



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

The Budget Process in Wales

This paper provides an overview of the budget process in Wales under the *Government of Wales Act 2006*.

It includes information on the 2007 budget round (setting the budget for 2008-09 to 2010-11), which was the first to operate under this new system, in addition to general guidance and tips for budget scrutiny.

September 2008

Members' Research Service / Gwasanaeth Ymchwil yr Aelodau



The Budget Process in Wales

Eleanor Roy

August 2008

Paper number: 08/047

© National Assembly for Wales Commission 2008

© Comisiwn Cynulliad Cenedlaethol Cymru 2008

Executive Summary

This paper is intended to summarise the current budget process in Wales, from the transfer of funds from the UK Treasury to the scrutiny of the draft and final budgets by the Assembly. The paper is also intended to give an overview of the budget tables that accompany the budget and offer some general advice on starting points for their scrutiny.

Sections 1 to 3 briefly describe the **financing of the budget**, the **Barnett Formula** mechanism and how funds are paid in to and transferred out of the **Welsh Consolidated Fund**.

Section 4 gives a more detailed description of the **Budget Process** under the *Government of Wales Act 2006*, focusing on the differences in responsibilities in relation to the budget between the current and previous Assemblies. It also sets out the roles that the Finance Committee and other scrutiny committees have. The **opportunities to scrutinise the draft budget** and how the reporting and recommendations for change can be made under the 2006 Act are then summarised.

There is a minimum amount of information that the Welsh Assembly Government must provide to accompany the **annual budget motion**. This is set out in the Standing Orders of the National Assembly for Wales and **section 4.2** describes these in detail.

Following authorisation of the budget motion, any future changes to the budget require a Supplementary Budget Motion, the process involved is considered in **Section 4.3**.

Section 5 provides a **summary of the 2007 Budget Round**, including the key observations and recommendations from the Finance Committee with regard to how the process could be improved.

Section 6 looks at the **budget tables** in detail, summarising the information provided and explaining the terminology that is used. This section highlights which are the key information sources to use when scrutinising budgets and demonstrates how to make year-on-year comparisons.

Finally, **Section 7** gives some key **scrutiny tips** intended to be a starting point for Members and Committees to consider when scrutinising budget tables.

Contents

1.	How the Welsh Budget is financed.....	1
2.	The Barnett Formula	2
3.	Welsh Consolidated Fund	3
4.	Budget Process under the Government of Wales Act 2006.....	4
4.1	Draft Budget	4
4.2	Annual Budget Motion.....	5
4.3	Supplementary Budget Motions	6
4.4	Role of Committees.....	7
5.	Summary of 2007 Budget Round.....	8
5.1	Finance Committee's Report on Operation of the Budget Process.....	9
6.	Understanding Budget Tables	11
6.1	Making Year-on-Year Comparisons	15
7.	Scrutiny tips.....	20
7.1	Draft Budget Stage.....	20
7.2	Final Budget Stage.....	21

The Budget Process in Wales

1. How the Welsh Budget is financed

The Treasury budget for the devolved institutions (including Wales) is financed largely by grant from the relevant Secretary of State, and is voted by the UK Parliament.¹ Some further elements are covered by locally financed expenditure (such as non-domestic rates), the European Commission and through borrowing by local authorities and other public bodies to fund their capital spending.

The total budget comprises two separate categories of public expenditure:

- **Departmental Expenditure Limits (DEL)** – normally set over three years as part of the UK Government's Comprehensive Spending Review (CSR). 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 these items are determined through the Barnett Formula (see below). Some elements of DEL, however, are ring-fenced and can only be used for specified purposes.
- **Annually Managed Expenditure (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 if it is required, while any unspent portion will be reclaimed by the Treasury.

Wales, and the other devolved administrations, are free to allocate the assigned budget (commonly known in Wales as the Welsh Block Budget) as they see fit, though in reality scope for allocation is limited by existing demands and commitments.

¹ Note that the budget for the Wales Office is top-sliced from the grant prior to the funding being made available.

2. The Barnett Formula

The Barnett Formula determines changes to expenditure within the assigned budgets of the devolved administrations but does not determine the overall size of the assigned DEL. When the UK Government reviews its spending plans,² the Welsh block receives a population-based proportion of the changes in planned spending on comparable Government services in England.

Three factors are considered in calculating changes to the assigned DEL using the Barnett Formula:

1. The **change in planned spending** to UK Government department programmes;
2. The **comparability percentage**; and
3. The **population proportion** in each country.

Comparability percentages describe the extent to which services delivered by UK Government departments correspond to services within the budget of the Welsh block. For example, the comparability percentage for Health is 99.3%,³ as the vast majority of health related expenditure is devolved to the Welsh Assembly Government. The comparability percentage for transport is 68.3%,³ as the UK Government retains responsibility for several aspects of expenditure for transport. The population proportion used reflects the latest available mid-year estimates published by the Office for National Statistics (ONS).

The increased spending for each devolved administration is therefore calculated by:

$$\boxed{\text{Change to UK Government Department's DEL}} \quad \times \quad \boxed{\text{Comparability percentage}} \quad \times \quad \boxed{\text{Population proportion}}$$

Hence, for the 2007 Comprehensive Spending Review, the Welsh population as a proportion of England's was 5.84% (applied using 2006 mid-year population estimates). Since the comparability factor for transport was 68.3%, if £1 billion were to be added to transport across England, then £39.9 million (£1bn x 0.0584 x 0.683) would be added to the relevant Welsh assigned budget.

