



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Cyllid  
The Finance Committee**

**Dydd Mercher, 4 Gorffennaf 2007  
Wednesday, 4 July 2007**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mohammed Asghar	Plaid Cymru The Party of Wales
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Alun Cairns	Ceidwadwyr Cymreig (Cadeirydd) Welsh Conservatives (Chair)
Alun Davies	Llafur Labour
Jocelyn Davies	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Lynne Neagle	Llafur Labour
Joyce Watson	Llafur Labour

**Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol**  
**Assembly Parliamentary Service officials in attendance**

John Grimes	Clerc Clerk
Ian Summers	Cynghorydd Cyllid Annibynnol Independent Financial Adviser
Vaughan Watkin	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 1.30 p.m.*  
*The meeting began at 1.30 p.m.*

**Ethol Cadeirydd**  
**Election of Chair**

[1] **Mr Grimes:** Welcome to the first meeting of the Finance Committee. The first item on the agenda is—

[2] **Jocelyn Davies:** Before you go to the first item on the agenda, I wish to raise a point of order. I know that it is unusual to do this, as you are the clerk of the committee, but you just said that this was the first meeting of the Finance Committee and I had wondered whether I had missed a previous meeting, as the *Western Mail* today quotes the Chair of this committee, and it is a bit unusual to have a Chair before the committee has met to elect one. Obviously, I am not very happy with that. This committee is important, because it is a very powerful tool to scrutinise the Government, and the impression given in the *Western Mail* this morning is that this committee had scrutinised documents that I have never had an opportunity as a committee member to scrutinise. So, can you clarify whether or not this committee has met before, and whether it has a Chair?

[3] **Alun Davies:** I also wish to add my voice to that, because it is not often that I choke on my corn flakes when I read the *Western Mail*. It is an issue relating to the good running of these committees—people need to have confidence in the structures and procedures that we

put in place, so perhaps it might be useful to listen to an explanation of how this meeting took place.

[4] **Mr Grimes:** I think that Alun wishes to respond.

[5] **Alun Cairns:** Perhaps I can be helpful to the clerk and the committee. I was quoted in the *Western Mail* today as the Chair of the Finance Committee. I think that that was a misunderstanding between the journalist and me; any comments that I made were in a personal capacity and not in any way intended to prejudice the chairing of this committee. It is extremely important to chair such a committee in an impartial way, without any partisan point-scoring. If it would make people more comfortable, I would be more than happy to clarify that in writing to the paper in relation to the misunderstanding that has taken place.

[6] **Jocelyn Davies:** I am reassured by that, so in response to your call for nominations, clerk, I would be happy to nominate Alun Cairns as Chair.

[7] **Alun Davies:** I would be happy to second that, in the consensual manner that Alun is sure to adopt as Chair.

[8] **Mr Grimes:** Are there any other nominations?

[9] **Ann Jones:** I move that the nominations be closed.

**Mr Grimes:** In which case I declare Alun Cairns to be Chair of the Finance Committee.

1.33 p.m.

### **Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introduction, Apologies, Substitutions and Declarations of Interest**

[10] **Alun Cairns:** Thank you for the confidence that has been placed in me. I intend to continue in a close working relationship with all individuals and parties within the committee. I thank the clerk of the committee for organising the meeting and my election as Chair.

[11] Are there any apologies, substitutions or declarations of interest?

[12] **Jenny Randerson:** I will raise this issue under that heading, if it is convenient. I am grateful to you for consulting on possible timings for this committee; I freely admit that I was not happy, but, because we had very little time in which to make the decision, I acceded to the meeting's being held during Plenary this afternoon. However, I hope that there will be some evidence collected as to whether it is possible to run committees at the same time as Plenary. I wish to place on record that there is a very important debate this afternoon in Plenary about children's advocacy. I was supposed to be my party's speaker in that debate, but I have not been able to do that, because I am here. I fear that this will happen to all of us all of the time, and that is why it is important that we keep some record of the difficulty in which it places us when we have to try to be in two places at once.

[13] **Alun Cairns:** Thank you, Jenny. That is an extremely important point. It is extremely unfortunate that this was the only slot that we had available. Whether it is an opposition business day in Plenary, or a Government business day, it is of the same interest. It would be useful to gather some information as to the practicality of meeting during Plenary and, after the meeting, as a committee, we may well want to consider whether or not it has worked.

[14] **Ann Jones:** Thank you, comrade Chair; I congratulate you on that position and look forward to our working as a good committee. Is there any protected time for this committee to

meet? I note that we are not going to have the periodic committee timetable that we were used to having in the last Assembly, but I know that there are protected times for other committees. That would be useful in terms of our diary commitments.

[15] **Alun Cairns:** I will hand over to John Grimes, our clerk, to advise us on that.

[16] **Mr Grimes:** Standing Orders previously required the Business Committee to table a timetable for committee meetings. The new Standing Orders require the Business Committee to table a timetable of slots for committees to meet, which will be protected times. There is likely to be a genuine difficulty in trying to provide the flexibility for committees to have more meetings, to allow the meetings to reflect the demands of the work, and there are pressures from other committees and other demands on Members' time. We would hope to have protected slots for all committees, but they may wish to meet at other times. Until we know, finally, what the membership of the committees is and how all the competing demands interrelate, we cannot do that. We have had to manage it for the last two weeks of this term, but we will have a much clearer timetable for the autumn so that you can make your diaries clear.

[17] **Alun Davies:** I raised this issue with the clerk before this meeting. Like Jenny and Ann, I have concerns about this. Had there been questions this afternoon—and many of us are affected by the neurosurgery decision, for example—it would have been extraordinarily difficult for us to represent our constituents in the Chamber and to be here. There are issues when there are only 60 Assembly Members and we are having these meetings. We do not have the number of Members, particularly backbenchers, to staff committees and Plenary. I am quite happy to meet on, say, a Monday or Thursday afternoon, outside of what has been accepted as our normal meeting times, to facilitate the process; I understand that that might be more difficult for other Members, but there are going to be issues around this. I am content for us to discuss that in the autumn.

[18] **Alun Cairns:** I think that the points have been well made and I am grateful for them, because it is important that they are made. There is a lot of learning to do. I think that the Clerk to the Assembly and the Presiding Officer will be keen to have any feedback that we can give, having had such a session, and we will certainly learn the lessons. The ideal situation would be for us not to meet during Plenary or when other committees are being held for Members here and elsewhere. Are we all content with that? I see that we are.

[19] Sticking with the second item on the agenda, are there any apologies, substitutions or declarations of interest? Strictly speaking, we do not need to declare interests every time but, should we discuss a matter that could cause a conflict, we must ensure that we abide by the necessary Standing Orders.

[20] I remind Members that they can speak in Welsh or English. Headsets are available for Members and for the public for translation and/or amplification. I remind Members to switch off their mobile phones, and that includes me—I have switched my phone off—because I have a track record on this. If there is a fire alarm, the ushers will escort us through the relevant exits. Do Members want to raise any points on that? I see that they do not.

1.39 p.m.

