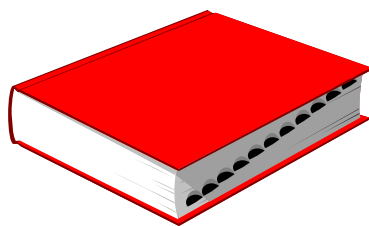




## Members' Research Service – QuickGuide 8 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 8



### Glossary of Public Finance Terms

This QuickGuide contains a glossary of general public finance and budget terms, local government finance terms and European funding terms.

#### General and Budget Terms

##### Accountability

The process whereby public bodies and individuals within them are responsible for their actions and decisions including their stewardship to public funds and all aspects of performance. In doing this they submit themselves to external scrutiny.

##### Accounts

Produced to show how bodies and Departments have used the resources that were at their disposal.

##### Accruals Accounting

A method of recording income and expenditure during an accounting period, where expenditure is scored at the time the economic activity takes place, not when the cash is paid.

##### Ambit

The description of the services included in the resource estimate.

##### Annual Budget process

Beginning in early spring every year, the budget cycle for The National Assembly for Wales can be broken down into three distinct stages.

###### Stage One – Committee Priorities

At this stage of the budget process, the Finance Minister writes to the Committee Chairs to seek Committee input into the development of the budget for the following three financial years.

###### Stage Two – The Draft Budget

In September each year, following consultation with cabinet colleagues, the Finance Minister publishes the draft budget for Wales and lays it before the National Assembly. A motion that the Assembly take note of the draft budget is tabled and each subject Committee schedules a scrutiny session on the draft.

###### Stage Three – The Final Budget

Following consultation, the Finance Minister publishes the final budget and lays it before the National Assembly for Wales, tabling a motion that the Assembly adopt the budget. This stage must be completed on or before 10 December for a budget to take effect in the following financial year.



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<b>Annually Managed Expenditure (AME)</b>	AME is negotiated with the Treasury on an annual basis, as typically it is demand led expenditure that cannot reasonably be subject to firm, three-year plans. Expenditure in AME is generally less predictable than expenditure in DEL but is still subject to budget scrutiny.
<b>Assets</b>	Any item of value owned by an entity (eg buildings, vehicles). They are rights or access to future economic benefits as the result of a past transaction or event.
<b>Assigned Budget in DEL</b>	The part of the Departmental Expenditure Limit where the devolved administration has full discretion to determine where to allocate expenditure.
<b>Balance Sheet</b>	A statement of the financial position of an entity at a given date. It reveals the value of both assets and liabilities.
<b>Barnett Formula</b>	A formula used to allocate a population-based share of changes in planned expenditure on comparable services by Departments of the UK Government to the devolved administrations in Scotland, Wales and Northern Ireland. The Barnett Formula calculates the size of change to the assigned budget rather than the total assigned budget.
<b>Base Year</b>	The year immediately prior to the first year of a spending review.
<b>Block Grant</b>	The Block Grant is the sum of money voted by Parliament to the Secretary of State for Wales. It constitutes the assigned element of the National Assembly for Wales' Departmental Expenditure Limit, and is calculated from the existing baseline using the Barnett Formula.
<b>Budget Expenditure Lines (BEL)</b>	The Assembly's budget is broken down into several levels of detail for monitoring and control purposes. Budget Expenditure Lines (BEL) are the smallest level of detail published within the Assembly budget and are grouped together to form Spending Programme Areas (SPAs). Underlying each BEL are account codes.
<b>Budget Motion and Resolution - Wales</b>	<p>A Budget Motion and Resolution is the mechanism proposed in the Government of Wales Bill to ensure that expenditure from the Welsh Consolidated Fund is regular. There must be at least one annual budget motion (the main budget motion), which may be augmented by supplementary budget motions.</p> <p>A motion may only be moved by the First Minister or another Welsh Minister, and must stipulate the amounts of resources to be used for specified services and purposes, the amount of accruing resources which may be retained and the amounts of cash that may be issued from the Fund.</p>
<b>Budget Resolutions - Westminster</b>	The Budget Resolutions are tabled as soon as the Chancellor has finished the Budget Speech. Under the



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Provisional Collection of Taxes Act 1968, these resolutions, once passed by the House of Commons, authorise the imposition of certain taxes or changes in their rates.

