of the Health Service Procurement (Wales) Bill ("HSP Bill"), and to provide additional information to support a number of recommendations or amendments that have been raised by Committee Members when undertaking scrutiny of the Bill.

1. Progress of the Health Service Procurement (Wales) Bill and inter-relation with the UK Government's Procurement Bill.

Section 2 of the HSP Bill amends the Procurement Act 2023 (currently a Bill in the final stages of parliamentary scrutiny), by inserting a new section to enable the Welsh Ministers to disapply provisions of that Act which would otherwise apply to the procurement of services provided as part of the health service in Wales. Section 3 of the HSP Bill inserts a new section (10A) into the National Health Service (Wales) Act 2006 which allows for alternative provision to be made in respect of the procurement of NHS health services in Wales.

The UK Government's Procurement Bill is only now entering its final stage of scrutiny in the House of Commons and House of Lords. This is taking longer than was originally anticipated when we first sought to introduce the HSP Bill on a fast-tracked timeline back in February this year. Our timeline at that point was based on the original timetable for the Procurement Bill, which would have seen it complete its

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

parliamentary scrutiny cycles and receive Royal Assent in late Spring of this year. Whilst there have been slippages, we remained hopeful that it would be completed before Senedd summer recess. However, this now looks highly unlikely and unfortunately this has a knock on effect to the timings and progress of the HSP Bill.

At this point, the final provisions and order of the Procurement Bill are not yet 'settled' and are still subject to changes prior to moving towards Royal Assent. These final stages could in practice take several more weeks and there is no pre-defined date for completion; meaning that a date for a finalised position on the Procurement Bill is as yet unknown.

The Procurement Bill needs to be settled to facilitate a small number of technical numerical amendments to the HSP Bill following changes in the Procurement Bill that have occurred since the introduction of the HSP Bill in February. These relate to the numbering of the disapplication power, as set out above, ensuring it follows immediately after the similar power for Ministers of the Crown in England; and to ensure other consequential amendments are inserted in the correct place and the cross-references are accurate.

Stage 3 proceedings for the HSP Bill are currently scheduled in the Senedd for the 11 July; meaning that the Procurement Bill needs to be settled prior to that date. As it is becoming increasingly unlikely that this will occur by 11 July, I am now proposing that Stage 3 and Stage 4 scrutiny of the HSP Bill are postponed until after the Senedd's summer recess. This will enable sufficient time for the Procurement Bill to be settled and therefore allow accurate reflection of numbering within the HSP Bill prior to any further Senedd scrutiny proceedings taking place.

I am mindful that Members may be disappointed, as am I, with the delayed progress of the HSP Bill particularly in light of agreeing to my request for a fast-track Bill at introduction stage. However, I am sure that they will understand the position and that it is out of our hands; but I maintain that this is the correct approach to ensure the HSP Bill is accurate, prior to completion of the Senedd's scrutiny process.

My officials and I will continue to closely monitor the progress of the Procurement Bill and I will liaise with the Llywydd and Business Committee to agree a revised date for Stage 3 and 4 proceedings after the summer recess.

In the interim, my officials will proceed with tabling the revised Explanatory Memorandum and Explanatory Notes in line with Standing Order 26.28, which requires the documentation to be laid at least 5 working days prior to stage 3 proceedings.

2. Additional information in response to recommendations or amendments raised by Committees.

During Senedd scrutiny of the Bill, I made a commitment to provide a written response to a number of matters raised by the scrutiny committees. This additional information is set out in **Annex A**.

Once again, I would like to take the opportunity to reiterate my thanks to all three Committees for their scrutiny of the Bill and its supporting documentation.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. E. Morgan'.

Eluned Morgan AS/MS

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

ANNEX A

ADDITIONAL INFORMATION IN RESPONSE TO RECOMMENDATIONS OR AMENDMENTS - HEALTH SERVICE PROCUREMENT (WALES) BILL.

1. Recommendation 6 of the Health and Social Care Committee's stage 1 scrutiny report – in relation to ensuring that the implementation, and requirements, of the new health service procurement regime are communicated effectively and accessibly to all relevant stakeholders.

During the General Principles debate I indicated that I was happy to accept this recommendation. I committed to providing the Committee with further details of how we will achieve effective stakeholder engagement during the implementation of the proposed new health service procurement regime.

My officials will produce a comprehensive stakeholder engagement plan as part of the development of the future regulations, statutory guidance and implementation of the proposed new procurement regime. This plan will build upon the initial stakeholder engagement undertaken to date in the preparation of the Bill and will seek to proactively engage with relevant stakeholders, groups and individuals that will be affected by the implementation of the new health service procurement regime.

It is anticipated that in relation to the operational principles of the future regulations and supporting statutory guidance, the engagement will take the form of 1-2-1 meetings with appropriate stakeholder groups to raise awareness of the proposals. This proactive engagement will be supported by a formal 12-week public consultation on the operational principles following Welsh Government's established public consultation processes.

In relation to the communication of the implementation of the proposed new regime, my officials will work with the relevant authorities to deliver training on the operational requirements of the proposed new regime. It is anticipated that this will be undertaken in partnership with procurement teams in NHS Wales and Welsh local authorities, and rolled out over a number of months, prior to the new regime coming into force. In doing this, my officials are also mindful that there will be a requirement to align with planned training by the Department of Health and Social Care for their proposed Provider Selection Regime and training in relation to the wider procurement reforms under the UK Government's Procurement Bill that will be led by officials in the Welsh Government's Corporate Procurement Division, in partnership with the UK Government's Cabinet Office.

2. Recommendation 7 from the Health and Social Care Committee's stage 1 scrutiny report and Recommendation 4 from the Finance Committee's stage 1 scrutiny report - in relation to monitoring and reviewing the implementation of the Bill.

During the General Principles debate I indicated that I was happy to accept the above two recommendations in relation to reviewing the effectiveness of the future new procurement regime and committed to including provisions in the statutory guidance to monitor the effectiveness of the proposed new regime. I also committed to writing to the scrutiny Committees to set out our proposed approach.

At the stage 2 scrutiny committee proceedings, an amendment was brought forward from Gareth Davies MS in the form of Amendment 10 to review the effectiveness of the Act. Whilst I accepted the principle of the amendment proposed, I could not accept the amendment as drafted. The reason for this was twofold – firstly, the amendment as drafted would undertake a review of two provisions that amend two other pieces of legislation and would therefore not be particularly effective in monitoring the effectiveness of the Act. Secondly, we needed to be mindful that any proposed review period needs flexibility to tie in with review periods that the Department of Health and Social Care will implement for their proposed Provider Selection Regime.

Acknowledging the principle of the proposed amendment, during the stage 2 proceedings I offered to work with Gareth Davies MS to find an agreeable solution to include a review provision on the face of the Bill that can be included at Stage 3 scrutiny.

3. Involvement of service end users with procurement decisions

At the stage 2 scrutiny committee proceedings, an amendment was brought forward from Rhun ap Iorwerth MS in the form of Amendment 14 in relation to 'ensuring the involvement of persons whom the services or goods are intended to benefit'.

Whilst I recognise the importance of ensuring that health services meet the needs of service users, I could not accept this amendment as I believe that placing a provision on the face of the Bill to consult with service users (which could in theory extend to seeking service users opinions on the award of contracts to individual service providers) will be unworkable in practice and be overly onerous. Such a provision will also duplicate the role of the newly established independent body, Llais, and their role to gather the views and experiences of service users to shape health service delivery in Wales.

Furthermore, Section 15 the Health and Social Care (Quality and Engagement) (Wales) Act 2020 already makes provision to enable Llais (in its role as the Citizen Voice Body) to make representations to 'local authorities and NHS Wales bodies' in relation the provision of health and social care services. This would include representations as to how such services are procured.

Therefore, there is already a statutory mechanism in place to ensure that relevant authorities are made aware of service users' views and must have regard to those views. This is underpinned by the Statutory Guidance on Representations made by The Citizens Voice Body – link to which can be found [here](#).

As not to duplicate the statutory functions of Llais, I will ensure that there is suitable cross references to Llais in the statutory guidance that will accompany the future regulations and implementation of the proposed new health service procurement regime.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Our ref: RE-231-2023

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
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06 July 2023

Dear Peredur,

Further to my recent letter advising you of the Finance: Interministerial Standing Committee Meeting, on 22 June at Cathays Park, Cardiff, for which I was Chair, I would like to briefly report on the discussions. A communique was also published following the meeting:
[Finance: Interministerial Standing Committee - 22 June 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/finance-interministerial-standing-committee-22-june-2023)

Joining me in attendance were The Rt Hon John Glen MP, Chief Secretary to the Treasury (CST), and Shona Robison MSP, Deputy First Minister of Scotland and Cabinet Secretary for Finance. Officials from the Northern Ireland Executive also attended virtually, to observe.

