

## **EXPLANATORY MEMORANDUM TO THE GOVERNMENT OF WALES ACT 2006 (BUDGET MOTIONS AND DESIGNATED BODIES) ORDER 2017**

This Explanatory Memorandum has been prepared by the Office of the First Minister and Cabinet Office Group and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

### **Minister's Declaration**

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2017.

Mark Drakeford  
Cabinet Secretary for Finance and Local Government

28 September 2017

## **1. Description**

1.1 The Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2017 (“the Order”) designates bodies in relation to the Welsh Ministers. The purpose of such designation is so that information relating to the resources expected to be used by such bodies can be included within a Budget Motion.

## **2. Matters of special interest to the Constitutional and Legislative Affairs Committee**

2.1 Section 126A(9) and (10) of the Government of Wales Act 2006 (“GOWA 2006”) provide for the Order to be subject to either the affirmative or the negative resolution procedure.

2.2 The Cabinet Secretary for Finance and Local Government is of the view that the Order be subject to the negative resolution procedure as there are no factors indicating the use of the affirmative procedure. The Order designates bodies for the purposes of including within a Budget motion, information relating to the resources expected to be used by those bodies. Inclusion of the resources of the designated bodies within the Budget Motion will minimise alignment discrepancies between the Budget, Budget Motion and consolidated accounts, but will have no effect on the resource limits of those bodies. The subject matter of the Order can therefore be regarded as administrative as the effect on the Budget will be presentational.

## **3. Legislative background**

3.1 This Order is made by the Welsh Ministers in exercise of the powers conferred on them by section 126A(2) and (3) GOWA 2006. This is the second Order made by the Welsh Ministers under these powers. The first Order was made in November 2016 (S.I. 2016/1096 (W.260)).

3.2 In accordance with section 126A(6) GOWA 2006, the Welsh Ministers have consulted, where they think it appropriate, with HM Treasury.

## **4. Purpose and intended effect of the legislation**

### **Background**

4.1 In March 2015, the Finance Committee of the Fourth Assembly recommended, as part of its inquiry into Best Practice Budget Processes, that “the Welsh Government work closely with the Wales Audit Office to help ensure that the alignment of the budget and the Welsh Government’s

accounts with the Treasury's budget boundary is completed timeously and successfully".

4.2 Under current arrangements, there are 3 main documents which set out the financial position of the bodies funded by the Welsh Consolidated Fund;

- the Budget to plan, monitor and control income and expenditure;
- the Annual Budget Motion (ABM) to gain Assembly approval for income and expenditure; and
- after the year end, the Consolidated Accounts, to report and account for income and expenditure.

The boundaries of each of these documents i.e., the income and expenditure of the bodies which are included, differ for each causing misalignment and, accordingly can make it difficult to understand the links and inter-relationships between them. This can lead to a lack of transparency and understanding of the Welsh Government public expenditure.

4.3 The Annual Budget Motion voted by the National Assembly for Wales was aligned to the Welsh Government core account boundary. This was a different boundary to that used for the Welsh Government Consolidated Accounts and was subsequently different again to the boundary used for the Treasury Budget. The first phase of alignment partially corrected these differences.

4.4 Alignment ensures, so far as is reasonably practical, that the Welsh Government's consolidated accounts use the same boundary for the Annual Budget Motion as that used by HM Treasury for the control of public expenditure. Alignment will mean that the scope of the main control mechanisms is consistent.

## **Purpose**

4.5 The Order designates specified bodies in relation to the Welsh Ministers for the purpose of including within a Budget motion the resources expected to be used by those bodies.

## **Effect**

4.6 The designation of the bodies in the Order will allow closer alignment of the ABM to the existing Welsh Government Consolidated Accounts Boundary. The resources expected to be used by the designated bodies can therefore be included within the ABM replacing the cash funding they receive.

- 4.7 The Order, therefore, aligns the HM Treasury budget boundary to the Budget Motion and the Welsh Government Consolidated Accounts, enabling expenditure to be more easily tracked through the Budget Motion and Consolidated Accounts process. This will provide the benefits of increased transparency and understanding of Welsh public expenditure, making it easier for the Assembly, and the wider public, to understand and challenge spending plans and outturn. In turn, this should contribute to better involvement and awareness of public expenditure in Wales, therefore, indirectly contributing to well-being goals.
- 4.8 The Order leads to a more efficient approach to the impact on scrutiny of the ABM by the Finance Committee and the consolidated accounts by the Public Accounts Committee as variances between budget and outturn will be more consistent. In addition, the number of reconciliations required within the schedules supporting the ABM will be reduced.
- 4.9 There would be no impact on the MEG budgets and limited impact on preparation of the consolidated accounts.
- 4.10 The Order does not amend or consolidate any other piece of legislation.

## **5. Consultation**

- 5.1 The Welsh Government undertook a targeted consultation with the bodies proposed to be included in the Order, from 8<sup>th</sup> May 2017 to 31<sup>st</sup> July 2017.
- 5.2 Those responding to the consultation were generally supportive and there were no objections to the principle of designation and alignment.
- 5.3 As a result of the consultation, the Order contains bodies that are considered for consolidation within the WG Consolidated Accounts and are classified to the Central Government Sector.
- 5.5 HM Treasury were consulted in accordance with section 126A(6) GOWA 2006, where a complete list of bodies proposed to be designated was provided.
- 5.6 A third phase of alignment is planned for 2019/20.

## **6. Regulatory Impact Assessment (RIA)**

- 6.1 A Regulatory Impact Assessment has not been prepared to accompany the Order; it is not expected to impose any cost on business, local government or the voluntary sector. This is consistent with the Welsh Ministers' Regulatory Impact Assessment Code for Subordinate Legislation.

6.2 Bodies to be designated in the Order already form part of the Welsh Government budgetary controls and so Welsh Government Groups are already monitoring in-year spending. In addition the Whole of Government Accounts exercise requires the collection of similar outturn data from all public bodies, there should therefore be no material impact on the public sector.