<b>Capital Charge</b>	Under Resource Accounting Budgeting (RAB) a Capital charge is levied to approximate the cost of using assets in service delivery. This is made up of the cost of capital and depreciation and represents the opportunity cost of tying capital to a particular asset.
<b>Capital Cost</b>	The opportunity cost of capital invested.
<b>Capital Expenditure</b>	Spending on fixed assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing fixed asset. Fixed assets tend to depreciate in value over time.
<b>Cash Limits</b>	Limits on the amount of money the Government proposes to spend or authorise on certain services or blocks of services in one year.
<b>Comparability</b>	The proportion by which expenditure on services delivered by Departments corresponds to expenditure within the assigned budgets of the devolved administration. Used in the application of the Barnett Formula.
<b>Comprehensive Spending Review (CSR)</b>	A Government-wide review first conducted in July 1998, of all Departmental objectives, policies and spending. The outcome was announced in the White paper 'Modern Public Services for Britain: Investing in Reform', and in a consultation paper by the Welsh Office, 'Modern Public Services for Wales'. The chancellor, Gordon Brown, announced the most recent spending review to report in July 2006.
<b>Cost of Capital Charge</b>	Governments incur costs for borrowing to finance investment by departments. This borrowing cost has been devolved to departments as a 'capital charge'.
<b>Council Tax</b>	System of local taxation introduced in April 1993. A property tax levied on homes determined by placement of residences within 8 valuation bands (A-H). There are exemptions for certain types of property and discounts for people in certain circumstances.
<b>Creditor</b>	An entity to which money is owed by the business.
<b>Current Assets</b>	Include cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.
<b>Current Expenditure</b>	Spending other than capital expenditure, which includes most direct expenditure on public sector pay and providing



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services. It does not include the purchase of tangible, physical assets.

#### **Current Liabilities**

Liabilities incurred in the normal course of business that fall due within one year. They include creditors, accrued expenditure and deferred income.

#### **Debtor**

An entity who owes money to the business.

#### **Departmental Expenditure Limits (DEL)**

Spending plans covering a three-year period allowing for longer-term planning and management of resources. The Assembly has direct control over the plans with greater freedom to carry forward unspent provision into following years. The UK Government, following the Spending Review of all public spending by central government departments, determines the level of provision available in the DEL.

#### **Depreciation**

A measure of the fall in the value of a tangible fixed asset as a result of general usage, passage of time or obsolescence through technological or market changes.

#### **End Year Flexibility**

The mechanism to carry over unspent provision in the DEL assigned budget in one year to later years. This ensures that any underspend remains available to the Assembly rather than being returned to the Treasury.

#### **Estimates**

Main estimates are detailed spending plans serving as the basis from which to seek sufficient funds for the financial year. Supplementary estimates seek authority for further expenditure than that sought in main estimates for the same financial year.

#### **External Finance Requirements**

Financial support in terms of lending, subsidies and grants from central government required by nationalised industries, trading funds and other public corporations and their borrowing from commercial sources. Includes movements in deposits and borrowing by way of finance leases.

#### **Fiscal Policy**

The combination of spending and tax policies which the government uses to promote fairness and sustainability in the public finances and stability for the economy.

#### **Fixed Asset**

A durable asset used in the running of the business, which has a useful life of more than one year.

#### **Golden Rule**

The first of two fiscal rules underpinning the present Government's policy. On average over the economic cycle the government will borrow only to invest and not to fund current expenditure.

#### **Government of Wales Bill Part 5**

Part 5 of the Government of Wales Bill deals with finance. It provides for the creation of a Welsh Consolidated Fund, which will receive payments from the Secretary of State out of monies voted by Parliament. Payments out of the Fund to



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meet the cost of Assembly Government Programmes will be authorised by annual and supplementary Budget Motions adopted by the Assembly.

<b>Grant-in-Aid</b>	A payment by a government department to finance all or part of the costs of a body in receipt of the grant-in-aid. It applies where the recipient body, subject to assembly control, operates at arms length as is the case with Assembly Sponsored Public Bodies (ASPB).
<b>Gross Domestic Product (GDP)</b>	The value of goods and services produced, including taxes on expenditure and on products on both home produced and imported goods and services.
<b>Gross National Product (GNP)</b>	Includes net property income from abroad such as investment from overseas.
<b>Hypothecated Funding</b>	Ring-fenced funding, which must be spent on particular services or initiatives.
<b>Incremental Budget</b>	A budget which is arrived at by either decreasing or increasing last year's budget as opposed to zero-based budgeting which clears the decks and starts all over again. It is based on projected changes in operations and conditions. It tends to lead to budgetary increases over time, as it takes last year's budget as a starting point for the coming year.
<b>Inputs</b>	Resources needed to formulate and implement projects, programmes and policies.
<b>In-Year Changes</b>	Changes to expenditure allocations between annual budgets.
<b>In-year Monitoring</b>	A formal system that compares actual expenditure against departmental spending plans for a given financial year and enables the adjustment of resource allocations to reflect changed circumstances in that year.
<b>Liabilities</b>	Items that are owed by the entity such as loans, capital etc.
<b>Main Expenditure Groups (MEG)</b>	The Assembly's budget is broken down into several levels of detail for monitoring and control purposes. Main Expenditure Groups (MEG) are at the highest level of this detail and correspond to Ministerial portfolios. Below MEG level, expenditure is identified by Spending Programme Areas (SPAs) and, within these, Budget Expenditure Lines (BEL).
<b>Materiality</b>	An expression of the relative significance of a particular matter in the context of the financial statements as a whole.
<b>Monetary Policy</b>	The tool of macroeconomic policy operated by the Bank of England's Monetary Policy Committee that seeks to achieve the Government's inflation target by influencing aggregate demand through movements in interest rates.