On EU funding, I reported back on the action from the last meeting. I outlined how discussions had provided an opportunity to seek clarity and air concerns and were useful to aid understanding of the varying assessments and where differences had occurred in our calculations of full replacement funding. To move forward, I stressed the importance of earlier engagement.

The first substantive part of the meeting focussed on public spending pressures and economic outlook where the cost of living crisis and inflation continued to be a focus of discussion. I requested the CST look at additional support for vulnerable energy consumers, those on Universal Credit, and debt advice services.

During the discussion on public sector pay, I urged the UK Government to provide additional funding for the NHS to support its vital work as it approaches its 75th Anniversary and pressed for clarity on whether there will be additional funding for the devolved governments as a result of pay offers in England for the NHS and the Civil Service. Building on previous discussions on budgetary flexibility, I was able to use the pay discussion as an illustrative example of the importance of the Welsh Government having this flexibility.

The second part of the meeting focused on energy security. I highlighted the importance of working together to address energy security and ensure the costs of achieving net zero are

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

socialised and distributed fairly, so the poorest in our communities do not see the largest relative increases in the costs they incur.

I outlined innovative programmes in which we are investing, and recommended projects that the UK Government could consider investment. I also urged investment in Wales' electricity grid.

Finally, I sought agreement to officials reviewing the F:ISC Terms of Reference and the Operating Protocols, to ensure meetings are running as expected compared to when the documents were produced 18 months ago. Officials will report back to the F:ISC at the next meeting.

The UK Government will host the next meeting, in September.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Ein cyf/Our ref: RE- 232-2023

Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
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07 July 2023

Dear Peredur,

WELSH RATES OF INCOME TAX OUTTURN STATISTICS 2021-22

The Committee will wish to be aware that HMRC has published the third set of annual outturn statistics for the Welsh rates of income tax. The outturn statistics show that the Welsh rates of income tax in 2021-22 generated £2.4 billion, up £244 million or 11.4% on 2020-21.

This is £320 million (16%) higher than forecast by the Office for Budget Responsibility in Autumn 2020 and used in the Welsh Government's 2021-22 Budget.

The outturn for England and Northern Ireland is also higher than used in the associated block grant adjustment (BGA) in the 2021-22 Budget. These outturn figures will be used to calculate a final block grant adjustment for 2021-22, once a series of population estimates consistent with the 2021 Census is published by the Office for National Statistics in September.

The difference between the income tax revenues and block grant adjustments used in the Welsh Government's 2021-22 Budget and the final outturn will be used to calculate a reconciliation amount. This will be applied to the Welsh Government's 2024-25 block grant allocation. Based on existing population estimates, the reconciliation is likely to be positive.

When the revised population estimates are published in September, the Welsh Government and UK Government will publish a jointly agreed statement detailing the reconciliation amount and how it has been calculated. This is intended to ensure full transparency in, and to help improve wider understanding of the Fiscal Framework. I will write to the Committee to make them aware of this information at the appropriate time.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

A link to the statistics can be found at:

[Scottish and Welsh Income Tax Outturn Statistics - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
SeneddFinance@senedd.wales

11 July 2023

Dear Peredur,

Finance Committee met on 21 June 2023. Question 10 asked whether assurances that the funding provided in the supplementary budget is sufficient to cover cost pressures to schools.

During the evidence session, the Minister for Finance and Local Government agreed to ask me to provide a note on school budget overspends and whether any deficit can be carried forward into the next financial year. This letter provides my response to this query.

The School Funding (Wales) Regulations 2010 (the regulations) state that local authority financing schemes must set out terms relating to the carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget share.

A governing body has no legal right to set a deficit budget without the consent of the authority and should not presume that such consent will be granted. Each authority is responsible for its own financing scheme and is likely to consider approving a deficit budget for a school in certain circumstances.

Where schools have large deficits local authorities should be working closely with them to ensure that they are brought back to a modest surplus as soon as possible. Schools in deficit should have a robust recovery plan in place and this should to be agreed and monitored by the authority.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a wavy line and a short horizontal stroke.

Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Agenda Item 2.5

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Our Ref: RE-242-2023

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament
Cardiff Bay
CF99 1NA

12 July 2023

Dear Peredur,

In order to support the forward financial planning for directly funded bodies, I have agreed to write each year at the end of the Summer Term setting out various factors to inform future budget planning, including the Government's best assessment of the level of funding available in future years.

Looking first at the overall UK fiscal situation, the Office for Budget Responsibility's (OBR's) [latest forecast](#) in March put the UK fiscal deficit at £132bn in 2023-24 and £85bn in 2024-25. Its assessment shows the UK Government meeting its fiscal mandate of falling public sector debt as a percentage of GDP by 2027-28, but only by a narrow margin. The deficit in the first two months of the current financial year is running £2bn ahead of the OBR's profile and public sector net debt has just exceeded 100% of GDP for the first time in 62 years.

The Welsh Government's spending plans for 2023-24 were set out in the [Final Budget](#) in February this year. These were updated in the recent [First Supplementary Budget](#) which included a drawdown from reserves to support local authorities with the costs of the 2022-23 pay award for teachers that fall in the 2023-24 financial year and ensuring pay parity for Further Education institutions.

The Welsh Government's Final Budget in February included indicative plans for 2024-25 alongside the 2023-24 allocations. This helps provide a clearer picture of short-term budgetary prospects and also demonstrates how tight the short-term fiscal position is.

As it stands, total fiscal resource Main Expenditure Group allocations in the Departmental Expenditure Limit in 2024-25 are just 1.4% higher in cash terms than in 2023-24, and capital allocations are actually down a little year-on-year in cash terms. There are very low margins in unallocated reserves and the capital plans include overprogramming of around £100m.

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in Welsh will not lead to a delay in responding.

We will have new forecasts for the devolved taxes in the Autumn. Despite the recent positive news on the [2021-22 revenue outturn for the Welsh rates of income tax](#), there is no guarantee that these will make the overall fiscal position any easier.

The Chancellor of the Exchequer recently announced a productivity review in which he stated that the pressures on the public sector finances would not be solved through higher taxes or borrowing. Instead, the review will identify how pressures can be met through efficiencies in government departments. In that context, the potential for significant additional funding for 2024-25 in the UK Government's Autumn Statement seems very limited. In addition, interest rate expectations are now higher than at the time of the OBR's March forecast, further eroding the Chancellor's headroom.

Turning to prices and pay, the OBR's March forecast shows the GDP deflator increasing by 2.5% in the current financial year, 1.6% next year and then 1% to 2% a year beyond that. The same March forecast shows the Consumer Prices Index (CPI) with a bigger increase of 4.1% in 2023-24. The CPI inflation rate is currently running higher than expected and in the latest Bank of England assessment it is expected to still be above 5% in the 4th quarter of 2023. It seems likely that the GDP deflator will also exceed the March forecast, increasing pressure on Budgets. UK average earnings are expected to increase by 4.1% in the current financial year and 1.7% next year.

The Welsh Government's settlement has not kept pace with the inflation shock over the last few years. Despite some recent increases, the settlement this year is still worth up to £900m less in real terms than when it was set in the 2021 Spending Review.

In summary, our plans for this year and indicative plans for 2024-25 represent a very tight budgetary situation. The prospects for further allocations from the UK Government seem very limited and ongoing price rises are causing mounting pressures on all the public services funded by the Welsh Government's budget.

Yours sincerely,



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.6

Pwyllgor Diwylliant, Cymathrebon y Gymraeg,
Chwaraeon, a Chysylltiadau Rhyngwladol

—
**Culture, Communications, Welsh Language, Sport, and
International Relations Committee**

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Rebecca Evans MS
Minister for Finance and Local Government
Welsh Government

Copied to: Peredur Owen Griffiths MS
Chair
Finance Committee

17 July 2023

Draft Budget 2024-25 timetable

Dear Rebecca

The Committee discussed the Finance Committee's letter to you (dated 7 July 2023) at its meeting on 12 July 2023. The Committee echoes the concerns raised by the Finance Committee regarding the outline timetable for scrutiny of the Welsh Government's Draft Budget for 2024-25.

As noted in the Finance Committee's letter, this is the fifth year running whereby the two stage process as set out in the Budget Process Protocol ("the Protocol") has not been followed. The Committee accepts previous reasons for not following the Protocol, such as the Covid-19 pandemic and changes to dates of UK Government fiscal events. On the latter point, the Committee thinks that a better framework is needed for fiscal decisions taken across the UK - in order to provide better clarity surrounding when important financial choices will be made. This would benefit the Welsh Government as well as a number of other bodies which are reliant on timely decisions, such as publicly-sponsored bodies and local authorities. The Committee would urge you to raise this with other finance ministers in the governments of the United Kingdom.

