



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

Final Budget 2008

This paper provides information on the Welsh Assembly Government's Final Budget 2008, which details spending plans for 2009-10 and 2010-11, and updates the spending plans detailed in the Final Budget 2007.

December 2008

Members' Research Service / Gwasanaeth Ymchwil yr Aelodau

Final Budget 2008

Eleanor Roy & Martin Jennings

December 2008

Paper number: 08/4062/er/mj

© National Assembly for Wales Commission 2008

© Comisiwn Cynulliad Cenedlaethol Cymru 2008

Executive Summary

The budget changes below are in absolute terms, no adjustments have been made for inflation. The current rate of inflation, using the Consumer Price Index (CPI) as at October 2008 is 4.5%. The latest estimate for the GDP deflator provided by the Treasury is 1.5% for 2009-10 and 2.75% for 2010-11.

- Total Managed Expenditure (TME) allocated to Welsh Assembly Government departments is planned to increase by £633.6 million, (4.3%) in 2009-10 in comparison to 2008-09, and by £451.4 million, (2.9%) in 2010-11 in comparison to 2009-10.
- Department Expenditure Limit (DEL) is planned to increase by £619.8 million (4.3%) in 2009-10 in comparison to 2008-09, and by £402.5 million (2.7%) in 2010-11 in comparison to 2009-10.
- Annually Managed Expenditure (AME) is planned to increase by £13.8 million (2.6%) in 2009-10 in comparison to 2008-09, and by £48.9 million (8.9%) in 2010-11 in comparison to 2009-10.
- The new Final Budget plans for Total Assembly Main Expenditure Group (MEG) allocations for 2009-10 are £638,000 higher than that stated in the draft budget proposals. This represents a transfer from the revenue reserves to the Central Services and Administration MEG.

Contents

1.	Introduction	1
2.	Overall Trends	2
3.	Year-on-year comparisons of Departmental Expenditure Limits (DEL).....	4
4.	Capital and Revenue DEL.....	7
4.1	Revenue DEL.....	7
4.2	Capital DEL	9
5.	Comparison of Final Budget 2008 with Draft Budget 2008	10
5.1	Overall changes	10
5.2	Revenue DEL changes	11
5.3	Capital DEL changes	13
6.	Reserves and end year flexibility (EYF)	14
Annex A	Strategic Capital Investment Framework (SCIF)	15
Annex B	Summary of key issues for Welsh Block Funding in the Pre-Budget Report 2008.....	17

Final Budget 2008

1. Introduction

The Final Budget Motion 2009-10¹ was laid by the Minister for Finance and Public Service Delivery (Andrew Davies) on 2nd December 2008, as required under Standing Order 27.17. The Minister also issued a Written Statement to introduce the motion.² The budget motion was accompanied by: Indicative Resource and Cash Allocations for 2010-11,³ a narrative document,⁴ which provides additional information on spending plans at the Spending Programme Area (SPA) level, and summary tables summarising the Main Expenditure Group (MEG) allocations.⁵

The Final Budget 2008 sets out the Welsh Assembly Government's spending plans for the financial years 2009-10 and 2010-11. It updates the spending plans set out in the Final Budget 2007.

Additional information on the recent announcement by the Welsh Assembly Government on the Strategic Capital Investment Framework (SCIF) can be found in Annex A. Also, the effect of the Pre Budget Report 2008 on the Welsh block is discussed in Annex B. These do not form part of the Final Budget 2008, but are included for information.

¹ [GEN-LD7312 Final Budget Motion 2009-10 \(2nd December 2008\)](#). [as at 3 December 2008].

² [Welsh Assembly Government, Andrew Davies \(Minister for Finance and Public Service Delivery\), Final Budget 2009-10, Cabinet \(Written\) Statement, 2nd December 2008](#). [as at 3 December 2008].

³ [Indicative Resource and Cash Allocations for 2010-11 \(December 2008\)](#) [as at 3 December 2008].

⁴ [Final Budget 2009-10 Report \(December 2008\)](#). [as at 3 December 2008].

⁵ [Final Budget Main Expenditure Group Summary](#). [as at 3 December 2008].

2. Overall Trends

Total Managed Expenditure (TME) represents the revenue and capital spending of the public sector and is made up of Department Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

DEL is normally set over three year periods as part of the UK Government's Spending Review (SR). Most of the DEL is unhypothecated and allows the Welsh Assembly Government full discretion over its spending priorities (known as 'assigned budget' items). Changes in provision for those items are determined through the Barnett Formula. Some elements of DEL however, are ring-fenced and can only be used for specified purposes. DEL is divided into Revenue DEL and Capital DEL. Under Treasury rules revenue DEL can be transferred to capital DEL, but not vice versa.

AME covers items whose provision cannot be reasonably subject to firm multi-year limits (such as Common Agricultural Policy) and thus is reviewed and set annually (in March). AME is demand led and can only be allocated to the programme for which it is assigned. Further AME can be drawn down from the Treasury should it be required, while any unspent portion will be reclaimed by the Treasury.

Tables 1 and 2 below provide details of TME in absolute terms and how this is allocated to DEL and AME, as well as a year-on-year comparison. Tables 3 and 4 provide the same information in real terms.

The figures shown as real terms are adjusted figures to show equivalent expenditure for each year at 2008-09 prices. The absolute expenditure figure for each year is adjusted using the GDP deflator, this is a measure of the movement in prices of UK inputs into the economy, used by the UK Government to track changes in prices.⁶ We have used agreed Treasury GDP deflator figures of 1.5% for 2009-10 and 2.75% for 2010-11, the annual deflator has been increased using compound interest on an annual basis.

⁶ [HM Treasury. Gross Domestic Product \(GDP\) deflators](#) [as at 3 December 2008].



Table 1: Allocation of TME to AME and DEL: absolute terms

		<i>£ millions</i>		
		2008-09	2009-10	2010-11
		Final	Final	2010-11
		Budget	Budget	Plans
Total DEL		14,366.8	14,986.6	15,389.1
	Revenue DEL	12,789.4	13,358.8	13,788.5
	Capital DEL	1,577.3	1,627.8	1,600.6
AME		534.7	548.5	597.4
Total Managed Expenditure		14,901.5	15,535.1	15,986.5

Source: Welsh Assembly Government Final Budget 2008.

