

## BUDGET ISSUES FOR 2003-04

### Purpose

1. This paper is intended to assist the Committee in responding to the request from the Finance Minister for a response to the Commissioning Paper for the Budget Planning Round (copy at **Annex A**).

### Background

2. The Finance Minister made it clear, in her letter to Committee Chairs (copy at **Annex B**) that although this is a UK Spending Review year, there is every expectation that the Assembly's settlement will be challenging and that there will be little or no change in 2003-04 baselines. The emphasis will therefore be on refocusing programmes to achieve the Assembly's long-term aims, and also on ensuring that the level of underspending on Assembly budgets is minimised.

### Performance During 2001-02

3. Expenditure against programmes in the Agriculture & Rural Development MEG in 2001-02 is summarised at **Annex C**. Agriculture programmes were, of course, significantly disrupted as a result of the foot and mouth outbreak – for example Tir Gofal project officers were unable to go on farm for five months, during which time only seven agreements were concluded – and as a result only 48 per cent of the Agriculture & Rural Development MEG (excluding market support schemes) was spent in 2001-02.

4. Nevertheless substantial progress was made in a number of key areas relating to commitments in *Putting Wales First*:

- the Rural Recovery Plan was put into operation and had spent £34 million by 31 March 2002;
- additional funds were secured for the operation of Tir Mynydd and a review of the scheme instituted;
- the Processing & Marketing Grant scheme was opened for applications under Objective 1 and the Rural Development Plan (for west and east Wales respectively);
- Farming Connect was launched in September 2001 – some six months later than originally planned – and the first Farm Business Development Plans were delivered;
- Further progress was made towards the achievement of the Assembly's target of 25% of

agricultural land entered into agri-environmental schemes, with more Tir Gofal and Organic Farming Scheme agreements signed;

- An independent appeals mechanism was established to adjudicate in disputes between farmers and the Assembly;
- Legislation was introduced to ease the burden of meat hygiene costs on small abattoirs;
- Strategy groups were established to develop action plans for the woodland and biomass, fisheries and aquaculture, and horticulture sectors.

## **Priorities and Pressures for the Next Three Years**

5. Programme expenditure for 2002-03 for the Agriculture & Rural Development MEG is summarised at **Annex D**. The major components are as follows:

- market support schemes (direct subsidy payments to farmers, the majority of which relates to Sheep Annual Premium scheme) - £145.9 million (the whole of the Agriculture & Rural Development budget excluding these market support schemes is only £81.5 million);
- hill livestock compensatory allowances (the Tir Mynydd scheme of support for the less favoured areas in Wales) - £31.7 million;
- agri-environmental schemes – Tir Gofal and the Organic Farming Scheme together with pre-existing schemes such as Environmentally Sensitive Areas - £25 million;
- Processing and marketing grants (partly funded through Objective 1) - £5.8 million;
- Farming Connect – funded from a variety of sources but largely from the Farm Adaptation budget lines - £5.2 million;
- TB compensation payments (£1.6 million).

6. We are working hard to ensure that Objective 1 budgets are fully utilised this year, not least to guard against potential decommitment of Objective 1 funds at the end of 2002.

7. My proposed main priorities for the Budget Planning Round are:

- additional resources to protect animal health, including action on TB, given the escalation in the scale of the disease; scrapie, given the fundamental need to protect the future of the Welsh sheep industry; and the transfer of residual animal health functions
- the need for additional resources to fund community regeneration in rural areas, including issues arising from the research on age balanced communities and on rural retail services. There is a potential synergy between this and work on the future of the Welsh language in rural areas.

8. On agri-environment, we have already announced an additional £1.5 million a year for Tir Gofal, and the priority is for the Countryside Council for Wales to ensure that these resources

are spent. In addition, we are doing a great deal of work with farming unions and environmental interests on the future development of agri-environmental schemes in Wales, including in particular an entry-level scheme that would be widely available to farmers. Funding needs to be considered in the light of the Commission's proposals for the Mid Term Review, due to be announced on 10 July, but there may be scope for initiatives to be trialled with a view to introduction at some point following the Mid Term Review;

9. The Committee is invited to consider these and other potential budget priorities.

## ANNEX A

### NATIONAL ASSEMBLY FOR WALES

### COMMISSIONING PAPER FOR THE 2002 BUDGET PLANNING ROUND

#### Introduction

1. This paper describes the plans for the 2002 budget round and formally sets in motion the budget process under Standing Order 19.