Yours sincerely



Delyth Jewell MS
Committee Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Agenda Item 2.7

Lesley Griffiths AS/MS

Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru
Welsh Government

Business Committee Members

13 July 2023

The Environment (Air Quality and Soundscapes) (Wales) Bill

Dear Colleague,

Due to an administrative oversight, the General Principles debate on the Environment (Air Quality and Soundscapes) (Wales) Bill was not added to the Business Statement for debate on 12 September 2023.

The Business Committee have agreed Stage 2 proceedings should be completed by the Climate Change, Environment and Infrastructure Committee before 20 October 2023, subject to the General Principles of the Bill being agreed by the Senedd, and the Committee have provisionally scheduled Stage 2 proceedings accordingly. A delay to the debate would have a significant impact on the Committee's forward workplan and the Government will, therefore, table a motion to suspend Standing Orders to enable the debate to take place as planned and I am asking Business Managers to support the proposal.

The debate on the financial resolution motion will take place on 19 September. Although no proceedings may be taken on the Bill after Stage 1 unless the Senedd has agreed a financial resolution, if the Senedd agrees the General Principles of the Bill, the window for tabling Stage 2 amendments will open, allowing the Bill to follow the current timetable.

I hope by bringing this to your attention now it will allow sufficient time to discuss with colleagues before we next meet and I apologise for the administrative oversight.

I am copying this letter to the Chair of the Climate Change, Environment and Infrastructure Committee, Chair of the Legislation, Justice and Constitution Committee and Chair of the Finance Committee.

Kind Regards,

Lesley Griffiths AS/MS

**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd**

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in Welsh will not lead to a delay in responding.

Y Gwir Anrh/Rt Hon Mark Drakeford AS/MS
Prif Weinidog Cymru/First Minister of Wales

Agenda Item 2.8



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref FM/1990/23

Elin Jones MS/AS
Llywydd
Senedd Cymru

llywydd@senedd.cymru

27 July 2023

Dear Llywydd

Thank you for your letter of 12 July in relation to the Environmental Protection (Single-use Plastic Products) (Wales) Act 2023 and the commencement process.

As noted in my letter of 22 March, this was the first time that a Bill passed by the Senedd had engaged in the World Trade Organisation process (WTO). The approach we took in relation to the six-month WTO standstill period was based on our understanding of the requirements and mechanisms involved in that process. I acknowledge there is benefit in reviewing this process if it helps provide greater clarity in future and will ask my officials to arrange a meeting with the Senedd Commission to discuss further.

I am copying this letter to the Chair of Climate Change, Environment and Infrastructure Committee, the Chair of the Legislation, Justice and Constitution Committee and Chair of the Finance Committee.

Yours sincerely

MARK DRAKEFORD

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gohebu yn Gymraeg yn arwain at oedi.

Agenda Item 2.9

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref MA-RE-1954-23

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

11 August 2023

Dear Peredur,

Thank you for your Committee's scrutiny of the First Supplementary Budget 2023-24 and the report that followed.

I attach a written response to recommendations one to six which I hope you find useful.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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in Welsh will not lead to a delay in responding.

WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2023-24

AUGUST 2023

Recommendation 1

The Committee recommends that the Minister provides information in the next supplementary budget to show the impact of pay awards on the Welsh Government's funding position, and to confirm whether such areas will need to be funded through existing budgets or through reserves.

Response: Accept

The Welsh Government believes all public sector workers should be fairly rewarded for the important work they do. Unfortunately, our financial settlement falls far short of what is needed to meet the very significant challenges faced by our public services and workers across Wales.

At this stage, without further funding from the UK Government, any costs of pay deals in Wales would need to be met from existing budgets which are already under considerable pressure as we seek to support public services in Wales.

As is the case for all Welsh Government budgets, the Second Supplementary Budget 2023-24 will provide information on all changes to existing budgets and the utilisation of the Wales Reserve, and this will include any allocations to support pay awards.

Recommendation 2

The Committee recommends that the Minister continues to press the Treasury for earlier and better engagement with the Welsh Government regarding

significant funding announcements, with the aim of providing greater clarity in terms of the Welsh Government's funding position earlier in the year.

Response: Accept

We have raised with successive Chief Secretaries to the Treasury the need for greater clarity and more timely information on the implications of UK Government funding announcements for the Welsh Government Budget alongside additional budgetary flexibilities to assist with managing this uncertainty.

Together with the other devolved Finance Ministers, the Minister for Finance and Local Government has raised this at the Finance: Inter-ministerial Standing Committee (F:ISC) and has led discussions on improving the UK Supplementary Estimates process to support effective budget planning by the devolved governments.

There is currently a lack of clarity about the implications for Wales in regard to the UK Government's public sector pay awards. Whitehall departments have been asked to absorb the costs of recent awards within their existing budgets. We will not know until UK Supplementary Estimates later this year if that has been the case, and how this impacts our funding position.

The NHS Pay award in England is expected to be partly met from new funding from HM Treasury. The scale of the financial implications for the devolved governments could be significant. The Chief Secretary to the Treasury (CST) has so far been unable to provide clarification or indicate what we should assume for planning purposes in terms of consequential funding. The Minister for Finance and Local Government wrote to raise her concerns with the CST in April, and again with the Deputy First Minister for Scotland in June.

At the F:ISC on 22 June, the Minister secured agreement from the CST that he will provide an indication of the consequential funding by September.

The delay in clarity has impacts for our own spending choices and the Minister has pressed the CST for a solution similar to the Covid Guarantee so that when the UK

Government is making large sums of money available outside of fiscal events, the devolved governments have some degree of certainty about the funding available ahead of the overall UK Departmental positions being finalised at UK Supplementary Estimates.

The support of the Finance Committee in continuing to raise these issues with the UK Government is welcomed.

Recommendation 3

The Committee recommends that the Minister provides further details in future supplementary budgets regarding the consequential funding the Welsh Government receives, and this should include:

- **how soon the Welsh Government receives information regarding calculations;**
- **a view on the transparency of funding in contentious areas, such as transport and rail funding; and**
- **how the Welsh Government challenges funding decisions.**

Response: Accept

We continue to keep our budget documentation under review and in assessing the information to support supplementary budgets continue to strive to strike the right balance of proportionality.

Details of changes to our budget are published as part of each Welsh Government budget event. Where practical, further information will be provided in respect of transfers from other government departments and how these have been calculated.

When additional funding is allocated by HM Treasury outside of a fiscal event the level of consequential funding is not always immediately clear. This is because in many cases HM Treasury expects Whitehall departments to fund the activity from within existing budgets. Normally, the impact on the Welsh Government funding settlement is only confirmed at the UK Supplementary Estimate, late in the financial year once all UK Departmental positions are understood in order to finalise the devolved

governments' positions, this can only be fully confirmed at the end of the process, and needs to take account of negative, as well as positive, consequential.

The UK Government publish full details of all consequential funding in the Block Grant Transparency Report. The latest version was published in July 2023 and can be found at: [Block Grant Transparency: July 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/block-grant-transparency-report-2023)

The UK Government should provide more transparency of its funding decisions, particularly in relation to transport. In respect of rail, there are two distinct issues: the impact of schemes, like HS2, on comparability; and decisions by UK Government about England and Wales rail infrastructure investment.

In respect of how the Welsh Government challenges funding decisions, in the first instance concerns will be raised through regular engagement at official and Ministerial level. In the event that there is an insufficient resolution from this approach, the next steps are set out in the [Intergovernmental Relations Review](#).

We hope that we can work with the UK Government pragmatically through these inter-governmental relations review arrangements before needing to invoke any formal dispute resolution process.

Recommendation 4

The Committee recommends that the Minister provides as much information as possible regarding the estimated size of the Wales Reserve within future supplementary budgets, including confirmation of whether planned drawdowns have taken place or not.

Response: Accept

All Welsh Government budgets set out where funds are planned to be drawn from the Wales Reserve in respective financial years. In this supplementary budget, we provided further information setting out the latest position in respect of the balance on the Wales Reserve.

Recommendation 5

The Committee recommends that the Minister continues to press the UK Government for maximum flexibility within the Fiscal Framework to enable discretion for the Welsh Government to manage its budgets to deal with the acute pressures it faces, and that this includes removing the annual Wales Reserve drawdown limits and increasing the size of both borrowing limits and the Wales Reserve, at least in line with inflation.

Response: Accept

In January the Minister for Finance and Local Government secured the CST's agreement to increase Welsh Government's draw-down limit for 2023-24, to assist with the management of the current significant funding challenges. While this agreement was welcomed, the Welsh Government wants additional budgetary flexibilities to be in place as a matter of course so that the budget process gives us the predictability and certainty to allow us to utilise our funding in the most effective manner, to deliver the best value for money and maximise outcomes for the people of Wales.

