



National Assembly for Wales
Cynulliad Cenedlaethol Cymru

2005 Assembly Budget: Information for Assembly Members

Abstract

This paper provides background briefing on the Welsh Assembly Government's Budget for 2006-07 to 2008-09.

It describes how the Assembly gets its money; explains how the Assembly's budget is set, highlighting in particular the functions of subject committees in helping to shape and scrutinise budget priorities; and suggests issues that committees may wish to consider at each stage.

Further briefing on the detail of the budget, and tables to help scrutiny, will be provided for Committees and Members throughout the budget process.

April 2005



2005 Assembly Budget: Information for Assembly Members

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2005 Assembly Budget: Information for Assembly Members

1. Introduction

The formal procedures under which the Assembly's budget is set each year are set out in Standing Order 21. Whilst Members and Committees will, of course, discuss budgetary issues throughout the year, the annual process set out in Standing Order 21 requires subject committees to undertake specific functions at pre-determined points in the cycle.

This paper describes how the Assembly gets its money; explains how the Assembly's budget is set, highlighting in particular the functions of subject committees in helping to shape and scrutinise budget priorities; and suggests issues that committees may wish to consider at each stage.

A more detailed outline of the budget process can be found in the MRS Research Paper entitled *The Assembly Budget Process*, available at:

<http://assembly/presidingoffic/mrs/briefings/economic-development-transport-e.htm>

2. How the Assembly gets its money

The National Assembly's budget is funded largely by grant voted by the United Kingdom Parliament (from which the costs of the Wales Office are also deducted). Further elements of the budget are covered by funding from 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 Limit (DEL) - set over three years, most spending within DEL is undifferentiated and allows the Assembly 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 spending in DEL, however, is ring-fenced and specific to that spending priority.

Annually Managed Expenditure (AME) - set yearly, covers items whose provision cannot be reasonably subject to firm multi-year limits, such as payments under the Common Agricultural Policy. 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 needed, while any unspent portion will be returned to the Treasury.

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

The Barnett Formula

When the United Kingdom Government reviews its spending plans¹, changes in the spending allocations to the Assembly's DEL, with some exceptions, are determined by applying the population-based Barnett Formula to changes in planned spending on comparable services. The formula works by determining how changes in allocations to UK Government services in England relate to comparable services in Wales, Scotland and Northern Ireland. The budget is then allocated based on the comparable level of service, and the relative population size within each devolved administration.

Therefore, the three factors involved in determining the changes are:

1. The change in planned spending in departments in England.
2. The extent to which the relevant English departmental programme is comparable with the services carried out by each devolved administration.
3. The population proportion in each country.

1 times 2 times 3 will give the increased spending for each country funded by central government. Hence, for the 2004 Spending Review, the Welsh population as a proportion of England's was 5.89% (applied using 2003 mid-year population estimates). Since the comparability factor for transport was 63.8%, if £1 billion were to be added to transport

¹ 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 Spending Review (SR2004), unveiled by the Chancellor on 12 of July 2004, determined the Assembly's overall budget for 2005-06 to 2007-08. HM Treasury Spending Review 2004 can be found on the HM Treasury web-site at: http://www.hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

expenditure in England, then £37.6 million (£1bn x 5.89% x 63.8%) would be added to the Welsh assigned budget.

The Barnett Formula is explored in more detail in a Members' Research Service Research Paper entitled The Barnett Formula, available at:

<http://assembly/presidingoffic/mrs/briefings/economic-development-transport-e.htm>

3. Setting the Assembly's budget

The key stages in determining the Assembly budget each year are set out in Standing Order 21². These are:

- ◆ Determination of the Budget for the Assembly Parliamentary Service (SO 21.1);
- ◆ Determination of the Assembly Budget (SO 21.2-5);
- ◆ In year-Adjustments of the Assembly Budget (SO 21.6-10).

As well as these formal procedures, the Welsh Assembly Government conducts an annual exercise, known as the Budget Planning Round, to align its spending plans to its strategic objectives. The key phases of this round are:

- ◆ Consultation with partners such as the Assembly Sponsored Public Bodies (ASPBs);
- ◆ Processing of Ministerial bids;
- ◆ Producing and publishing the Draft Budget (usually in October);
- ◆ Obtaining Committee comments on the Draft Budget;
- ◆ Publishing the Final Budget (by 10 December);
- ◆ Publishing a Supplementary Budget if necessary (by 31 March).