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<b>National Non-Domestic Rates (NDR)</b>	All commercial properties pay rates based on rateable values of properties multiplied by a rate poundage. Business rates are set nationally – local authorities collect the tax but central government determines how the income from the 'national pool' of non-domestic rates is re-distributed among local authorities.
<b>Non-Assigned DEL</b>	The part of the Assembly's budget that is ring-fenced for specific purposes in Departmental Expenditure Limit (DEL).
<b>Outcomes</b>	Benefits resulting from outputs that should correspond to ultimate objectives – the impact of a policy intervention on the welfare of producers or consumers.
<b>Outputs</b>	Products resulting from inputs which should facilitate the meeting of outcomes.
<b>Outturn / Estimated Outturn</b>	Expenditure actually incurred or estimates made on the basis of actual expenditure to date.
<b>Planned Expenditure</b>	Usually recorded in budget and spending documents for current and future years. Figures will differ from final amounts spent (outturn) which are confirmed at a later date. This can create difficulties in comparing expenditure data between years because any comparisons may not be like with like.
<b>Private Finance Initiative (PFI)</b>	Involves using private sector funding to deliver projects that were traditionally provided by the public sector. PFI involves the private sector owning and operating but the public sector having a larger role in regulation.
<b>Public Private Partnerships (PPP)</b>	A joint venture between the public and private sectors to improve the efficiency of the public sector services.
<b>Public Sector</b>	The widest measure of Government incorporating central government, local authorities and public corporations. The fiscal rules apply to the whole public sector because the responsibility for borrowing by public corporations could fall ultimately on the taxpayer, and needs to be managed along with other elements of public borrowing. Focussing on the whole of the public sector removes incentives to reclassify activities to avoid constraints on borrowing.
<b>Public Service Agreements (PSA)</b>	These agreements set out the outcomes and outputs that each Department is working to deliver and the resources allocated in support of those objectives.
<b>Real Terms Figures</b>	Amounts adjusted for the effect of general price inflation as measured by the GDP market price deflator. Enables comparisons of spending across years.
<b>Reserve</b>	A small pot of resource and capital provision that has not been allocated to any department. The Reserve exists to assist Departments with unexpected costs and





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unforeseeable events. The Treasury considers access to the Reserve by the devolved administrations on a case-by-case basis.

#### **Resource Accounting and Budgeting (RAB)**

RAB moves away from the traditional, cash-based system of accounting for public expenditure. RAB takes account of resources, expenditure, cash and accruals providing a better measure of the cost of activities within government departments.

#### **Resource Accounts**

A set of accruals accounts prepared annually to report on expenditure and the relationship between objectives and expenditure for the relevant financial year.

#### **Revenue Expenditure**

Recurrent expenditure that is financed from current income (ie. not through borrowing). It consists of day-to-day running costs including staff wages and salaries. Loan charges, repaying money borrowed for capital expenditure, are also part of revenue expenditure.

#### **Ring-fenced**

Expenditure that is specific to a particular programme and therefore cannot be used for any other purpose.

#### **Spending Review**

Spending Reviews set firm and fixed three-year Departmental Expenditure Limits and, through Public Service Agreements, define the key improvements that the public can expect from these resources. Since the 1998 Comprehensive Spending Review there have been three Spending Reviews, in 2000 (which set spending plans and Public Service Agreements for 2001-02 to 2003-04), 2002 (setting spending plans and Public Service Agreements for 2003-04 to 2005-06), and 2004 (for 2005-06 to 2007-08). The chancellor, Gordon Brown, announced that the next Comprehensive Spending Review will be published in July 2006.

#### **Spending Review and Evaluation Exercise (SpREE)**

An Assembly Spending Review informing the Assembly's draft budget for the three years 2005-06, 2006-07 and 2007-08.

#### **Statement of Estimated Payments**

Clause 118 of the Government of Wales Bill requires the Secretary of State to lay before the Assembly an estimate of the total payments that the Secretary of State will pay in to the Welsh Consolidated Fund that financial year. It must show a statement of how much of the Welsh Block Grant the Secretary of State proposes to deduct to meet the expenses of the Wales Office, together with how much will be paid to the Welsh Ministers, the First Minister or Counsel General, by Ministers of the Crown government departments or other persons. The Statement of Estimated Payments must be laid before the Assembly at least four months before the beginning of the financial year.

