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**HAND OUT**

**A NEW BUDGET PROCESS FOR WALES?**

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## A new budget process for Wales?

Since the 2014 OECD conference in Jerusalem, a major topic of debate in Wales (UK) has been around the future shape of budget scrutiny and the forecasting of sub-national taxes and borrowing.

### Background

The [Wales Act 2014](#) became law in the UK in December 2014. This legislation devolves borrowing and taxation powers to Wales for the first time, along with the ability for the National Assembly for Wales to legislate over its own budgetary procedures.

Before this Act was in place, the Welsh Government was essentially only responsible for spending. The existing budgetary process is not designed to handle the further complexities of taxation and borrowing.

### Budget process best practice inquiry

The Assembly's [Finance Committee](#) has undertaken two inquiries to identify, what changes need to be made to Welsh budgetary procedures, and how these can be reflected in Wales in future years. The Committee has received valuable input from the OECD and members of Parliamentary Budgetary Officials Group. This includes evidence provided by the OECD; Netherlands Bureau for Economic Policy Analysis; the Office of the Parliamentary Budgetary Officer, Canada; the UK Office for Budgetary Responsibility; and Joachim Wehner, LSE.

The Committee's [first report](#) in July 2014 recommended that a new budget process must adhere to the OECD ten "[Principles of Budgetary Governance](#)".

The Welsh Government [welcomed the recommendations](#) in this report and has maintained a close dialogue with the parliamentary officials as work in this area is begun. This first report laid the bedrock for a more detailed inquiry and set the context to research and evidence considered by the Committee for a [second report](#), published in March 2015.

The main areas considered in this report were:

- The timing of the budget and how the Welsh Government's budget should be authorised.
- To what extent budgets should be linked to outcomes, outputs and whether preventative spending could be identified.
- Information that needs to be produced alongside the budget.
- How to improve the quality and availability of financial and macroeconomic information to enable scrutiny of budget and forecasts.
- Welsh issues, such as how reductions in funding from the UK Government to reflect the devolution in taxes are calculated and how deficits and surpluses are managed between Welsh and UK Governments.

## **What next?**

The value of tax raising powers being devolved in April 2015 and 2018 is relatively small. With further powers likely to be devolved, either through a local referendum or subsequent legislation, a robust framework is crucial to have in place to collect, administer, manage, set and forecast these taxes.

The Committee has recommended the Welsh Government;

- Consider further how key targeted output or delivery measures could be linked to budget allocations as part of the budget process.
- Improve the quantity and quality of Welsh financial and economic data and associated forecasts.
- Consider the case for establishing a fiscal commission for Wales.

In the coming months, the Finance Committee is committed to looking further into the detail of how devolved taxes will be collected and forecast, along with scrutiny of coming budgets and emerging legislative taxation proposals. Also, how the Welsh Government will be funded in the future.

Staff at the National Assembly for Wales will work with Welsh Government officials to help start to develop a budgetary process that is agreeable to both the government and the legislature.