The Welsh Assembly Government conducted its own spending review in 2004 in order to better align budget allocations with its strategic objectives and priorities. In a Cabinet Statement of 4 February 2004³, the Minister for Finance stated:

“In the Autumn committees will be considering priorities for the budget and will be consulted on my draft proposals. I will make available information generated by the spending review's evaluation to inform committees' considerations. I will incorporate the outcomes of the spending review in my statement on the draft budget.”

The exercise grouped budgets with common themes, purposes and target groups into Spending Programmes. These Spending Programmes were outlined in the Assembly Government's spending plans for 2005-06 to 2007-08 as set out in *A Budget For The Future Of Wales*, available at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/budget2004/spend-plan-full-e.pdf>

² Standing Orders of the National Assembly for Wales can be found on the Assembly's web-site at:
<http://www.wales.gov.uk/keypubstandingorders/index.htm>

³ Available at:
<http://www.wales.gov.uk/organicabinet/content/statements/2004/040204-spend-review-e.doc>

4. The Assembly Budget Structure

The Assembly's budget is broken down into several levels of detail. At the highest level are Main Expenditure Groups (MEGs), corresponding in the main with Ministerial portfolios. The MEGs identified in the Supplementary Budget Proposals for 2005-06 are:

- ◆ Health & Social Services;
- ◆ Local Government;
- ◆ Social Justice & Regeneration;
- ◆ Environment, Planning & Countryside;
- ◆ Economic Development & Transport;
- ◆ Education & Lifelong Learning;
- ◆ Culture, Welsh Language & Sport;
- ◆ Auditor General for Wales / Single Public Audit Body;
- ◆ Public Services Ombudsman for Wales;
- ◆ Assembly Parliamentary Service;
- ◆ Central Administration;
- ◆ Inspectorates;
- ◆ Other Assembly Services.

Below MEG level, expenditure is identified by Sub-Expenditure Groups (SEG), which define discrete groups of expenditure within each MEG (such as the budget for each Assembly Sponsored Public Body (ASPB)). Below the SEG level, more detailed information is available at the Budget Expenditure Line (BEL) level and, below this, at account level.

Due to the high level of detail at the account code level, budget information is not usually published below the BEL level. However, it is possible to view the budget at the account level through the Management Information System (MIS) on the Assembly's Intranet (see section 7). The MIS mainly concentrates on in-year monitoring, hence budget information at account level for 2006-07 will not be published on the MIS until March 2006. However, information at account level for 2005-06 and other past years is available on the MIS.

Budget and Strategic Planning information is available on the National Assembly for Wales web-site at:

<http://www.wales.gov.uk/themesbudgetandstrategic/>

5. The role of subject committees

Standing Order 21 requires plenary to take note of the draft budget in October/November and adopt the final budget in November/December. Under Standing Order 21, subject committees are also required to undertake specific functions at pre-determined points in the budget planning cycle. This section is concerned with the role that subject committees play in determining the Assembly budget.

The main stages for Committee input are in:

- ◆ May/June, when Committees express their priorities (SO 21.2); and
- ◆ October/November, when the draft budget is considered (SO 21.3);

Before the end of the financial year, a supplementary budget may be tabled setting out changes to the final budget arising from changes in UK Government expenditure plans or other technical changes of a budgetary nature.

May/June - First Round (Expression of Priorities)

This is the strategic overview part of the process, where Committees are invited to input into where they consider general strategic priorities lie. The Assembly Finance Minister invites subject committees to submit, by a date no later than 31 July, their views on priorities for the Assembly's expenditure.

Issues that Committee Members may wish to raise at this stage include:

- ◆ How much money within these expenditure lines is pre-committed (to specific programmes or capital expenditure) so that Members may be able to recognise the scope for re-allocation between programmes;
- ◆ The degree of flexibility between revenue and capital expenditure;
- ◆ The flexibility to use allocations within different MEGs to achieve common goals on cross cutting issues;
- ◆ How the expenditure lines fit in with the WAG priorities outlined within Wales: A Better Country or with previously agreed committee priorities;
- ◆ Which expenditure lines are demand led and so will be expected to vary throughout the year. (Demand led expenditure is usually covered by AME, though there may be other elements within the Assembly Budget which are demand led such as Regional Selective Assistance (RSA));
- ◆ The extent of any underused assets (e.g. vacant property within the portfolio which could be used to raise revenue, or enable rationalisation of services);
- ◆ Information on performance against Welsh Assembly Government objectives;
- ◆ The costs/savings associated with the proposed mergers of ASPBs into the WAG, and the implications and opportunities for reallocation among other programmes;



- ◆ How the ASPB mergers might affect the alignment of strategic priorities and financial allocations within the budget.