² In the main through the UK Government's Spending Reviews, though other spending announcements, such as those made by the Chancellor in his Spring Budget, also impact on allocations to the Assembly's DEL. The [2007 Pre-Budget Report and Comprehensive Spending Review \(2007 PBR CSR\)](#), unveiled by the Chancellor on 9 October 2007, determined the Assembly's overall budget for 2008-09 to 2010-11. [link as at 13 August 2008].

³ As detailed in Annex 3: Schedule of Comparable Programme Objects to [HM Treasury. Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: A Statement of Funding Policy \(October 2007\)](#). [as at 13 August 2008].

3. Welsh Consolidated Fund

The *Government of Wales Act 2006* (GOWA 2006)⁴ created the Welsh Consolidated Fund (WCF), which is simply a neutral bank account held by the Paymaster General.⁵ The grant from the Secretary of State for Wales is paid into the WCF and any other amounts received by the Welsh Ministers (or the Assembly Commission, Auditor General for Wales and Public Services Ombudsman for Wales) must also be paid into the WCF. The requirement to pay in such receipts can be overridden up to specified limits set in the budget motion thereby allowing their retention by Welsh Ministers (or the Assembly Commission, Auditor General for Wales and Public Services Ombudsman for Wales for use on specified services and purposes).

The Auditor General will grant approvals to draw cash from the WCF at the request of the Welsh Ministers. He/she must be satisfied that there is valid statutory authority to allow the amounts requested to be issued. In general, amounts may only be issued from the WCF if the Assembly has passed a budget motion to that effect, though there are exceptions to this norm:

- In a small number of cases, sums may be 'charged on' the WCF by legislation.⁶
- When payment is deemed to have been authorised by a budget resolution under section 127 and 128 of the GOWA 2006.⁷
- Sums paid to the WCF by mistake.

This brings arrangements in Wales into line with the UK, and with those in Scotland and Northern Ireland, and places control of the use of resources firmly with the Assembly.

Note that the Treasury's control over the budget through the DEL and AME regime is an "administrative" control whereas the limits on the use of resources and the drawing of cash from the WCF set by Assembly Budget Motions are "statutory" controls. The use of resources in excess of the amounts permitted by the Budget Motion will be deemed irregular and result in an adverse audit opinion by the Auditor General.⁸

⁴ [Government of Wales Act 2006](#) [as at 13 August 2008].

⁵ The **Paymaster General** is a Government Minister who has statutory responsibility for the Government accounts held in his/her name at the Bank of England.

⁶ [Section 20\(5\) of the GOWA 2006](#) provides an example of this: sums required for the making of payments for the remuneration of a person who holds or has held office of Presiding Officer or Deputy Presiding Officer are to be charged on the WCF. [link as at 13 August 2008].

⁷ [Section 127](#) deals with a situation where no budget resolution has been adopted by the Assembly by the beginning of the relevant financial year. [Section 128](#) is aimed at emergency situations where it is not practicable to put down a budget motion for reasons of urgency. [links as at 13 August 2008].

⁸ The Treasury may also impose financial penalties for breaches of the DEL.

4. Budget Process under the Government of Wales Act 2006

In previous Assemblies, under the *Government of Wales Act 1998*,⁹ the National Assembly for Wales was constituted as a corporate body with responsibility for both executive and scrutiny functions. The budget process provided for by the 1998 Act was designed to enable the Assembly to distribute the resources allocated (the grant paid by the Secretary of State) to its spending priorities. This was achieved by plenary voting to **adopt** the budget proposed by the Finance Minister.

Under the provisions of the *Government of Wales Act 2006* the National Assembly for Wales was dissolved as a corporate body. The executive functions formerly conferred on the old Assembly were passed to the Government (the Welsh Ministers) and the scrutiny function to the reconstituted Assembly. As a result of this separation of functions, changes in the budget process were also required under the GOWA 2006.

Ministers (or the Assembly Commission, Auditor General for Wales and Public Services Ombudsman for Wales) need to use resources in order to undertake their functions (powers and duties). It is for Ministers to request and the Assembly to **authorise** the use of such resources and this is done via a Budget Motion tabled in the Assembly by the Finance Minister. Such Budget Motions and later changes (supplementary budget motions) authorise and set statutory limits on:

- The use of resources by Welsh Ministers or the Assembly Commission, Auditor General for Wales and Public Services Ombudsman for Wales for specified services and purposes;
- The retention of income by those organisations (rather than paying it into the Welsh Consolidated Fund) for use on specified services and purposes; and
- The cash that may be withdrawn from the WCF by those organisations.

The 2007 budget round (setting the budget for 2008-09 to 2010-11) was the first to operate completely under this new system. The budget process is governed by Standing Orders¹⁰ of the third Assembly and the relevant sections of the GOWA 2006 (Part 5 deals with Finance).¹¹

4.1 Draft Budget

Standing Orders 27.1-27.6 relate to the draft budget, and require that a Welsh Minister must lay a draft budget before the Assembly setting out the amounts of resources and cash which the Government proposes to use for the next financial year (and provisional amounts for the subsequent two years) no later than 7 October.

Both scrutiny committees and the Finance Committee have the opportunity to input at the draft budget stage of the budget process. No motion may be moved in plenary in respect of the draft budget until the Finance Committee has made its report as required under the standing orders.

⁹ [Government of Wales Act 1998](#). [as at 13 August 2008].

¹⁰ [Standing Orders of the National Assembly for Wales \(October 2007\)](#). [as at 13 August 2008].

¹¹ [GOWA 2006 Part 5 Finance](#). See also MRS research paper [Part 5 of the Government of Wales Act: Finance \(September 2006\)](#). [as at 13 August 2008].