The fiscal levers currently available to us limit our ability to respond quickly to emerging needs, leaving us dependent on decisions made by the UK Government and exposed to the impact of the timing of those decisions. The Institute for Fiscal Studies (IFS) has previously highlighted the case for enhanced reserve powers in Wales and for drawdown limits to be increased, if not abolished. It is the view of the IFS that the existing limits on the total amount that can be held in reserves should, at the very least, be indexed in some way to account for growth in devolved spending and tax revenues.

In its Interim Report, the Independent Commission on the Constitutional Future of Wales noted that the most immediate practical financial issue arises from the restrictions applied by HM Treasury to the Welsh Government's management of its budget. It noted that our ability to borrow for capital investment and to carry over capital spending between financial years, is constrained by limits set in 2016-17; any requests for flexibility are required to be put to HM Treasury on a case-by-case basis, and the

exchange in January referenced above is an example of this, which is time-consuming and resource intensive. It also stated that it is hard to see why these constraints are needed, given that the Welsh Government is accountable to the Senedd's Public Accounts Committee for its stewardship of public expenditure.

Welsh Government Ministers have long made representations to the UK Government for additional fiscal flexibilities here in Wales and the First Minister raised the specific issue of uprating the limits in the fiscal framework at last autumn's Prime Minister and Heads of Devolved Governments Council meeting. We continue to press the UK Government for additional budgetary flexibilities through the appropriate inter-governmental channels.

Recommendation 6

The Committee recommends that the Minister provides quarterly reports to explain the impact of inflationary pressures and interest rate increases on planned capital projects and the targets and outcomes expected from the Welsh Government's planned capital investment.

Response: Accept in Principle

The Minister for Finance and Local Government provided information about the general impact of inflation when publishing the Final Budget 2023-24 on 28 February and more recently provided an update on the prospects for the Welsh Government budget in her letter of 12 July. The Minister will endeavour to provide such updates whenever information is published concerning the Budget, including at Supplementary Budgets.

The Minister has also advised the Committee that at the end of the last financial year we were able to manage the capital position without needing to pause or reprogramme any of our capital investments. Nor have we made any changes to our spending plans this financial year at this point. We continue to over-programme capital budgets, which provides room for manoeuvre should certain projects be deprioritised or not delivered. As a result of consequential received in the Spring Budget and Main Estimates we have been able to reduce our capital over-programming to £61m this financial year,

which is a manageable level given the stage we are at in the annual cycle. We will continue to monitor expenditure and forecasts very closely throughout the year and any changes will be set out in a Supplementary Budget in the normal way.

Welsh Ministers continue to manage their capital spending plans within the budgets allocated during the 2021 Welsh Spending Review. Persistent inflation will clearly have an impact on what can be delivered within our overall spending plans, and portfolio Ministers will need to take decisions concerning the specific targets and outcomes associated with specific investments.

Agenda Item 2.10

Y Pwyllgor Biliau Diwygio

Reform Bill Committee

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Peredur Owen Griffiths MS
Chair, Finance Committee

23 August 2023

Dear Peredur

Scrutiny of legislation to reform the Senedd

Thank you for your letter of 3 August 2023 suggesting that we explore the potential for our Committees to work collaboratively in relation to the scrutiny of forthcoming legislation to reform the Senedd.

I agree that there is merit in exploring where there may be potential for our Committees to work together in areas of common interest, and to identify opportunities to ensure the most efficient use of the time and resources available while also recognising that our individual remits may also necessitate separate evidence sessions with some stakeholders to ensure a sufficient focus on these important issues.

I have asked the Reform Bill Committee clerk to discuss this further with the Finance Committee clerk, and will ensure that consideration of such opportunities forms part of the Reform Bill Committee's discussion of its approach to scrutiny of Senedd reform legislation.

Yours sincerely



David Rees MS
Chair, Reform Bill Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Agenda item 2.11



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/JJ/2233/23

Peredur Owen Griffiths MS
Chair
Finance Committee
Welsh Parliament
Cardiff Bay
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1 September 2023

Dear Peredur,

Thank you for the Finance Committee Report in relation to the Environment (Air Quality and Soundscapes) (Wales) Bill ("the Bill"), published on 12 July 2023.

Please see my responses to the set of recommendations within the report in Annex 1 below. I have also written today to the Chair of the Legislation, Justice and Constitution Committee and the Chair of the Climate Change, Environment and Infrastructure Committee to set out my response to their recommendations.

Yours sincerely,

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Annex 1

Response to Recommendations within the Finance Committee Report in relation to the Environment (Air Quality and Soundscapes) (Wales) Bill (“the Bill”), published on 12 July 2023

Recommendation 1

The Committee recommends that the Minister:

- **provides further details regarding any enhanced procedural control proposed in relation to regulations made under this Bill and**
- **ensures that sufficient opportunities will be provided for Senedd Committees and other stakeholders to scrutinise the financial implications of any such regulations.**

Response

While after consideration, I have decided that I will not be introducing further enhancements to the procedures that apply to Regulations made under the Bill, I am happy to provide detail on the existing enhanced procedural control mechanisms proposed.

The regulation making powers for target setting in Chapter 1 of the Bill are subject to the affirmative procedure. There are additional statutory requirements set out in the Bill if Welsh Ministers wish to make regulations revoking or lowering a target (including replacing the specified date with a later date). These are set out in sections 3(3) and (4) of the Bill. Before making such regulations, the Welsh Ministers must lay before Senedd Cymru, and publish, a statement explaining why the Welsh Ministers are satisfied in relation to the points mentioned in subsection (3)'. This provides the Senedd with an enhanced opportunity to hold Welsh Ministers to account.

I'm confident that the Committees and stakeholders will have sufficient opportunity to consider the financial implications of regulations made under the Bill. All regulations made under the Bill will be subject to appropriate consultation. A regulatory impact assessment will accompany the regulations to aid scrutiny. I trust this provides reassurances to the Committee.

Recommendation 2

The Committee recommends that the Welsh Government provides a full and robust Regulatory Impact Assessment for any regulations made as a result of this Bill and that sufficient time is provided to allow the Senedd to consider any related financial implications that will arise.

Response

I accept this recommendation. The Regulations made for the purpose of setting long-term air quality targets will be subject to appropriate consultation and scrutiny by the Senedd. Consistent with the information provided within the Explanatory Memorandum, I can confirm a Regulatory Impact Assessment will help us ensure that relevant evidence is properly gathered and open to scrutiny.

Recommendation 3

The Committee recommends that the Minister updates the Committee, at the earliest opportunity, on the possibility of the Welsh Government receiving a Barnett consequential in relation to the proposals in England to fund additional PM2.5 monitoring duties.

Response

The funding to Defra for the expansion of their PM_{2.5} network has been met from Defra's existing budget set at the UK Spending Review in 2021. This is therefore not new funding and will not result in new consequential funding for Wales. This funding would have formed part of the Welsh Government's Block Grant settlement at that time, but we do not receive information on what programmes or functions it relates to in Whitehall departments. Welsh Ministers set the Welsh Government's budget in line with the priorities and the circumstances in Wales and this is approved by the Senedd.

Recommendation 4

The Committee recommends that the Minister provides further information on the cost relating to the air quality monitoring capabilities, including the circumstances that may lead to the higher cost in this range being incurred and the likelihood of this occurring.

Response

Future compliance assessment costs associated with long-term air quality target proposals, including associated modelling and monitoring costs, are subject to the development of the specific target proposals, affordability in the context of the current cost of living crisis and Ministerial consideration. The compliance assessment costs for each pollutant-specific target proposal depend on a range of factors including:

- the pollutant;
- the purpose of a pollutant-specific target and the target metric;
- relevant assessment methods and technologies (modelling and monitoring with sufficient spatial and temporal resolution and data quality); and
- expert advice.

As the assessment of measuring progress towards each target is pollutant specific (methods and technologies), total costs will also depend on the number and type of targets set.

Plans to establish enhanced air quality monitoring across Wales for important pollutants which affect public health have been developed. A scoping review was carried out into potential locations for monitors. These locations meet existing legislative requirements for monitor siting. The final draft plans for an enhanced monitoring network for important pollutants primarily affecting public health are being finalised and will be subject to previously mentioned dependencies. The development of air quality monitoring associated with pollutants responsible for impacts on sensitive habitats and biodiversity have also been developed separately, working with the Centre for Ecology and Hydrology.

The overarching aim was to ensure plans would enable robust assessment of compliance with existing and new air quality policy ambitions, legal targets and objectives.

The lower monitoring cost estimate provided in the Explanatory Memorandum covers a PM_{2.5} expansion only. The upper monitoring cost estimate would include the ability to monitor additional pollutants primarily affecting public health PM_{2.5}, PM₁₀, NO₂ and NH₃. The upper monitoring cost would allow scope to deliver additional needs in the future and will enable monitoring to underpin future air quality targets and objectives.

Development of an air quality service has also been considered alongside the expansion of an air quality monitoring network, and the costs are as stated in the Explanatory Memorandum.