#### **Spending Programme Area (SPA)**

The Assembly's budget is broken down into several levels of detail for monitoring and control purposes. Spending



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Programme Areas (SPAs) are the second level of detail below Main Expenditure Groups (MEG) and define discrete groups of expenditure within every MEG. Each Assembly Sponsored Public Body (ASPB) has its own SEG.

<b>Subsidy</b>	A grant to a producer or a trader, which is deemed to benefit the consumer by reducing the selling price of the products.
<b>Supply Procedure</b>	The term for the processes that deal with the scrutiny and approval of the Estimates at Westminster.
<b>Sustainable Investment Rule</b>	The second fiscal rule underpinning the Government's fiscal policy. It states that public sector net debt as a proportion of GDP will be held at a "stable and prudent level".
<b>Taxpayers Equity</b>	Taxpayers equity is the capital and reserves on the balance sheet of a department or public entity. It consists of the general fund together with the revaluation, donated asset and government grant reserves.
<b>Total Managed Expenditure (TME)</b>	The combined total of the two budget elements Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL). Or equivalently, total current and capital spending by the public sector.
<b>Unhypothecated Funding</b>	Funding allocated without restrictions on how it should be spent.
<b>United Kingdom Consolidated Fund</b>	Most of central government's expenditure is financed from this fund and most taxes and other receipts are paid into it.
<b>Value for money</b>	The extent to which objectives are achieved in relation to costs. It is broadly about getting the best quality outcomes for the money spent.
<b>Working Capital</b>	The relationship between the balance of current assets and current liabilities shown on the balance sheet.
<b>Zero Based Budgeting</b>	A method of budgeting in which all expenditures must be justified each new period, as opposed to only explaining the amounts requested in excess of the previous periods' funding.





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#### Local Government Finance Terms

<b>Aggregate External Finance (AEF)</b>	Aggregate External Finance (AEF) is the sum of revenue support grant, the distributable part of non-domestic rates, and certain specific government grants issued to support the current element of revenue expenditure.
<b>Distribution Sub Group (DSG)</b>	The Distribution Sub Group (DSG) is a finance group of the Consultative Forum on Finance and reports on issues concerning the distribution of revenue support grant.
<b>Expenditure Sub-Group (ESG)</b>	The Expenditure Sub-Group (ESG) is a finance group of the Consultative Forum on Finance and reports on pressures on revenue expenditure. It issues an annual report that is useful in scrutinising the draft and final Local Government Finance Settlement.
<b>General Capital Funding (GCF)</b>	General Capital Funding (GCF) is the total available for financing general capital expenditure. Allocations are issued annually to each local authority and cover most of the basic services undertaken by authorities. GCF is calculated using agreed distribution formulae.
<b>General Capital Grant (GCG)</b>	General Capital Grant (GCG) is an element of General Capital Funding and is a direct grant towards financing general capital expenditure.
<b>Housing Revenue Account (HRA)</b>	The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the council fund and trading accounts and is funded primarily from rents and government subsidy. Rent increases and the <b>Housing Revenue Account Subsidy (HRAS)</b> are approved annually under Standing Order 29, by the National Assembly for Wales, through the <i>(Wales) General Determination of the Item 8 Credit and Item 8 Debit</i> and the <i>Housing Revenue Account Subsidy (Wales) Determination</i> , respectively.
<b>Non-Domestic Rates (NDR)</b>	Non-Domestic Rates (NDR) are a property tax paid by businesses. Since 1 April 1990, these have been based on a uniform business rate across Wales known as the single national poundage set by central government. This national poundage is applied to the rateable value of each non-domestic property to establish the bill for that property. Billing authorities pay the non-domestic rates collected into a central pool which is first split between county or county borough councils and police authorities and then re-distributed between each authority according to shares of adult population.
<b>Revenue Support Grant (RSG)</b>	Revenue Support Grant (RSG) is paid to local authorities by the National Assembly for Wales as a major element of support for revenue expenditure, as required by section 78(1) of the <i>Local Government Finance Act 1988</i> . In order to arrive at the aggregate amount of RSG, the National Assembly for Wales determines a level of total standard spending and then sets the level of aggregate external finance (AEF). RSG is the balancing item within AEF after



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the distributable amount of non-domestic rates and the levels of certain specific government grants towards revenue expenditure have been decided.

