

Rebecca Evans MS
Minister for Finance and Local Government

11 December 2023

Review of the Budget Process Protocol

Dear Rebecca,

Thank you for your letters of 20 July and 9 August relating to proposed changes to the Budget Process Protocol ('the Protocol'). The Committee considered your proposals on 13 September and 9 November, and our views are summarised below.

Views on the changes proposed

I welcome the agreement reached between us on certain revisions to the Protocol and have summarised these as an annex to this letter for completeness. We wish to draw your attention to a small adjustment to new paragraph 5A, which would allow discretion for the Committee's budget priorities debate to take place at a time other than before the summer recess each year. Although there are benefits to keeping to the established timescale of holding the debate in the last week of the summer term, there may be exceptional instances where a later debate would be desirable and this small change aims to provide that flexibility.

In relation to the additional changes suggested in your letter of 20 July, the Committee felt unable to support the proposals put forward as they risk making the Protocol overly prescriptive, and our views are explained below:

Informing Business Committee of Draft Budget dates (insert as new paragraph before Paragraph 9)

The Committee is not persuaded by the proposal to remove the requirement placed on the Trefnydd to notify Business Committee of the budget timetable dates before the summer recess. Although we appreciate the difficulties caused in setting a timetable at this time when the date of the UK

Government's Autumn fiscal event is not known, the Committee believes that setting a provisional timetable that is subject to change, whilst not ideal, is preferable to not knowing any dates until the date of a fiscal event is confirmed, especially as such a date may not be confirmed until November.

The inclusion of different levels of information to reflect multi-year settlements (insert new paragraph after Paragraph 1)

The Committee recognises that information provided by the Welsh Government in years where there has been a spending review will be different to other years, and understands the reasons why the Minister proposes these changes. However, we believe that this approach is best left to agreed practice in terms of the information shared with Senedd Committees when the Draft Budget is published, rather than through direct changes to the Protocol.

The provision of information in both languages (insert new Paragraph 23)

Similarly, although the Committee recognises that the approach to the provision of written evidence on the draft budget from the Welsh Government in both languages may be necessary for practical purposes, we do not consider that it needs to be stipulated in the Protocol.

The scrutiny of individual policies and programmes (insert as new Paragraph 25)

We also note the view that the Committee's scrutiny of the draft budget should focus on the Minister's over-arching strategic responsibilities, with individual policy committees better placed to scrutinise departmental policies and programmes.

The Committee agrees that its role is to take a strategic approach to budget scrutiny. However, we believe this aspect of our work is already established practice and that changes to the Protocol to reflect this is not necessary. In particular, it may make current arrangements unduly rigid, particularly given truncated scrutiny periods in recent years, and could erode the discretion of Senedd committees to decide on a different approach to such matters in future.

Approving changes to Welsh Rates of Income Tax

The Committee welcomes further information on the Minister's consideration of ways in which the Senedd approves the Welsh Rates of Income Tax (WRIT) rate resolution motion in advance of the day on which the Annual Budget Motion is considered. We would be grateful if these plans could be elaborated upon and an explanation provided on how current procedures may be altered, and what the benefits of such changes would be.

Further Changes

In addition to the changes already proposed, the Committee considered a further revision to the Protocol in light of Business Committee's request in its letter of 2 August 2023, which called on the Committee to "consider whether it now wishes to review the continued suitability of the budget protocol and related procedures in light of the experience of recent years".

The Committee welcomes your ongoing commitment to the practice of publishing separate outline and detailed budgets in years where that is possible, as expressed in your letter of 9 August.

However, as noted previously, the budget round for 2024-25 will be the sixth year in a row that the two stage budget process, provided for by the Protocol, will not be followed.

We believe that a change of emphasis is required within the Protocol as a result to reflect the trend in recent years for the UK Government to hold major fiscal events late in the financial year, and to make clear that the timing of the UK Government's financial plans is a matter outside the Senedd and Welsh Government's discretion.

The Committee therefore would like to see the Protocol revised to reaffirm both the Committee and the Welsh Government's ongoing commitment to the two stage process, but to also confirm that both versions of the budget will be published together in years where there is significant uncertainty regarding the Welsh Government's financial position.

