



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

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Iau, 26 Mehefin 2008
Thursday, 26 June 2008**

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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 pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Plaid Cymru The Party of Wales
Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Alun Davies	Llafur Labour
Ann Jones	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

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

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk
Ian Summers	Cynghorydd ar Gyllid a Llywodraethu Corfforaethol Finance and Corporate Governance Adviser

Dechreuodd y cyfarfod am 9.34 a.m.
The meeting began at 9.34 a.m.

Ethol Cadeirydd
Election of Chair

[1] **Mr Grimes:** I call this meeting to order. Good morning, ladies and gentlemen. Our first item of business is the election of a Chair. I invite any nominations.

[2] **Ann Jones:** I nominate Angela Burns.

[3] **Mr Grimes:** Are there any other nominations? I see that there are no further nominations, so I declare that Angela Burns is Chair of the Finance Committee. Congratulations.

9.35 a.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[4] **Angela Burns:** Thank you all for being here this morning. I have a few housekeeping points to make. You are welcome to speak in either Welsh or English. Headsets are available for simultaneous translation. I ask you to switch off your mobile phones. There is no fire

alarm test planned for this morning, so if there is an alarm, please run, or walk nicely, to the doors.

[5] **Ann Jones:** Yes, you should always walk.

[6] **Angela Burns:** Are there any apologies or substitutions?

[7] **Mr Grimes:** We have Irene James substituting for Lynne Neagle, although Irene has not appeared as yet.

[8] **Angela Burns:** Okay. I will crack on with the order of business. There are a few reports to discuss, and then I would like to ask the committee to move into informal session in order to discuss two further draft reports.

9.36 a.m.

Cyllideb Atodol Llywodraeth Cynulliad Cymru 2007-08 Welsh Assembly Government Supplementary Budget 2007-08

[9] **Angela Burns:** The Welsh Assembly Government's supplementary budget was laid the day before yesterday. We do not have a Minister or officials here to present the budget, but we have asked Ian Summers whether he would be available to explain what has happened and whether or not we need to take a look at this issue. Ian, can you give us an overview of this supplementary budget and what it means in real terms?

[10] **Mr Summers:** Thank you, Chair. The Government tabled a supplementary budget motion this week, covering the 2007-08 financial year. In that sense, it is a bit unusual, in that the motion was tabled after the year end. The reason for the motion being tabled is that one of the sub-headings was overspent by about £400 million, I understand—they are provisional figures, as the accounts have not been audited as yet.

[11] **Alun Ffred Jones:** Should that not be £400,000?

[12] **Mr Summers:** I am sorry. Yes, that should be £400,000. The accounts have not been audited. There is underspend on one of the other sub-headings, so the Government is proposing to merge the two budget headings, rather than ask for any additional resources overall. Also, it plans to merge those two budget headings in the next supplementary budget motion, for 2008-09. The reason for that is that they are both for administrative expenditure—one is for central services and the other is described as being for other ministerial services.

[13] It is up to the committee how it wishes to handle this supplementary budget motion, but there are a few point of principle to raise, if I may. First, if this motion does not go through, the other ministerial services heading would be overspent, as I said earlier. That would mean that the excess expenditure on that would be deemed irregular by the Auditor General for Wales, who would have no option but to qualify his audit opinion on the accounts. So, one reason for bringing this motion to the Assembly is to avoid that qualification.

[14] I do not think, as a matter of principle, that there is anything wrong with merging the two budget headings in this way. I would not want to make a big issue out of that, nor would I want to make a big issue out of a relatively small overspend on something like the E.coli inquiry, which was important. However, in any report or document that the committee produces, it might want to ask why the overspend occurred, and why did it not become apparent before the last supplementary budget motion, which was on 11 March. It probably

became apparent after the year end, so there is a question that you might want to ask there.

[15] Another point of principle that you might want to make is that, in future years, you would not want retrospective budget motions of this sort as a matter of course. The authorisation of resources by the Assembly, in a parliamentary democracy such as ours that follows the Westminster model, is a very important function. It is important that the Government should come to the Assembly and seek authorisation for the use of resources. The Permanent Secretary, as accounting officer, is responsible for operating within the resources that have been allocated and authorised. So, to make a habit of coming back after the year end to seek retrospective approval for any types of overspend, however they might have occurred, is, in my view, not a good thing, and should not, as a matter of course, be encouraged, particularly if done to avoid an audit qualification by the Auditor General for Wales. So, there might be a point of principle that you want to make, without making too much of an issue of what is a fairly minor occurrence this time.

9.40 a.m.

[16] **Angela Burns:** Thank you, Ian. Are there any comments?