The objective of the revenue support grant system is to enable authorities to provide a common level of service consistent with this aggregate figure of total standard spending. Its aim is to compensate for differences in the levels at which authorities need to spend and at which they can raise council tax in order to provide a common level of service. This objective is met by calculating the revenue support grant for each authority as the difference between its standard spending assessment and the sum of its re-distributed non-domestic rate income and community charge / council tax for standard spending income

#### **Standard Spending Assessments (SSAs)**

SSA funding is the sum of the following three elements:

$SSA = NDR + CT + RSG$

Standard Spending Assessments (SSAs) are notional assessments, for RSG distribution purposes, of each council's need to spend on revenue services, excluding specific grants. SSAs are calculated prior to the year to which they relate using principles established by the National Assembly for Wales, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators. SSAs include the need to spend on the current element of revenue expenditure and the need to spend on the capital charges element of revenue expenditure. The distribution of the current element between local authorities is based on the distribution of various indicators of need, such as pupil numbers, population and measures of deprivation and rurality. The distribution of the capital charges element between local authorities is based on the latest available credit ceiling figure for each authority (which is essentially the level of unpaid debt) together with estimates of how this will change in the year to which the SSAs relate.



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#### European Funding Terms<sup>1</sup>

<b>Action Plan</b>	Arrangements for implementing Structural Funds programmes that are either composed of Partnership based or Sectoral approaches.
<b>Additionality</b>	The principle that EU funding for projects is additional to, and not a substitute for, national funding. European legislation obliges the governments of Member States to ensure that levels of expenditure are maintained in such a way that demonstrates that Structural Funds represent additional funding to domestic expenditure on the relevant programmes. In crude terms, additionality means that the structural funding provided makes a genuine difference to the project or programme compared to what would have happened without the funding. In practice, it means that Member States must normally maintain public spending on each area of expenditure targeted by the Funds at no less than the level reached in the preceding programming period.
<b>Agenda 2000</b>	Name given to the package of reforms proposed by the Commission in 1997 to prepare to the European Union for enlargement and the accession of several countries in Central and Eastern Europe. A significant element of these reform proposals concerned the operation and management of the Structural Funds. The Structural Funds reform package was finalised and agreed at the Berlin European Council meeting in March 1999.
<b>Auto-Decommitment</b>	Also known as the 'n+2' rule, auto-decommitment requires Structural Funds allocated in one year to be spent by the second year after allocation. If they are not spent, they are returned to the EU's coffers. The aim is to encourage maximum use of funds with a programme.
<b>Co-financing</b>	Refers to a situation where a proportion of the financing of a scheme/ project/ programme is obtained from an E.U. source of funding.

<sup>1</sup> Unless otherwise indicated, the definitions included in the glossary of European Funding terms are drawn from the Department for Trade and Industry *Glossary of Acronyms and Technical Terms* <http://www.dti.gov.uk/europe/structuralfunds/annexm.pdf>, the Local Government Information Bureau *Glossary of EU Jargon* [http://www.lgib.gov.uk/european\\_work/glossary.html](http://www.lgib.gov.uk/european_work/glossary.html), the Tiscali *Glossary of European Terms* <http://europe.tiscali.co.uk/index.jsp?section=glossary&sez=.glossary>, and the Irish Government's *EU Structural Funding in Ireland Glossary of Terms* [http://www.csfinfo.com/htm/nonsectional/glossary\\_terms.htm#content](http://www.csfinfo.com/htm/nonsectional/glossary_terms.htm#content)



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<b>Cohesion Fund</b>	A financing mechanism established by the Maastricht Treaty on European Union to finance transport and environmental infrastructure projects in the E.U.. Specific and separate rules regarding eligibility and management apply to Cohesion Fund projects, which distinguishes it from the Structural Funds. Also, the Cohesion Fund, like the Community Initiatives, is not part of the S.P.D.
<b>Commitment (of grant)</b>	Refers to when a project receives approval and funding is set aside.
<b>Commitment Appropriations</b>	Part of the EU annual budget, commitment appropriations are payments covering several years as part of a multi-annual programme. They differ from payment appropriations, which refer to spending for the current year only.
<b>Community Initiatives</b>	Separate from the Structural Funds, these are designed to address specific issues. For 2000-2006, Wales receives funding under URBAN II, Leader +, EQUAL and Interreg IIIa and IIIc.
<b>Community Strategic Guidelines for Cohesion<sup>1</sup></b>	European level guidelines which serve as the basis of the National Strategic Reference Frameworks, which will determine the priorities to be set out in the Structural Fund programmes. Due to be finalised in 2006.
<b>Community Support Frameworks</b>	These coordinate EU regional activities involving the Structural Funds and the European Investment Bank.
<b>Common Agricultural Policy (CAP)</b>	A policy to ensure agricultural productivity and support for rural communities. From 2007, will incorporate Leader +, financed by EAFRD.
<b>Convergence Objective<sup>1</sup></b>	For the 2007-2013 period, those regions with per capita GDP less than 75% of EU average, as well as Statistical Effect Regions, will be eligible for support under this objective, which will aim to support growth and job creation in the least developed Member States and regions.
<b>European Agricultural Rural Development Fund (EAFRD)<sup>1</sup></b>	Will replace the European Agricultural Guidance and Guarantee Fund (EAGGF) and provide finance for the Common Agricultural Policy.
<b>European Anti-Fraud Office (OLAF)</b>	Known by its French acronym, OLAF is charged with fighting the fraud and mismanagement of EU funds
<b>European Court of Auditors</b>	The European Court of Auditors, based in Luxembourg, checks EU revenue and expenditure for legality and regularity and ensures that financial management is sound. It reports any irregularities to the European Parliament and the Council, and its audit responsibilities