Scrutiny Committees may consider the draft budget and make recommendations to the Finance Committee no later than two weeks after the draft budget has been laid. In turn, the Finance Committee must consider the draft budget and report to the Assembly no later than four weeks after the draft budget has been laid. The report of the Finance Committee must append any recommendations received from other scrutiny committees. The Finance Committee's report may (but is not obliged to) recommend changes to the draft budget, provided that these do not alter the overall amounts proposed in the draft budget – effectively, any recommended changes must sum to zero. Within two weeks of the Finance Committee's report the Assembly must consider a motion, tabled by a Welsh Minister that it takes note of the draft budget. Amendments may be tabled at this stage, provided they do not alter the overall amounts proposed within the draft budget.

4.2 Annual Budget Motion

Standing Orders 27.17 – 27.20 relate to the annual budget motion. Following consideration of the draft budget a Welsh Minister is required to table the annual budget motion as required by Section 125 of the GOWA 2006,¹² on or before 3 December. The motion must incorporate the final budget for the Welsh Assembly Government, the final budgets for the Assembly Commission (as agreed by the Assembly under Standing Orders 27.7-27.12), the estimate for the Auditor General (as laid before the Assembly under Standing Orders 27.13-27.14) and the estimate for the Ombudsman (as laid before the Assembly under Standing Orders 27.15-27.16). The budget motion will request authorisation for the resources that can be used, income that can be retained and cash that can be drawn from the WCF. The resources that can be used will be split into specified services and purposes or ambits.

Standing Order 27.19 requires that a minimum amount of information is provided in support of the annual budget motion:

- the written statement required under Section 125(3) of the 2006 Act;
- the resources agreed by the Treasury for the Welsh block budget for the financial year covered by the motion;
- a reconciliation between the resources allocated to the Welsh block budget by the Treasury and the resources to be authorised for use in the motion;
- a reconciliation between the estimated amounts to be paid into the WCF by the Secretary of State and the amounts to be authorised for payment out of the WCF in the motion; and
- a reconciliation between the resources to be authorised under Section 125(1)(a) and (b) of the 2006 Act and the amounts to be authorised for payment out of the WCF under Section 125(1)(c).¹³

¹² [Section 125 GOWA 2006](#). [as at 13 August 2008].

¹³ Section 125(1)(a) refers to resources which may be used for specified services and purposes and (b) to the amount of accruing resources which may be retained for use on specified services and purposes. Section 125(1)(c) refers to the amount which may be paid out of the WCF for use on specified purposes and services.

In accordance with Section 125 of the GOWA 2006 and Standing Orders, the annual budget motion includes:

- *Schedule 1* – Ambits and resource limits for expenditure incurred by Welsh Ministers
- *Schedule 2* – Limits on the use of accruing resources by Welsh Ministers
- *Schedule 3* – Ambits and resource limits for expenditure incurred by Direct Funded Bodies (Assembly Commission, AGW and PSOW)
- *Schedule 4* – Limits on the use of accruing resources by Direct Funded Bodies
- *Schedule 5* – Resource to Cash Reconciliation (including the amounts of cash that may be withdrawn from the WCF)
- *Schedule 6* – Reconciliation of resources requested in the budget motion to resources made available by the Treasury for the Welsh Block
- *Schedule 7* – Reconciliation of cash inflows to the Welsh Consolidated Fund to the cash issues to be requested in the budget motion

The Welsh Assembly Government also provided information on the Final Budget Main Expenditure Group (MEG) allocations,¹⁴ which allows for comparisons to be made with previous years' budgets.

At this stage in the budget process, the budget priorities and allocations have been finalised following consultation at the draft budget stage. No amendments may be tabled to an annual budget motion and Members options are limited to abstaining, or voting to support or oppose the motion as a whole.¹⁵ However, the debate on the annual budget motion presents individual Members with the opportunity to introduce into the debate points on any unmet priorities or issues of specific concern.

The giving of financial authority for the use of resources is therefore a matter for Members. Conversely, only Ministers can ask for the use of resources and Members cannot authorise amounts that Ministers have not asked for. This is in exact parallel with the Whitehall-Westminster system (and with other devolved administrations) where only the Crown, in the form of the Treasury, may request the use of resources and only the House of Commons may authorise the use of resources.

4.3 Supplementary Budget Motions

Standing Orders 27.21-27.27 relate to supplementary budget motions as provided for in Section 126 of the GOWA 2006.¹⁶ Supplementary budget motions may be tabled by Welsh Ministers, at any time after the annual budget resolution has been passed.

¹⁴ [Welsh Assembly Government. Final Budget 2007](#). [as at 15 August 2008].

¹⁵ [Section 127 of GOWA 2006](#) deals with the situation where no Budget resolution has been passed by the Assembly at the beginning of the relevant financial year. It provides for the use of up to 75% of the resources; the retention of income up to 75% of the retained income; and the payment of cash out of the WCF up to 75% of the cash approved for the previous financial year for services and purposes approved in the previous year. The percentage increases to 95% after the end of July, if no budget resolution has been approved for that financial year.

¹⁶ [Section 126 GOWA 2006](#). [as at 13 August 2008].

Essentially the Welsh Ministers must lay a supplementary budget if they wish to move amounts from one ambit to another, extend the scope of an existing ambit, create an entirely new ambit, or increase the amounts of any resources accruing that they are authorised to be retained under an ambit.

The information provided in support of a supplementary budget motion must include any changes to that presented with the annual budget motion (under SO 27.19). A supplementary budget motion may not be moved until either: the Finance Committee has reported on the motion; or, the Finance Committee has not reported on the motion and three weeks has passed since the motion was tabled. The Finance Committee's report on a supplementary budget motion may recommend changes provided that these do not alter the overall amounts proposed in the motion.