Table 2: Year-on-year comparison of TME in absolute terms

		2009-10 Final Budget		2010-11 compared to	
		compared to 2008-09		2009-10	
		(£m)	per cent	(£m)	per cent
Total DEL		619.8	4.3	402.5	2.7
	Revenue DEL	569.3	4.5	429.7	3.2
	Capital DEL	50.4	3.2	-27.2	-1.7
AME		13.8	2.6	48.9	8.9
Total Managed Expenditure		633.6	4.3	451.4	2.9

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

Table 3: Allocation of TME to AME and DEL: real terms

		<i>£ millions</i>		
		2008-09	2009-10	2010-11
		Final	Final	2010-11
		Budget	Budget	Plans
Total DEL		14,366.8	14,765.1	14,755.9
	Revenue DEL	12,789.4	13,161.4	13,221.2
	Capital DEL	1,577.3	1,603.7	1,534.7
AME		534.7	540.4	572.8
Total Managed Expenditure		14,901.5	15,305.5	15,328.7

Source: Welsh Assembly Government Final Budget 2008.

Table 4: Year-on-year comparison of TME in real terms

		2009-10 Final Budget		2010-11 compared to	
		compared to 2008-09		2009-10	
		(£m)	per cent	(£m)	per cent
Total DEL		398.3	2.8	-9.2	-0.1
	Revenue DEL	371.9	2.9	59.8	0.5
	Capital DEL	26.4	1.7	-69.0	-4.3
AME		5.7	1.1	32.4	6.0
Total Managed Expenditure		404.0	2.7	23.2	0.2

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.



3. Year-on-year comparisons of Departmental Expenditure Limits (DEL)

DEL is broken down by Main Expenditure Group (MEG), and then further divided into Spending Programme Areas (SPAs).

Table 5 provides information on the DEL by MEG in absolute terms, including the current financial year 2008-09 as the base year. Table 6 shows the DEL in real terms (at 2008-09 prices).

Table 5: DEL by main expenditure group 2008-09 to 2010-11 in absolute terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11 plans (£m)	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)		increase on 2008-09 (£m)	increase on 2008- 09 (%)	increase on 2009- 10 £(m)	increase on 2009- 10 (%)
Health and Social Services	5,692.5	5,995.0	6,178.0	302.6	5.3	182.9	3.1
Social Justice and Local Government	4,268.4	4,403.5	4,535.8	135.1	3.2	132.3	3.0
Economy and Transport	1,161.1	1,185.5	1,194.2	24.4	2.1	8.7	0.7
Children, Education, Lifelong Learning and Skills	1,777.9	1,876.0	1,920.0	98.1	5.5	44.0	2.3
Environment, Sustainability and Housing	734.7	757.6	777.4	22.9	3.1	19.8	2.6
Rural Affairs	147.4	152.4	156.0	5.0	3.4	3.6	2.4
Heritage	155.6	161.5	162.4	5.8	3.8	0.9	0.6
Public Services and Performance	59.5	59.8	60.2	0.3	0.5	0.4	0.6
Central Services and Administration	369.7	395.3	405.3	25.6	6.9	10.0	2.5
Total DEL allocations	14,366.8	14,986.6	15,389.1	619.8	4.3	402.5	2.7

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

Table 6: DEL by main expenditure group 2008-09 to 2010-11 in real terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11 plans (£m)	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)		increase on 2008-09 (£m)	increase on 2008- 09 (%)	increase on 2009- 10 £(m)	increase on 2009- 10 (%)
Health and Social Services	5,692.5	5,906.4	5,923.8	214.0	3.8	17.3	0.3
Social Justice and Local Government	4,268.4	4,338.4	4,349.2	70.0	1.6	10.8	0.2
Economy and Transport	1,161.1	1,168.0	1,145.0	6.9	0.6	-23.0	-2.0
Children, Education, Lifelong Learning and Skills	1,777.9	1,848.2	1,841.0	70.4	4.0	-7.2	-0.4
Environment, Sustainability and Housing	734.7	746.4	745.4	11.7	1.6	-1.0	-0.1
Rural Affairs	147.4	150.1	149.6	2.8	1.9	-0.5	-0.4
Heritage	155.6	159.1	155.7	3.5	2.2	-3.4	-2.1
Public Services and Performance	59.5	58.9	57.7	-0.6	-1.0	-1.2	-2.1
Central Services and Administration	369.7	389.5	388.6	19.7	5.3	-0.9	-0.2
Total DEL allocations	14,366.8	14,765.1	14,755.9	398.3	2.8	-9.2	-0.1

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

- DEL is planned to increase by 4.3% (£619.8 million) in absolute terms in 2009-10 and by 2.7% (£402.5 million) in absolute terms in 2010-11.
- ◆ The biggest percentage increase in 2009-10 will be received by the Central Services and Administration MEG, 6.9%; however the largest actual increase will be received by the Health and Social Services MEG, £303 million.

Table 7 shows each Main Expenditure Group as a proportion of the total Welsh Assembly Government DEL allocation for each year.

Table 7: Main Expenditure Groups as a proportion of the Welsh Assembly Government DEL

Main Expenditure Group	Per cent		
	2008-09	2009-10	2010-11
Health and Social Services	39.6	40.0	40.1
Social Justice and Local Government	29.7	29.4	29.5
Economy and Transport	8.1	7.9	7.8
Children, Education, Lifelong Learning and Skills	12.4	12.5	12.5
Environment, Sustainability and Housing	5.1	5.1	5.1
Rural Affairs	1.0	1.0	1.0
Heritage	1.1	1.1	1.1
Public Services and Performance	0.4	0.4	0.4
Central Services and Administration	2.6	2.6	2.6

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

The Health and Social Services and Social Justice and Local Government MEGs receive by far the largest proportion of the available DEL; together these MEGs represent almost 70% of the total Welsh Assembly Government DEL allocation.