October/November – Draft Budget

At a date no later than 15 November, the Finance Minister tables a draft budget. As soon as practicable after plenary has taken note of the draft budget, Ministers seek the views of each subject committee and pass these on to the Finance Minister.

For the 2004 budget planning round, the draft budget was published on 11 October 2004, and considered in Plenary on 20 October 2004.

Issues that Committee members may wish to explore at this stage include:

- ◆ The evidence base used by the Assembly Government to inform its decisions on funding in any given area.
- ◆ In what way have Committee views, expressed at the previous budget round, been addressed?
- ◆ Are the Budget Expenditure Lines (BEL) of sufficient detail and clarity to enable Committees to fulfil their scrutiny role?
- ◆ Do any organisations within the Minister's portfolio have the ability to allocate spending as they see fit (such as the unhypothecated element of local government expenditure)? How might this freedom to allocate impact upon the delivery of Government priorities?
- ◆ The financial implications of new or proposed legislation;
- ◆ How changes to allocations within one portfolio might impact on the strategic objectives of another, in particular where cross cutting themes exist;
- ◆ How cross cutting issues such as equality and sustainability have been addressed;
- ◆ How the spending programmes outlined in the accompanying narrative document to the budget (*A Budget For The Future Of Wales The Assembly Government's Draft Spending Plans 2005-06 to 2007-08⁴*) relate to the expenditure lines within the draft budget;
- ◆ 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.
- ◆ How the proposed mergers of ASPBs into the WAG are reflected in the budget

⁴ *A Budget For The Future Of Wales The Assembly Government's Draft Spending Plans 2005-06 to 2007-08*:
<http://www.wales.gov.uk/themesbudgetandstrategic/content/budget2004/spend-plan-full-e.pdf>



for future years and what costs/savings associated with mergers are identified;

- ◆ How the ASPB mergers affect the alignment of strategic priorities and financial allocations within the budget.

Although Standing Orders require no formal input from Committees once the draft budget stage is completed, subject committees have a general responsibility under Standing Order 9.7(ii) to “keep under review the expedition and administration” connected with the delivery of policies within their portfolios. Members may therefore wish to continue to monitor expenditure, in particular remaining aware of:

- ◆ Any significant changes to the expenditure lines within the budget and the reasons for them (i.e. due to Barnett, MEG to MEG transfer, shift of responsibility to another Minister, responsibility moved to another programme);
- ◆ The impact that any major spending announcements might have on individual expenditure lines;
- ◆ The financial implications of new or proposed legislation;
- ◆ How changes to allocations within one portfolio might impact on the strategic objectives of another, in particular where cross cutting themes exist;
- ◆ Explanations of any significant variations in spending from that outlined in the draft budget.

6. Understanding the Assembly Government Budget Tables

Budget and Strategic Planning information is published on the National Assembly for Wales web-site at:

<http://www.wales.gov.uk/themesbudgetandstrategic/>

From here it is possible to view the latest Assembly budget, and information on budget planning rounds from previous years⁵.

By way of example, table A shows the layout of the Culture, Welsh Language and Sport portfolio within the National Assembly for Wales' Budget 2005-2006 to 2007-2008 Supplementary Budget Proposals⁶. The expenditure groups are indicated by:

- ◆ Main Expenditure Group (MEG) – Section headings (Culture, Welsh Language and Sport);
- ◆ Sub Expenditure Group (SEG) – Outlined in bold type (such as National Museums & Galleries of Wales);
- ◆ Budget Expenditure Line (BEL) – Shown in ordinary type (the 'NMGW Running Costs', 'NMGW Current Receipts', 'NMGW – Depreciation / Cost of Capital' and 'Provisions for Pensions (AME)' BELs make up the National Museums & Galleries of Wales SEG).

The tables show the allocation of the Assembly's budget in terms of both the Departmental Expenditure Limit (DEL), and Annually Managed Expenditure (AME). AME is demand led (money is allocated to AME programmes from HM Treasury) hence these BELs are highlighted (shaded) to differentiate them from the other BELs, over which the Assembly has financial discretion.

