

Finance committee
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FINANCE COMMITTEE

Briefing for Members

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Finance Committee

This presentation will Cover:

- Role of the committee
- Statutory provisions
- The Welsh block budget
- Budget motions
- Welsh Consolidated Fund
- Work programme

Role of the Committee

- Scrutiny of budgets
- Consideration of budget process and financial business;
- Consideration of financial implications of proposed Measures
- Other matters affecting devolved public expenditure

SO 14 refers

What budgets?

Direct

- Welsh Assembly Government
- Assembly Commission
- Ombudsman

Indirect

- Children's Commissioner
- Older People's Commissioner
- AGSPBs and NHS bodies

N.B. Auditor General's budget is examined by the Audit Committee

Statutory budget provisions

- Neutral Welsh Consolidated Fund
- Annual budget motion
- In-year supplementary budget motions
- Default provision
- Emergency arrangements

Standing Order 27

- Finance Committee must consider draft budget of Government and the Commission
- Other committees may give views to Finance Committee on Government's budget
- Finance Committee may propose changes provided net effect is zero
- Tight timetable – only 3-4 weeks to consider and produce report

Standing Order 27 continued

- Finance Committee must consider draft budget of Ombudsman;
- May modify after consulting and taking account of Ombudsman's representations
- Audit Committee considers Auditor General's budget
- Finance Committee may consider supplementary budgets of Government, Commission and Ombudsman

Welsh Block budget

- Set by Treasury on a resource – not cash – basis
- Resource converted to cash so Parliament can vote funds to Secretary of State
- Includes Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL)
- DEL is set every 3 years as part of the Comprehensive Spending Review
- Annual amounts adjusted for any carry over of End of Year Flexibility (EYF) and other announced changes
- **SO CONTROL TOTAL MAY CHANGE AT VARIOUS TIMES IN THE YEAR**

Welsh block budget (2)

Budget includes:

- Revenue expenditure
- Capital expenditure
- Capital charges

Welsh block budget (3)

Budget includes:

- Expenditure of Secretary of State
- Expenditure of NHS bodies and AGSPBs
- Local authority supported borrowing
- Direct charges on the Welsh Consolidated Fund

**SO THERE IS NO DIRECT MATCH
BETWEEN THE BUDGET AND THE
ACCOUNTS**

Budget motions

- Functions are now conferred directly on Ministers – not the Assembly
- Ministers need resources to exercise functions
- The Commission, Auditor General and Ombudsman are not subject to Ministerial control but also need resources to exercise their functions

Budget motions (2)

- General authority to use resources for the exercise of functions is derived from various enabling legislation
- Specific authority for the annual amounts of resource needed for all functions comes from the budget motion
- Only Ministers can request and only the Assembly can authorise the use of resources

Budget motions (3)

Budget motions authorise for each financial year:

- the use of resources;
- the use of certain types of income up to a specified limit (i.e. further resources)
- The drawing of cash from the Welsh Consolidated Fund

Supplementary budget motions possible at any time

Unused resources and cash cannot be carried over to the next financial year – must be authorised again in the budget motion for that year.

Resources and cash

- Use of resources are a reference to their expenditure, consumption or reduction in value
- Resources are stated on an accruals basis and include capital charges and capital expenditure
- Accruing resources = revenue and capital income stated on an accruals basis
- Net cash requirement is the amount of money needed (from the WCF) to meet the estimated amounts to be paid in the year less the estimated retainable receipts
- Net cash requirement differs from the net resource requirement by notional charges and accruals adjustments (timing differences)

Welsh Consolidated Fund

- A neutral bank account with the Paymaster General
- Purpose is to hold cash until needed
- Requests for approvals to draw must be made by Ministers
- Auditor General grants approvals to draw

WCF Inflows

- Block grant from Secretary of State
- Receipts collected by Welsh Ministers, NAWC, AGW and PSOW that are not authorised (in a budget motion or by primary legislation) to be retained (“non-retainable receipts”)
- Surplus retainable receipts
- Non-domestic rating receipts

WCF Outflows

Money can only be issued from the Fund if:

- It is charged on the Fund by statute (direct charges); or
- It authorised by Assembly budget motion; and
- The Auditor General has granted an approval to draw

The auditor General is acting on behalf of the Assembly and the taxpayers in ensuring that all issues have proper statutory authority

Issues can only be made if both Ministers and the AGW are content

How does the Budget Motion tie up with the accounts?

- Budget motions authorise amounts of resource and cash specifically for Ministers, the Commission, Auditor General and Ombudsman
- Budget motions are prepared on a basis consistent with the annual accounts
- Use of resources in excess of those authorised will be irregular resulting in an adverse audit opinion
- Audit Committee will consider such excesses if they occur

How does the budget motion tie in with the Welsh block budget?

Standing Order 17 requires:

- A reconciliation between the resource total in the Welsh block budget and the resources to be authorised by the budget motion;
- A reconciliation between the cash to be paid into the WCF notified by the Secretary of State and the amounts to be authorised for issue by the budget motion; and
- A reconciliation between the resource and cash amounts within the budget motion

Forward work programme

- 2008-09 budgets
- Any 2007-08 supplementary budgets
- Review of budget process
- Consideration of financial aspects of NHS Redress and other Measures
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