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Dear Jocelyn

Thank you for your letter of 8th December, in which you asked for information relating to the Welsh Government's draft budget for 2012-13. You asked for:

- information regarding the £1.2m increase to staff costs in 2012-13; and
- an explanation for the year on year reductions to the staff costs action.

The answers to your questions are:

- The increase to the staff costs action in 2012-13 is partly due to a transfer from non-pay central services budgets (£1.0m) and partly due to a transfer of functions from DEFRA (£0.2m).

- The year on year reductions to the staff costs action are due to the public sector spending cuts introduced by the UK Government.

Before I expand on these answers, I thought it may help if I provided some background and context to the Central Services and Administration (CS&A) MEG budget and particularly the staff costs element.

There have been a number of significant changes to the CS&A MEG over the past two years which have contributed towards an overall revenue budget reduction of £54m, from the 2010-11 budget of £361m (as included in the October 2009 draft budget) to the planned 2013-14 budget of £307m (as included in the October 2011 draft budget).

Whilst some of these changes relate to transfers into and out of the CS&A MEG, the most significant change has been the contribution the CS&A MEG has made towards the public sector spending cuts imposed by the coalition Government in Whitehall. In proportion to its budget, Ministers decided that the CS&A MEG would be asked to make the joint largest revenue budget cut (along with the Public Service and Performance MEG) of around 12.5% over the three years. As a consequence, between 2010-11 and 2013-14 the CS&A MEG budget is planned to reduce by some £43m.

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As the CS&A MEG largely consists of running costs, we have inevitably had to look to reduce our staffing costs to keep within budget. This explains why the staff costs budget reduces by around £10m per annum between 2010-11 and 2013-14 (the remainder of the required cuts arise out of non-pay elements). The severance schemes we ran during 2010-11 and 2011-12 have made a significant contribution towards achieving these staff cost reductions and I am working with my management team to assess what more needs to be done.

Clearly, we have had to face some difficult decisions as reducing our staffing budgets by around £30m over 3 years would require a reduction to our workforce of around 1,000 posts. To mitigate this slightly, I have been able to identify some non-pay related budgets where we can either make savings or reduce costs and in so doing free up funding to enable us to reduce the number of staff posts we must lose. The non-pay budgets affected are largely for audit, accounting services, geographical information and research and are where we have either been able to: renegotiate better contracts; use our budgets more flexibly; or sought better value by bringing externally provided services in-house. As a result, we have been able to identify £1.0m per annum to transfer into the staff costs budget.

In addition, the Welsh Government has taken responsibility for the monitoring of the services provided by the Animal Health and Veterinary Laboratories Agency in Wales. We have received funding for this from DEFRA, and whilst most of this funding has transferred into the Rural Affairs MEG, £0.2m has come to the CS&A MEG to fund the related administration costs. This, along with the £1.0m above, is why the staff costs action is set to increase by £1.2m in the draft budget.

Yours sincerely

Gill

GILL MORGAN