[17] **Jenny Randerson:** I would like to add to the issues that we raise with the Government the potential loss of transparency if you merge ambits. The letter to the clerk from Dr Christine Daws says that, in future, they propose to amalgamate smaller ambits, but without losing the transparency that is vital to aid effective scrutiny. Given that, in our comments previously on the whole budget process, lack of transparency has been a repeated theme, I would like an assurance from the Government as to how it is going to ensure that that transparency continues. To put it in a nutshell, if things like this are merged, would we have found out from the budget accounts that the E.coli inquiry had overspent? I understand entirely that this was a very important inquiry, but we need to know when things like this occur. It is transparency that I am seeking. I understand very much the Government's pragmatic reasons for wanting to merge the ambits—it sounds like sensible management of the finances to me, and I am not in any way undermining the principle—but I want an assurance that we will get transparency.

[18] **Angela Burns:** I think that that is absolutely fine. We can put that in the letter.

[19] **Alun Davies:** I agree with the points that Ian has made with regard to retrospective issues; that is something on which we can all agree. In terms of the issue that Jenny raised on transparency, our major concern over the past year has not only been transparency—I think that you are right on that—but also the nature and the quality of the information that we receive from Government. I do not have any objection to the Government changing the way in which it presents its budgets, as I think that it is the Government's right to do as it chooses, but the only point of principle for us is that we are able to understand and interpret those budgets. Where it brings budgets together or separates them for operational reasons is entirely a matter for the Government, but the key point for us is that we are able to track those changes and understand their financial impact, so as to maintain our level of scrutiny. Therefore, I do not have a problem of principle with this, but I would agree with Jenny that we will only be able to maintain effective scrutiny of the budget if the quality and nature of information from Government is there to enable us to understand it.

[20] **Angela Burns:** That is a good point well made; thank you.

[21] **Joyce Watson:** I am not happy, I must say, with anything that is retrospective. We can see how and why it has happened, and I would argue that there has been transparency, in this case, in terms of explaining why that has happened, albeit retrospectively. Like Jenny, I can understand why one would want to merge small ambits, because it makes sense in some

instances. It would not be to anybody's benefit if we ended up with a qualification on an overspend. In this case, the transparency element has held up, because we now know about it, but I think that, for us to undertake the effective scrutiny that is crucial for the running of Government, this must not happen habitually. I am concerned about that.

[22] **Angela Burns:** Yes; it must not set a precedent.

[23] **Joyce Watson:** It must not set a precedent that assumes that we will automatically follow.

[24] **Angela Burns:** I think that that is also a good point that we can include in the letter. Are there any further comments? Nick.

[25] **Nick Bourne:** I totally agree with Ian that, although it is small in itself, we need an explanation of how this happened and why it was not advised in-year. I also agree with Joyce that transparency does hold up here, because we are able to pick it up. I do not like retrospective decisions either, and we must be satisfied that there is good reason for this, admittedly small, overspend. This does not set a precedent, because we would not want to see this happen on a regular basis.

[26] Jenny's point is well made. Merging small ambits is fine, but merging larger ambits can only mean less transparency—you cannot talk about having a balance in that; you lose transparency if you merge ambits. If they are small ambits, you can do that ad hoc, but larger mergers mean that it would be much more difficult to pick up situations like this, which we should be picking up.

[27] **Angela Burns:** John, could you clarify whether we can just write to the Government with these questions or whether we would have to produce a report?

[28] **Mr Grimes:** Standing Order No. 14.1(i) says that there is to be:

[29] 'a Finance Committee to consider and report on:

(i) any report or other document laid before the Assembly by Welsh Ministers or the Commission containing proposals for the use of resources, including budget motions and supplementary budget motions prepared under sections 125 and 126 of the Act'.

[30] It talks elsewhere of what happens if we fail to report, but I would have thought that that probably means that we are obliged to report. However, that is for your judgment.

[31] **Jenny Randerson:** It would not have to be a very lengthy report.

[32] **Mr Grimes:** Not at all; it could just be one page.

[33] **Jenny Randerson:** Some substantial points have been made around the table—Joyce's point about retrospective action is important—and we need to put those formally to the Assembly as a whole. If it is just a letter, it will get lost in the system.

[34] **Angela Burns:** Very well. I propose, therefore, that we put together a very brief report, concentrating on the four or five issues that have been raised. Would Members be happy if we tried to knock this out in the next few days, and e-mailed it to you? Then, if you are happy with the way in which it has been put together, we can formally send it on to the Government, and get it out of the way.

[35] **Ann Jones:** I am happy to accept an e-mail out of committee, as long as every

Member responds before it is sent.

[36] **Angela Burns:** Okay. Ian, would you be kind enough to put the bones of that together?

