

# Quick guide

## The Draft Budget

### Overview of the Draft Budget process

The draft budget is the first stage<sup>i</sup> in the budget process as provided for in **Part 5 of the Government of Wales Act 2006**. Standing Orders 27.1 to 27.6,<sup>ii</sup> 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.

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.<sup>iii</sup> Amendments may be tabled at this stage, provided they do not alter the overall amounts proposed within the draft budget.

### 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.<sup>iv</sup> 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)<sup>v</sup> and Annually Managed Expenditure (AME),<sup>vi</sup> 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.

## Comparison of Budget tables for the Draft Budget

Many different comparisons can be made in analysing the draft 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 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 the 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 planned expenditure for 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 planned expenditure for 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 planned expenditure for 2010-11 in the Draft Budget 2007. The year-on-year increase/decrease is shown as a +/- monetary amount.

**Table 1: 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	B Planned expenditure for 2007-08 at Supplementary Budget (November 2007)	3,115,752	4,108,652	4,192,367	3,923,248	160,917	83,715	-269,119
LHBs, Trusts and Central Budgets - Revenue Receipts	C Planned expenditure for 2008-09 at Draft Budget 2007	-30,208	-30,208	-30,208	-30,208	0	0	0
LHB and Trust Depreciation, Cost of Capital and Provisions	D Indicative expenditure for 2009- 10 from Draft Budget 2007	109,565	109,565	109,565	109,565	0	0	0
Depreciation Double Count for Capital Expenditure	E Indicative expenditure for 2010-11 from Draft Budget 2007	-100,626	-100,626	-100,626	-100,626	0	0	0
Payments to Contractors	F Increase/decrease in planned expenditure for 2008-09 at Draft Budget 2007 compared to 2007-08 at Supplementary Budget (Column C-B)	595,006	609,575	624,001	599,001	69	15,371	-28,768
FHS Income	G Increase/decrease in indicative expenditure for 2009- 10 at Draft Budget 2007 compared to 2008-09 at Draft Budget 2007 (Column D-C)	-27,952	-27,952	-27,952	-27,952	0	0	0
Wanless Review Implementation	H Increase/decrease in indicative expenditure for 2010-11 at Draft Budget 2007 compared to 2009- 10 at Draft Budget 2007 (Column E-D)	21,960	21,989	22,438	27,001	29	4,562	4,562
Other Health Central Budgets		102,282	105,183	156,729	102,901	0	0	0
<b>NHS Allocations</b>		<b>4,611,762</b>	<b>4,790,178</b>	<b>4,941,259</b>	<b>4,594,155</b>	<b>178,416</b>		<b>4,562</b>
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
<b>Workforce Development</b>		<b>291,063</b>	<b>300,129</b>	<b>299,291</b>	<b>299,611</b>	<b>9,066</b>	<b>-838</b>	<b>320</b>
Information Central Budgets		29,623	29,586	29,916	30,228	-37	330	312
<b>Information</b>		<b>29,623</b>	<b>29,586</b>	<b>29,916</b>	<b>30,228</b>	<b>-37</b>	<b>330</b>	<b>312</b>

## Scrutiny tips

The following section provides some scrutiny tips which Members and Committees may find helpful when scrutinising the draft 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 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<sup>vii</sup>](#)) 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.

### ***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?

## Further information

For further information on aspects of the budget, please contact Eleanor Roy, Members' Research Service ([Eleanor.Roy@Wales.GSI.Gov.UK](mailto: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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<sup>i</sup> 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.

<sup>ii</sup> [Standing Orders of the National Assembly for Wales \(October 2007\)](#). [as at 13 August 2008].

<sup>iii</sup> 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.

<sup>iv</sup> 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].

<sup>v</sup> **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.

<sup>vi</sup> **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.

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