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have been extended to Community funds managed by outside bodies and by the European Investment Bank. Composed of 15 members, nominated and approved by the Council of EU, the ECA has a mandate of six years.

#### European Investment Bank

European Investment Bank - this body grants loans and guarantees at preferential rates for infrastructure investment and S.M.E. ventures in E.U. Member States and in non-E.U. countries.

#### European Structural Funds<sup>1</sup>

Generic term to deal with initiatives designed to address disparities between countries and regions of the European Union in terms of wealth, economic development and social cohesion. These are designed to support national policies in the economically weakest areas of each member state. There are four main financial instruments: the *European Regional Development Fund (ERDF)*, the *European Social Fund (ESF)*, the *European Agricultural Guidance and Guarantee Fund (EAGGF)*, and the *Financial Instrument for Fisheries Guidance (FIFG)*.

From 2007 the Funds will be reformed to incorporate the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund.

#### European Regional Development Fund (ERDF)

European structural funding used to support productive investment, infrastructure and small and medium sized enterprises. Originally established in 1975, its current form dates back to concerns in 1989 that the impending Single European Market would further exacerbate the division between the wealthier and poorer parts of the European Community (as it then was).

#### European Social Fund (ESF)

Funding to improve employment opportunities through training and guidance and to assist in job creation.

#### European Agricultural Guidance and Guarantee Fund (EAGGF or FEOGA)

The guarantee section aims to co-ordinate support for agricultural adjustment (market support through the *Common Agricultural Policy*). The guidance section is aimed at diversification of farming and supporting other development of rural areas.

#### EUROPES

An arrangement which identifies the United Kingdom cost of financing certain European Community internal policy programmes (such as R&D, energy and environmental policies), which is then charged to departments with policy responsibility for these programmes. These internal policies do not include Structural Funds.

#### Ex-Ante Evaluation

Evaluation designed to provide an independent assessment of overall strategies and proposals for Structural Funds expenditure.

#### Ex-Post Evaluation

Evaluation designed to examine the utilisation of resources and the efficiency, effectiveness and impact of expenditure.



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<b>Financial Instrument for Fisheries Guidance (FIFG)</b>	One of the four main financial instruments of the Structural Funds, FIFG deals with the fishing sector. There is a particular emphasis on diversification of the fisheries industry.
<b>Financial Perspective</b>	The financial perspective forms the framework for Community expenditure over a period of several years. It is the product of an interinstitutional agreement between the European Parliament, the Council and the Commission and indicates the maximum volume and the composition of the foreseeable Community expenditure. It is adjusted annually by the Commission to take account of prices and the development of Community Gross National Product. The financial perspective is not a multi-annual budget, since the annual budgetary procedure remains essential to determine the actual amount of expenditure and the breakdown between the different budget headings. The current financial perspective establishes the reference framework for the period 2000-06.
<b>Implementing Body</b>	Refers to agencies and bodies responsible for administering individual schemes, usually at measure or sub-measure level.
<b>Major Projects</b>	Projects costing in excess of EURO 50m, requiring prior notification to the EU.
<b>Managing authority</b>	In the context of the Structural Funds, this means any public authority or body at national, regional or local level designated by the Member State to manage assistance from the Structural Funds. WEFO is the managing authority for Wales.
<b>Match Funding</b>	Structural Funds provide one element of funding towards projects (usually up to a maximum of 50% per project), with co-funding from the recipient nation needed to make up the balance.
<b>Measure</b>	A sub-set of a Sub-Programme.
<b>Mid-Term Evaluation</b>	Evaluation designed to examine the initial results of the S.P.D. or C.S.F. and O.P.s, the extent to which targets are being attained, to make proposals on any changes that may be required.
<b>Monitoring Committee</b>	Responsible for monitoring and supervision of expenditure. Each O.P. has a specific Monitoring Committee, and there is a Monitoring Committee for the S.P.D. as a whole. Monitoring Committees represent a broad range of interests from Government Departments, Local Authorities, implementing bodies, to social partners, environmental and equality interests and others.
<b>N+2 rule</b>	Also known as auto-decommitment, the n+2 rule requires Structural Funds allocated in one year to be spent by the second year after allocation. If they are not spent, they are returned to the EU's coffers. The aim is to encourage maximum use of funds with a programme.
<b>National Strategic Reference</b>	Once the Community Strategic Guidelines are adopted, Member States will be expected to present their National Strategic Reference