### **Cyflwyniad i'r Broses Gyllid a Rôl y Pwyllgor Cyllid** **Introduction to the Budget Process and the Role of the Finance Committee**

[21] **Alun Cairns:** I particularly wanted this item to be included in a formal session so that we could all have a formal presentation. This committee has been established under the Government of Wales Act 2006, so there was no option—the Assembly had to have a finance

committee. That is extremely important. Therefore, this is a bit of a learning curve for all of us. We all want to be clear on what our functions are and it will also communicate the message to members of the public, should they want to place any calls on us.

1.40 p.m.

[22] To introduce this item, I will ask Ian Summers, former director of the Wales Audit Office—who is now an independent financial adviser working for the Assembly Parliamentary Service, and for the committee, on that basis—to give a presentation on the papers that he has made available.

[23] **Mr Summers:** Diolch yn fawr, **Mr Summers:** Thank you, Chair. Cadeirydd.

[24] Good afternoon, everyone. I feel a little bit responsible for the existence of this committee, having had an input into the Government of Wales Act 2006, or at least its financial provisions, and also to the sections of the Standing Orders that established the Finance Committee. I think that it is an Audit Committee that is required by the 2006 Act, but the Finance Committee is nonetheless a very important committee established by Standing Orders. I say that because, in the past, I think that the budgetary process within the Assembly has largely been conducted in very short Plenary meetings—somewhat heated Plenary meetings, but nonetheless very short. The opportunity to have a committee such as this to give some more detailed scrutiny to the significant amount of budget that is coming our way is an important development.

[25] What I hope to cover in this presentation is the role of the committee, by reference to the statutory provisions, and also to explain a little bit about the make-up of the Welsh block budget, and how it finds its way here to the devolved institution. In the 2006 Act, there was also a requirement for something called a budget motion, and I will refer to that as part of my presentation. The 2007-08 budget motion should be in your pack, and it may be helpful if you have that handy, as I will refer to it at some point during the presentation.

[26] Coming into existence on 1 April this year was this beast known as the Welsh consolidated fund, shrouded in mystery. I will try to pierce that veil and de-cloak that for you, and tell you what the Welsh consolidated fund is, and why we have one. That leads onto the question of what you might like as your work programme, which is the next item on the agenda.

[27] First, the role of the committee as defined in Standing Orders—the first and foremost part of the committee's role, I think—is the scrutiny of budgets, and I will tell you which budgets in a moment. Equally important is the ability of the committee to consider the budgetary process itself, and the financial business that goes on in the Assembly. As well as giving some proper scrutiny to the budgets, the scrutiny of the budget process itself should enable this committee to be a force for good in improving the information that is put into the public domain, and perhaps, over the course of time, for improving our financial business and making it more transparent. I see that as an equally important aspect of the committee's business.

[28] Also in Standing Orders, the Finance Committee is given the power to scrutinise the financial implications of Assembly Measures, and that may be something that you want to do from time to time. I will mention at the very end of this presentation the Measure that was laid before the Assembly yesterday, the NHS Redress (Wales) Measure. There is a catch-all in Standing Orders that allows you to consider any matter as affecting devolved public expenditure; those are my words, but that is what Standing Orders allow you to do. So if you want to look at a particular aspect of expenditure, or carry out a particular inquiry on any

aspect, so long as it has a financial bent, I think that you will have the ability to do so, and you may well want to do so from time to time.

[29] **Alun Cairns:** Ian, to interrupt you briefly, are you happy to take questions as we go along?

[30] **Mr Summers:** I certainly am, yes.

[31] **Alun Cairns:** Thank you.

[32] **Alun Davies:** Could I ask a question? My question addresses the way that we see the role of this committee, so I will say a word on that right at the beginning. I see this committee as a political committee, and not, in a sense, an accountant's committee—with all due respect to any accountants who may or may not be present. I only know of one, but you never know. I see this as a political committee in the sense that it will not simply look at the allocation of budgets, but at the way that we order our finances within the Assembly and the Government. We need to define the role, which is different from that of the Audit Committee and the scrutiny committees. While I recognise that we have a role in terms of the impact of legislation on Welsh budgets, I do not want to see us trying to re-examine each Measure as it comes forward. The explanatory memorandum should explain the financial implications of any legislation. [*Interruption.*] Well, I think it should. Certainly, the legislation committees responsible for examining each Measure should take account of the financial implications of that. I am not sure that I want to see this committee examining legislation that other committees scrutinise. It appears that every committee in the Assembly can look at the same Measures, which would be an appalling duplication of effort. I would like to see this as a political analysis of budgets, rather than a technical or second-rate legislative analysis. I think that that is what I am trying to say.

[33] **Alun Cairns:** I will call on Jenny to respond, as she has asked to do so, but I do not particularly want us to get into a wide-ranging debate at this stage, as there is an opportunity in the informal session to explore how we can best work within the framework that Ian is presenting.

[34] **Jenny Randerson:** I understand the point about political analysis, but we will build up an expertise and an oversight of financial matters, and that is why the role in relation to legislation is important, because our experience has been that the financial implications of legislation have been sketchy, to say the least, in the information that we have been given. Often, it has been not at all robust in terms of the implications, not just for our organisation, but for other organisations as well. Although individual committees could, I suppose, look at that aspect, they would not have the oversight and evenness, which is why that role was specifically given to this committee. It is something that is done in Scotland.

[35] **Alun Cairns:** I think that we are talking about how we work, rather than what we need to do.

[36] **Alun Davies:** May I come back to pick up this thread? Jenny's example might help me to define how I see the role of this committee. Rather than examining the explanatory memorandum attached to every individual Measure, I think that there would be a role, for example, for the Finance Committee to look at the memoranda associated to Measures for an entire term or session, which would then take a view on the sort of financial information that is being presented to the Assembly and the way in which those things are structured. In that way, we would take an overview, rather than scrutinise each individual one. That would be a more sensible use of our time.

[37] **Alun Cairns:** May I draw this to a close? We will go back to Ian for now, and we

will return to the subject of how we work later, in the informal session, when we can be more expansive.

[38] **Mr Summers:** Some of the points raised may become a bit clearer during my presentation. If not, I am happy to take questions at the end.

[39] I said that the committee's role is to scrutinise budgets. The first question is: what budgets? I will split this into the two areas of direct and indirect budgets. I will explain what I mean as I go along. The first budget that the committee will scrutinise directly is the budget of the Welsh Assembly Government. The Government is funded direct from the Welsh consolidated fund, which I will talk about in a moment, and the committee has a direct role, under Standing Orders, in scrutinising that budget.

[40] The Assembly Commission, which is not a governmental body, but it is nonetheless a body that spends public money, also gets its money from the Welsh consolidated fund, and that budget is subject to scrutiny by this committee.

[41] The Public Services Ombudsman for Wales is an independent office, and that, too, is funded from the Welsh consolidated fund, and that direct budget falls to be scrutinised by this committee.