Although this reflects custom in recent years, we believe there is merit in this being outlined as the fall-back position within the Protocol for the purposes of transparency, and could be achieved by making a modest change to Paragraph 11. We also believe that Paragraph 12, which sets out an expectation that the UK Budget is published after the Welsh Government has published its budget proposals, is now out-dated and recommend its removal from the Protocol. The revised paragraphs would look as follows:

"11. ~~In general, a budget/financial year will not be "normal" w~~When there is significant uncertainty in respect of the Welsh Government's future financial position the detailed and outline budgets may be published together. Although this list is not exhaustive, examples would include when there are no future budget figures provided by the UK Government; there is a UK fiscal event such as a Comprehensive Spending Review or Emergency Budget; or a significant change in the overall fiscal outlook such as an economic shock or changes affecting UK tax policy

12. ~~It is expected that the UK Budget will usually be published after the Welsh Government has published its outline and detailed budget proposals."~~



Consultation with the Directly Funded Bodies

As the Minister is aware, the Committee is currently reviewing the Statement of Principles and has recently written to the Directly Funded Bodies (DFBs), on 18 October 2023, regarding whether the Senedd's supplementary budget procedures remains fit for purpose.

However, given the impact that changes to the Protocol may have on the DFBs, the Committee has decided to seek their views on any changes proposed. It is our intention therefore to issue such a consultation in the new year, and we will write to you separately about its outcome.

Provisional Timescales

Your letter of 20 July states that:

"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".

We agree with this approach and further propose that, should agreement be reached in principle on changes to the Protocol, those would be outlined in a Committee report, which would inform a Plenary debate. Subject to your views and those expressed in response to our consultation with DFBs therefore, we propose the following timetable:

Early 2024	DFBs consulted.
Spring/Summer 2024	Responses from DFBs considered by the Committee. Informal discussions takes place regarding proposed changes. Agreement reached on final changes between Committee and the Minister.
Autumn 2024	Report agreed by the Committee and laid before the Senedd.
Early 2025	Plenary debate and vote on proposed changes.

As a Committee we are confident that this ongoing review will result in changes to the Protocol which better reflects current practice in the Senedd. We also believe that it will provide a solid foundation for further work to be undertaken on budget procedures, either before or during the Seventh Senedd.

We appreciate your ongoing engagement with the Committee on these matters and would be grateful if you could consider the issues outlined and provide a response to the Committee in accordance with the timetable above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths', with a stylized, flowing script.

Peredur Owen Griffiths MS

Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

ANNEX: Summary of areas of agreement to date

Proposed changes	Reasons for changes
<p>New Paragraph (5A)</p> <p><u>"The Finance Committee will hold an annual Plenary debate on the Welsh Government's Budget Priorities before the summer recess. The aim of the debate is to provide an opportunity for Senedd Committees and Members to influence decisions relating to the Welsh Government's budget at an early stage. The debate will be informed by the Committee's pre-budget engagement work and the Chairs of other Senedd Committees will be encouraged to make contributions reflecting issues within their respective remits."</u></p>	<p>These changes reflect established practices that deserve to be enshrined within the protocol and therefore a new paragraph (5A) is proposed to achieve this.</p> <p>Note that the initial re-drafting of new paragraph 5A suggested that the debate would always take place before the summer recess. Although there are benefits to keeping to these timescales, Members may not want to specify dates in the protocol in case there would be instances where a later debate would be desirable. This has been removed and tracked for reference purposes.</p>
<p>New Paragraph (5B)</p> <p><u>In years when the publication of the Draft Budget is delayed, it is expected that the Finance Minister will attend pre-budget Committee scrutiny sessions, if requested to do so. It is not expected that the Welsh Government will be asked to provide evidence nor attend this session.</u></p>	<p>Although the protocol provides discretion for Committees to conduct their own pre-Budget work and to issue reports and correspondence on such issues, it does not require the Finance Minister to attend such sessions.</p> <p>The Committee initially proposed that this expectation would be placed on all Welsh Ministers to attend the relevant Senedd Committee, however, the Welsh Government proposed that this should only apply to the Finance Minister.</p>
<p>Changes to Paragraph 34</p> <p>"To ensure transparency of in-year financial movements, the Welsh Government will continue to lay two supplementary budgets a year, subject to the following two paragraphs."</p>	<p>This was considered a 'tidying up' exercise and intended to reflect the current approach of having two supplementary budgets each year.</p>

<p>Changes to Paragraph 40</p> <p>"Any change to the required resources of these directly 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 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"</p>	<p>As with the changes to paragraph 34, this was considered a 'tidying up' exercise and intended to reflect standard practice in relation to supplementary budgets.</p>
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