Figure 1 provides information on the DEL allocation for each main expenditure group in absolute terms, whilst figure 2 shows the absolute terms percentage changes. Figure 3 provide the percentage changes in real terms.

Figure 1: Absolute terms DEL budget by Main Expenditure Group

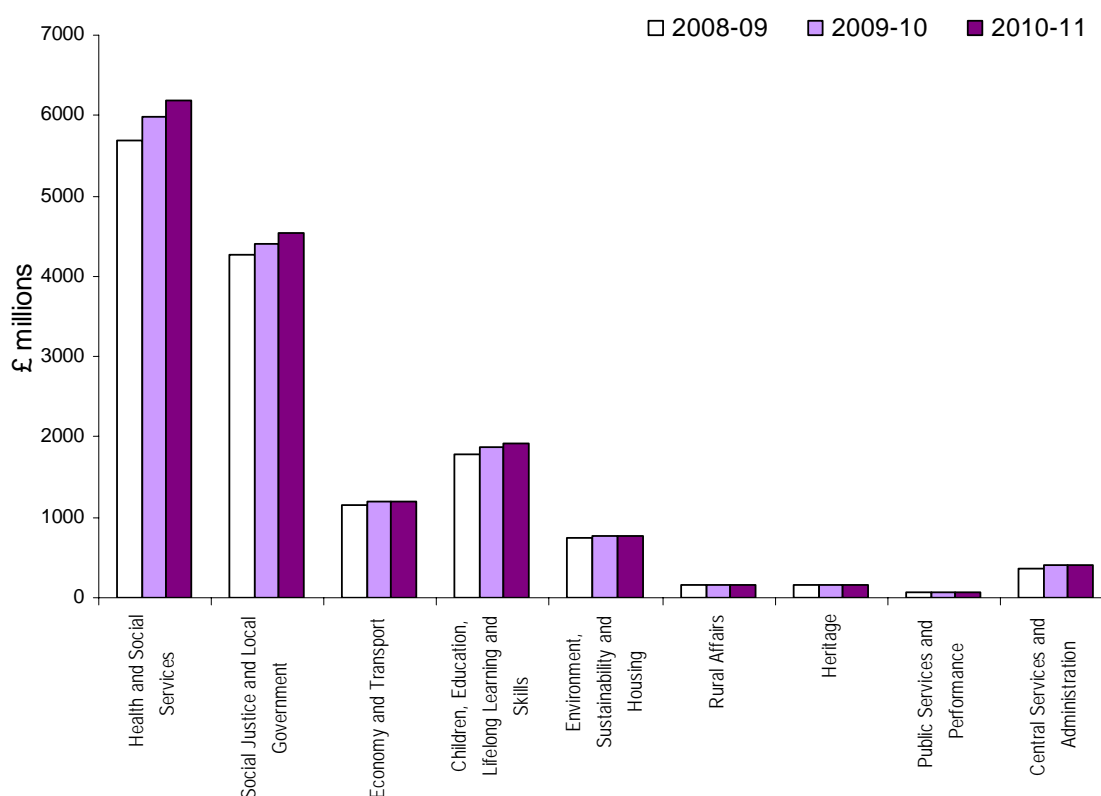


Figure 2: Absolute terms DEL changes by Main Expenditure Group

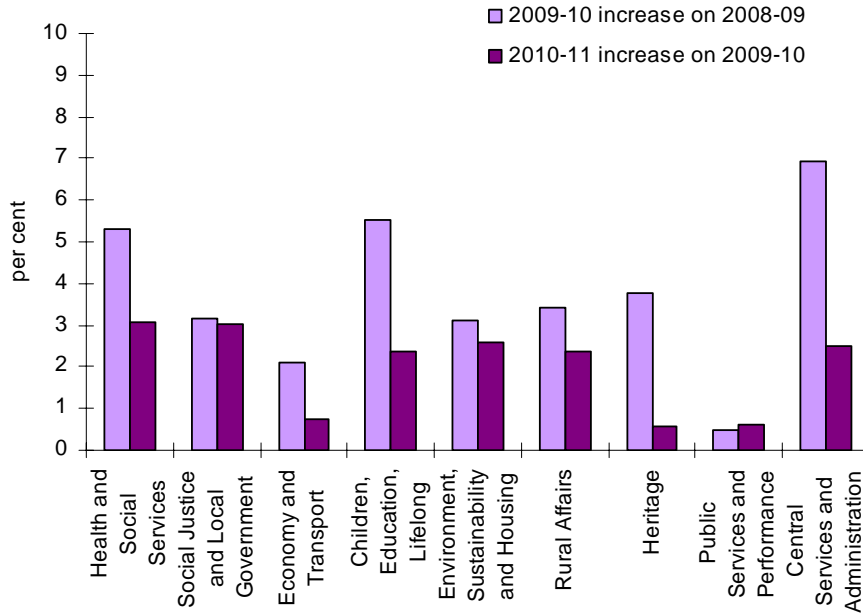
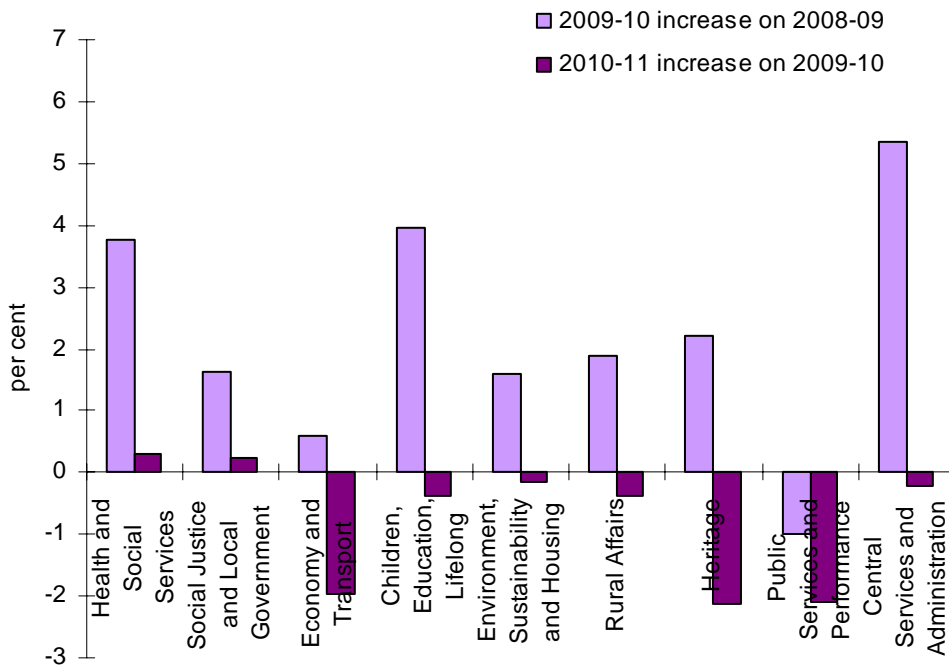