[42] The one other body funded direct from the Welsh consolidated fund, but whose budget is not scrutinised by this committee, is the Auditor General for Wales and the Wales Audit Office. That role, under the Government of Wales Act 2006, falls to the Audit Committee, which looks at the outputs from the Wales Audit Office, and there is a direct link to money going in and to the products that come back to that committee. The Act therefore provides for the auditor general's budget to be scrutinised by the Audit Committee, as it has been since devolution began in Wales.

1.50 p.m.

[43] There are four direct budgets, three of which are scrutinised by this committee. The Welsh Assembly Government funds other organisations, therefore the committee might have a role in looking at those budgets indirectly. It might be a bit odd to include the first two budgets that I will mention—those of the Children's Commissioner for Wales and the Commissioner for Older People in Wales—as indirect budgets because they are independent offices and they are operationally independent of Government. Nonetheless, it was the Government's job under the enabling legislation to fund those offices, so they get their money, believe it or not, from the Welsh Assembly Government. However, in order to give some protection to their offices, they are required to prepare annual budgets, submit them to the Government and the Government is then required to lay them before the Assembly with any modifications that it makes. So, if the budgets that they have asked for are modified in any way, that information will be available to the Assembly and, because those budgets are part of the Government's budgets, you may look at them, if you so wish. So, that is how those two independent offices are protected under the legislation.

[44] We also have other bodies that are subject to the control of Government. They are political bodies in the sense that they are under the control of the Ministers. The Assembly Government sponsored bodies, or the AGSBs—which I think is what you call them now; they used to be ASPBs—and the NHS bodies are all funded by the Welsh Assembly Government. The NHS budget is a large element of the Assembly Government's budget, so, indirectly, but through the Welsh Assembly Government and your scrutiny of its budget, you can also look at the budgets of those bodies.

[45] I will touch briefly on the 2006 Act and what is included on budgetary provision.



First, the Act set up this neutral Welsh consolidated fund, and I will return to that in a moment to explain what it is. It only came into existence on 1 April and is a direct consequence of the separation of the old Assembly's legislative and scrutiny functions into two elements. The Act requires an annual budget motion, which covers the budgets of those directly funded bodies—the Assembly Government, the commission, the ombudsman and the auditor general. Note the word 'annual', because there has to be an annual budget motion for each financial year. That is a requirement of the Act. At any time in the year, if circumstances change, we can have supplementary budget motions, and we will have some for the current financial year in the autumn.

[46] There is a default provision. Despite the best efforts of everyone, including this committee, if we do not get to a budget motion that has been approved by the start of the financial year, then the Act allows the Government and the directly funded bodies to use the resources—up to 75 per cent in the first instance of what was allocated in the previous year, and that figure rises to around 95 per cent if there is still no agreement by the July. So, if, for any reason, there is a deadlock on the budget, there is a provision in the Act to allow Government to continue, albeit for a temporary period—it cannot carry on forever. However, if there is no satisfactory way out and if there is no budget, it will not all fall down on 1 April. However, that is not to be recommended, but considered as a last-ditch, last-resort solution, and I hope that it will never be used.

[47] We also have emergency arrangements in the budget in case resources are needed at a time of national emergency. You can imagine a situation where an outbreak of bird flu or foot and mouth disease occurs when you are all sunning yourselves in the Bahamas and it is not practical for you to get back here in time to pass an emergency budget motion to allocate additional resources to combat the outbreak. In that event, when it cannot be done, the Government is allowed to use resources—up to a small amount—and is required to account to the Assembly through this committee for any use made of those resources. That is different from the default position; this is what to do in the event of an emergency.

[48] **Ann Jones:** May I ask a question on that point? Are you suggesting that, for example, in a situation similar to the floods in South Yorkshire, or those in Towyn in north Wales some years ago, the Government would have to seek the permission of this committee first if that was possible? Surely, we would deal with the emergency and the Government would then put its recommendations to Plenary? That must be the way around this. No-one will sit around a committee table and decide whether we will give the Government money to put special measures in place. It will do that.

[49] **Mr Summers:** That is exactly what these emergency arrangements do. I am sorry if I did not put it clearly enough. As you rightly say, if we have an outbreak, the Government's priority will be to deal with that outbreak. If the budget motions that have been approved hitherto are not sufficient to cover the resources that are needed to combat whatever the emergency may be, the Government's first priority will be to use the resources. However, it must account for the use of those resources at a later date, or as soon as possible, to this committee.

[50] We now move from the 2006 Act to Standing Order No. 27. I am quoting selectively here, but if there are any queries on the Standing Order, I am sure that there are others in the room who are better placed to advise than I am. First, there is a duty on this committee to consider the draft budget of the Government and the Assembly Commission. However, other committees have the power to express their views to this committee on the Government's budget. In considering the Government's budget, you will want to take account of the views of other committees should they be forthcoming.

[51] This may seem a bit strange. You can look at the budgets of the Government and the

Commission and you may propose changes to them. However, you are not allowed to amend the total net effect of that budget. You cannot say that the Government should spend more, or less, money in total. Any changes you make must net to zero. If anyone is about to ask me why this is the case, I ask you to hold on and I will explain the logic behind that later.

[52] **Alun Davies:** I would like to ask a different question. I assume that this power is to propose, is it?

[53] **Mr Summers:** Yes, it is to propose.

[54] **Alun Davies:** Could those proposals be accepted or rejected and reversed elsewhere?

[55] **Mr Summers:** Ultimately, the responsibility for asking for the use of resources rests with the Government in the form of a budget motion. This committee may propose changes, but it cannot enforce them.

[56] There is a tight timetable, and I think that John will want to talk about the autumn programme later on. We have a tight timetable in which to consider the budgets and produce a report, particularly in the autumn when the budget process will be in full swing.

[57] As well as the Government and the commission, the committee is required to consider the draft budget of the ombudsman. You may, if you wish, alter the ombudsman's budget upwards or downwards; there is no zero requirement here. You may alter the budget of the ombudsman, but you are first required to take account of the ombudsman's representations. In other words, you might want to ask him to come here and listen to what he has to say. After listening to what he has to say, you may then modify his budget if you wish to do so. As I said earlier, the Audit Committee has a similar remit in terms of the auditor general's budget. The Finance Committee may consider any supplementary budgets. You do not have to, but you may consider supplementary budgets that are forthcoming from the Government, the commission, and the ombudsman, and there may well be some this autumn.

[58] I will now talk a little about the Welsh block budget. This will be familiar to those of you who have been around since 1999 in the first two Assemblies. It is an interesting animal. The Welsh budget is the budget that is handed over by the Treasury. It is prepared on a resource basis, not a cash basis. I will touch on what I mean by resource and not cash later on. Until 2002, the Treasury budgeted only on a cash basis, which means that it handed over cash. It does not hand over cash now, but it hands over a resource, and Parliament is asked to vote on the equivalent amount of cash. I will show you how that is made up shortly. The resource is converted to cash so that Parliament can vote through the funds to the Secretary of State.

4.00 p.m.