Amendments to a supplementary budget motion may only be tabled to vary the motion, and can only be tabled by a Welsh Minister. The authorisation of a supplementary budget motion by the Assembly is required to prevent irregular expenditure from occurring.

4.4 Role of Committees

Standing Order 12.1 of the third Assembly states that:

There must be scrutiny committees with power within their remit to examine the expenditure, administration and policy of the government and associated public bodies.

It is the responsibility of the Business Committee to determine the titles and remits of the scrutiny committees as soon as possible after every Assembly election,¹⁷ and the Business Committee must ensure that:

...every area of responsibility of the government and associated public bodies is subject to the scrutiny of a scrutiny committee.¹⁸

Standing Order 14 requires the establishment of a Finance Committee to consider and report on:

- any report or other document laid before the Assembly by Welsh Ministers or the Commission containing proposals for the use of resources, including budget motions and supplementary budget motions prepared under sections 125 and 126 of the 2006 Act;
- the estimates of income and expenses prepared by the Ombudsman under paragraph 15 of Schedule 1 to the *Public Service Ombudsman (Wales) Act 2005*; and
- the use of resources and payments out of the Welsh Consolidated Fund reported to the Assembly by Welsh Ministers under Section 128 of the 2006 Act.

It is also within the remit of the Finance Committee to consider and report on financial information in explanatory memoranda accompanying proposed Assembly Measures, and any other matter relating to the expenditure of Government or payments out of the WCF. Furthermore, the Finance Committee

¹⁷ Standing Order 12.2.

¹⁸ Standing Order 12.4.

may choose to comment on the timetable for the consideration of budget proposals and budget motions and on the handling of financial business.¹⁹ The Finance Committee must also consider and report on any payments made out of the WCF under the contingency provisions allowed according to Section 128 of GOWA 2006 (where Welsh Ministers deem urgent spending is necessary in the public interest).

5. Summary of 2007 Budget Round

The 2007 budget round (setting the budget for 2008-09 onwards) was the first to operate completely under this new system. Due to the late completion of the UK Government's 2007 Comprehensive Spending Review, the draft budget could not be presented on time. A temporary Standing Order,²⁰ was introduced to allow for this and amend the timetable of the budget round. Thus, the timings were amended as follows:

- Draft budget to be laid by 5 November 2007;
- Annual budget motion to be laid by 16 January 2008.

The draft budget proposals were laid on 5 November 2007.²¹ Further detail of the draft budget was provided in the accompanying document: Main Expenditure Group Allocations for Welsh Ministers 2008-09 to 2010-11.²²

The Finance Committee's consideration of the draft budget consisted of taking evidence from the Finance Minister (on two occasions), the Welsh Local Government Association and representatives of NHS Finance Directors and Local Health Boards. The Committee also considered representations made by other scrutiny committees. The Finance Committee Report on the Draft Budget 2008-09 was laid on 3 December 2007.²³ The report states that:

This is the first year in which the Assembly has had a Finance Committee to scrutinise the budget and it coincides with new procedures necessitated by the Government of Wales Act 2006 and the revised Standing Orders. The process of scrutinising the budget has proved difficult because of concerns about the information provided and some (understandable) uncertainty about the roles of the different committees involved in the process. The situation was complicated by the limited time available to consider the budget and the difficulties faced by some of the scrutiny committees in finding a time in Ministers' diaries when they were to give evidence. **The Finance Committee will, in the light of its experience, be considering how these procedures have operated in practice with a view to producing a separate report on the budget process after the present round has been completed. The Finance Committee strongly recommends that, in future, the budget process is prioritised in the diaries of both Ministers and committees to ensure sufficient time is made available for adequate scrutiny.**

¹⁹ Standing Order 14.2.

²⁰ Temporary Standing Order 27A – Finance Procedures – Temporary Amendments to Standing Order 27, as detailed in the [Report of the Business Committee: Proposal to Change Standing Orders \(September 2007\)](#). The motion was passed in Plenary (NDM3682 RoP 3 October 2007) to adopt this temporary standing order. The temporary standing order ceased to have effect once the annual budget motion was tabled on 15 January 2008. [links as at 13 August 2008].

²¹ [Draft Budget Proposals 2008-09, GEN-LD6847, 5 November 2007](#). [as at 13 August 2008].

²² [Draft Budget 2007 Main Expenditure Group Allocations](#) [as at 13 August 2008].

²³ [Finance Committee Report on Draft Budget 2008-9 \(FIN\(\)-07-RO4\), CR-LD6896, 3 December 2007](#). [as at 13 August 2008].

The report also states the intention to agree a protocol with the Finance Minister, which will supplement the requirements, stipulated in Standing Orders, to help address some of the difficulties experienced in the budget round.

In accordance with Standing Order 27.4, the report appends representations made by other scrutiny committees.

In his response to the Finance Committee's report on the draft budget,²⁴ the Finance Minister states:

It is entirely appropriate to review the Assembly's procedures for scrutiny of the budget after their first year in operation. I welcome the Finance Committee's intention to conduct such a review and look forward to their report.

The procedures for scrutiny of the budget are set out in Standing Orders and change would, therefore, be a matter for the Business Committee and the Assembly more widely. However, I would have no objection in principle to prescribing more time for the process or to any other changes to improve the quality of consultation and scrutiny.

In accordance with Standing Order 27.6, the Finance Minister tabled a motion²⁵ to propose that the Assembly notes the draft budget on 11 December 2007. This was followed by a debate on the draft budget and the motion was carried.