Figure 3: Real terms DEL changes by Main Expenditure Group



4. Capital and Revenue DEL

The budget documentation provides information on the split of DEL between revenue and capital by main expenditure group for 2009-10 and 2010-11.

4.1 Revenue DEL

Revenue DEL provides for current expenditure, for example, funding for the pay of public sector workers and the purchase of consumable goods and services. Revenue DEL accounts for 89% of the total DEL allocation in 2009-10.

Table 8 shows revenue DEL in absolute terms, including year-on-year comparisons. Table 9 provides information on revenue DEL in real terms.

Table 8: Revenue DEL by Main Expenditure Group 2008-09 to 2010-11 in absolute terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11 plans (£m)	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)		increase on 2008- 09 (£m)	increase on 2008- 09 (%)	increase on 2009- 10 (£m)	increase on 2009- 10 (%)
Health and Social Services	5,358.3	5,620.4	5,837.8	262.1	4.9	217.4	3.9
Social Justice and Local Government	4,189.0	4,327.1	4,453.8	138.1	3.3	126.7	2.9
Economy and Transport	692.6	718.1	725.7	25.5	3.7	7.6	1.1
Children, Education, Lifelong Learning and Skills	1,554.0	1,648.3	1,694.3	94.3	6.1	46.0	2.8
Environment, Sustainability and Housing	331.3	350.2	372.0	18.9	5.7	21.8	6.2
Rural Affairs	129.8	134.8	138.5	5.0	3.9	3.6	2.7
Heritage	140.6	145.2	146.5	4.5	3.2	1.3	0.9
Public Services and Performance	59.1	59.3	59.7	0.3	0.5	0.4	0.6
Central Services and Administration	334.7	355.3	360.2	20.6	6.2	5.0	1.4
Total DEL allocations	12,789.4	13,358.8	13,788.5	569.3	4.5	429.7	3.2

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

Table 9: Revenue DEL by Main Expenditure Group 2008-09 to 2010-11 in real terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11 plans (£m)	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)		increase on 2008- 09 (£m)	increase on 2008- 09 (%)	increase on 2009- 10 (£m)	increase on 2009- 10 (%)
Health and Social Services	5,358.3	5,537.4	5,597.6	179.0	3.3	60.3	1.1
Social Justice and Local Government	4,189.0	4,263.1	4,270.5	74.2	1.8	7.4	0.2
Economy and Transport	692.6	707.5	695.8	14.9	2.1	-11.7	-1.7
Children, Education, Lifelong Learning and Skills	1,554.0	1,624.0	1,624.6	70.0	4.5	0.6	0.0
Environment, Sustainability and Housing	331.3	345.1	356.7	13.7	4.1	11.6	3.4
Rural Affairs	129.8	132.8	132.8	3.0	2.3	-0.1	-0.1
Heritage	140.6	143.0	140.5	2.4	1.7	-2.5	-1.8
Public Services and Performance	59.1	58.5	57.2	-0.6	-1.0	-1.2	-2.1
Central Services and Administration	334.7	350.0	345.4	15.3	4.6	-4.6	-1.3
Total DEL allocations	12,789.4	13,161.4	13,221.2	371.9	2.9	59.8	0.5

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

The absolute terms increase in revenue DEL in 2009-10 is 4.5% on the previous year, with a 3.2% increase proposed for 2010-11. The largest percentage increase in 2009-10 occurs in the Central Services and Administration MEG (6.2%); however the largest actual increase occurs in the Health and Social Services MEG.

In 2010-11 the largest proposed increase is for the Environment Sustainability and Housing MEG (6.2%).

Figures 4 and 5 show the absolute and real terms percentage changes in revenue DEL.

