

CYPE(5)-03-16 – Paper 5 – to note

18 July 2016

Dear Committee Chairs

Welsh Government Draft Budget 2017–18

At our meeting on the 14 July, the Finance Committee agreed the approach to the budget scrutiny. I am writing to all the Chairs of subject committees to share our thinking, and to encourage your committees to consider how they can contribute to deliver the most coherent and effective scrutiny of the Government's spending plans.

Budget focus

In the fourth Assembly all Committees agreed to adopt a co-ordinated approach to budget scrutiny, based on the performance and outcomes to be achieved with the resources available, and priorities identified by the wider public (based on feedback from engagement).

This approach centred on the four principles of financial scrutiny: affordability, prioritisation, value for money and process. These principles were used as the basis for all Committee briefings, evidence sessions and reports. The principles are:

- **Affordability** – to look at the big picture of total revenue and expenditure, and whether these are appropriately balanced;
- **Prioritisation** – whether the division of allocations between different sectors/programmes is justifiable and coherent;
- **Value for money** – Essentially, are public bodies spending their allocations well – economy, efficiency and effectiveness (i.e.) outcomes; and
- **Budget processes** – are they effective and accessible and whether there is integration between corporate and service planning and performance and financial management.

We have identified a number of areas which we would like to see the focus of the scrutiny, these are:



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- *Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)*
- *Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population*
- *Sustainability of public services, innovation and service transformation*
- *Local health board financial arrangements*
- *Preparation for the UK to leave the EU*
- *Low carbon budgeting and preparing for the Future Generations Act*
- *Preparation for the impact of further devolution included with the Wales Bill*
- *Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced*
- *Scrutiny of Welsh language, equalities and sustainability*

We would encourage you to use some of these areas as the focus for your budget scrutiny.

Draft budget consultation

As has been the previous practice are consulting over the summer recess. Additionally, we intend to have a form of 'social media conversation' when the draft budget has been published, which will enable stakeholders to feed in additional views on the actual figures published within the draft budget. We invite you to direct your stakeholders to our consultation.



Timetable

As you will be aware by now the dates for the draft budget have been agreed and are:

- Draft Budget Laid – 18 October
- Deadline for Finance Committee to Report – 29 November (5 sitting weeks/6 weeks in total)
- *Debate on the Draft Budget – 6 December*
- Annual Budget Motion tabled – 20 December

We would request that in accordance with Standing order 20.10, should your Committee report on the budget, it would be helpful to have your response by Friday 18 November.

Finally, if you have any questions about any aspect of the draft budget process, please feel free to contact me or the Clerk to the Finance Committee, Bethan Davies, 0300 200 6372, Bethan.Davies@assembly.Wales

Yours sincerely



Simon Thomas

Chair

