

WELSH GOVERNMENT RESPONSE TO CONCLUSIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT SECOND SUPPLEMENTARY BUDGET 2018-19

Recommendation 1

The Committee recommends that the Welsh Government provides a comprehensive objective setting plan as to how it intends to deliver the requirements of the Well-being of Future Generations (Wales) Act 2015, in terms of budgeting, by the end of this Assembly.

Response: Accept in principle

We are committed to embedding the Well-being of Future Generations (Wales) Act 2015 in the budget process and we welcome that the Committee has recognised the positive steps we have already taken towards this ambition.

Embedding the Act is an ongoing process. The UK Government's austerity agenda and ongoing uncertainty regarding Brexit are impacting on our ability to develop longer-term plans. Nevertheless, as we prepare for the UK Government's forthcoming Spending Review, with little information currently regarding its scope and outlook, we are committed to reflecting the requirements of the Act as we plan for the immediate future but also the longer-term.

We are working with the Future Generations Commissioner and her team to explore how we can take further steps to reflect the Act in our budget process and decision-making. I will continue to keep the Committee updated on our progress in this area.

Recommendation 2

The Committee recommends that the Welsh Government reviews the content

of its future supplementary budget information with a view to aligning its narrative more closely with draft and final budgets.

Response: Accept in principle

Supplementary budgets are primarily a vehicle to codify changes required as a result of in-year financial management. They build on the plans set out in the draft and final budgets, but with a greater focus on the pressures and opportunities that have arisen during the year. Many of the changes included in supplementary budgets have been agreed in-year by individual Ministers or are as a consequence of allocations made in previous budgets.

We continually review the information provided to support the supplementary budget motion. Going forward, we will look to provide a more comprehensive narrative for significant allocations from reserves in supplementary budgets.

Recommendation 3

The Committee recommends that the Welsh Government includes information on the overall level of the Wales reserve in all its budget narratives.

Response: Accept

The Welsh Government provides information on the overall level of the Wales Reserve in its budget documentation. We will continue to do this in future, with additional narrative whenever possible, to ensure we maintain appropriate transparency. The published outline draft Budget narrative for 2019-20 has a dedicated section on the Wales Reserve that provided a clear explanation of its purpose and a description of our intentions for the reserve in future.

All budgets provide details of the unallocated resources held for the year and any planned drawings from the Wales Reserve.

This is the first year of operation of the Wales Reserve, therefore, we are also considering what should be reported as part of our report on outturn to the Finance Committee following publication of our accounts.

Recommendation 4

The Committee recommends that financial planning accounts for predictable spend on Winter Pressures as early as possible in the budgeting process.

Response: Accept

NHS organisations are expected to incorporate their winter plans into the Integrated Medium Term Plans and Operational Plans submitted to Welsh Government prior to the start of the financial year, funded from their core revenue allocations. In recognition of the extreme pressures that services have experienced in recent years, Welsh Government has made additional funding available in-year to support enhancements to the core plans.

As we move forward with implementing the vision we set out in *A Healthier Wales*, we would expect organisations to end their reliance on in-year financial support to maintain core service provision. Welsh Government will retain the option to make additional funding available in-year where appropriate, but in future financial years we would expect this to support transformative changes to the way health and social care services respond to winter pressures, including an increasing emphasis on admission avoidance and rapid discharge.

Recommendation 5

The Committee is concerned about the level of funding being committed to a project when so much uncertainty exists and recommends that the Welsh Government provides additional details on the planning for the M4. The Committee would welcome clarity over whether the additional funding would

have been needed had a decision been made at the time it was originally intended in December 2018, and how much additional money may need to be committed before a decision is taken.

Response: Accept

Expenditure on development of the M4 Project to date, to inform the statutory decision making process, has been proportionate to that for other infrastructure projects.

There are statutory planning, design and environmental activities required to inform decision making on whether to proceed with an infrastructure project through statutory consenting and to then be able to move efficiently to construction. For example, ecological survey data must be continuous for a number of years prior to construction. If this activity was halted between the Inquiry and the decision, survey data would be incomplete and, if the decision were taken to proceed, construction would be significantly delayed, whilst the required entire survey data period is collected.

Had a decision been taken earlier in the financial year not to make the Statutory Orders, some activities could have been cancelled. However, the value of these activities would not be significant. Final 2018-19 expenditure on the M4 Project is anticipated to be around £25m rather than the £27.8m forecast at the time of the Committee review. This is due to some activities being pushed back where it was possible to do so until any decision is made to proceed.

Expenditure on activities for financial year 2019-20 to inform a potential final investment decision is currently under review and will, of course, be largely dependent on the outcome of the statutory decision-making process.

Recommendation 6

The Committee recognises that a decision is yet to take place on whether to

proceed with the M4 relief road, but if the intention is to progress the scheme, would recommend that the Minister for Finance and the First Minister commence discussions on a long term financing plan for the M4 relief road.

Response: Accept

The report on the M4 project, prepared by the Independent Inspector following the Public Inquiry, as well as the technical advice that officials have prepared, has now been received by the First Minister. There will be a period of consideration required and time will be given to pursue any questions arising from the initial advice.

No allocation of funding will be made until after the outcome of the statutory process and confirmation of the anticipated expenditure profile.

Recommendation 7

The Committee recommends that the Welsh Government provides an update to the Committee on the outcome of the voluntary exit scheme, which includes how the funding was utilised, how many people exited the organisation, how many Brexit posts were created and what savings were/will be achieved.

Response: Accept

The 2018-19 voluntary exit scheme has not yet concluded and, as such, it is too early to provide definitive figures for the number of leavers, costs or savings. However, early indications are that costs will be well within the £9.5m budget allocated in the second supplementary budget.

Savings are expressed as a payback period. This is the total cost of an exit divided by the monthly pay cost of the exiting member of staff. We expect savings from the 2018-19 scheme to be within the payback range of 10 to 14 months. This is

comparable to the levels of savings achieved from schemes in the previous few years.

Staff exit costs for 2018-19 will be disclosed in the Welsh Government's annual accounts.

The voluntary early severance scheme was designed primarily to reduce the size of the Welsh Government's workforce to enable it to contain its costs within budget. The scheme also sought to create space within the workforce to enable the Welsh Government to recruit staff with new skills and experience to help manage Brexit both during transition and beyond. The extent to which the voluntary early severance scheme has achieved capacity to manage the challenges of Brexit will be reviewed once the scheme has concluded and the costs and savings have been calculated.

Recommendation 8

The Committee recommends that in future budgets the Welsh Government provides as full a narrative as possible on its activities relating to the UK's exit from the EU.

Response: Accept

Managing the UK's exit from the EU is central to the Welsh Government's planning in all areas of activity. While some activities are entirely focused on our preparation for leaving, all our planning activities, across government, will need to take account of the impacts we will face. There is still significant uncertainty about the kind of Brexit which will happen. Whatever the form of Brexit, the UK leaving the EU will cause disruption. That is why, as a responsible government, we will continue to plan for all possible outcomes and we will aim to provide as full a narrative as possible on these activities in future budgets.