The Annual Budget Motion was laid on 15 January 2008,²⁶ along with the Final Budget MEG allocations tables.²⁷ The debate on the Final Budget took place in Plenary on 22 January 2008,²⁸ at the end of which the motion was approved.

5.1 Finance Committee's Report on Operation of the Budget Process

On 3 July 2008 the Finance Committee laid its report on the operation of the budget process before the Assembly.²⁹ As stated in the report this was intended to:

...take(s) an initial look at how the budget process as designed under Part 5 of the Government of Wales Act 2006 and Standing Order 27 has operated in practice and make(s) a number of recommendations for improvement which the Finance Committee hopes will be helpful to the Assembly and the Government.

In general the report found that:

The budget scrutiny process was a considerable improvement on that undertaken in previous years despite the timing constraints.

The report goes on to suggest that:

The scrutiny of the Government's draft budget would be aided by a written explanation of its main features and a better linking of the spending plans to policy objectives.

In relation to the role of other scrutiny committees, the report states that:

²⁴ [Finance Committee Paper \(FIN\(3\)-01-08\) Welsh Assembly Government response to the Finance Committee report on the draft budget proposals 2008-09. 17 January 2008.](#) [as at 13 August 2008].

²⁵ [RoP p64-124, 11 December 2007.](#) [as at 13 August 2008].

²⁶ [Final Budget Motion, GEN-LD6926 15 January 2008.](#) [as at 15 August 2008].

²⁷ [Welsh Assembly Government. Final Budget 2007. Main Expenditure Group Allocations.](#) [as at 15 August 2008].

²⁸ [RoP, p52, 22 January 2008.](#) [as at 15 August 2008].

²⁹ [Finance Committee Report: Operation of the Budget Process. \(FIN\(3\)-08-R05\) CR-LD7128, 3 July 2008.](#) [as at 15 August 2008].

...financial scrutiny should be an ongoing process and not an annual event. The other scrutiny committees have a vital role to play in giving their views on spending priorities, examining the detailed budgets for individual portfolios and also looking at how resources are used during the year.

The Finance Committee would welcome comments on budgetary matters from other scrutiny committees at anytime during the year.

The report also discusses the drawing up of a protocol with the Finance Minister to cover matters too detailed or otherwise inappropriate to be covered by Standing Orders. The report suggests that such a protocol should include:

- A list of the minimum documentation to be provided by the Government in support of the draft budget motion. This could potentially include: an explanation of the resources made available by HM Treasury in spending review years, including proposed use of resources under the end of year flexibility regime³⁰, and in-year changes in non-spending review years; a commentary on the Finance Minister's resource allocation to portfolios and contingency reserve; a commentary and breakdown on spending plans for each portfolio; and a link between spending plans and policy objectives.
- Arrangements for the taking of evidence from the Finance Minister with regard to the budget.
- Provision of information on in-year reallocations of resources within departments, outturn against budgets and proposals to enter into significant contingent liabilities.
- An additional stage to the budget process in spending review years.

The Committee's report also recommends that the following amendments to Standing Orders should be considered:

- (i) SOs 27.1 and 27.8 to provide for the Finance Committee to report by a fixed date rather than an elapsed time following the tabling of draft budgets. Alternatively, the Government should be committed to announcing the date on which it will table the budget by the end of May
- (ii) SOs 27.5, 27.24 and the final sentence of SO 27.8 to be deleted
- (iv) SO 27.6 to be amended so that the plenary debate is based on a motion in respect of the Finance Committee's report on the draft budget

At the time of writing the Welsh Assembly Government had not yet responded to the Committee's report.

³⁰ **End Year Flexibility (EYF)** – the mechanism to carry over unspent provision in the DEL assigned budget in one year to later years. This ensures any underspend remains available rather than being returned to the Treasury. Is subject to HM Treasury approval.

6. Understanding Budget Tables

Budget information is published on the Welsh Assembly Government website.³¹ From these pages it is possible to view the current Welsh Assembly Government budget, and those from previous years.³²

The Budget is broken down into several levels of detail. At the highest level are the **Main Expenditure Groups (MEGs)**, corresponding to the Ministerial portfolios.³³ The MEGs identified in the Final Budget 2007,³⁴ (setting plans for 2008-09 onwards) were as follows:

- Health and Social Services
- Social Justice and Local Government
- Environment, Sustainability and Housing
- Rural Affairs
- Economy and Transport
- Children, Education, Lifelong Learning and Skills
- Heritage
- Central Administration
- Other Ministerial Services
- Central Match Funding
- Public Services and Performance

Below MEG level, expenditure is identified by **Spending Programme Areas (SPAs)**, which define discrete groups of expenditure within every MEG, (such as the budget for each Assembly Sponsored Public Body). Below the SPA level are the **Budget Expenditure Lines (BELs)**, which breakdown each SPA into its component policy or initiative areas. Underlying each BEL are account codes. Due to the high level of detail at the account code level, budget information is not usually published below the BEL level.

The budget tables accompanying Final Budget 2007 (setting plans for 2008-09 onwards) show summary tables for the MEGs, separated into DEL and AME which show revenue and capital for each MEG. This is followed by the budget for each portfolio or MEG in resource terms. The budget for each MEG consists of a table for each of the control totals (Revenue DEL, Capital DEL and AME). Within each of these tables the SPAs are shown together with BELs detailed for each SPA.