The ten columns provide information on the Assembly budget at specific times:

1. **2004-2005 Original Plans** – 2004-05 Assembly budget at the time of the Supplementary Budget for 2004-05 to 2006-07 (published March 2004). There are some minor changes to these figures to allow for the movement of programmes between MEGs and SEGs;
2. **2005-2006 New Plans at Final Budget on 30 November** – 2005-06 Plans at the time of the Final Budget for 2005-06 to 2007-08 (published November 2004);
3. **2005-2006 Changes** – Changes in the 2005-06 Assembly Budget between the (November 2004) Final Budget and the (March 2005) Supplementary Budget;
4. **2005-2006 New Plans** – 2005-06 Assembly Supplementary Budget, taking into account the changes since the Final Budget outlined in the previous column;
5. **2006-2007 Indicative Plans at Final Budget on 30 November** – 2006-07 Indicative Plans at the time of the Final Budget;

⁵ 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 for 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. It is available at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/budget2004/spend-plan-full-e.pdf>

⁶ National Assembly for Wales' Budget 2005-2006 to 2007-2008 Supplementary Budget Proposals:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/budget2004/supplementary-proposals-e.pdf>



6. **2006-2007 Changes** – Changes in the 2006-07 Assembly Budget between the Final Budget and the Supplementary Budget;
7. **2006-2007 Indicative Plans** - Indicative Assembly budget for 2006-07 taking into account the changes since the Final Budget outlined in the previous column;
8. **2007-2008 Indicative Plans at Final Budget on 30 November** – 2007-08 Indicative Plans at the time of the Final Budget;
9. **2007-2008 Changes** – Changes in the 2007-08 Assembly Budget between the Final Budget and the Supplementary Budget;
10. **2007-2008 Indicative Plans** - Indicative Assembly budget for 2007-08 taking into account the changes since the Final Budget outlined in the previous column.

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



Table A: Culture, Welsh Language and Sport MEG, Supplementary Budget Proposals, 2005-2006 to 2007-2008

<u>Expenditure Groups</u>	2004-2005 Original Plans	2005-2006 New Plans at Final Budget on 30 November	2005-2006 Changes	2005-2006 New Plans	2006-2007 Indicative Plans at Final Budget on 30 November	2006-2007 Changes	2006-2007 Indicative Plans	2007-2008 Indicative Plans at Final Budget 30 November	2007-2008 Changes	2007-2008 Indicative Plans
<u>CULTURE, WELSH LANGUAGE AND SPORT</u>										
NMGW Running Costs	18,352	20,641		20,641	21,522		21,522	22,259		22,259
NMGW Current Receipts	-958	-958		-958	-958		-958	-958		-958
NMGW Depreciation / Cost of Capital	4,654	5,123		5,123	5,756		5,756	6,737		6,737
Provisions for Pensions (AME) (2)	15,663	15,463		15,463	15,463		15,463	15,463		15,463
National Museums & Galleries of Wales	37,711	40,269	0	40,269	41,783	0	41,783	43,501	0	43,501
NLW Running Costs	8,909	8,909		8,909	9,759		9,759	9,759		9,759
NLW Current Receipts	-250	-250		-250	-250		-250	-250		-250
NLW Depreciation / Cost of Capital	3,210	3,100		3,100	3,400		3,400	3,600		3,600
Provisions for Pensions (AME) (2)	6,774	5,356		5,356	5,356		5,356	5,356		5,356
National Library of Wales	18,643	17,115	0	17,115	18,265	0	18,265	18,465	0	18,465
ACW Running Costs	1,945	2,237		2,237	2,305		2,305	2,370		2,370
ACW - Depreciation / Cost of Capital	209	410		410	402		402	319		319
Arts Council of Wales	2,154	2,647	0	2,647	2,707	0	2,707	2,689	0	2,689
SCW: Running Costs	1,289	1,654		1,654	1,837		1,837	2,030		2,030
SCW: Depreciation / Cost of Capital	1,431	1,579		1,579	1,579		1,579	1,579		1,579
Sports Council for Wales	2,720	3,233	0	3,233	3,416	0	3,416	3,609	0	3,609
WLB: Running Costs	3,353	3,629		3,629	3,629		3,629	3,629		3,629
WLB: Depreciation / Cost of Capital	86	163		163	173		173	161		161
Welsh Language	3,439	3,792	0	3,792	3,802	0	3,802	3,790	0	3,790
Assistance to the Welsh language - Welsh Books Council	1,019	1,019		1,019	1,019		1,019	1,019		1,019
Other Arts and Libraries	1,019	1,019	0	1,019	1,019	0	1,019	1,019	0	1,019

