



Research Briefing
**Budget Series 2: The budget
process in Wales**

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National Assembly for Wales
Research Service

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Budget Series 2: The budget process in Wales



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Budget Series 2: The budget process in Wales

Overview of the budget process

The budget process in Wales is set out in Part 5 of the Government of Wales Act 2006 (GOWA 2006)¹ and in the Standing Orders of the National Assembly.² The stages of the process are as follows:

- **Draft budget proposals:** set out the Welsh Government's spending plans and allows for scrutiny and amendment by the Assembly.
- **Annual budget motion:** seeks the Assembly's formal authorisation for the use of resources during the financial year.
- **Supplementary budget motion:** seeks authorisation for in-year changes to the annual budget motion.

At least two weeks prior to summer recess, the Minister with responsibility for Government Business must notify the Assembly's Business Committee of the dates on which the draft budget and annual budget motions will be tabled. The budget motions voted on by the Assembly authorise the amount of resources which can be used, income which can be retained and cash which can be drawn from the Welsh Consolidated Fund (WCF) by the Welsh Ministers and the direct funded bodies.³ Therefore, **the requesting of resource is a matter for Government, and the granting of financial authority for use of resources is a matter for the Assembly.**

Draft Budget Proposals

The draft budget proposals set out the spending plans of the Welsh Government, and allow for the scrutiny of these plans by the Assembly and its Committees.⁴

Scrutiny of the draft budget

Following the notification of the date on which the draft budget will be tabled, the Business Committee publish a timetable for the consideration of the proposals. This must include at least five weeks for the Finance Committee to report on the draft budget.⁵ The draft budget proposals must then be laid before the Assembly in accordance with the date specified, (usually early October), and must provide details of:

- the amount of resources and cash that the Welsh Government proposes to use in the coming financial year; and
- provisional amounts for the subsequent two financial years, where possible.

The Finance Committee will then scrutinise the draft budget from an overarching perspective, while the subject committees consider their particular portfolio areas. The subject committees report to

¹ [Part 5 Finance, Government of Wales Act 2006](#) [accessed 14 May 2013]

² [Standing Orders of the National Assembly for Wales](#), May 2013, SO 20 Finance Procedures [accessed 14 May 2013]

³ Direct funded bodies – the National Assembly Commission, Auditor General for Wales and Public Services Ombudsman for Wales.

⁴ [Standing Orders of the National Assembly for Wales](#), May 2013 provide that the direct funded bodies must also present draft spending plans to the relevant Assembly Committees for scrutiny. This includes scrutiny of the proposals of the Assembly Commission (SO 20.13-20.20) and Public Services Ombudsman for Wales (SO 20.23-20.24) by the Finance Committee, and that of the Auditor General (SO 20.21-20.22) by the Public Accounts Committee.

⁵ [Standing Orders of the National Assembly for Wales](#), May 2013 refer to the 'responsible Committee' and the remit for this Committee is set out in SO 19. In the Fourth Assembly the Finance Committee fulfils this role.

the Finance Committee and their findings will be incorporated into the Finance Committee's report. The report of the Finance Committee can recommend changes to the proposals; provided that these do not alter the overall amounts proposed (ie. they must be balanced, so additional funding to a particular area must be balanced by reductions elsewhere).

Once the deadline for the Finance Committee to report has passed, the Assembly will then consider, in Plenary, a motion to take note of the Government's draft budget. Amendments can be tabled, however again any suggested changes must not alter the overall amounts proposed.

Political negotiations

Ahead of the debate, the Welsh Government may enter into negotiations with opposition parties in relation to the budget proposals. This was the case in November 2012, when an agreement was reached with Plaid Cymru which secured support for apprenticeships and the creation of a science park.⁶

Even if the motion to note the draft budget proposals is not passed, as was the case in November 2011⁷ then the Government continues to the next stage in the process, and presents the annual budget motion. However, some negotiation between parties may occur to secure the vote at the next stage. In November 2011 the Liberal Democrats reached agreement with the Government ahead of the next stage, securing a deal which included provision for the pupil deprivation grant to be incorporated into the final budget.⁸

Annual Budget Motion

Following consideration of the draft budget, the next stage of the process is the annual budget motion (commonly termed the Final Budget), which is the formal means by which the Assembly authorises the Welsh Ministers to draw and spend funds from the WCF.

The requirement for an annual budget motion is set out in Section 125 of the *GOWA 2006* and Standing Orders.⁹ This must be tabled by a Welsh Minister in accordance with the date notified (usually in November). The motion must include the final budget for the Welsh Government as well as that for the direct funded bodies. The motion must also provide specific information relating to the written statement required by Section 125(3) of the *GOWA 2006*, as well as the reconciliations specified in Standing Orders.¹⁰ This information is generally presented in Schedules 5, 6 and 7 of the annual budget motion.¹¹

At this stage of the process, the budget priorities and allocations have been finalised following consultation at the draft budget stage. No amendments may be tabled to the motion, and Members are limited to voting to support/oppose the motion, or abstaining from the vote. However, the debate on the annual budget motion in Plenary allows Members the opportunity to voice any unmet priorities or issues of concern.