³¹ <http://new.wales.gov.uk/about/finance/assemblybudgets/?lang=en> [as at 22 August 2008]

³² For the 2004 planning round, a further document entitled *A Budget for the Future of Wales: The Assembly Government's Draft Spending Plans 2005-06 to 2007-08* was published. This document set out the budget plans for the Assembly Government from 2005-06 to 2007-08, aiming to present financial information in a way which links spending more closely to policy aims and the programmes for delivery in each Ministerial portfolio. [link as at 13 August 2008].

³³ The Main Expenditure Groups also correspond to the ambits presented in the annual budget motion.

³⁴ [Welsh Assembly Government Final Budget 2007](#). [as at 13 August 2008].



By way of example **table 1** shows the layout of the Rural Affairs Capital DEL table within the Welsh Assembly Government Final Budget 2007 (setting plans for 2008-09 to 2010-11), and identifies the three levels of expenditure. **Table 2** shows the same budget table, and identifies the different columns.

Members' Research Service: Research Paper
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Table 1: Rural Affairs Capital DEL – levels of expenditure

RURAL AFFAIRS MAIN EXPENDITURE GROUP (MEG) ← Main Expenditure Group (MEG)										
CAPITAL BUDGET - Departmental Expenditure Limit										
Budget Expenditure Line	2007-08 Revised Plans Supp. Budget	2008-09 Draft Budget	2008-09 Changes	2008-09 Final Budget New Plans	2009-10 Draft Budget	2009-10 Changes	2009-10 Final Budget Indicative Plans	2010-11 Draft Budget	2010-11 Changes	2010-11 Final Budget Indicative Plans
Environment Management Capital ← Budget Expenditure Line (BEL)	38	38		38	38		38	38		38
Tir Cymru Capital	8,100	8,100		8,100	8,100		8,100	8,100		8,100
Sustainable environment capital	1,524	1,524		1,524	1,524		1,524	1,524		1,524
Rural Development Plan Axis II ← Spending Programme Area (SPA)	9,662	9,662	0	9,662	9,662	0	9,662	9,662	0	9,662
Processing and Marketing Grants capital	1,800	1,800		1,800	1,800		1,800	1,800		1,800
Farm Adaptation Capital	150	150		150	150		150	150		150
Farm Adaptation Obj 1 Match Funding Investment Capital	2,673	2,673		2,673	2,673		2,673	2,673		2,673
Processing and Marketing Grants - Objective 1 Investment Capital	3,456	3,456		3,456	3,456		3,456	3,456		3,456
Sustainable Rural Economy & Communities	8,079	8,079	0	8,079	8,079	0	8,079	8,079	0	8,079
Forestry Commission Capital Expenditure	203	195		195	195		195	195		195
Forestry Commission Capital Receipts	-400	-400		-400	-400		-400	-400		-400
Forestry Commission Wales (FCW)	-197	-205	0	-205	-205	0	-205	-205	0	-205
Total Capital - Rural Affairs ← Capital DEL control total for Rural Affairs MEG	17,544	17,536	0	17,536	17,536	0	17,536	17,536	0	17,536

Source: Welsh Assembly Government, Final Budget 2007.

Table 2: Rural Affairs Capital DEL - columns

RURAL AFFAIRS MAIN EXPENDITURE GROUP (MEG)										
CAPITAL BUDGET - Departmental Expenditure Limit										£000s
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
Budget Expenditure Line	2007-08 Revised Plans Supp. Budget	2008-09 Draft Budget	2008-09 Changes	2008-09 Final Budget New Plans	2009-10 Draft Budget	2009-10 Changes	2009-10 Final Budget Indicative Plans	2010-11 Draft Budget	2010-11 Changes	2010-11 Final Budget Indicative Plans
Environment Management Capital	38	38		38	38		38	38		38
Tir Cymru Capital	8,100	8,100		8,100	8,100		8,100	8,100		8,100
Sustainable environment capital	1,524	1,524		1,524	1,524		1,524	1,524		1,524
Rural Development Plan Axis II	9,662	9,662	0	9,662	9,662	0	9,662	9,662	0	9,662
Processing and Marketing Grants capital	1,800	1,800		1,800	1,800		1,800	1,800		1,800
Farm Adaptation Capital	150	150		150	150		150	150		150
Farm Adaptation Obj 1 Match Funding Investment Capital	2,673	2,673		2,673	2,673		2,673	2,673		2,673
Processing and Marketing Grants - Objective 1 Investment Capital	3,456	3,456		3,456	3,456		3,456	3,456		3,456
Sustainable Rural Economy & Communities	8,079	8,079	0	8,079	8,079	0	8,079	8,079	0	8,079
Forestry Commission Capital Expenditure	203	195		195	195		195	195		195
Forestry Commission Capital Receipts	-400	-400		-400	-400		-400	-400		-400
Forestry Commission Wales (FCW)	-197	-205	0	-205	-205	0	-205	-205	0	-205
Total Capital - Rural Affairs	17,544	17,536	0	17,536	17,536	0	17,536	17,536	0	17,536

Source: Welsh Assembly Government, Final Budget 2007.

The ten columns in **table 2** provide information on the budget at specific times:

1. **2007-08 Revised Plans Supp. Budget** – 2007-08 budget at the time of the most recent supplementary budget for 2007-08 (published November 2007).
2. **2008-09 Draft Budget** – 2008-09 plans at the time of the draft budget (published November 2007).
3. **2008-09 Changes** – changes in the 2008-09 budget between the draft budget (November 2007) and the final budget (January 2008).
4. **2008-09 Final Budget New Plans** – 2008-09 final budget, taking into account the changes since the draft budget outlined in the previous column.
5. **2009-10 Draft Budget** – 2009-10 plans at the time of the draft budget.
6. **2009-10 Changes** – changes in the 2009-10 budget between draft budget and final budget.
7. **2009-10 Final Budget Indicative Plans** – 2009-10 indicative plans taking into account the changes outlined in the previous column.
8. **2010-11 Draft Budget** – 2010-11 plans at the time of the draft budget.
9. **2010-11 Changes** - changes in the 2010-11 budget between draft budget and final budget
10. **2010-11 Final Budget Indicative Plans** – 2010-11 indicative plans taking into account the changes outlined in the previous column.