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



Table A: Culture, Welsh Language and Sport MEG, Supplementary Budget Proposals, 2005-2006 to 2007-2008

<u>Expenditure Groups</u>	2004-2005 Original Plans	2005-2006 New Plans at Final Budget on 30 November	2005-2006 Changes	2005-2006 New Plans	2006-2007 Indicative Plans at Final Budget on 30 November	2006-2007 Changes	2006-2007 Indicative Plans	2007-2008 Indicative Plans at Final Budget 30 November	2007-2008 Changes	2007-2008 Indicative Plans
Culture Fund - Current Expenditure	48,332	54,693		54,693	58,972		58,972	65,129		65,129
Culture Fund - Current Receipts	-3,313	-3,313		-3,313	-3,313		-3,313	-3,313		-3,313
Culture Fund - Capital Expenditure	5,148	9,958		9,958	6,976		6,976	7,611		7,611
Culture Fund - Capital Receipts	-555	-555		-555	-555		-555	-555		-555
Culture Fund	49,612	60,783	0	60,783	62,080	0	62,080	68,872	0	68,872
RCAHM – Running Costs and Current Expenditure	1,480	1,713		1,713	1,713		1,713	1,713		1,713
RCAHM – Depreciation and Cost of Capital on Civil Estate	54	54		54	54		54	54		54
RCAHM – Depreciation and Cost of Capital	80	80		80	80		80	80		80
RCAHM	1,614	1,847	0	1,847	1,847	0	1,847	1,847	0	1,847
Capital expenditure	2,156	2,640		2,640	2,690		2,690	2,740		2,740
Depreciation and Cost of Capital	498	498		498	498		498	498		498
Current Expenditure	8,374	8,374		8,374	8,374		8,374	8,374		8,374
Receipts	-3,280	-3,280		-3,280	-3,280		-3,280	-3,280		-3,280
Cadw	7,748	8,232	0	8,232	8,282	0	8,282	8,332	0	8,332
Of which : depreciation (4)	0	4,695		4,695	4,695		4,695	4,695		4,695
CULTURE, WELSH LANGUAGE AND SPORT - TOTAL	124,660	138,937	0	138,937	143,201	0	143,201	152,124	0	152,124

7. Monitoring the budget in-year

The Assembly budget can be monitored from the Financial Management Information pages of the Intranet. Expenditure detail is provided on a monthly basis at various levels of detail (MEG, SEG, BEL, and Account Code).

It should be noted that expenditure figures are not finalised until later in the year, usually around November, hence there may be some delay in some expenditure appearing on the MIS.

Financial information for 2005-06 can be found at:

[http://fin400/CGI-BIN/LANSAWEB?PROCFUN+ERWEB3050+ER3050L+LIV+FUNCPARMS+ERGLCO\(A0020\):G1+SELcUR\(A0120\):GBP](http://fin400/CGI-BIN/LANSAWEB?PROCFUN+ERWEB3050+ER3050L+LIV+FUNCPARMS+ERGLCO(A0020):G1+SELcUR(A0120):GBP)

Click on the latest available month (this should be the second line down, below the line entitled *Final Outturn*), from where you can select the various levels of expenditure. Final budget and expenditure information for previous years is also available within this list, and can be accessed by selecting *Final Outturn* for the financial year of interest.

Sources:

National Assembly for Wales Intranet
National Assembly for Wales Internet
HM Treasury Web site
The Government of Wales Act 1998
Standing Order 21 - Financial Procedures
Welsh Assembly Government Financial Planning Division

8. Glossary

Aggregate External Finance (AEF) - The sum of Revenue Support Grant (RSG), the distributable amount of non-domestic rates and certain specific government grants issued to support the current element of local government revenue expenditure.

Annually Managed Expenditure (AME) – Demand led expenditure which is reviewed as part of the annual Budget process. This expenditure cannot be subject to 3 year plans. AME covers items, such as Housing Revenue Account Subsidy, whose provision is reviewed and set for the coming year annually (in March) and certain self-financed expenditure e.g. council tax, non-domestic rates. The AME element of the Budget is reviewed twice-annually and forecasts are made for the three years ahead. This element of the Budget may therefore move up or down and will therefore affect the overall Budget. As AME is demand led and ring fenced, AME cannot be recycled from one AME programme to another nor used to increase the DEL.