One-off Capital Spend	PM2.5	Low cost sensors	Met stations	NO2	PM10	NH3	UB - Black carbon VOCs Ultrafine particles	RB - Black carbon VOCs Ultrafine particles	AQ Service	Total
Upper cost	£7m	£2.3m	£180k	£2.2m	£2.2m	£35k	£420k	£420k		£14.8
Lower cost	£7m	£2.3m	£180k				£420k	£420k		£10.4m
Annual Revenue Spend	PM2.5	Low cost sensors	Met stations	NO2	PM10	NH3	UB - Black carbon VOCs Ultrafine particles	RB - Black carbon VOCs Ultrafine particles	AQ Service	Total
Upper cost	£1.5m	£1.7m	£30k	£1.8m		£277k	£228k	£228k	£1.9m	£7.5m
Lower cost	£1.5m	£1.7m	£30k				£228k	£228k	£1.9m	£5.5m

Recommendation 5

The Committee recommends that the Minister provides further information on the process for approving/not approving bids to the Local Air Quality Management Support Fund.

Response

Local authorities submit their bids using the Local Air Quality Management Support Fund [application form](#). The bids are assessed by a panel made up of officials from the air quality team and officials from teams outside of the directorate to ensure independent scrutiny.

The panel assessment template attached at Annex 2 has been developed using best practice guidance from the Grants Centre of Excellence. A qualitative assessment approach is used due to the range of air quality activities local authorities could undertake, in line with the grant criteria. Where the panel feels that further rationale or information is required, local authorities are given the opportunity to submit additional information which the panel considers when making a final decision. I welcome the Committee's view on this process and would consider any recommendations for improvement.

Recommendation 6

The Committee recommends the Minister provides further information on the estimated cost impact on local authorities and other stakeholders of considering and implementing a Smoke Control Area

Response

In the explanatory memorandum, we have provided estimated enforcement costs local authorities could incur and outlined our intention to support these costs through the LAQM grant. We have also provided estimated costs of communications relating to smoke control and outlined the budget through which we intend to meet these costs to ensure consistency and avoid placing burden on local authorities.

Costs associated with implementing new smoke control areas vary depending on factors such as location, population density and the number of non-compliant stoves. The smoke control guidance we have committed to develop will contain the detailed advice on the considerations and processes local authorities would be required to undertake should they chose to implement a new smoke control area. However, we will undertake a full assessment of the potential costs associated with considering and implementing smoke control areas as we develop the guidance and this will be published alongside the draft guidance for consultation.

Annex 2 – Local Air Quality Management Support Panel Assessment Form (23-24)

Purpose of grant		<p>The purpose of this grant is to support local authorities in delivery of action for local air quality management. The grant supports projects that can be delivered (costs incurred) by the end of financial year 2023 - 2024. The grant seeks to support work that falls under one or more of the following criteria:</p> <ul style="list-style-type: none"> • Prevention – action that seeks to improve air quality and prevent worsening of concentrations and/or an exceedance of legal limits. • Mitigation – action that seeks to improve air quality in an Air Quality Management Area (AQMA). • Innovation – action using innovative methods or technologies to improve air quality and/or reduce exposure. <p>Applications for funding should therefore be assessed against their ability to meet one or more of the criteria above.</p>
Members of appraisal panel		
1. Description of bid(s)		
1.1	Name of organisation:	
1.2	Description of projects:	
2. Aims and objectives		
2.1	Is there clear evidence of the need for proposed activity?	
2.2	How well do the projects meet the aims of prevention, mitigation and/or innovation?	
2.3	Are the objectives of the projects clear and measurable?	
3. Risk, issues and management		
3.1	Are there any constraints or risks? If so, are there mitigating actions that the local authority and/or WG can take to reduce these?	

3.2	Has information regarding implementation, delivery and management been provided and does it seem suitable?	
3.3	What monitoring activities will WG need to undertake for these projects?	
3.4	Are there any technical or commercial issues?	
4. Value for money		
4.1	Is the level of funding proportionate?	
4.2	Are the projects of good quality? Do the project outcomes deliver value for money?	
5. Due diligence		
5.1	Are there any risks or issues with the organisation?	
Recommendation of the panel (Date)		
(If additional information requested) Final recommendation of the panel (Date)		

Rebecca Evans MS

Minister for Finance and Local Government

11 July 2023

Dear Rebecca,

IN CONFIDENCE: One-off non-consolidated payment of £1500 to Welsh Government staff

I understand that the Welsh Government has agreed that a one-off £1500 payment will be made to Welsh Government staff in July to mitigate the impact of the continued high cost of living.

As part of our role in scrutinising the Welsh Government's budget, the Committee is seeking clarity on the total value of this payment to the Welsh Government as well as information regarding how it will be funded. We would be grateful therefore if you could provide answers to the following questions:

1. Can you clarify the total value of this payment and explain how it will be funded, including whether there will be any associated consequential funding received from the UK Government, or by other means?
2. When you appeared before the Committee on 21 June 2023 to give evidence on the First Supplementary Budget 2023-24, you said "we haven't made changes to our spending plans... because we are still quite early on in the financial year" and that "colleagues across the different MEGs will be looking to manage their spend within the envelope that they have".

Has your funding position changed since the First Supplementary Budget 2023-24 was laid in order for this payment to be made to staff, and will transfers between MEGs be necessary to cover this cost?

3. Will the funding arrangements for this payment be reflected in the Second Supplementary Budget, due later in the financial year, or have you given



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consideration to bringing forward an additional supplementary budget to cover this payment?

4. Do you expect this payment to apply to staff working in public sector bodies in Wales other than the Welsh Government? If so, how do you anticipate that being funded? As the Committee has a role in overseeing the Directly Funded Bodies, we would be particularly interested in whether the Welsh Government expects those bodies to mirror these arrangements.

As we understand that this payment is expected to be made to Welsh Government staff imminently, we would appreciate a response to these questions as a matter of urgency.

Yours sincerely,



Peredur Owen Griffiths MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.





Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS,
Chair Finance Committee,
The Senedd,
Cardiff Bay,
Cardiff
CF99 1NA

1 August 2023

Dear Peredur

I am writing in response to your letter of 11th July about the one-off non-consolidated payment of £1500 to Welsh Government staff.

While we are still determining the total cost for making these payments to Welsh Government staff, current statements from the UK Government clearly indicate that such pay awards must be managed within existing settlements for Whitehall Departments, with no consequential funding being made available for Wales.

I can confirm that our funding position has not changed since the First Supplementary Budget. Given the clear steer from the UK Government, our planning assumption remains that no additional funding will be forthcoming. Therefore, the Welsh Government is having to make very difficult decisions over reductions in planned expenditure to absorb this £1500 payment to staff from within existing budgets.

There are significant economic and fiscal challenges already identified in the current financial year and Wales' current financial settlement falls far short of what is needed to meet these challenges from existing budgets that have been eroded by a range of inflationary pressures.

Work is underway across Welsh Government to clarify all budgetary pressures, including this payment to staff, and identify savings options in order to manage the overall position. At this stage I cannot confirm whether this will mean any transfers between MEGs. All changes will be reflected in the Second Supplementary Budget which I still intend to publish in February 2024 to the usual timescale.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

All workers in public sector bodies in Wales should be fairly rewarded for the important work they do. Unfortunately, in the absence of any likelihood of sufficient UK Government funding consequential for pay settlements, funding for any pay awards will need to be managed within existing settlements. Welsh Government is having to make reductions in planned expenditure to absorb this £1500 staff payment from within its existing budget and as the First Minister made clear in his recent letter to the Llywydd in respect of the Senedd Commission we would expect our Directly Funded Bodies to take a similar approach and look to absorb the costs from current budget settlements. Any further requests for additional funding will inevitably lead to further cuts elsewhere.

My officials will of course be happy to give any specific advice to officials in our Directly Funded Bodies as needed to help them in their consideration of their organisations' budget position or to detail the funding assumptions around Welsh Government's pay awards.

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a small dot at the end.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
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7 September 2023

Dear Peredur,

I am writing to inform you that a meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 20 September in London.

The focus of the meeting will be on economic and fiscal priorities. I will be pressing the CST to provide clarity as to how public sector pay awards are being funded in England, and whether this will give rise to consequential funding for Wales. This is information I have been seeking for the last six months, and the provision of such information was a commitment arising from the last F:ISC meeting.

With the UK Autumn Statement confirmed to take place on 22 November, I will be outlining the difficulties this presents in preparing the Welsh Government draft budget, as well as the implications this has for the timing allowed for scrutiny. I will also be reiterating previous asks of the UK Government to provide the necessary support to protect public services and respond to the inflationary, pay, and other cost pressures as well as issues such as RAAC. There will also be a discussion on funding pressures and budget flexibilities.

We will also have an item on energy security, building on discussions at the last F:ISC with a focus on the role of network and grid infrastructure, as well as priorities for investment in emerging renewable technologies.

