

Quick guide

Annual Budget Motion

September 2008

Overview of 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 *Government of Wales Act 2006*** and Standing Orders 27.17-27.20,¹ 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 annual 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 Welsh Consolidated Fund (WCF). The resources that can be used will be split into specified services and purposes or ambits.

Information contained within the Annual Budget Motion

In accordance with Section 125 of the GOWA 2006 and the 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, Auditor General for Wales and Public Services Ombudsman for Wales)
- *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- *Schedule 5* – Resource to Cash Reconciliation (including the amounts of cash that may be withdrawn from the WCF)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

¹ [Standing Orders of the National Assembly for Wales \(October 2007\)](#). [as at 13 August 2008].

cash issues to be requested in the budget motion

The Welsh Assembly Government also provided information on the [Final Budget 2007 Main Expenditure Group \(MEG\) allocations](#), this 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.² 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.

Understanding budget tables

Budget information is published on the [Welsh Assembly Government Budget pages](#). From these pages it is possible to view the current Welsh Assembly Government budget, and those from previous years.³ The budget is broken down into several levels of detail:

- **Main Expenditure Groups (MEGs)** - correspond to the Ministerial portfolios.
- **Spending Programme Areas (SPAs)** - define discrete groups of expenditure within every MEG, (such as the budget for each Assembly Sponsored Public Body).
- **Budget Expenditure Lines (BELs)** - 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 show summary tables for the MEGs, separated into **Departmental Expenditure Limits (DELs)**⁴ and **Annually Managed Expenditure (AME)**,⁵ which show

² [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 if the Assembly does not approve a main budget resolution before the beginning of the financial year. The percentage increases to 95% after the end of July, if no budget resolution has been approved for that financial year.

³ 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].

⁴ **Departmental Expenditure Limits (DELs)** - 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). Some elements of DEL, however, are ring-fenced and can only be used for specified purposes.

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.

Comparison of the budget tables for the Final Budget

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

Table 1 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 planned expenditure 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 planned expenditure 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.

⁵ **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 will be drawn down from the Treasury if it is required, while any unspent portion will be reclaimed by the Treasury.

Table 1: 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				
LHBs, Trusts and Central Budgets			4,210,845	4,306,970	69,934	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	43		
Other Health Central Budgets			83,960	125,003	41,043	33		
NHS Allocations			4,805,091	4,943,580	138,489	3		
							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)
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.

Scrutiny tips

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

Background and scope for change

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

Performance against targets

- Are performance targets, (for example those in [One Wales](#)⁶) 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 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

- 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 final budget?

⁶ Progress on One Wales objectives can be followed via the [One Wales Delivery Plan 2007-2011](#) [as at 21 August 2008].

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?

Further information

For further information on the Annual Budget Motion, please contact Eleanor Roy, Members' Research Service (Eleanor.Roy@Wales.GSI.Gov.UK)

For further information on the topics below, double click on the links.

- [Part 5 of the Government of Wales Act: Finance](#)
- [The Budget Process in Wales](#)

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