Barnett Formula - The formula by which the assigned budget (previously known as the Welsh Block) is calculated. The share of public expenditure which the Assembly secures reflects the relative populations in Wales and England. For the 2004 Spending Review, 2003 mid-year estimates of 5.89% were applied. The Barnett formula does not determine the size of the assigned budget, rather it determines the size of the change to the assigned budget.

Budget Expenditure Lines (BEL) - 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 Sub Expenditure Groups (SEG). Underlying each BEL are account codes.

Budget Planning Round - The mechanism the Assembly uses to align its spending plans to its strategic objectives.

Capital Charge - 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.

Capital Expenditure - is spending on fixed assets intended to benefit future accounting periods or expenditure that increases the capacity, efficiency, lifespan or economy of an existing fixed asset. Capital expenditure includes spending on buildings and fixed assets such as furniture and equipment that tend to depreciate over time.

Comprehensive Spending Review (CSR) - A Government-wide review, begun in 1997 and completed in July 1998, of how resources are used within Departments' programmes, and the allocation of resources between programmes. 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 CSR should not be confused with Spending Reviews (SR), which take place every two years.

Consolidated Fund - The central fund into which taxation and other public revenues and receipts are paid and from which the Government's expenditure is met.

Cost of Capital - The cost of capital is a nominal charge on the value of assets tied up in an organisation. This charge has been introduced to measure the "opportunity cost of capital" i.e. the cost of not investing in other sectors.

Current Expenditure – Spending other than capital expenditure, which includes most direct expenditure on public sector pay and providing services. It does not include the purchase of tangible, physical assets.

Departmental Expenditure Limits (DEL) – Fixed three year spending plans controlled directly by Departments, in this case the Assembly, with greater freedom to carry forward unspent provision, allowing for longer-term planning and management of resources. The UK Government, following the Spending Review of all public spending by the central government departments, establishes the level of provision available in the DEL. These are normally only reviewed if inflation varies substantially from forecast made at the time of the spending review (plus or minus 2 per cent). Expenditure is split between “assigned” and “non-assigned” budget items. Assigned budget items (previously known as “block”) are undifferentiated, as devolved administrations have full discretion over these.

Depreciation - A measure of the fall in 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 (EYF) – Any unspent DEL is carried forward into the next financial year and is known as End Year Flexibility (EYF). This ensures that any underspend remains available to the Assembly rather than being returned to the Treasury.

Hypothecated Funding – Ring-fenced funding, which must be spent on particular services or initiatives.

Main Expenditure Groups (MEG) - 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. Ministerial portfolios correspond to the MEG level of detail. Below MEG level, expenditure is identified by Sub-Expenditure Groups (SEG) and, within this, Budget Expenditure Lines (BEL).

Resource Accounting Budgeting (RAB) - Resource Accounting and Budgeting (RAB) is a system of planning, controlling and reporting on public spending for government. Resource accounts are accruals based accounts. Accruals accounting is a method of recording expenditure as it is incurred, not when it is paid out, and income as it is earned, not when it is received. Resource accounts provide more useful information than a simple record of cash paid out and received. They record the full costs of activities (e.g. in the use of assets as well as cash spent).

Revenue Support Grant (RSG) – Revenue Support Grant is paid to local authorities by the National Assembly for Wales as a major element of support for local authority revenue expenditure. 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 the distributable amount of non-domestic rates and the levels of certain specific government grants towards revenue expenditure have been decided.

Spending Review (SR) - 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. The 1998 Comprehensive Spending Review set spending plans and Public Service Agreements for 1999-2000 to 2001-02. 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).

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.

Standard Spending Assessments (SSAs) - Standard Spending Assessments are centrally determined assessments of each local authority's need to spend on revenue services, on the total standard spending basis. They are calculated just prior to the year to which they relate using principles established by the National Assembly for Wales encompassing the demographic, physical and social characteristics of each area, as reflected by a range of indicators.

Sub-Expenditure Groups (SEG) - The Assembly's budget is broken down into several levels of detail for monitoring and control purposes. Sub-Expenditure Groups (SEG) are the second level of detail below Main Expenditure Groups (MEG) and define discrete groups of expenditure within each MEG. Each Assembly Sponsored Public Body (ASPB) has its own SEG.

Total Managed Expenditure (TME) – The combined total of the two budget elements DEL and AME.

Unhypothecated Funding – Funding allocated without restrictions on how it should be spent.