6.1 Making Year-on-Year Comparisons

Of the ten columns presented in the published budget tables, the columns most useful in making year-on-year comparisons are:

- **Column 1** - 2007-08 Revised Plans Supp. Budget
- **Column 4** - 2008-09 Final Budget New plans
- **Column 7** - 2009-10 Final Budget Indicative Plans
- **Column 10** - 2010-11 Final Budget Indicative Plans

Many different comparisons can be made in analysing the budget. The following table formats build on these four columns. They are not prescriptive, rather are suggested headline comparisons which may be a useful starting point in scrutinising the draft and final budgets. **The formulae used in making these comparisons are shown in brackets in the figure labels.**

Comparisons for the Draft Budget

Table 3 shows a comparison table for Draft Budget 2007, showing the following figures and columns for the Health and Social Services MEG Revenue DEL.

- **Column A** – shows a description of the table contents (MEG, SPA and/or BEL).
- **Column B** – shows planned expenditure for 2007-08 from Supplementary Budget (published November 2007).
- **Column C** – shows figures for planned expenditure for 2008-09 from the Draft Budget 2007.
- **Column D** – shows figures for indicative expenditure for 2009-10 from the Draft Budget 2007.
- **Column E**- shows figures for indicative expenditure for 2010-11 from the Draft Budget 2007.
- **Column F** – compares what the Government said it planned to spend for 2007-08 in Supplementary Budget (November 2007) with what it said it planned to spend in 2008-09 in the Draft Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount.
- **Column G** - compares what the Government said it planned to spend for 2008-09 with what it said it planned to spend in 2009-10 in the Draft Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount
- **Column H** - compares what the Government said it planned to spend for 2009-10 with what it said it planned to spend in 2010-11 in the Draft Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount

Table 3: Year-on-year comparison of Draft Budget tables.

HEALTH AND SOCIAL SERVICES MAIN EXPENDITURE GROUP (MEG)								
£000s								
Budget Expenditure Line	A Description of MEG, SPA and BEL	2007-08 Plans	2008-09 New Plans	2009-10 Indicative Plans	2010-11 Indicative Plans	2008-09 New Plans cf 2007-08 Plans	2009-10 Indicative Plans cf 2008-09 New Plans	2010-11 Indicative Plans cf 2009-10 Indicative Plans
LHBs, Trusts and Central Budgets		3,108,652	4,108,652	4,192,367	3,923,248	160,917	83,715	-269,119
LHBs, Trusts and Central Budgets - Revenue Receipts	B Planned expenditure for 2007-08 at Supplementary Budget (November 2007)		C Planned expenditure for 2008-09 at Draft Budget 2007	D Indicative expenditure for 2009-10 from Draft Budget 2007				
LHB and Trust Depreciation, Cost of Capital and Provisions								
Depreciation Double Count for Capital Expenditure								
Payments to Contractors		595,006	609,575	624,000	626,000	626,000	15,371	-28,768
FHS Income		-27,952	-27,952	-27,952	-27,952			
Wanless Review Implementation		21,960	21,989	22,438	27,000			
Other Health Central Budgets		102,282	105,183	156,729	102,500			
NHS Allocations		4,611,762	4,790,178	4,941,259	4,594,155	178,416		
Education and Training		190,476	188,212	187,208	192,679	-2,264	-1,004	5,471
Workforce Development Central Budgets		90,392	101,941	102,197	96,917	11,549	256	-5,280
Care Council for Wales - Revenue		10,157	9,938	9,848	9,977	-219	-90	129
Care Council for Wales Cost of Capital and Depreciation		38	38	38	38	0	0	0
Workforce Development		291,063	300,129	299,291	299,611	9,066	-838	320
Information Central Budgets		29,623	29,586	29,916	30,228	-37	330	312
Information		29,623	29,586	29,916	30,228	-37	330	312

Source: Members' Research Service.

Comparisons for the Final Budget

Table 4 shows a comparison table for Final Budget 2007, showing the following figures and columns for the Health and Social Services MEG Revenue DEL.

- **Column A** – shows a description of the table contents (MEG, SPA and/or BEL).
- **Column B** – shows figures for planned expenditure for 2008-09 from the final Budget 2007.
- **Column C** – shows figures for indicative expenditure for 2009-10 from the Final Budget 2007.
- **Column D** – shows figures for indicative expenditure for 2010-11 from the Final Budget 2007.
- **Column E** – this column compares what the Government said it planned to spend for 2009-10 with what it planned to spend for 2008-09 in the Final Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount.
- **Column F** – this shows the year-on-year increase/decrease in Column E, expressed as a percentage.
- **Column G** – this column compares what the Government said it planned to spend for 2010-11 with what it planned to spend for 2009-10 in the Final Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount.
- **Column H** - this shows the year-on-year increase/decrease in Column F, expressed as a percentage.

Note that this format could also be used in representing the draft budget tables, or for any or all MEGs, SPAs and BELs (including summary tables) of the final budget.

Increases or decreases in a MEG, SPA or BEL identified when making year-on-year comparisons are best interpreted with reference to the policy context of the particular MEG, SPA or BEL.