[59] The budget is in two elements. The first is annually managed expenditure, which is demand led. An example of demand-led expenditure in the UK context would be security benefits, which the Treasury funds pound for pound. Secondly, the more common type of budget is the departmental expenditure limit. That is set every three years as part of the Chancellor's comprehensive spending review. That is not to say that it is set for three years and never amended. In fact, the previous Chancellor, who is now the Prime Minister, amended the budget quite often during his term of office. There are various announcements during the three years that top up the DELs as part of the three-year plan.

[60] We have adjustments from one year to another, and one of the major adjustments, which you will come across and which causes immense amount of confusion, is something known as end-of-year flexibility. End-of-year flexibility arises because Parliament is asked to vote resources on an annual basis, whereas the comprehensive spending review is an

administrative process set on a three-year basis. Quite often, Government departments and the devolved administrations come up against slippage problems. Therefore, a capital programme, for example, might be delayed and resources that were needed in one year will not be needed until the next year. What the Treasury will usually do is to agree end-of-year flexibility, which means that if an amount of money will not be spent in one year and will be needed in the following year, Parliament will be asked to re-vote it and to hand it over in the following financial year. Therefore, you will have what looks like an underspend in one year, but it is not an underspend because Parliament has been asked to vote the money a second time in order to hand it over in the next financial year. We will come across that during the committee's deliberations every year, because there is always an amount of end-of-year flexibility agreed as part of the annual adjustments to the Welsh block.

[61] **Mohammad Asghar:** What is the Government year end for the budget? Is it 5 April?

[62] **Mr Summers:** The end of the financial year for all Government bodies is 31 March.

[63] Although we have a budget set as part of a three-year programme, the control total for each of those three years will change at various times in the year. The fact that it changes from various points in the year often causes some confusion because we do not know what total we are talking about at any one time.

[64] The block budget includes revenue expenditure, which is the expenditure on salaries, wages, accommodation and the general running of an organisation, and grants payable, for example, are largely revenue, although some of them are capital. The expenditure is stated on an accruals basis, not on a cash basis, therefore there is an adjustment for timing differences. The expenditure may be properly accounted for at one point in the year, but it may not be paid until a later date. In that case, you need to make an adjustment by treating it in the accounts as a creditor. Resource budgeting and resource accounting also implies accrual accounting. Therefore, we have revenue expenditure stated on an accruals basis.

[65] The budget also includes capital expenditure, which is again on an accruals basis. It also includes capital charges, which are a depreciation that applies to fixed assets of a purchase. We are sitting in a fixed asset now, which is on the balance sheet of the Assembly Commission. This building depreciates over time to represent its wearing out—it is not a cash charge, but it is nonetheless a resource charge to the Welsh block budget. The other item that makes up the capital charge is notional interest charge to represent the amount of money that the taxpayer has tied up in the assets. It is an opportunity cost, if you like, or money that might have been otherwise available for other purposes, and they are both notional depreciation and interest charges. If there are any accountants in the room who say that this is double jeopardy—because not only are we having the capital expenditure as part of that budget when the asset is purchased or built, we are also charging it when it is depreciated over its life—all I can say is that I agree.

[66] The accounts are prepared on the correct basis, but the budget itself, which comes from the Welsh block budget, is made up on that basis. The Treasury is amenable to what it allows as capital charges.

[67] **Mohammad Asghar:** On capital charges, depreciation is the wear and tear of fixed assets—is that right?

[68] **Mr Summers:** Yes.

[69] **Mohammad Asghar:** So, it goes up and down. So, does capital charge go up and down?

[70] **Mr Summers:** On capital charges, I believe that the current rate is 3.5 per cent of the average value of the total assets employed.

[71] **Alun Davies:** So, that is clear. [*Laughter.*]

[72] **Mr Summers:** To give you a practical example, the Welsh Assembly Government has some several billion pounds on its balance sheet for part of the roads and trunk roads network; it also has much more for buildings, and that sort of thing. If you multiply the total value of those assets by 3.5 per cent, that is the amount that is charged to the budget as an opportunity cost for having that amount of money tied up in assets.

[73] **Mohammad Asghar:** What I am saying is that the value goes up—not depreciation, wear and tear. You are mixing capital with wear and tear and appreciation. That is what I mean.

[74] **Mr Summers:** If the buildings increase in value—and this building might be revalued at some point; every five years under the normal accounting rules—the depreciation charge will go up to reflect the wearing out of that higher valued asset. I would be happy to take anyone through a set of resource accounts if they can stomach it, at any time. [*Laughter.*]

[75] **Alun Cairns:** Shall I say that there will be a test on this later, to ensure that everyone is clear? [*Laughter.*]

[76] **Mohammad Asghar:** It would be better if we used simple language, rather than using ‘capital charges’—just say wear and tear, and so on, so that people can understand it.

[77] **Mr Summers:** It is the use of an asset over its estimated life, rather than wear and tear.

[78] The block budget that comes from the Treasury does not just include the costs of the Assembly Government, the Assembly Commission, the ombudsman, and so on; there are other things in the budget that I need to point out, as they can create a degree of confusion.

[79] First, under the Act, the Welsh block budget includes the expenditure of the Secretary of State for Wales—and I believe that is still part of the Ministry of Justice; it is a ring-fenced element of the Ministry of Justice. The cost of that office of the Secretary of State for Wales must be met out of the Welsh block budget. Therefore, that is top-sliced and stays with the Secretary of State before it comes in our direction. The block budget includes the expenditure of NHS bodies and Assembly Government sponsored bodies; it does not include the amount of money that is transferred from the Government to those bodies—the Government grant aid to those bodies. That is shown as expenditure in the Assembly Government’s accounts. However, in terms of the Treasury’s block budget, they are just transfers of cash from one bank account to another. What is included in the budget is the expenditure of those NHS bodies, not the amount of money that is transferred from the Government to those bodies.

[80] Also in the budget is something called local authority supported borrowing. These are amounts that local authorities are given approval by this organisation to borrow. To the extent that they are allowed to borrow, that amount of money is reduced from the Welsh block, which is less money that can go elsewhere. So, it is part of the budget.

[81] There is a small charge on the Welsh consolidated fund for what I call ‘standing services’. These are items that are not part of any budget, because the law dictates that they are to be met directly from the Welsh consolidated fund. I will say more about that when I come on to my section on that fund, but they are fairly small amounts of money. Given all those peculiarities—if I can put it that way—there is no direct match between the budget and

the accounts. If you take the Welsh block budget as presented by the Treasury, in its entirety, and try to look at the Welsh Assembly Government's accounts, or even try to add up the accounts of the Assembly Government, the ombudsman, the Assembly Commission, and so on, you will find that you cannot mirror the outturn against that budget.

2.10 p.m.

[82] In the past, we have always had a bit of an issue with that. When I worked for the Wales Audit Office, it was not too happy about that, because Assembly Members had sat down and broken up this budget into a series of lines. That was described as the Assembly's budget, but it was not actually the Assembly's budget; it was a line-by-line breakdown of the Welsh block budget. There was no way that that could be matched to the former Assembly's accounts. I took the view that Members were entitled to see how the outturn went against the budget if they approved it, but that could not be done because of various complications. That has now been corrected by inserting in the 2006 Act this requirement for a budget motion. I want to try to explain how this budget motion works and why it works in the way that it does.

