

EXPLANATORY MEMORANDUM TO THE GOVERNMENT OF WALES ACT 2006 (BUDGET MOTIONS AND DESIGNATED BODIES) ORDER 2018

This Explanatory Memorandum has been prepared by the Permanent Secretary's 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.

Cabinet Secretary'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 2018.

Mark Drakeford
Cabinet Secretary for Finance

14 November 2018

1. Description

1.1 The Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2018 (“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 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 third Order made by the Welsh Ministers under these powers.

3.2 In accordance with section 126A(4) and (6) GOWA 2006, the Welsh Ministers have consulted, where they think it appropriate, with HM Treasury, and the Treasury has consented to the making of this Order.

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 and Supplementary Budget Motions 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 Budget Motions voted by the National Assembly for Wales were 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 HM Treasury Budget. The first two phases of alignment corrected the material differences.

4.4 Alignment ensures that the Welsh Government's consolidated accounts use the same boundary for the Budget Motions as that used by HM Treasury for the control of public expenditure, where those bodies are designated and material. Alignment will mean that the scope of the main control mechanisms is consistent.

Purpose

4.5 The Order consolidates and replaces the first two orders and 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. Accordingly, the Order revokes the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2016 (S.I. 2016/1096 (W. 260)) and the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2017 (S.I. 2017/946 (W. 235)).

Effect

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

- 4.7 The Order, therefore, aligns the HM Treasury budget boundary to the Budget Motions and the Welsh Government Consolidated Accounts, enabling expenditure to be more easily tracked through the Budget Motions 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 Budget Motions 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 Budget Motions 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 In addition to those bodies previously designated by the 2016 and 2017 Orders, this Order designates Transport for Wales, the Welsh Revenue Authority and the National Academy for Educational Leadership. These are virtually new public sector bodies and considered to be part of business as usual and, as such, an external consultation with these public bodies was not considered to be necessary before designation. The Welsh Government has already undertaken a targeted consultation with the bodies included in the previous orders from 8th May 2017 to 31st July 2017.
- 5.2 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 The final 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.