Members' Research Service: Research Paper
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil

Table 4: Year-on-year comparison of Final Budget tables.

HEALTH AND SOCIAL SERVICES MAIN EXPENDITURE GROUP (MEG)								
Budget Expenditure Line	A Description of MEG, SPA and BEL	Plans 2008-09	Indicative plans 2009-10	Indicative plans 2010-11	2009-10 cf 2008-09		2010-11 cf 2009-10	
		£000s	£000s	£000s	£000s	%	£000s	%
	B Planned expenditure for 2008-09 from Final Budget 2007	C Indicative expenditure for 2009-10 from Final Budget 2007	D Indicative expenditure for 2010-11 from Final Budget 2007	E Increase/decrease in indicative expenditure for 2009-10 compared to 2008-09 at Final Budget 2007 (Column C-B)	F Increase/decrease in Column E, as a percentage (E/B * 100)		G Increase/decrease in indicative expenditure for 2010-11 compared to 2009-10 at Final Budget 2007 (Column D-C)	H Increase/decrease in Column G, as a percentage (G/C * 100)
LHBs, Trusts and Central Budgets		4,219,845	4,306,970	88,125	2		87,125	2
LHBs, Trusts and Central Budgets - Revenue Receipts		-30,208	-30,208	0	0		0	0
LHB and Trust Depreciation, Cost of Capital and Provisions		109,565	109,565	0	0		0	0
Depreciation Double Count for Capital Expenditure		-106,626	-106,626	0	0		0	0
Payments to Contractors		594,489	619,001	24,512	4		20,057	3
FHS Income		0	0	0	0		0	0
Wanless Review Implementation		4,000	7,000	3,000	75			
Other Health Central Budgets		83,960	125,003	41,043	49			
NHS Allocations		4,805,091	4,943,580	138,489	3			
Education and Training		202,226	210,865	8,639	4		7,726	4
Workforce Development Central Budgets		79,370	83,019	3,649	4		2,031	2
Care Council for Wales - Revenue		9,938	9,848	-90	-1		-155	-2
Care Council for Wales Cost of Capital and Depreciation		38	38	0	0		0	0
Workforce Development		291,572	303,770	12,198	4		9,602	3
Information Central Budgets		29,586	29,916	330	1		397	1
Information		29,586	29,916	330	1		397	1

Source: Members' Research Service.

7. Scrutiny tips

As previously stated in section 4, Standing Order 12.1 of the third Assembly provides for scrutiny committees to examine the expenditure, administration and policy of the Government. The operation of the previous budget process (under the *Government of Wales Act 1998*) provided an additional stage for Committee priorities. Although this stage no longer formally exists under the new process, it is intended that the scrutiny committees' examination of departmental budgeting, expenditure and performance against policies should be an ongoing process throughout the year.

However, scrutiny committees can consider the draft budget, (with respect to their appropriate department) and report to the Finance Committee (as detailed in **section 4**).

The following sections provide some scrutiny tips which Members and Committees may find helpful when scrutinising both the draft and final budgets. These are in no way prescriptive, rather they are designed to assist in considering, briefing and questioning for budget and financial scrutiny.

7.1 Draft Budget Stage

Background and scope for change

- How much is the department's budget as a percentage of the total Welsh Assembly Government draft budget?
- How much of the draft budget within the MEG is committed expenditure and how much is discretionary spend? (In order to recognise the scope for re-arrangement between programmes).

Performance against targets

- Are performance targets, (for example those in *One Wales*³⁵) being met by current spending patterns?
- Are there any concerns with regard to the department's ability to meet its commitments within the proposed resource levels?

Cross-cutting issues

- How have issues such as equality and sustainability been addressed?
- How has the financial impact of new or proposed legislation been provided for in the draft budget allocations?
- How any major spending announcements or specific funding commitments relate to individual expenditure lines? Whether these commitments refer to new funding, or whether they include funding from previous budgets, and to which period of time these commitments refer.

³⁵ [One Wales: A progressive agenda for the government of Wales. \(June 2007\)](#). Progress on One Wales objectives can be followed via the [One Wales Delivery Plan 2007-2011](#) [as at 21 August 2008].

Year-on-year changes

- In comparison to last year's Final Budget, are there any increases or decreases in the SPAs and BELs?
- Has the department lost or gained any responsibility for policy areas or service delivery?
- With reference to the latest available outturn figures from last year, is there underspend or overspend on any of the SPAs or BELS? Has any allowance been made for this in the draft budget?

7.2 Final Budget Stage

Background and scope for change

- How much is the department's final budget as a percentage of the total Welsh Assembly Government final budget?

Performance against targets

- Are performance targets, (for example those in *One Wales*³⁵) being met by current spending patterns?
- Are there any concerns with regard to the department's ability to achieve their targets with current resource levels?

Cross-cutting issues

- How have issues such as equality and sustainability been addressed?
- How has the financial impact of new or proposed legislation been provided for in the final budget allocations?
- How any major spending announcements or specific funding commitments relate to individual expenditure lines? Whether these commitments refer to new funding, or whether they include funding from previous budgets, and to which period of time these commitments refer.

Year-on-year changes

- Comparing last year's budget with the final budget allocations, have the SPAs and BELS increased or decreased?
- Have responsibilities for policy areas or service delivery changed across departments?
- Looking at the outturn figures for last year, is there any underspend or overspend on any of the SPAs or BELS? Has allowance been made for this in the final budget?

Changes since the draft budget

- Comparing the draft budget with the final budget allocations, have the SPAs and BELs increased or decreased?
- Have particular departments lost or gained responsibility for policy areas or service delivery since the draft budget?