[83] The first point to note is that, in the past, the Assembly was largely a Government body in that most of its functions, under around 400 and more Acts of Parliament, were governmental functions; they were the functions of devolved government, such as running the health service, education, transport, and so on. Those functions were, in law, conferred on the old Assembly. The Assembly then delegated those Government functions to Ministers, but, nonetheless, they were still Assembly functions, so the Assembly was responsible for them. That is no longer true; we now have a Government that is a separate legal entity and legislation, including legislation that will be made in the future in the form of Assembly Measures, which will confer functions directly on Welsh Ministers, and not on the Assembly. That leaves the Assembly to become a scrutiny body that holds the Government to account.

[84] Ministers need resources to exercise those functions. They are also responsible for the Welsh element of the economy and for managing the block budget that is handed over by the Treasury. The Assembly, quite rightly, will want to hold the Ministers to account for the exercise of those functions. So, Ministers need resources. The independent bodies and people whom I mentioned earlier, namely the commission, the auditor general and the ombudsman, are not subject to ministerial control, but they are accountable to the Assembly and they also need resources to exercise their statutory functions. So, Ministers and those other bodies and people need resources.

[85] The authority to use those resources and spend money on delivering services, and so on, derives from the various enabling legislation. In the case of the health service, Ministers are given powers to spend money under the National Health Service (Wales) Act 2006, for example, and the Public Services Ombudsman for Wales is allowed to spend money by virtue of the Public Services Ombudsman (Wales) Act 2005. So, they use resources by virtue of the enabling legislation, and that is a general authority to use money to exercise their functions. If you trawl through the draft NHS Redress (Wales) Measure, you will see that Ministers are given powers to spend money on the new functions that have been granted under that Measure. However, it is a general authority; it does not usually mention amounts.

[86] The amounts are set annually; they need money for each financial year to spend on the exercise of functions. The specific authority for the annual amounts of resources needed does not come from the general legislation; it comes from the budget motion, courtesy of the 2006 Act. So, the budget motion sets out specific sums that are available to Welsh Ministers and the independent bodies to use in the exercise of all of their functions.

[87] This next part is critical. Going back to what I said about Ministers being in charge of looking after the economy, the Welsh budget, and so on, because they have that prime duty,

only Ministers are allowed to request the use of resources. So, a budget motion can be tabled only by Ministers, and not by anyone else, and only the Assembly can authorise the use of resources. We have the functions of the reconstituted Assembly, as I have mentioned in the last two slides. One function is scrutiny and holding the Government to account, but another, perhaps unknown, function of the Assembly and one of the powers that Members have is to authorise the use of resources. Ministers cannot spend money off their own back; only the Assembly can authorise them to do that. That is a completely different situation from last year's with the old corporate body. The former Assembly had responsibility for Government functions, and, in setting a budget, all that it was doing was carving up the Welsh block budget and allocating it. We are now in a different ball game. Ministers must request, and the Assembly must consider and authorise, the use of those resources, and that is a completely different animal from the one that we had before. That is why we need a Finance Committee to look at these requests for resources as they are made in draft form, and later on in real form.

[88] You will notice that the budget motion is an annual motion, which matches the financial year. Given that the budget motions are specific to the bodies that I mentioned—the four bodies that have direct budgets, which are the Government, the Assembly Commission, the auditor general and the ombudsman—those budgets can be matched to the accounts. So, for the first time since 1999, we will be able to have a set of accounts for each of those bodies that shows the resources that have been authorised by the Assembly and the outturn, the resources that have been used. So, when you will start to see the 2007-08 accounts arrive after the end of current financial year, you will find a statement on them. That statement will be subject to audit, and that is an important improvement on what has been in the accounts for previous years.

[89] I will now turn to the budget motion itself, which is annex A to paper 1, and I will be referring to it. If you look at the first substantive couple of pages for the budget motion, you will see that, first of all, it is separated into four specific areas. Paragraph 2 sets out the budget for the Welsh Assembly Government, paragraph 3 for the Assembly Commission, paragraph 4 for the Public Services Ombudsman for Wales, and paragraph 5 for the Auditor General for Wales, so it is split up between those four bodies, which are funded directly.

[90] You will also see that paragraphs 2, 3 and 4 are split into three separate sub-paragraphs. The budget motion does three things for each of those bodies. Sub-paragraph (a) authorises the use of resources, it also authorises those bodies to retain income up to a specified limit. As well as spending money, most public bodies get a little money back by way of income, and that offsets the amounts that are needed from the Treasury. However, that income is not legally their income when they receive it; it is an asset of the Welsh consolidated fund, or of the taxpayer. It can be recycled and used to provide goods and services only with the approval of the Assembly in the form of a budget motion. So, sub-paragraph (a) authorises the net expenditure for an organisation, sub-paragraph (b) authorises the income that can be reused, and (a) and (b) taken together give you the gross expenditure that has been authorised by the Assembly for each of those bodies.

[91] Sub-paragraph (c) is slightly different. I mentioned that the budget, including the first two elements, (a) and (b), is on an accruals basis and not a cash basis, but bodies need cash to write cheques and pay the bills and so on. Cash is what people are used to seeing in their wallets and bank accounts, and public bodies are no different in that they need cash. The budget motion also authorises them to draw the amount of cash that they need for spending in that financial year. You will see on pages 2 and 3 of that budget motion—though I will not take you through the complicated wording—that those three elements are authorised for each of those four bodies. They are critical, but different, elements of the budget motion.

[92] As I said before, supplementary budget motions are possible at any time, but this

budget motion for 2007-08 was prepared and passed by the former Assembly on a provisional or transitional basis, because it was required to do that. We have not had one for previous financial years. Given that this was done back in December, I suspect that there will be supplementary budgets to allocate more resources at a later time. They may well be forthcoming from the autumn onwards.

2.20 p.m.

[93] Given that the whole process is an annual process—and that mirrors the processes in Westminster, Scotland and Northern Ireland—once the year has ended, if resources and cash that have been authorised for a drawdown from the consolidated fund have not been used, they cannot be carried over into the next financial year. Those unused and un-drawn resources, or any resources that have been drawn, but not used, become an asset again of the Welsh consolidated fund. If there is slippage on a programme and resources have been authorised as not needed, but they are needed in the next year, they must be approved again by the Assembly in a budget motion for that next financial year.

[94] I will just explain a little more about the differences between resources and cash. In order to do that, I will have to resort to a legal definition of resources. That legal definition is: ‘the use of resources’ is a reference to

[95] ‘their expenditure, consumption or reduction in value’.

[96] That covers your revenue expenditure, such as salaries, wages and accommodation and so on. It also covers the wearing out of assets and/or a reduction in the value of the assets—that is your depreciation charge. Resources are, effectively, on an accruals basis, in the way that I described earlier.