Further to an action from the last meeting, Ministers will be asked to agree the revised F:ISC Terms of Reference and Operating Procedures which officials have been reviewing over the summer.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I will also be holding a bilateral meeting with the Chief Secretary to the Treasury to discuss Wales-specific spending pressures and the economic outlook, as well as support for industrial communities.

I will report to the Committee on the outcome of the meeting.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol

Minister for Finance and Local Government

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Peredur Owen Griffiths MS
Chair, Finance Committee
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Reference: AC377/caf

Date issued: 3 August 2023

Dear Peredur

Notification of audit deadline position

I write further to your letter of 17 July 2023 regarding the Committee's recommendation that I notify you when I am unable to complete the audit of specified bodies within the agreed timeframe.

I now notify you of two audits which have not been completed within the applicable framework.

Name of body	Betsi Cadwaladr University Health Board
Audit year	2022-23
Initial 'deadline'	31 July 2023
Commentary on delay	<p>My audit team identified a range of errors and deficiencies in several versions of the draft accounts presented for audit.</p> <p>These issues have resulted in my audit team not being provided with complete and accurate information on a timely basis to complete my audit by the specified deadline.</p>

Name of body	Betsi Cadwaladr University Health Board
Current expected completion	I currently expect to receive the outstanding information from the Health Board in time to complete my audit by end-August 2023.

Name of body	Amgueddfa Cymru
Audit year	2021-22
Initial 'deadline'	31 January 2023
Commentary on delay	Delay relates to ongoing enquiries into payments disclosed in the 21-22 accounts. I am currently awaiting observations from key parties on a potential report on the accounts and possible modifications of my audit certificate.
Current expected completion	30 September 2023

I am happy to continue to update you on the progress with these audits, including whether any further delays arise beyond those anticipated above.

I am copying this letter to Mark Isherwood MS, Chair of the Public Accounts and Public Administration Committee.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

cc: Mark Isherwood MS, Chair, Public Accounts and Public Administration Committee

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Llywodraeth Cymru
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8 September 2023

Dear Peredur,

Evidence papers supporting the 2024-25 Draft Budget

Following our constructive meeting and my subsequent response to your letter dated 23rd June regarding Senedd Committees' comments on Ministers' Draft Budget evidence papers, we agreed for our officials to work together to produce a template for the evidence papers.

I am keen for this to continue over the coming weeks as we enter the next Budget setting process. It would be helpful to move forward with these discussions with a clear indication from the Committee on what you would anticipate as essential for inclusion in ministerial evidence papers. Any proposals you might make should apply to all Main Expenditure Groups (MEGs) rather than focusing on issues relating to a single Minister's spending plans, and I would be grateful if the Finance Committee would provide a single list of proposals on behalf of all Committees.

In previous years, the themes appearing in the Committees' requests have included requests for Ministers to provide information relating to the common themes of affordability, prioritisation, value for money and budget processes.

All proposals provided by the Finance Committee will be considered carefully, and I would envisage that any proposals we agree, and which Ministers are able to implement in the time available, will be included in the single template used to present the written evidence.

It is necessary to acknowledge the particularly difficult circumstances in which we are setting the upcoming Budget. In proposing themes, you may wish to consider how a

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

template can work in all years and not only for in a single year when the economic circumstances are especially challenging.

This year, it is necessary to emphasise how the circumstances influencing the preparation of the Draft Budget are likely to make it impossible for individual Ministers to provide the specific details relating to each MEG requested in previous years. In the time available, Ministers' evidence is likely to focus on explaining any changes from previously published and scrutinised spending plans. As a result, I anticipate Ministers providing any MEG-specific detail in their answers to any questions posed when they attend the Committees in January.

While I am unable to confirm when Ministers will provide their evidence papers to the Committees, I shall confirm this as soon as I am able to do so.

I remain grateful for the Finance Committee's continuing input as we work together to improve the presentation of the Draft Budget and its scrutiny. In this regard, I would like to repeat my offer for the Senedd Committees with responsibility for scrutinising the Draft Budget to receive the technical briefing that has, hitherto, only been provided to the clerking team.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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Welsh Government

Ein cyf/Our ref: RE-252-2023

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20 July 2023

Dear Peredur,

Timetable for the 2024-25 budget

I have noted your letter to Business Committee, dated 7th July, which provides the Finance Committee's views on the proposed timetable for the 2024-25 budget.

I wanted to start by reaffirming Welsh Government's commitment to providing sufficient scrutiny to the Senedd, recognising this needs to be balanced proportionally to the time needed by Welsh Government to produce its budget. It is deeply unfortunate that yet again the timing of the UK government's autumn fiscal event disrespects us both and required the triggering of exceptional circumstances in the budget protocol impacting both our ability to produce the budget and the time for scrutiny.

I appreciate that the difficulties in devising a budget timetable when learning details of our final budget settlement at such a late stage are well-rehearsed. I do not propose to repeat these issues in detail, but I think it would be helpful if I were to address some of the specific issues in your letter.

Clearly, there is insufficient time available following a UK government fiscal event in late-Autumn to ensure we can effectively undertake our budget preparations and provide an appropriate level of detail in our budget documentation, while also ensuring the maximum available time for scrutiny in the Senedd. The arrangements we have proposed for the 2024-25 budget, as for other recent years, are intended to make the best use of the time available.

Exceptional procedures have become the norm and, as a result, both ministers responsible for preparing a budget on behalf of the people of Wales and those charged with scrutinising our spending plans have been obliged to work under constrained timescales.

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The recognition given by Ministers in recognising the value of the engagement and scrutiny process, which has an important role in shaping and testing our spending plans, should not be underestimated. Once again, the 2024-25 budget timetable will provide more time for scrutiny than for Ministers to prepare detailed spending plans and supporting information for a draft budget totalling more than £25bn. I am sure you would agree it would be beneficial, whenever circumstances allow, to allow sufficient time for the draft budget to be prepared to ensure it can best deliver Value for Money for the people of Wales.

You have suggested that only learning the level of our budget settlement late in the Autumn is not a compelling reason to delay the publication of the Welsh Government's draft budget, nor that it is not the only prudent choice available to the Welsh Government. Furthermore, you do not consider the impact of unrestrained inflationary pressures and the ongoing cost of living crisis to be sufficient reasons for the draft budget to be deferred until after the UK government's Autumn fiscal event.

I cannot agree that any government would consider it prudent to publish a draft budget, in October, under such circumstances. Published allocations would be out of date following the Chancellor's announcement, later in the Autumn, and would be subject to a further three months of inflationary pressures. This would make it impossible for ministers or our stakeholders and delivery partners to have sufficient confidence in the published draft figures for any definite plans to be made. Similarly, scrutiny of the draft budget is intended to help shape and inform the final budget published in December. If the draft budget figures needed significant revisions at final budget, which is highly likely in this context, it would limit the ability of the Senedd to scrutinise these changes. In opting for a later publication date, we are offering certainty and transparency on our plans.

I am of course committed to working with the Committee in advance of publication to consider what certainty I am able to provide in the spirit of our ongoing constructive discussions.

I would also like to take this opportunity to make clear the Welsh Government's support for the two-stage budget process set out in the Protocol. I recognise the benefits in the Finance Committee focusing on the over-arching strategic budget allocations and their engagement with stakeholders, with other committees focusing on individual ministers' spending plans. I look forward to this process resuming if the UK government reverts to confirming our budget settlement on an earlier date. There is, however, one small benefit to the portfolio committees in that the detailed draft budget has been published almost three weeks earlier would otherwise have been the case, albeit with those three additional weeks comprising the Christmas recess.

In closing, I affirm my commitment to reconsider the publication dates of the draft budget if the Chancellor's announcement regarding the dates of an autumn fiscal event provides sufficient time to allow additional time for its preparation and scrutiny.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Peredur Owen Griffiths MS
Chair, Finance Committee

2 August 2023

Budget timetable 2024–25 and budget procedures

Dear Peredur,

Thank you for your response of 7 July regarding the proposed timetable for the 2024–25 budget. Business Committee noted your concerns on the timetable at its meeting on 11 July.

We note that the Welsh Government is again proposing to deviate from the Budget Process Protocol agreed upon on a cross-party basis between the Senedd and the Government in 2017. We are also aware of the general concerns expressed by a number of committee chairs regarding the timescales for budget scrutiny in recent years, particularly as it falls over the Christmas recess period, and the difficulties for scrutiny that this can create.

The Trefnydd confirmed that these issues have arisen again this year due to uncertainty surrounding the timing of the UK Government's autumn fiscal event. The Trefnydd also informed us that the Minister for Finance and Local Government intends to respond to a number of your concerns in writing.

While we share your apprehensions, Business Committee agreed the proposed timetable, taking into consideration the Trefnydd's willingness to reassess the publication dates of the draft budget if the Chancellor's announcement regarding



the autumn fiscal event is sufficiently early to allow additional time for preparation and scrutiny.