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<b>Frameworks<sup>1</sup></b>	Frameworks for the Structural Funds programmes, which will be followed by the negotiation of the regional operational plans between the programme managers and the European Commission.
<b>NUTS</b>	<p>The nomenclature of territorial units for statistics was created by Eurostat, the EU statistical office, in order to create a single and coherent structure for the management of the Structural Funds. Currently there are three NUTS levels:</p> <ul style="list-style-type: none"><li>• NUTS 1 covers 78 larger regions, such as the German Länder, Scotland and Wales;</li><li>• NUTS 2 covers 210 smaller regions, such as the Austrian Länder and Dutch provinces; and</li><li>• NUTS 3 covers 1,093 smaller units, such as the French departments and Italian provinces.</li></ul> <p>Eligibility for Objective 1 funding is principally defined with reference to NUTS level 2, whereas eligibility for Objective 2 funding refers to NUTS level 3.</p>
<b>Objective</b>	<p>European Union funding is aimed to secure 'objectives'. Prior to 2000, there were six of these. For the period 2000-06, the Funds are targeted towards only three such objectives:</p> <ul style="list-style-type: none"><li>▪ Objective 1: to promote the development and structural adjustment of regions whose development is lagging behind the EU average.</li><li>▪ Objective 2: to support the economic and social conversion of areas facing structural difficulties (particularly in areas of industrial decline, rural areas, urban areas and fishery-dependent areas).</li><li>▪ Objective 3: to support the adaptation and modernisation of policies and systems of education, training and employment.</li></ul>
<b>Operation</b>	Any project or action carried out by the final beneficiaries of assistance.
<b>Operational Programme</b>	In the context of the Structural Funds, this refers to a document approved by the Commission to implement a Community Support Framework, comprising a consistent set of priorities and multi-annual measures, which may be implemented by one or more Structural Fund or other financial instruments.
<b>Outputs</b>	A measurable outcome resulting from Structural Funds expenditure.
<b>Own Resources</b>	Since 1978, the Community budget has been entirely financed by own resources. These are transfers paid by the Member States to the Community budget to cover the financing of expenditure by the European Union. The combined total of all own resources may not exceed 1.27% of the aggregate Gross National Product (GNP) of the Member States.
<b>Paying Authority</b>	In the context of the Structural Funds, Paying Authorities are those Government Departments or bodies responsible for making payment applications to the European Commission for drawdown of E.U. funds. They are responsible for ensuring payment to final



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beneficiaries or to intermediary organisations, and that proper payment and financial management procedures are in place. WEFO is the paying authority for Wales.

<b>Payment (of grant)</b>	Refers to when EU funds are received into the project sponsor's accounts.
<b>Payment Appropriations</b>	Part of the annual budget, payment appropriations refer to the spending for the current year. They differ from commitment appropriations, which are payments covering several years as part of a multi-annual programme.
<b>Performance Reserve</b>	Some 4% of the Structural Funds budget for each Member State has been allocated to a performance reserve. The performance reserve was allocated following the mid-term review (2003/04) to programmes on the basis of a limited set of indicators reflecting effectiveness, management and financial implementation.
<b>Priority</b>	A strategic priority adopted in either a C.S.F. or S.P.D., which is allocated EU and UK funding and a set of specified targets.
<b>Programme Complement</b>	Details how the measures' strategy, aims, finance and outputs will implement the objectives stated in the S.P.D.
<b>Programme Monitoring Committee</b>	Oversee the implementation of the funds (one for each programme or objective) In Wales, each PMC is chaired by an Assembly Member and has 18 members drawn equally from the public, private and voluntary sectors.
<b>Programming</b>	One of the Structural Funds' principles which results in multi-annual development programmes.
<b>Programming Period</b>	Structural Fund expenditure is based on multi-annual development programmes covering specific periods. The current programming period lasts from 2000-2006. Previous programming periods have covered the years 1989-93 and 1994-99.
<b>Project</b>	Referred to in EU regulations as operations. It is the activity for which Structural Funds are being sought.
<b>Project Sponsor</b>	An organisation, group, company or public body running the project.
<b>Rebate</b>	Famously, in 1984 the UK negotiated an abatement to its contributions to the Community budget.
<b>Regional Aid</b>	A state aid granted to companies under the Regional Aid Guidelines, which allow higher levels of state aid to be given to companies in disadvantaged regions. The most disadvantaged EU regions fall into the article 87.3(a) category, and benefit from the highest grant levels; slightly less disadvantaged areas fall into article 87.3(c) category (as defined at the national level). These qualifying areas are referred to as 'Assisted Areas'. For the 2007-2013 period, West Wales and the Valleys qualifies under 87.3(a) and adjacent parts of



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East Wales may qualify under 87.3(c).