[97] Then we have income. The budget motion, as I said earlier, mentions income and you will see income referred to in the budget motion as ‘accruing resources’—these are resources that are accruing to the various bodies that we are talking about. They use the words ‘accruing resources’, rather than income, because the income is stated on an accruals basis. Income is brought to account, not when it is received in the form of cash, but when it has been earned. That is the principle of resource accounting and hence it is called ‘accruing resources’, even if you bring it to account in one year but do not collect that money, for whatever reason, until the following year.

[98] The net cash requirement, which is the third bit of those budget motions—as it suggests—is the amount of money that is needed to meet the amounts that need to be paid, less the amount of cash that is coming in. The main difference between the net resource requirement and the net cash requirement are those notional charges such as depreciation, which are not in the form of cash at all, and the accruals adjustments for timing differences, which I mentioned earlier. I am sorry if that sounds like a mouthful, but when we start to scrutinise budgets next autumn, that might become rather important.

[99] I will just briefly mention the Welsh consolidated fund and try to demystify it for you. The first thing that I want to say is that it is no more than a bank account. It is a bank account held by the Paymaster General—all governmental organisations have bank accounts with the Paymaster General. There are various rules about who can operate it and what can go in and out of it, but it is no more than a bank account. Its purpose is to hold cash that has been handed over from the Secretary of State for Wales and cash that comes in from other sources, until it is needed. As I said before, that cash is not the Assembly Government’s money to do with as it wishes, as soon as it turns up; it is taxpayers’ money and it can only be used when the Assembly authorises its use. The purpose of the Welsh consolidated fund is that it is a neutral account to hold that cash until its use is authorised by the Assembly by way of a

budget motion.

[100] As the economy and public finances are the responsibility of Ministers, only Ministers can make requests for approvals to draw via a budget motion. In order to act as a check on Ministers, and to stop them from drawing money out for whatever reason they want, and using it when they want to, the money must come out after the auditor general has granted what is called 'an approval to draw'. The auditor general is not auditing the expenditure as it leaves the Welsh consolidated fund by doing that. This is a slightly older function of public sector auditors, and all that he is doing is acting on behalf of the taxpayer to ensure that the money going out of the consolidated fund has proper statutory authority, either in the form of primary legislation or in the form of a budget motion of the Assembly.

[101] The following moneys come into the Welsh consolidated fund—there is the block grant from the Secretary of State for Wales after he has held on to the bit for his own office. That is required to be paid into the Welsh consolidated fund. All the receipts collected by the Ministers, the commission, the auditor general and the ombudsman that are not authorised to be retained in a budget motion must be paid into the fund. If they somehow collect more money than is allowed in the budget motion, it must be handed over to the Welsh consolidated fund. Those moneys are known as surplus retainable receipts, so there are non-retainable receipts, which are not allowed to be retained at all, and there are retainable receipts up to a certain limit. Anything above that limit must be handed over, and they are the surplus retainable receipts. Non-domestic rating receipts from local authorities are also required to be paid in there.

[102] Going out of the fund, in the other direction, money can be issued from the fund if it is charged on the fund by statute—those are the small direct charges that I mentioned a while ago. Those direct charges are for things such as the Presiding Officer's salary. The Presiding Officer is supposed to be independent of Government, so his salary should not be the subject of a budget motion that must be proposed by Ministers. If Ministers do not like what the Presiding Officer is doing, they could, in theory at least, curtail him by cutting his salary. The salary of the ombudsman and the auditor general go the same way, because they are not subject to ministerial control, so their statutory offices are protected by saying that their salary cost must be issued directly from the fund. Any charges on the fund in that way—and there are a very small number of them—do not fall within these annual budget motions, so they are not looked at by this committee or by the motion being approved in Plenary. They come out of the consolidated fund, because the law says that they must come out of the consolidated fund.

[103] The largest amount of money that comes out of the fund by far comes courtesy of the budget motion that the Assembly approves. In order to ensure that those charges are all properly authorised, the auditor general grants these approvals to draw. So you will see on the bottom of the slide that Ministers can request and the auditor general must grant these approvals to draw—both parties must be happy before taxpayers' money is released.

[104] I mentioned a while ago—this is the final part of my presentation—that the Welsh block budget and the accounts do not tie in very well together. So, how does all this budget motion process make them tie up a lot better than they did in the past? First of all, the budget motions authorise the amounts of resource for Ministers and the three independent bodies, and not for anyone else—it is authorised resources for their use. All of the other stuff in the Welsh block budget that does not tie in with the accounts is reconciled out—I will show you that reconciliation in a moment. So, you have resources being authorised specifically for the Welsh Assembly Government, the commission, the auditor general and the ombudsman. That matches what they will spend in their accounts so that their accounts can show the outturn against the budget that has been authorised.



[105] Furthermore, because of amounts of money that are spent in excess of the budget and not authorised—that is possible, believe it or not—any resources that are not authorised, but shown in the accounts, are deemed to be irregular. Under the audit standards that pervade in the country at the moment, the auditor general will have no choice but to qualify his opinion on the accounts of those. If there is a qualified audit opinion, the Audit Committee is required to look at those qualified audit opinions under reasons for the excesses, so that there is transparency about amounts of money that are used irregularly.

[106] How does the budget motion tie up with the Welsh block budget? First of all, it is tied up with the Welsh block budget because the Standing Orders have been written in that way to make it tie up. If you look at the 'Annual Budget Motion 2007-08' again, and turn to page 24 and schedule 6, you will see that it says,

'resources requested in the budget motion to resources made available by the Treasury for the Welsh Block'.

2.30 p.m.

[107] That was the reconciliation. You will see in the top block of that table the resources that were required in the budget motion. In the middle block are various adjustments relating to transfers from one body to another, supported local authority borrowing and the other items that I mentioned that cause confusion. You will also see in the bottom column the direct charges on the fund that are not part of the budget motion but part of the Welsh block budget. There are also charges for the expenditure of the Wales Office. Again, that is not part of the budget motion because it never gets here but, nevertheless, it is part of the Welsh budget. You will also see, as the very last item, something called an unallocated reserve. That table, which might be an important part of any future Finance Committee consideration of the budget, shows the difference between what is going to be in the budget motion and what is handed over by the Treasury.

[108] I will mention briefly that that unallocated reserve is the amount of money that the then Finance Minister decided needed to be withheld on the grounds of prudence. That sum was set aside for use in the event of an emergency. That does not mean that she is keeping it for ever and a day; the chances are that some of that £56.7 million will come out in a supplementary budget motion at a later point in the year. It is prudent to hold such resources in an unallocated reserve. It is perfectly normal. You might like to look, from year to year, at how much money is being held in such a reserve and the use that is made of it as the year goes on by way of supplementary budget motions.

[109] **Alun Cairns:** To clarify, would we expect the unallocated reserve to be reduced over the financial year, because the Minister may draw on it as the risk to the end of the financial year is reduced?

[110] **Mr Summers:** The control total will go up during the year, generally speaking, because of announcements that come from 11 Downing Street and because last year's year-end flexibility will be handed over by the Treasury at some point in the year, when it ready to do so. It will then go down as those amounts and the unallocated reserve are utilised. At the end of the year, you may have a small bit of reserve left, but not as much as is shown there. The use of reserves has been a bit unclear in the past. Perhaps this committee can get a better understanding of how it works than was possible in the previous scrutiny of the budget in Plenary.