Given your observation questioning the Welsh Government's ongoing commitment to the aforementioned Protocol, the Business Committee resolved to invite the Finance Committee to consider whether it now wishes review the continued suitability of the budget protocol and related procedures in light of the experience of recent years.

Thank you for your attention to this matter. We look forward to further engagement and dialogue on these important issues.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elin', is positioned below the closing text.

Rt. Hon Elin Jones MS

Y Llywydd and Chair of the Business Committee

cc. Rebecca Evans MS, Minister for Finance and Local Government



Peredur Owen Griffiths MS
Chair, Finance Committee

4 July 2023

Budget timetable 2024–25

Dear Peredur,

As required by Standing Order 20.2, the Business Committee has been formally notified that the Government intends to publish the outline and detailed proposals of the 2024–25 Draft Budget together on 12 December 2023, at the latest, and to publish the final Budget on 27 February 2024. I am writing to seek the views of the Finance Committee on the proposed deadline for you to report on the Draft Budget, as required by Standing Order 20.4.

Standing Order 20.5(i) states that the Finance Committee must normally be given eight weeks to report on the outline budget proposals, while Standing Order 20.5(ii) requires that other committees have at least five weeks to consider the detailed budget proposals, within the timeframe set by the above dates notified to us by the Government.

The Trefnydd has indicated that the Government intends to schedule the debate on the Draft Budget on Tuesday 6 February 2024. This would require the Finance Committee and other committees to report on or before Monday 5 February 2024, which would provide seven weeks and four days, comprising four sitting weeks, for scrutiny of both the outline and detailed Draft Budget proposals.



In her letter, the Trefnydd indicated that there was once again uncertainty this year regarding the date of the UK Government fiscal event and that, therefore, the Welsh Government will provide a firm timetable as soon as possible after the UK Government has made an announcement regarding its Budget.

I would be grateful for your views on the proposed timetable to enable the Business Committee to publish the timetable for the consideration of the budget.

Yours sincerely,



Rt. Hon Elin Jones MS

Y Llywydd and Chair of the Business Committee



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9 August 2023

Proposing changes to the Budget Business Protocol

Thank you for copying me into your letter to the chair of the Finance Committee, dated 2 August, which addresses the budget timetable and invites the Finance Committee to consider whether it now wishes review the continued suitability of the budget protocol and related procedures following the experience of recent years.

I have been discussing the need for changes to the Protocol with the chair of the Finance Committee for some time. The Finance Committee proposed several changes, which I have been pleased to agree, and I have proposed further changes I believe may ameliorate the difficulties arising in years when the UK government only confirms our budget settlement late in the autumn term.

I have attached a copy of my letter to the Finance Committee chair, dated 20th July, which both responds to the issues raised by the Finance Committee and includes my own suggestions.

I will not repeat the issues set out in that letter here, but I feel I should address the description of the Welsh Government's approach to devising our budget timetables.

It is not the case, as suggested in your letter, that the Welsh Government has sought to 'deviate' from the Protocol. The Protocol acknowledges there would be circumstances when the 'ideal' amount of scrutiny time will not be possible (Para 7). Further than that, Paragraph 8 recognises that, "The Finance Committee and Welsh Government recognise that in some years, due to circumstances beyond the Welsh Government's control, it may not be possible to allow eight weeks, and flexibility may be required, but there will never be less than five weeks for scrutiny of the outline and detailed budget proposals". Since the move to UK

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fiscal events late in the autumn term, Welsh Ministers have always sought to provide the maximum available time for scrutiny.

The Protocol also makes provision for years when we do not know our budget settlement until the autumn term. Paragraph 11 provides that ‘a budget/financial year will not be “normal” when there is significant uncertainty in respect of the Welsh Government’s future financial position.’ This has clearly applied since the move to UK government fiscal events in the autumn term. As a result, Ministers are not diverting from the Protocol but using its sensible provisions to respond to the circumstances in which we find ourselves.

I must also address the Finance Committee’s doubts regarding the Welsh Government’s on-going commitment to the Protocol. This suggestion fails to reflect Welsh Ministers’ extraordinary efforts in publishing the Draft Budget less than 4 weeks after learning details of our settlement, which was never originally intended to become the norm. Nor does it acknowledge my willingness to discuss the Protocol with the Finance Committee chair to find a workable solution for both sides – a commitment I have said I am happy to pursue ahead of the next Budget period and which aligns to the next spending review period.

Welsh Ministers are committed to seeking agreement on changes to the Protocol that will ensure a proportionate balance between the time available for the preparation and presentation of the Welsh Government’s spending plans and the scrutiny of them.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE- 251-2023

Peredur Owen Griffiths MS
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20 July 2023

Dear Peredur,

Proposed Changes to the Budget Protocol

Thank you for your letter regarding a review of the current Budget Protocol and setting out possible changes to be made. Our officials have held a series of constructive meetings to discuss whether we can agree any of the changes you have proposed before we begin the preparations for Draft Budget 2024-25.

As we discussed in our meeting on 20th June, I am content to agree to all the changes you have proposed, including formalising our current pre-Budget scrutiny arrangements, apart from the proposals to exclude recess weeks for Budget scrutiny (Para 10) and any commitment to publish within 4 weeks of a UK government fiscal event (Para 12).

I welcome our positive discussions on these two issues and acknowledge the constructive approach you have taken in recognising the impact only learning details of our budget settlement during the autumn term causes for the preparation of the Draft Budget and its scrutiny. I am certain we can find a flexible solution to enable the best use of the time available for our Budget processes rather than simply imposing a limit of four weeks. It is difficult to understand the proportionality in arguing that Committees require more than double the amount of time to scrutinise spending plans than for Ministers to prepare them. I would welcome some further consideration of this proposal.

These difficulties are well-rehearsed, with their resolution being dependent upon the timing of the UK government's autumn fiscal event, and proposals for changes to our Budget timetable may be considered best as part of longer-term work on Senedd Reform. I would like to reiterate this is the primary reason we have needed to trigger the exceptional circumstances in the budget protocol impacting both our ability to produce the budget and the time for scrutiny.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am confident we will be able to achieve compromises regarding the exceptions I have outlined. However, I am not confident these could be agreed quickly and without proper analysis of the implications on the delivery of Budgets.

My main considerations moving forward are how we ensure proportionality between the time available for Budget production and Budget scrutiny, ensuring the most efficient use of resources during Budget preparations, and ensuring the flexibility needed in the Protocol to respond to challenges outside of our control. I would not wish to make any further changes without first considering how they impact on these three key concerns.

There were two further proposals where we agreed it was likely we would be able to reach agreement if the wording in your initial proposals were to be clarified. These relate to ministerial attendance in pre-Budget scrutiny committees (Para 5B); and to commitments for the Welsh Government to publish more than two supplementary Budgets within a financial year (Para 34 and Para 40).

You indicated that the Committee's intention had been simply to recognise our current practice where I, as Finance Minister, have been pleased to attend the Finance Committee to support the Committee's Pre-Budget scrutiny. You explained that the Committee had not intended to propose that other Ministers should attend the relevant subject committees for a similar purpose. I have suggested some revised wording below for the Committee to consider.

Pre-budget scrutiny – Paragraph 5B.

In years when the publication of the Draft Budget is delayed, it is expected that the ~~Welsh Government~~ Finance Minister will attend pre-budget Committee scrutiny sessions, if requested to do so by Finance Committee. ~~It is not expected that the Welsh Government will be asked to provide evidence nor attend this session.~~

A second suggestion for alternative wording relates to the Committee's request for the Welsh Government to publish a third Supplementary Budget in years where 'exceptional circumstances' arise. We agreed that while the term 'exceptional circumstances' had not been properly defined, the additional third supplementary budget for Covid allocations demonstrated how the current arrangements provide the Welsh Government with the flexibility to publish more than two Supplementary Budgets, in years where Ministers consider them to be necessary. Proposed new wording for paragraphs 34 and 40 is shown below.

Para 34 – Supplementary Budgets

To ensure transparency of in-year financial movements, the ~~The~~ Welsh Government will ~~continue to~~ lay two supplementary budgets a year ~~(or more in an "exceptional year")~~, subject to the following two paragraphs. The Welsh Government retains the flexibility to publish an additional supplementary budget should it decide to do so.

Para 40 – Supplementary Budgets

Any change to the required resources of these direct funded bodies is dependent on the Welsh Government moving a supplementary budget motion. ~~Under the revised arrangements, this continues to be the case as changes to the budget motion only apply to the Welsh Government.~~ As set out in paragraph 26, the Welsh Government is committed to providing ~~at least the same frequency of~~ two supplementary budgets each financial year as ~~previously provided.~~ The Welsh Government ~~undertakes therefore to continue to~~ will liaise regularly with the direct funded bodies and to seek to accommodate their in-year financial requirements through the supplementary budget process. Any proposal to vary the frequency of supplementary budgets will take into account the requirements of direct funded bodies.