Figure 4: Absolute terms revenue DEL changes by Main Expenditure Group

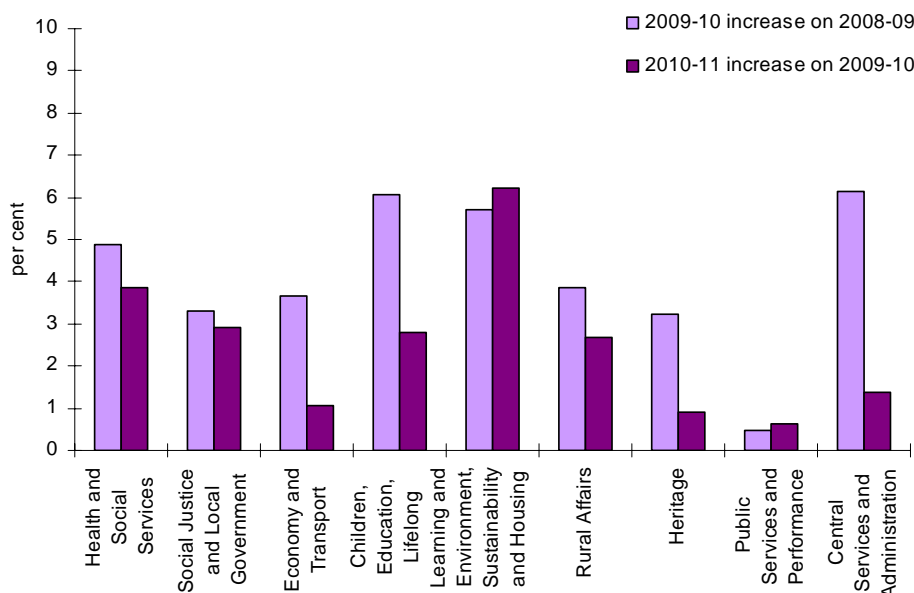
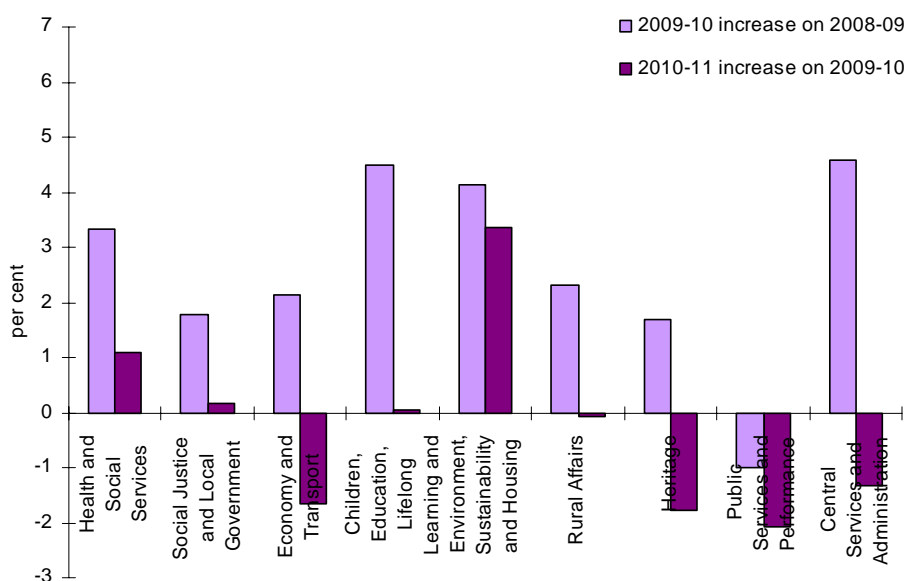


Figure 5: Real terms revenue DEL changes by Main Expenditure Group





4.2 Capital DEL

Capital DEL provides for the purchase of physical assets, for example, a new building.

Table 10 shows capital DEL in absolute terms, including year-on-year comparisons.

Table 11 provides information on capital DEL in real terms. Capital DEL accounts for 11% of the total DEL allocation in 2009-10.

Table 10: Capital DEL by main expenditure group 2008-09 to 2010-11 in absolute terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)	plans (£m)	increase on 2008-09 (£m)	increase on 2008-09 (%)	increase on 2009-10 (£m)	increase on 2009-10 (%)
Health and Social Services	334.2	376.6	340.1	42.5	12.7	-36.5	-9.7
Social Justice and Local Government	79.4	76.4	82.0	-3.0	-3.8	5.6	7.3
Economy and Transport	468.5	467.4	468.5	-1.1	-0.2	1.1	0.2
Children, Education, Lifelong Learning and Skills	223.9	227.6	225.7	3.8	1.7	-1.9	-0.8
Environment, Sustainability and Housing	403.4	407.4	405.4	4.0	1.0	-2.0	-0.5
Rural Affairs	17.5	17.5	17.5	0.0	0.0	0.0	0.0
Heritage	15.0	16.3	15.9	1.3	8.7	-0.4	-2.7
Public Services and Performance	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Central Services and Administration	35.0	40.0	45.0	5.0	14.3	5.0	12.5
	0.0	0.0	0.0				
Total DEL allocations	1,577.3	1,629.8	1,600.6	52.4	3.3	-29.2	-1.8

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

Table 11: Capital DEL by main expenditure group 2008-09 to 2010-11 in real terms

Main Expenditure Group	Budgets			Year-on-year differences			
	2008-09	2009-10	2010-11	2009-10	2009-10	2010-11	2010-11
	Final Budget (£m)	Final Budget (£m)	plans (£m)	increase on 2008-09 (£m)	increase on 2008-09 (%)	increase on 2009-10 (£m)	increase on 2009-10 (%)
Health and Social Services	334.2	371.0	326.1	36.9	11.0	-44.9	-12.1
Social Justice and Local Government	79.4	75.3	78.7	-4.1	-5.2	3.4	4.5
Economy and Transport	468.5	460.5	449.2	-8.0	-1.7	-11.3	-2.4
Children, Education, Lifelong Learning and Skills	223.9	224.3	216.4	0.4	0.2	-7.9	-3.5
Environment, Sustainability and Housing	403.4	401.3	388.7	-2.0	-0.5	-12.7	-3.2
Rural Affairs	17.5	17.3	16.8	-0.3	-1.5	-0.5	-2.7
Heritage	15.0	16.1	15.2	1.1	7.1	-0.9	-5.3
Public Services and Performance	0.4	0.4	0.4	0.0	-1.5	0.0	-2.7
Central Services and Administration	35.0	39.4	43.2	4.4	12.6	3.7	9.5
	0.0						
Total DEL allocations	1,577.3	1,605.7	1,534.7	28.3	1.8	-71.0	-4.4

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

The absolute terms increase in capital DEL in 2009-10 is 3.3% on the previous year, with a 1.8% reduction budgeted for 2010-11. The largest percentage increase in 2009-10 occurs in the Central Services and Administration MEG (14.3%), followed by Health and Social Services (12.7%). There are reductions planned in the Social Justice and Local Government (3.8%) and Economy and Transport (0.2%) MEGs.

In 2010-11 there are proposed increases for Central Services and Administration (12.5%) and Social Justice and Local Government (7.3%) MEGs. There are reductions planned for the Health and Social Services (9.7%) and Heritage (2.7%) MEGs, in comparison with the previous year.



5. Comparison of Final Budget 2008 with Draft Budget 2008

5.1 Overall changes

Table 12 provides information on changes between the draft budget proposals and the Final Budget 2008. Note that these figures are expressed in absolute terms.