**2. Assembly Committees and other partners are requested to respond to this, and any subsequent papers that Ministers may issue by 16 July at the latest.** This will assist the Finance Minister to draw up the draft budget in September.

3. The main aims for this round are:

- to measure progress and focus on delivering against existing key targets, including those in *A Plan for Wales* and *Putting Wales First: A partnership for the people of Wales* ;
- to continue to test the effectiveness of our existing performance within existing budgets;
- to identify emerging pressures;
- to look ahead, and provide positive ideas for meeting medium to long terms objectives to create a better Wales.

#### The financial background

4. In terms of the main service areas, [almost 47 per cent] of the Welsh budget is spent on health, personal social services and education.

#### Issues for consideration

5. Like last year, we would like all committees and partners to consider the following issues as they relate to their areas of interest –

### *Sustainable Development*

- How well is current work contributing towards sustainable development and in particular the integration of its social, economic and environmental aspects?

### *Social Deprivation*

- How far is current work addressing deprivation? For background see the new index of deprivation. Particular issues include:
- how work might change to reflect the proposals for a Communities First programme which bring funding from different sources together;
- whether there is sufficient consistent focus on the needs of children and young people; and
- the extent to which support is made available for older people.

### *Equality*

- What progress has been made during the last financial year towards mainstreaming equal opportunities to meet the aims of the Assembly for equality of opportunity?
- What steps could be taken to improve performance?

### *Simplification*

- Significant progress has been made over the last 12 months in reducing bureaucracy. What scope is there for further reductions?

### *Delivery*

- Are the current delivery mechanisms the most suitable and effective to deliver the Assembly's goals? In particular:
- could more use be made of the voluntary sector?
- Is the role of the sponsored bodies the right one?
- What barriers remain to effective joint working?

## **Handling the budget planning round**

6. The main elements are:

## *Position Papers from Ministers*

7. This commissioning note gives committees and partners early notice of the BPR process. Ministers will bring forward position papers later.

8. The papers will give a view on:

- performance during 2001-2002;
- report on progress, barriers and issues in achieving the key existing 2004 targets, eg in *A Plan for Wales*; and
- report on progress with *Putting Wales First*.

## *Draft Budget*

9. In the light of the views received, the administration will bring forward a draft budget for consideration in October. This is required under Standing Order 19.2. This will allow Committees and other interested parties to make comments on the proposed allocations.

## *Final Budget*

10. In accordance with Standing Order 19.3, the aim is to set a final detailed budget in late October. This will allow recipients of funding plenty of time to plan for their programmes.

11. Committees and formal partners should respond to the relevant Minister.

12. All other partners, individuals and organisations should respond to:

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**BUDGET AND CORPORATE PLANNING (BPR) ROUND 2002**

I attach a paper, which I am circulating to all Committees and making available to partners today. The paper sets out how I intend to support the Assembly's planning and budgeting process for 2003-2004 onwards.

It is a UK Spending Review year, in which the baselines for UK Government Departments are determined for the period 2003-04 to 2005-06. The outcome of the Spending Review for the Department of Health was announced in the Chancellor's Budget on 17 April and I have already announced that this additional money will be used for new and better ways for improving health. The outcomes for the remaining Departments are expected to be announced

in July. This year's BPR will be conducted in the context of the 2002 Spending Review (SR2002) and there is every expectation that the Assembly's settlement will be a challenging one, with little or no change in 2003-04 baselines.

I do not therefore expect to receive large bids for new spending but rather suggestions for refocusing existing programmes to achieve our long-term aims. This year we will be focussing on targets set in *A Plan for Wales*, outstanding targets in the Partnership Agreement - *Putting Wales First* and as well as the targets in related planning documents. Like last year, we will be conducting the exercise on a resource basis rather than in cash terms.

In the last financial year we made significant progress on reducing the amount of annual under-spending that occurs across Assembly budgets. However, there are still a number of areas where under-spending is not yet under control and I shall be looking closely at the existing baselines for these budgets.

I shall also be looking at what progress has been made in mainstreaming equal opportunities into all the Assembly's activities.

Edwina Hart