When we met on 20th June, I indicated I would propose some further changes to the Protocol, which are intended to confirm and strengthen our Budget arrangements in years where we are unable to publish a Draft Budget until later in the autumn term. I should be grateful if the Committee could consider the proposals set out in the table below as part of any revisions that we may agree to the current version of the Budget Protocol.

Proposed Change	Welsh Government position
<p><i>Recognising the role of Finance Minister and Committee during scrutiny in the Protocol and Standing Orders</i></p> <p><i>Insert as new paragraph 25 within the 'Budget Scrutiny' sub-heading</i></p> <p><u>Proposed wording</u></p> <p>The Finance Committee's scrutiny of the finance minister will focus on the Finance Minister's over-arching strategic responsibility for allocating overall MEG budgets. The Finance Committee will recognise that scrutiny of allocations for individual policies and programmes falls more properly to the Senedd 'subject' committees, with questions being put to the appropriate portfolio minister.</p>	<p>The Protocol and subsequent revisions to Standing Orders reflected the distinction between an outline draft Budget (Stage 1) and detailed, departmental spending plans (Stage 2).</p> <p>While these two stages have been published together in recent years, the distinction between the outline and strategic responsibilities of the finance minister and the more detailed departmental spending responsibilities of portfolio Ministers remains.</p> <p>The Chair of the Finance Committee has recognised how a number of specific portfolio issues have been raised in previous Finance Committee Budget scrutiny sessions, despite them more properly being put to the relevant portfolio Ministers. The Chair has indicated he will not allow specific portfolio questions in future.</p>
<p><i>Insert new paragraph before Para 9.</i></p> <p>The Trefnydd must notify the Business Committee of the dates on which the outline and Detailed Draft Budgets will be laid, and the Annual Budget Motion will be tabled at least two weeks before the summer recess in each year. In years where the UK government has indicated it does not intend to inform the Welsh Government about the level of the Budget Settlement until the Autumn, the Trefnydd will advise the Business Committee that these dates will not be made public until the date of the UK government's Autumn fiscal event has been made public.</p>	<p>Over recent years, the Trefnydd's letter to Business Committee has proposed dates but has indicated they are subject to change. This has resulted in uncertainty caused by the lack of clarity from the UK government. Finance Ministers have had to write to the Business and Finance Committees to seek the Committees' forbearance in regard to the planned dates changing.</p> <p>Changing the date by which the Trefnydd must notify the Business Committee better reflects the impact of the UK government's decisions.</p> <p>This may require a change to SO20.2 and SO 20.3.</p>

Proposed Change	Welsh Government position
<p><i>Insert new paragraph after Para 11</i></p> <p>Draft Budgets published in years where there has been a spending review will differ from the Draft Budgets published for the later years of a multi-year period. It is acknowledged that the first Draft Budget published following a spending review will include more detail than the later years reflecting that published plans will have already been made with draft budgets post the Spending Review reflecting changes to these more detailed plans.</p>	<p>Scrutiny of the first budget of a new multi-year period will necessarily require the Welsh Government to provide more information than Budgets in the later years of a spending review period. It is necessary to recognise the distinction between these fiscal events.</p> <p>Acknowledging it is unnecessary to repeat the presentation of information from the first year will facilitate the presentation of information in the later years within the timescales imposed by late UK government announcements regarding our Budget settlement.</p>
<p><i>Insert new paragraph</i></p> <p>Insert as new paragraph 23 within the 'Budget Scrutiny' sub-heading</p> <p>Ministers will provide written evidence to Senedd committees in support of their Draft Budget spending plans. Ministers will aim to provide the English version of each paper within a week of the Draft Budget being published and, where the timetable permits, at least two weeks prior to the committee meeting. The Welsh versions of the papers will be provided at least two working days prior to the Committee meeting. <i>Neither the Senedd Committees nor the Welsh Government will publish papers until the Welsh versions have been provided to comply with the Welsh Government's statutory commitments to publish information bilingually.</i></p>	<p>The proposal seeks an acknowledgement regarding the time it takes to produce this information and reflects the current agreement reached between the Committees and Ministers.</p> <p>Ministers are committed to providing information to support scrutiny of the Draft Budget bilingually. However, preparation of the evidence papers is a task they must defer until they have provided their contributions to published budget documentation.</p>

I wrote to you on 15th June to support the Committee's proposal in respect of changes to the Statement of Principle governing the scrutiny of funding allocated to Directly Funded Bodies.

I am also keen to explore changes to allow the Senedd to approve the Welsh Rates of Income Tax (WRIT) rate resolution motion in advance of the day on which the Annual Budget Motion is considered. This is a practical arrangement to allow time, should it be

required, for the WRIT rate resolution motion to be withdrawn, changed and re-tabled before the Annual Budget Motion is approved.

I would suggest that following further discussions we should seek to make the changes to the Protocol and Standing Orders outlined above as a single, consolidated package of changes rather than seeking Senedd approval in a more piecemeal manner.

I welcome the constructive discussions that have already taken place regarding the collected proposals for changes to the Protocol and our Budget process. I believe it is important that we should continue to review this position over the coming Budget period and maintain a dialogue which aligns to the next Spending Review period.

Documentation accompanying the Welsh Government's Draft Budget

In taking these matters forward, Ministers will consider the issues you have raised in your letter dated 23rd June, in which you reported comments from the Senedd Committees' regarding the timeliness and transparency of written material provided by Welsh Ministers in support of our spending plans.

Turning to the comments from the Committees, we agreed in our discussions on the Protocol how the UK government's move to only confirm details of our budget settlement late in the autumn term impacts not only on scrutiny but has at least as significant an impact on the time available to Ministers to prepare budgetary information. In this context, I would like to address some of the issues you have raised relating to the timeliness of the information we provide.

Firstly, the dates on which Ministers can provide written evidence to the Senedd Committees: some Committees have expressed disappointment that the evidence was not provided on the dates set out in the initial requests for evidence. While Ministers understand the Committees' desire to receive the evidence at the earliest opportunity and do all they can to fulfil these aspirations, it is rarely possible for Ministers to provide the evidence in the day or two following the Draft Budget's publication, particularly bilingually, due to their focus having necessarily been on completing their spending plans. If this has not been possible, Welsh Government officials have at the earliest opportunity contacted the Committees' clerking teams consistently to agree the soonest possible alternative, later, dates for the provision of the evidence.

The ability of Ministers to have an open relationship with committees and identify where evidence cannot be produced in the timeframe provided is an indication of how important Ministers regard the scrutiny of spending plans. If the renegotiation of dates for submission is not an option for Ministers, again I would ask we consider a proportionate amount of time is allotted in the first instance to enable the officials the time to produce high quality evidence for the Committees.

It is worth noting that Committees do not need to wait for evidence papers to be published to begin scrutinising the Draft Budget. Ministers agreed to publish BEL tables at the Committees' request to supplement the detail Committees believed necessary to scrutinise the Draft Budget properly. Publishing the tables enables Committees to analyse the BEL tables they requested without having to wait for spending allocations to be explained in Ministers' evidence papers.

I have also considered the Committees' comments relating to the content of Ministers' evidence papers. In this respect, it may be helpful if our officials were to work together to produce a template for the evidence papers, which could draw on the previous examples of good practice to which some of the Committees have referred. It may also be helpful if the

Senedd Committees with responsibility for scrutinising the Draft Budget were to receive the technical briefing that has, hitherto, only been provided to the clerking team. My officials would be pleased to arrange this.

Secondly, I recognise the Finance Committee's comments regarding the Welsh Government responses to Committee reports on the Draft Budget not being made available sufficiently in advance of the Final Budget debate. The First Minister's commitment to Members was for the responses to be provided by the day prior to the debate on the Final Budget, at the latest. Our aim remains to deliver the bilingual responses before close of play on the day before the Final Budget debate and Ministers will make every effort to achieve this objective during the 2024-25 Budget process.

Some Committees have suggested the Welsh Government could do more to explain the differences between the Draft and Final Budget ahead of the Final Budget debate. It has long been our practice to publish specific and full details of changes between the Draft and Final Budgets in a chapter of the Final Budget Explanatory Note, which is published a week prior to the debate on the Annual Budget Motion. There would be insufficient time available for Ministers to write to Committees to repeat these details and I do not believe there would be any practical benefit to Committees if Ministers were to do so.

Welsh Ministers are, however, committed to exploring how changes could be made to the way in which information is presented alongside the Draft Budget. I have asked my officials to brief Cabinet colleagues on the recommendations brought forward in your most recent letter and will seek out opportunities for improvements. On that basis, I look forward to continuing discussions as part of our on-going conversations regarding the Budget Protocol and our Budget processes.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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