[111] My final slide shows what you have coming up. In the autumn, within a very tight timescale, you will be considering the 2008-09 budget. You will also have some supplementary budgets to consider for the current year. As you consider those budgets, you

might also like to look at the budget process itself and the information that is forthcoming to support the requests for resources that you will be looking at.

[112] There was a question earlier on the financial aspects of Measures, and I said that I would say something about the proposed NHS Redress (Wales) Measure 2007. This is not intended to be in any way critical of the Government or anyone else, but if you look at the explanatory memorandum, you will see that the financial implications for that Measure are anywhere between a saving of £0.75 million and an expenditure of £3 million. That was calculated, as it says in the explanatory memorandum, by a pro-rata-ing of the early effects of what happened with a similar measure in England. So, it may be that, by the time that we come to look at this in the autumn, more information will be forthcoming on this or more work might have been done to try to work out the cost of that Measure in a little more detail. I do not see this committee examining Measures by looking at the clauses in a Measure and saying how they will work, as that is a matter for the committee that scrutinises the Measure itself, but, from time to time, Measures will result in the use of resources, and the question of how those resources are to be found from within the Welsh block grant, and how a Measure would change the shape of the Welsh budget if enacted—I can see a legitimate role for the committee on that sort of question. How you wish to take it forward, as committee members, is a matter for you, but, certainly, the Standing Orders permit that. I have put a couple of question marks there because there is that big catch-all that you might want to use.

[113] That, Cadeirydd, is the end of my presentation, but I am happy to answer any questions. I am contracted to work here, on average, one and a half days per week, so if I can be of any use to the Finance Committee in the future, I will be more than happy to be of service.

[114] **Alun Cairns:** Thank you, Ian. It is clearly a difficult subject to get through, but, certainly, that has shone an awful lot of light upon things from the past eight years that I may have glossed over. Are there any questions that anyone wants to put to Ian at this stage? We will be moving, after the next item on the agenda, to a more informal session where there will still be an opportunity to pursue things with Ian about practical approaches that we might want to take. Does anyone have any issues to raise with Ian now? I see that you do not. Thank you, Ian—I am extremely grateful, and that has been exceptionally helpful.

2.36 p.m.

### **Rhaglen Waith Ddrafft y Pwyllgor Draft Committee Work Programme**

[115] **Alun Cairns:** This follows on directly from the last slide that Ian Summers presented. Effectively, we gathered from Ian's presentation that there are three main areas of activity. The first is to scrutinise the budget, and obviously that happens as and when the Government present its budget and its subsequent amendments; the second is the scrutiny of the financial implications of Measures; and, thirdly, there is everything else—for example, policy reviews, policy development, scrutiny in general about anything that has, as Ian said earlier, some financial aspect.

[116] Much of our timetable will be pressed; it will be demand-led, and will have to be built around the budget timetable, because that will be extremely tight in the autumn. The scrutiny of Measures will be dependent on Measures presented by the Assembly Government—there is the proposed NHS Redress (Wales) Measure at the moment, and we will have to look at its financial implications in the autumn. As more Measures emerge from the various Government departments and Ministers, we will have to react and respond to them. So, those two elements are demand-led, and I suspect that the early part of the autumn will be quite intense, focusing on those issues. The third part, which covers policy reviews, policy development and general

scrutiny of financial issues, is more down to us, and I would like some thoughts on where we can take that at this stage and what sorts of things you think that we could explore and scrutinise on an independent basis, on which this committee has been established. Does anyone have any strong views on that at this stage?

[117] **Jocelyn Davies:** I just have one comment there, Alun. You will recall that I put a question to the Minister for Budget and Business Management last week, asking if she was happy for this committee to have access to the rolling finances of the Government, and she said 'yes'. So, we should not just confine ourselves to the scrutiny of the annual budget.

[118] **Alun Cairns:** Can you expand a little on the question that you asked last week?

[119] **Jocelyn Davies:** It is the idea that, instead of just looking at the annual budget once a year, there is actually an invitation there from the Government to look, at any time, at its rolling finances, which I think could certainly improve scrutiny.

[120] **Jenny Randerson:** The area where, perhaps, we lack any kind of systematic ability to scrutinise is the progress on expenditure on budgets. People have, perhaps, on occasion picked out in committee or in questions to Ministers particular issues that are matters of concern, but it would be quite useful to talk to Ministers on a regular basis, and to ask them about progress on the use of resources that they have for the year, and, in particular, any areas where expenditure is proving to be difficult and is either stretched or under-spent, so that we can, perhaps, foresee problems. I know that they have regular internal reports, but it is probably good discipline for Ministers as well, to ensure that their budgets are going forward systematically. You do not expect it all to be spent equally throughout the year, as there are always underspends, and there are always difficulties towards the end of the year in ensuring that everything that should have been spent that year has been spent and is not carried over.

2.40 p.m.

[121] **Alun Cairns:** Thank you, Jenny. That was useful. Jocelyn, does that answer what you meant in terms of the rolling finances?

[122] **Jocelyn Davies:** Yes. Obviously, I felt that Minister for Budget and Business Management's positive response was an open invitation to us, if at some point we felt it appropriate.

[123] **Alun Cairns:** That is useful. Before I call Alun Davies to speak, Ian, may I draw you briefly into this section, following your kind offer about your day and a half? Under the former arrangements, there was an opportunity on the intranet to analyse each budget expenditure line with regard to progress of expenditure. I have a recollection of that. Was that the case, and, if so, is that still the case? Can you offer any pointers in this regard?

[124] **Mr Summers:** The information still exists. It is not audited information, of course, as that is only available after the annual accounts have been prepared and audited, and much of that consists of estimates. I would not like to comment at all on how reliable that information is, but, nonetheless, it still exists.

[125] What I am not sure about, and I will have to check, is whether that is available to Assembly Members or whether it is just available on what is now the Assembly Government's intranet.

[126] **Alun Davies:** While I recognise that this is a standing committee rather than a scrutiny committee, I believe that we have a role in scrutinising the work and priorities of the Minister. I would like to see the Minister for Budget and Business Management appear

regularly—perhaps once every six months—for this committee to cross-examine her on her work and priorities. That is a fundamental role for this committee.

[127] **Alun Cairns:** I certainly accept that we need a close working relationship with the Minister in terms of scrutinising the budget. Before we move on, I have just been advised that the information that I talked about, the budget-expenditure-line breakdown, is not available to Members, because it is now hosted on a separate site. I suggest, therefore, as an early action, that we write to the Minister, based on Jocelyn Davies's question last week, asking how we can effectively work together to scrutinise the rolling budget as time goes on. Is that reasonable? Are there any thoughts on that?

[128] **Alun Davies:** I have another point to make.

[129] **Alun Cairns:** That is fine.