Table 12: Comparison of draft budget proposals and Final Budget 2008 for revenue and capital DEL

Main Expenditure Group	2009-10			2010-11		
	Draft Budget	Final Budget	Difference (£000s)	Draft Budget	Final Budget	Difference (£000s)
Health and Social Services	5,995,361	5,995,036	-325	6,178,285	6,177,960	-325
Social Justice and Local Government	4,399,756	4,403,494	3,738	4,529,232	4,535,813	6,581
Economy and Transport	1,189,249	1,185,511	-3,738	1,200,746	1,194,165	-6,581
Children, Education, Lifelong Learning and Skills	1,876,105	1,875,967	-138	1,920,152	1,920,014	-138
Environment, Sustainability and Housing	757,598	757,598	0	777,360	777,360	0
Rural Affairs	152,371	152,371	0	155,990	155,990	0
Heritage	161,463	161,463	0	162,358	162,358	0
Public Services and Performance	59,460	59,785	325	59,826	60,151	325
Central Services and Administration	394,551	395,327	776	404,505	405,281	776
Total allocated to Assembly Government Departments	14,985,914	14,986,552	638	15,388,454	15,389,092	638
Revenue reserves	134,150	132,485	-1,665	353,048	351,361	-1,687
Capital reserves available for Strategic Capital Investment	49,419	49,509	90	239,040	239,130	90
Assembly Commission	47,751	47,751	0	50,588	50,588	0
Auditor General for Wales	4,900	5,047	147	4,900	5,047	147
Public Services Ombudsman for Wales	3,142	3,279	137	3,142	3,279	137
Direct charges	0	653	653	0	675	675
Total Expenditure within Wales DEL budget	15,225,276	15,225,276	0	16,039,172	16,039,172	0

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

The total expenditure within the DEL budget allocation for 2009-10 remains unchanged from the draft budget proposals to the Final Budget.

The Final Budget plans for total DEL allocations to Assembly Government Departments for 2009-10 are £638,000 higher than that stated in the draft budget proposals. This represents a transfer from the revenue reserves to the Central Services and Administration MEG.

The revenue reserves are reduced by £1.665 million in 2009-10 and £1.687 million in 2010-11, in comparison to plans detailed in the draft budget. This reflects:

- the transfer out of £638,000 to Central Services and Administration MEG in both years;
- the separation of the Direct Charges on the Welsh Consolidated Fund in both years (£653,000 in 2009-10 and £675,000 in 2010-11);
- additional resources requested by the Auditor General for Wales (£147,000 in both years); and
- additional resources requested by the Public Services Ombudsman (£227,000 in both years).

The capital reserves have increased by £90,000 each year as compared with plans in the draft budget. This is due to a reduction in the capital requested by the Public Services Ombudsman for Wales.

5.2 Revenue DEL changes

Table 13 provides information on changes for revenue DEL between the draft budget proposals and the Final Budget.

Table 13: Comparison of revenue DEL allocations in draft budget proposals and Final Budget

Main Expenditure Group	£000s					
	2009-10			2010-11		
	Draft Budget	Final Budget	Difference (£000s)	Draft Budget	Final Budget	Difference (£000s)
Health and Social Services	5,620,747	5,620,422	-325	5,838,171	5,837,846	-325
Social Justice and Local Government	4,323,325	4,327,063	3,738	4,447,201	4,453,782	6,581
Economy and Transport	721,844	718,106	-3,738	732,251	725,670	-6,581
Children, Education, Lifelong Learning and Skills	1,648,464	1,648,326	-138	1,694,441	1,694,303	-138
Environment, Sustainability and Housing	350,233	350,233	0	371,995	371,995	0
Rural Affairs	134,835	134,835	0	138,454	138,454	0
Heritage	145,166	145,166	0	146,507	146,507	0
Public Services and Performance	59,015	59,340	325	59,381	59,706	325
Central Services and Administration	354,518	355,294	776	359,472	360,248	776
Total DEL allocations	13,358,147	13,358,785	638	13,787,873	13,788,511	638

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

As stated above, the total DEL allocations are £638,000 higher than proposed in the draft budget in both years, due to a transfer from revenue reserves to the Central Services and Administration MEG. The changes to each MEG are detailed as follows:

Health and Social Services (HSS)

This MEG shows a reduction of £325,000 in both years, in comparison to proposals in the draft budget. This is accounted for by:

- a transfer of £325,000, in both years, from the Mental Health spending programme area (SPA) to the Public Services and Performance MEG. This is provision for the Mental Health Act Commission.

There have also been transfers between SPAs within the HSS MEG, reflecting an internal reprioritisation exercise. However, the net effect of these changes has no impact on the overall revenue DEL allocation.

Social Justice and Local Government (SJLG)

This MEG shows an increase of £3.7 million in 2009-10 and £6.6 million in 2010-11 in comparison with proposals in the draft budget. This is accounted for by:

- a transfer from the Economy and Transport MEG to the Local Authority SPA (Revenue Support Grant budget expenditure line) to provide for the implementation of provision of extended primary school transport.

Further transfers have occurred between SPAs within this MEG, however the net effect of these changes has no impact on the overall revenue DEL.

Economy and Transport (ET)

This MEG shows a reduction of £3.7 million in 2009-10 and £6.6 million in 2010-11 in comparison with proposals in the draft budget. This reflects the transfers, detailed above, to the Social Justice and Local Government MEG. These transfers have been made from the Improving Integration and Service Delivery of Local Transport SPA.

There have been no further changes within this MEG since the draft budget proposals.

Children, Education, Lifelong Learning and Skills (CELLS)

This MEG shows a reduction of £138,000 in both years in comparison with proposals in the draft budget. This is accounted for by:

- a transfer out of £113,000 in both years from the Learner Attainment SPA to the Central Services and Administration MEG; this is to provide for efficiencies identified for communication and marketing functions resulting from the merger of ELWA and ACCAC with the Welsh Assembly Government; and
- a transfer out of £25,000 in both years from the Skills for a Prosperous Wales SPA to the Central Services and Administration MEG; this is to provide for translation services from the basic skills budget.

Further transfers have occurred between SPAs within this MEG, however the net effect of these changes has no impact on the overall revenue DEL.