[37] **Mr Summers:** Certainly, Chair. I will work with the clerk on that, and do something in the next day or two.

[38] **Angela Burns:** Thank you for that, and for giving us a good explanation.

9.47 a.m.

Gweithredu'r Broses Gyllidebu—Adroddiad Drafft gan y Pwyllgor Cyllid Operation of the Budget Process—Draft Finance Committee Report

[39] **Angela Burns:** This report was, again, kindly put together by Ian and the clerk. You may recall that we went through this at our last meeting. A few points were raised, which I believe have, pretty much, been covered. Ian, do you want to give us a quick synopsis?

[40] **Mr Summers:** This is largely unchanged; I took the sense that the committee was happy with the report, with the exception of one paragraph. Having thought about it, and the points that Jenny, in particular, made, I thought that the paragraph could be confusing—there was another point overriding that paragraph anyway—so I propose, with your permission, that we delete the paragraph and change the summary references at the end. It is as simple as that.

[41] **Angela Burns:** Thank you. Are there any comments from Members on this report?

[42] **Alun Davies:** My point is less to do with the report as written than with what is contained in the report. I am happy to accept the report. Reference is made to the protocol, and I think that we need to have that in place as quickly as possible. Our intention was that we would have that in place by the summer recess. It is pretty unlikely that we will have that in place in the next few weeks, but committee should resolve to ensure that the protocol is in place prior to the next budget process.

[43] **Angela Burns:** Thank you. Ian, do you want to comment on that?

[44] **Mr Summers:** Certainly. As I said at the last meeting, the main reason for the protocol not emerging was that the Minister had not seen it—he was off sick. I thought that he would have been back by now, but that has not been the case, and time is now becoming short. However, I certainly agree with that sentiment. For my part, I will try to do everything that can be done to wrap up the last-minute negotiations, if possible, before the recess. I think that, under the circumstances, that is all I can promise.

[45] **Angela Burns:** Thank you. So, are we just agreeing the draft report? Sorry, Joyce, I did not see that you were indicating.

9.50 a.m.

[46] **Joyce Watson:** I am little confused—you may have to give me some guidance—about our remit. We have a recommendation to amend Standing Orders, but I do not know that we have a remit to amend Standing Orders.

[47] **Mr Summers:** I do not think that we have a remit to amend Standing Orders; that has

to go through the proper process via the Business Committee. I am sure that John will correct me if I am wrong, but the committee is perfectly within its remit to report on how the budget process has operated and to make reasonable recommendations. All that we are doing here, given that Standing Orders were written by the former Assembly, when we did not have a Finance Committee or a budget process of this kind, is looking back one year to see how it has operated, and maybe recommending a few helpful suggestion as to how it might be improved for the future. That is all that I intended when I drafted the report.

[48] **Angela Burns:** So, the Business Committee could choose not to accept our recommendation on amending Standing Orders.

[49] **Mr Summers:** That is my understanding.

[50] **Angela Burns:** It is a recommendation to consider it. Does that satisfy you, Joyce?

[51] **Joyce Watson:** It does not mean that I agree, but it satisfies me.

[52] **Angela Burns:** We are all happy with that, so I suggest that we move on.

9.51 a.m.

**Ymchwiliad i Fesur Arfaethedig Bwyta'n Iach mewn Ysgolion (Cymru)—
Adroddiad Drafft gan y Pwyllgor Cyllid
Inquiry into the Healthy Eating in Schools (Wales) Measure—Draft Finance
Committee Report**

[53] **Angela Burns:** Are there any comments on this report?

[54] **Jenny Randerson:** As it is my Measure, it is appropriate that I do not take any part in this discussion. Do you want me to go to sit in the back row?

[55] **Angela Burns:** No; I think that you can stay there. [*Laughter.*]

[56] **Jenny Randerson:** I am just putting it on record that I am not taking part in this discussion.

[57] **Angela Burns:** Thank you. Have we all had a chance to read the report? Are there any comments?

[58] **Joyce Watson:** I am happy.

[59] **Angela Burns:** Thank you.

9.52 a.m.

**Cynnig Trefniadol
Procedural Motion**

[60] **Angela Burns:** I propose that we move into informal session to discuss three issues: our draft report on the foundation phase, where we are with our public-private partnership and private finance initiative inquiry, and the work schedule for the rest of this calendar year.

[61] **Ann Jones:** I am happy that we move into private session, as opposed to an informal session. We must make that clear for the record. I propose that

under Standing Order No. 10.37, the committee agrees to exclude the press and public from the remainder of the meeting.

[62] **Angela Burns:** Thank you. I see that we are all agreed.

*Derbyniwyd y cynnig.
Motion carried.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 9.53 a.m.
The public part of the meeting ended at 9.53 a.m.*