#### **Regional Competitiveness and Employment Objective<sup>1</sup>**

Replaces the current Objectives 2 and 3 post 2006.

#### **Single Programming Document**

The document approved by the Commission detailing the strategy, priorities, objectives and funding of the Objective 1 and 2 programmes.

#### **State Aid**

State aid is business support. EU law states that any government aid which distorts or threatens to distort competition by favouring certain businesses or goods is deemed incompatible with the single market.

The European Commission and the Court of Justice have placed a very broad interpretation on the concept of aid as regards the body granting it, to include national, regional or local government, a body over which the government directly or indirectly exerts an influence to a private company or a public corporation. The ban applies to a wide range of aid measures, whether direct (grants) or indirect (such as measures that relieve an enterprise of financial charges) and regardless of their basis or purpose. However, the Treaty provides for a number of exemptions for aid that is compatible with the single market and for aid that may be compatible under certain conditions.

#### **Statistical Effect**

The term given to regions eligible for Objective 1 Funding in 2000-2006 but whose GDP has risen above 75% of the EU average for the 2007-2013 period

#### **Technical Assistance**

EU funding for managing, monitoring and implementing Structural Funds costs.

#### **Territorial Co-operation Objective<sup>1</sup>**

The Commission plans to double the budget for this objective post-2006. It will support pan-European initiatives and will incorporate interreg.

#### **Virement**

Transfer of funds between measures and within the same fund (e.g. ERDF, ESF etc.). Transfers between priorities need EU approval.

<sup>1</sup> These terms are defined on the basis of the agreement reached in the European Council in December 2005 and are subject to change.



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#### Gender Budgeting Terms<sup>2</sup>

##### **Gender Budget Initiatives (GBIs)**

Gender Budgeting or Gender Budget Initiatives analyse how governments raise and spend public money, with the aim of securing gender equality in decision making about public resource allocation; and gender equality in the distribution of the impact of government budgets, both in their benefits and in their burdens.<sup>3</sup> Gender budgeting may also be referred to as gender-aware or gender-sensitive budgeting.

##### **Gender-Aware Policy Appraisal**

This tool of gender budgeting is an analytical approach which involves scrutinising the policies of different portfolios and programmes by paying attention to the implicit and explicit gender issues involved. It questions the assumption that policies are 'gender-neutral' in their effects and asks instead: In what ways are the policies and their associated resource allocations likely to reduce or increase gender inequalities?

##### **Gender-Disaggregated Beneficiary Assessment**

This research technique is a tool of gender budgeting used to ask actual or potential beneficiaries the extent to which government policies and programmes match these peoples' priorities.

##### **Gender-Disaggregated Public Expenditure Incidence Analysis**

This is a gender budgeting tool that compares public expenditure for a given programme, usually with data from household surveys, to reveal the distribution of expenditure between women and men, girls and boys.

##### **Gender-Disaggregated Tax Incidence Analysis**

This tool of gender budgeting examines both direct and indirect taxes in order to calculate how much taxation is paid by different individuals or households.

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<sup>2</sup> Unless otherwise indicated, the definitions used in this Glossary of Gender Budgeting Terms are drawn from UNIFEM, *Tools for a Gender-Sensitive Analysis of Budgets*, United Nations Development Fund for Women, April 2005 [http://www.idrc.ca/uploads/user-S/11279431651Tools\\_for\\_Gender-Sensitive\\_Analysis\\_of\\_Budgets.pdf](http://www.idrc.ca/uploads/user-S/11279431651Tools_for_Gender-Sensitive_Analysis_of_Budgets.pdf)

<sup>3</sup> Judd, Karen (ed.) (2002) *Gender Budget Initiatives; Strategies, Concepts and Experiences*, The United Nations Development Fund for Women (UNIFEM), New York, p. 7



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#### **Gender-Disaggregated Analysis of the Impact of the Budget on Time Use**

This tool of gender budgeting looks at the relationship between the national budget and the way time is used in households. This ensures that the time spent by women in unpaid work is accounted for in policy analysis.

#### **Gender-aware Medium Term Economic Policy Framework**

This attempts to incorporate gender into the economic models on which medium term economic frameworks are based.

#### **Gender-Aware Budget Statement**

This involves an accountability process which may utilise any of the above tools. It requires a high degree of commitment and co-ordination throughout the public sector as ministries or departments undertake an assessment of the gender impact of their line budgets.