Public Services and Performance

This MEG shows an increase of £325,000 in both years in comparison with proposals in the draft budget. This is accounted for by:

- a transfer in of £325,000 in both years to the Inspectorates SPA from the Health and Social Services MEG (as detailed above) for the Mental Health Act Commission.

Central Services and Administration

This MEG shows an increase of £776,000 in both years in comparison with proposals in the draft budget. This is accounted for by:

- a transfer of £113,000 in both years to the Other Central Administration Costs SPA from the Children, Education, Lifelong Learning and Skills MEG (as detailed above);
- a transfer of £25,000 in both years to the Other Central Administration Costs SPA from the Children, Education, Lifelong Learning and Skills MEG (as detailed above);and



- a transfer of £638,000 in both years to the Ministerial Services SPA from the revenue reserve; this is to provide the Welsh Assembly Government's contribution to a UK wide contract for digital imagery.⁷ Further transfers have occurred between SPAs within this MEG, however the net effect of these changes has no impact on the overall revenue DEL.

5.3 Capital DEL changes

There have been no changes to capital DEL allocations between the draft budget and the final budget.

Table 14 provides information showing capital DEL allocations in the draft budget proposals and the Final Budget.

Table 14: Comparison of capital DEL allocations in draft budget proposals and Final Budget

Main Expenditure Group	2009-10			2010-11		
	Draft Budget	Final Budget	Difference (£000s)	Draft Budget	Final Budget	Difference (£000s)
Health and Social Services	374,614	374,614	0	340,114	340,114	0
Social Justice and Local Government	76,431	76,431	0	82,031	82,031	0
Economy and Transport	467,405	467,405	0	468,495	468,495	0
Children, Education, Lifelong Learning and Skills	227,641	227,641	0	225,711	225,711	0
Environment, Sustainability and Housing	407,365	407,365	0	405,365	405,365	0
Rural Affairs	17,536	17,536	0	17,536	17,536	0
Heritage	16,297	16,297	0	15,851	15,851	0
Public Services and Performance	445	445	0	445	445	0
Central Services and Administration	40,033	40,033	0	45,033	45,033	0
Total DEL allocations	1,627,767	1,627,767	0	1,600,581	1,600,581	0

Source: Members' Research Service calculations from Welsh Assembly Government Final Budget 2008.

⁷ This has come from the Department of Communities and Local Government and was included in the UK Main Estimates.

6. Reserves and end year flexibility (EYF)

Table 12 on page 10, shows that the Welsh Assembly Government had set aside £183.6 million DEL as the 2009-10 reserve in the draft budget. Of this £134.2 million was revenue DEL and £49.4 million was capital DEL. The Final Budget amends these amounts to £132.5 million revenue and £49.5 million capital, giving a total of £182.0 million in unallocated reserve. This represents 1.2% of the total Wales DEL budget.

The reason for setting aside DEL in this way is partly to provide for a degree of prudence in order to cope with additional demands that may arise during the year. As the year progresses, most of this reserve can be expected to be allocated by way of supplementary budget motions.

The Welsh Assembly Government, in the same manner as other devolved administrations and UK Government departments, is able to carry forward any unspent provision between financial years under EYF arrangements. Details of the levels of EYF for each devolved administration and UK Government department are published each July in the Treasury's Public Expenditure Outturn White Paper.⁸ EYF monies held at Treasury on behalf of the Welsh Assembly Government according to the latest figures totalled £900 million at the end of 2007-08. The Final Budget states that there are no changes to the EYF resources, which were detailed at the time of the draft budget.

EYF originates from unspent DEL, thus the amounts carried forward are split into revenue and capital. As revenue DEL contains an element of non-cash⁹ resources, (such as depreciation and interest on capital), the revenue portion of EYF can be similarly split. Thus of the £900m EYF: £512m is non-cash, £224m is capital and £164m is revenue EYF.

The timing and use of carried forward EYF is a matter for agreement with the Treasury. Until the Treasury has agreed that carried forward EYF can be added to DEL for the current financial year, onward allocations cannot be made. The Welsh Assembly Government have stated that they fully intend to use EYF stocks between 2008-09 and 2010-11, with the capital element being allocated to the Strategic Capital Investment Framework. No EYF has yet been handed over by the Treasury in 2008-09 (this is normally effected by the Winter and Spring estimates).

⁸ [HM Treasury, Public Expenditure Outturn White Paper July 2008](#) [as at 3 December 2008]. Table 6 in this document shows the carry forward of DEL EYF.

⁹ **Non cash** refers to costs not reflected by cash transactions. These items are included in budgets to ensure the budget reflects the full economic cost of activities, even though there is not a direct link to cash flow in the relevant period. These will either never require a cash payment as such (eg depreciation and cost of capital charges), or will only give rise to cash payments in future years (eg provisions). **Near cash** is a control total used by HM Treasury; it is defined as an accruals measure of transactions that normally turns to cash flow soon. The main components of near cash are pay, current procurement, etc. Near cash excludes non cash costs. Departments may switch from non cash to near cash within the resource DEL in accordance with HM Treasury procedures and detailed in Chapters 1 and 5 of [HM Treasury's Consolidated Budgeting Guidance](#). Briefly, departments are free to switch provision from near cash to non cash within resource DEL. However, switching provision from non cash to near cash must be done in accordance with HM Treasury procedures (can switch up to £20m, all other transfers must have HM Treasury approval).

Annex A Strategic Capital Investment Framework (SCIF)

In his written statement on the Final Budget, the Minister also announced the first tranche of projects to be taken forward under the SCIF.¹⁰ This first tranche consists of 19 projects/programmes spread across six themes, summarised as follows:

Regeneration – projects helping to create a positive future for disadvantaged communities, with SCIF contributions up to :

- £42m to deliver an estimated further 400 affordable homes across Wales;
- £12m to transform the Heads of the Valleys into a low-carbon region, through supporting the development, manufacture and installation of low carbon technologies and measures;
- £10m support for the local authority South East Wales Shared Services project. This exercise will develop shared HR, payroll and training services. The investment to save project will release substantial resources for re-investment in front line services;
- £2m for a new all-Wales cultural heritage initiative, providing work in heritage building conservation and stimulating cultural tourism.