⁶ Welsh Government, News Release, [*A joint statement from Carwyn Jones, First Minister and Leanne Wood, Leader of Plaid Cymru*](#), 8 November 2012 [accessed 14 May 2013]

⁷ National Assembly for Wales, Plenary Agenda and Decisions, [*NDM4847, 15 November 2011*](#) [accessed 14 May 2013]

⁸ BBC News, [*Welsh budget: Labour and Lib Dems reach agreement*](#), 25 November 2011 [accessed 14 May 2013]

⁹ [*Section 125, Government of Wales Act 2006*](#) and [*Standing Orders of the National Assembly for Wales*](#), May 2013, SO 20.25 to 20.29. [accessed 14 May 2013]

¹⁰ [*Section 125 \(3\) Government of Wales Act 2006*](#) and [*Standing Orders of the National Assembly for Wales*](#), May 2013, SO 20.28. [accessed 14 May 2013]

¹¹ The Schedules referred to can be found in the annual budget motion document: for example [*Annual Budget Motion 2013-14*](#) [accessed 14 May 2013]

What if the annual budget motion is not passed?

In the event that the motion is not authorised by the Assembly, the Welsh Government can continue to negotiate and amend their budget and present further annual budget motions to Plenary for authorisation. If no budget motion has been authorised by the beginning of the financial year, provisions for appropriation without budget resolution are set out in the *GOWA 2006*.¹² This provides that the amount of resources which can be used, income which can be retained and cash which can be drawn from the WCF is 75 per cent of that in the previous year. In the event that a budget motion has not been authorised by July of the financial year, this rises to 95 per cent.

Supplementary Budget Motion

At any point during or after the financial year, which the annual budget motion relates to, a supplementary budget motion can be presented to request authorisation for changes to the previous budget motion. This is provided for in Section 126 of the *GOWA 2006* and Standing Orders.¹³ Such a motion can take effect from a time before it is actually made, but cannot pre-date the annual budget motion, or an earlier supplementary budget motion for that financial year. A supplementary budget motion must be tabled by a Welsh Minister, and must contain details of variations to the reconciliations required in the annual budget motion.

As with the draft budget, the Finance Committee can scrutinise and report on a supplementary budget, and no motion can be moved until either the Committee has reported, or three weeks have passed since the motion was tabled. Again, the Finance Committee's report may propose changes to the motion, provided that these do not alter the overall amounts. As with the annual budget motion, a supplementary budget motion must be moved by a Welsh Minister, and only a Welsh Minister may table or move amendments to the motion. If a supplementary budget motion proposes changes to the budget of the direct funded bodies, then explanatory memoranda explaining the variation must be provided to the appropriate Committee.

In recent years, the Welsh Government has put forward two supplementary budgets in each financial year (usually June and February) to authorise in-year changes. In March 2012, the National Assembly voted to endorse a protocol with the Welsh Government,¹⁴ which stated that there will continue to be two supplementary budgets in each financial year,¹⁵ which will detail: transfers from the UK Government, allocations from central reserves and transfers between portfolios, as well as major transfers within portfolios.¹⁶

Standing Orders provide for the possibility that on auditing the accounts, if it is discovered that any of the direct funded bodies have used resources in excess of that authorised in a budget motion, then the Welsh Ministers must bring forward a supplementary budget motion seeking retrospective authorisation for the level of resources used.¹⁷

¹² [Section 127, Government of Wales Act 2006](#) [accessed 14 May 2013]

¹³ [Section 126, Government of Wales Act 2006](#) and [Standing Orders of the National Assembly for Wales](#), May 2013 SO 20.30 to 20.37. [accessed 14 May 2013]

¹⁴ National Assembly for Wales, [NDM4948 Jocelyn Davies \(South Wales East\)](#), 21 March 2012 [accessed 14 May 2013]

¹⁵ If it is decided that a supplementary budget is not required, the Welsh Government must inform the Finance Committee in writing of why this is the case.

¹⁶ National Assembly for Wales, [Protocol on Changes to the Budget Motion](#), March 2012. [accessed 14 May 2013]

¹⁷ [Standing Orders of the National Assembly for Wales](#), May 2013, SO 20.38 and 20.39 [accessed 14 May 2013]

Further information

For further information on **budgets**, please contact **Martin Jennings** (Martin.Jennings@Assembly.Wales), Research Service.

See also:

- **Budget Series 1: Funding Welsh devolution**
- **Budget Series 3: Scrutiny of the budget**
- **Budget Series 4: Budget glossary**
- **Welsh Government, Budgets**