[130] **Alun Davies:** The other point is that we should make use of specialist advisers on this committee, because, as I said, I do not want the committee to fall into the tyranny of being a technocratic committee that tries to second-guess the team of accountants that is working for the Welsh Assembly Government. We should be looking at much wider political issues, and that means that we need some advisers to work with us on an ad-hoc basis to provide us with information to fulfil our responsibilities.

[131] **Alun Cairns:** That is an important point. What I can offer in terms of information thus far is the source of advice that we have, including people such as Ian Summers, and the auditor general, whom I have spoken to, and he is happy to help and support in whichever way he can. The third method is for us to contract advice from outside as and when we see fit. Is that fair?

[132] **Mr Grimes:** Yes, that is absolutely right. We could employ an expert adviser, or we could have expert advice on items as they arise. However, you will get into procurement issues.

[133] **Alun Davies:** I am concerned that that advice is provided independent of the Government.

[134] **Mr Grimes:** If the committee, quite reasonably, wants independent advice, then we have to provide it.

[135] **Joyce Watson:** I know that we are a standing committee, and not perhaps a scrutiny committee, but the way in which you spend your budgets has an impact equally, and I would like to look a little at the outturn of those budgets, as well as at the budgets themselves.

[136] **Alun Cairns:** Do you mean value for money thereafter?

[137] **Joyce Watson:** Not even that; I am thinking more in terms of cross-cutting issues—there will be many such issues. Whatever the issue is, it is affected by the way in which we spend or do not spend, what we spend and what we do not spend. There is a great deal of cross-cutting in that respect.

[138] **Alun Cairns:** Are there any other thoughts?

[139] **Jenny Randerson:** Looking at the Standing Order, there is a tight, but perfectly workable, timescale for looking at commission budgets and the budgets of the auditor general and the ombudsman—sorry, the Audit Committee looks at the auditor general's budget, so it is just the ombudsman's budget. However, the annual budget, as I see it, could be presented to

the Assembly more or less instantly, or within a few days. We need close liaison with the Government so that we are given a reasonable timescale to consider that budget, so that we can anticipate when we will have to have meetings three days running in order to—

[140] **Alun Davies:** You can see that it is the Cardiff Central Assembly Member speaking.

[141] **Jenny Randerson:** The point is that we will have to respond and we will have to have a flexible work schedule during that time.

[142] **Alun Cairns:** I accept that point; do you have something to say on that, John?

[143] **Mr Grimes:** Only to say, absolutely. The Government has to lay the budget no later than 7 October each year and we have four weeks in which to lay a report. Other committees have two weeks in which to give us views, so that leaves even less time for us. Although it says that it must be laid no later than 7 October, if the Government decides to lay the budget in the middle of September, we still only have four weeks from the middle of September, so we are back to where we were right at the beginning in terms of organising meetings. I am sorry, but we are going to be asking you to do quite unreasonable things, but that is what the Standing Orders call for.

[144] **Jenny Randerson:** That is the draft budget; the final budget can differ significantly from the draft as a result, quite properly, of the representations made. We would want to comment on the final budget in the budget debate.

[145] **Alun Cairns:** I think that that is useful, Jenny; thank you.

[146] **Mohammad Asghar:** This committee can propose changes, but cannot implement them; am I right?

[147] **Mr Summers:** That is correct.

[148] **Mohammad Asghar:** So, basically, we will need to make some changes. We know that this is a cross-party group and I am sure that, when there is a draft available, it might take much longer to discuss it than the time that is outlined in the timescale before us. I think that 3 December is the deadline, but before that we need sufficient time in which to scrutinise the spectrum of the budget rather than considering one bit here and one bit there.

[149] **Alun Cairns:** That is right, and we will have to work around the schedules in order to meet that.

[150] **Mr Grimes:** The Standing Orders say that we may look at the timetable for the consideration of budget proposals and budget motions and the handling of financial business. So, in the autumn, we might wish to report back to the Assembly that perhaps we need a bit more time or that we have too much time.

[151] **Alun Cairns:** Okay; that is useful. Are there any other points on timing, because this is a key issue? We will be demand-led, but I think that the demands will be extremely high in the autumn, certainly in the early period.

[152] Other than being demand-led for Measures and budget scrutiny, the other element is that of policy review. I have explored informally with some people the public and private spend or investment in public services. Are there any other subjects that people might have a particular interest in exploring when the opportunity arises, bearing in mind the tight schedule that we will come across in the autumn? Are there any strong feelings?

2.50 p.m.

[153] **Ann Jones:** Are we able to submit views to the Chair and then consider them in the next meeting? We may think of something over the summer period, or we may wake up at 4 a.m. with a cracking good issue that we could look at. We need to be able to feed those in.

[154] **Jocelyn Davies:** Do not ring us.

[155] **Ann Jones:** I might ring some of you.

[156] **Alun Cairns:** That is a good suggestion—though not the suggestion to ring us; we should communicate those ideas, particularly over the summer months. I do not want to waste the summer months as there is some scoping work that we could do. Are we generally comfortable with looking at public and private investment in public services? There is a lot of rhetoric around, which I suspect we can remove and establish a broader range of thinking.

[157] **Jocelyn Davies:** I think that the audit office has done some work on this that we may be able to draw upon. There is a report, but it has never been published.

[158] **Alun Cairns:** We could use that as a starting point.

[159] **Jocelyn Davies:** Yes. There is no point in duplicating work. I am sure that the auditor general has expertise in this particular area.

[160] **Alun Davies:** I am happy to go along with your suggestion and your proposal that we examine this area of policy. However, there are proposals afoot that would rule out the use of private resources in public services. If those proposals are accepted over the next few days, then it might preclude any realistic examination that this committee might wish to take on. While I am happy for us to discuss this area of work, I do not want us to spend three or four months on it only to find that the Government has taken a decision that precludes the area that we have examined. In taking this decision, we need to be aware that the overall political context in which we are operating may well change.

[161] **Alun Cairns:** That is a reasonable point.

[162] **Jenny Randerson:** I understand that point, but whatever any documents might say, a considerable use of private-sector resources in public sector activity will remain. Twenty-year contracts are entered into, which are absolutely unbreakable—not breakable within any real financial process—such as the car-parking provision in hospitals in certain parts of Wales. Whatever the current Government's statement says, it is a reality. We should try to do some kind of work that would look at what is good about it and what is bad about it, because I do not think that there will ever be an opportunity here for any Government to get rid of the use of private-sector money. So, the private-sector money that we engage might as well be well used.

[163] **Alun Cairns:** That is useful. Are people generally happy for officials to do some preliminary work over the summer recess? If there are any issues—and I expect there to be wider concerns—I will speak to individuals and party groups. We can certainly start the scoping and preparation, and speak to the auditor general, and possibly start with a position paper from him in the autumn. Are we happy with that? I see that we are. That is useful.

[164] That concludes the last item on the agenda. Unless anyone would like to raise anything else, I propose that we close the formal part of the meeting.

*Daeth rhan gyhoeddus y cyfarfod i ben am 2.55 p.m.*

*The public part of the meeting ended at 2.55 p.m.*