Positive lifestyles – projects helping to improve the health of people across Wales, with SCIF contributions up to:

- £70m towards a major investment to enhance hospital services in Swansea;#
- £16m towards a new programme to improve primary healthcare across Wales; and
- £8m towards the construction of a new health and wellbeing centre in Merthyr Tydfil.

Climate change – projects helping to reduce our emissions of greenhouse gases and safeguard our country and planet for future generations, with SCIF contributions up to:

- £4m for a pan-Wales network of anaerobic digestion waste treatment plants;
- £26m for an all-Wales low carbon building project to promote energy efficiency and the use of renewable energy in homes and businesses; and
- in addition, wood energy schemes will be incorporated, wherever appropriate, in the projects in this first tranche.

Sustainable transport – projects helping to improve our transport networks to improve access to employment, leisure and key public services in a sustainable way with SCIF contributions up to:

- £27m for major investment in rail infrastructure to improve north-south services;
- £20m to double the rail track between Gowerton and Loughor; and
- £9m towards the pre-construction development costs of dualling the Heads of the Valleys road between Tredegar and Brynmawr.

¹⁰ [Welsh Assembly Government, Andrew Davies \(Minister for Finance and Public Service Delivery\), Final Budget 2009-10, Cabinet \(Written\) Statement, 2nd December 2008](#), [as at 3 December 2008].

Resilience – projects aimed at ensuring Wales is prepared for new, 21st century challenges, with SCIF contributions up to:

- £59m to the the all-Wales pandemic flu preparedness project, which will develop a strategic national asset to help Wales in the event of a flu pandemic;
- £3m towards creating hazard area response teams, enhancing the capability of the ambulance service to respond to significant emergencies such as chemical or biological incidents; and
- £8m for accelerating improvements to flood / coastal defences across Wales.

Skills development and the knowledge economy - projects helping people and businesses to thrive through improving skills and our knowledge base. SCIF will help to initiate a new long-term 21st century schools capital programme, which will underpin a transformation of the learning environment for children across Wales.

Within this schools capital programme, three exemplar projects in Wrexham, Newport and Blaenavon will receive early funding, with contributions from SCIF of up to £5m, £15m and £4m respectively. These projects will help to integrate public services for local communities – for example, the Blaenavon Education and Community Campus will provide educational, health, leisure and community services from a single facility.

The Minister goes on to state that these projects are expected to receive investment of £350 million from the SCIF. However this figure is planned to double, by way of investment from existing departmental capital budgets, other parts of the public sector and the private and voluntary sectors.

With reference to the timing of this funding the Minister states that:

Nearly £50m SCIF funding will be invested this year, of which around £30m is expected to offer immediate benefits to the Welsh economy in these difficult times.

However, with the exception on the pandemic flu preparedness project (which has been allocated to the NHS Allocations – Capital SPA), specific allocations have not been made in the Final Budget 2008. The Minister states that:

Allocations to projects and departments will be made on the back of appraisal and approval of the full business cases, and formalised through Supplementary Budgets at the appropriate time.

Annex B Summary of key issues for Welsh Block Funding in the Pre-Budget Report 2008

The Pre-Budget Report 2008 (PBR)¹¹ was published on 24 November 2008 and presented the UK Government's projected outlook for the UK economy, plus tax and spending plans for responding to current economic difficulties.

The main impacts on Welsh Block Funding as a result of the PBR are as follows.

The UK Government is **bringing forward £3 billion capital spending from 2010-11 into 2008-09 and 2009-10**. Devolved administrations may reprofile spending in line with the Barnett Formula in the normal way, **likely to be up to £140m reprofiling for WAG**. In the written statement accompanying the Final Budget, the Minister for Finance and public Service Delivery (Andrew Davies) stated:¹²

The UK Government's Pre-Budget Report provided the Welsh Assembly Government with the opportunity to bring forward £140m of capital expenditure from 2010/11, primarily into 2009/10 but also, to a limited extent, 2008/09. The Assembly Government intends to make use of this opportunity, which supports work on bringing forward capital projects that was already underway as a result of the All-Wales Economic Summits in October and November.

The exact profile of brought forward expenditure over 2008/09 and 2009/10 will reflect analysis of opportunities and needs across the two financial years. The resultant additional allocations in 2008/09 and 2009/10 will therefore be made through in-year Supplementary Budgets. I will say more on the how the bringing forward of capital investment will benefit the Welsh economy later this week, at the Economic Summit planned this Friday.

The Government announced an additional **£5 billion efficiency savings** for 2010-11. A **proportion** of these are likely to be taken out of the Welsh Block budget for 2010-11 in line with the Barnett Formula.¹³

Current assumptions for **real terms spending growth in public expenditure** from 2011-12 onwards are laid out below, although these may be influenced by the performance of the economy in coming years.

- 1.3 per cent in 2011-12
- 1.2 per cent in 2012-13
- 1.1 per cent in 2013-14

Latest Treasury medium-term forecasts for CPI inflation are 2.0% for 2011 and 2012¹⁴.

More details on how the Pre-Budget Report 2008 may impact on Wales can be found on the Treasury website.¹⁵

¹¹ [HM Treasury, Pre-Budget Report 2008 \(November 2008\)](#) [as at 3 December 2008].

¹² [Welsh Assembly Government, Andrew Davies \(Minister for Finance and Public Service Delivery\), Final Budget 2009-10, Cabinet \(Written\) Statement, 2nd December 2008](#), [as at 3 December 2008].

¹³ If there are cuts in departments whose function is comparable to that in Wales, this will lead to Barnett based reductions in the Welsh Block – however we still do not know from which departments these efficiencies are planned to be made. The Chancellor intends to bring forward further detail on which departments will be impacted in his Budget statement in spring 2009.

¹⁴ HM Treasury [Forecast for the UK Economy 19/11/08](#) [as at 3 December 2008]

¹⁵ HM Treasury [What the Pre-Budget Report means for Wales](#) [as at 3 December 2008]