



Llywodraeth Cymru  
Welsh Government

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Welsh Government

# Supplementary Budget 2014-2015

Explanatory Note



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## 1. Introduction

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- 1.1** The Welsh Government today tabled the First Supplementary Budget for 2014-15 in accordance with Standing Order 20. This Supplementary Budget proposes a number of changes to the Final Budget for 2014-15 as approved by the National Assembly for Wales ('the Assembly') on 10 December 2013.
- 1.2** This Supplementary Budget is mainly administrative in nature. It makes a small number of allocations from Reserves that have been agreed since the Final Budget was approved. Adjustments have also been made to the Wales DEL budget to reflect transfers and consequential received in the UK Government's Autumn Statement and March Budget 2014.
- 1.3** Changes proposed are summarised in the tables contained in Chapter 2 [Key Changes in the Supplementary Budget](#).
- 1.4** This document supports the detailed Action Tables available on the Welsh Government's website.

## 2. Key changes since the Final Budget 2014-15

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**2.1** There are a number of changes which reflect revisions since the Final Budget 2014-15 was agreed by the Assembly on 10 December 2013. The changes predominantly relate to adjustments to Resource and Capital baselines and allocations from Reserves.

**2.2** An overview of the key changes is provided below.

### Adjustments to Resource Baselines

#### Fiscal Resource DEL

- As a result of UK Government decisions, the Fiscal Resource DEL baseline has increased by £36,540k, comprising:
  - an increase of £29,525k as a result of consequentials arising from the UK Government's Autumn Statement 2013; and
  - an increase of £7,015k as a result of consequentials arising from the UK Government's March 2014 Budget; and

#### Intergovernmental Transfers

- There are also a number of adjustments to our Fiscal Resource DEL in respect of intergovernmental transfers, which reflect changes in governmental responsibilities. These adjustments comprise:
  - a transfer in of £5,200k to the Funding Support for Local Government action within the Local Government MEG, from the Department for Works and Pensions in respect of the administration costs of Council Tax Reduction Schemes;
  - a transfer in of £168k to the Higher Education action within the Education and Skills MEG, from the Department for Education and Skills for the funding of students in Wales on Initial Teacher Training courses with the Open University; and

- a transfer in of £100k to the Tribunals action within the Central Services and Administration MEG, from the Ministry of Justice in respect of the abolition of the Administrative Justice Tribunals Council.

### Non-fiscal Resource DEL

- There are no changes to the Non-Fiscal Resource DEL baseline.

### Adjustments to Capital Baselines

#### Capital DEL

- As a result of UK Government decisions, the Capital DEL baseline has increased by £17,710k, comprising:
  - an increase of £4,025k as a result of consequentials arising from the UK Government's Autumn Statement 2013; and
  - an increase of £13,685k as a result of consequentials arising from the UK Government's March 2014 Budget; and

#### Financial Transactions

- In addition the Welsh Government's capital spending power has increased by a further £5,980k. This funding is ring-fenced for financial transactions and can only be used for loans and equity investments. The majority of this funding will also need to be repaid to the Exchequer.

## Adjustments to Annually Managed Expenditure (AME) Budgets

**2.3** AME budgets detailed in this Supplementary Budget reflect the latest forecasts provided to HM Treasury. Adjustments made since the Final Budget was approved comprise:

- An increase of £14,605k in the Health and Social Services AME budget to reflect latest forecasts in respect of provisions and impairments in the NHS;
- An increase of £1,150k in the Economy, Science and Transport AME budget to reflect latest forecasts for the impairment of the roads network;
- An increase of £37,998k in the Education and Skills AME budget comprising an increase in Resource AME of £16,314k and an increase in Capital AME of £21,684k. These figures reflect the latest Student Loan forecasts; and
- An increase of £2,000k in the Housing and Regeneration AME budget in respect of the Housing Revenue Account Subsidy.

## Allocations from Reserves

**2.4** This Supplementary Budget makes a number of allocations from Reserves, which are in line with previous announcements made by the Welsh Government. These allocations are summarised below.

### Fiscal Resource DEL

- £17,423k has been transferred to the Economy, Science and Transport MEG in respect of Non-Domestic Rate measures.
- £12,101k has been transferred to the Education and Skills MEG to support the National Schools Challenge Fund.

## Capital DEL

**2.5** Capital Reserves have been allocated in line with the priorities set out in the Wales Infrastructure Investment Plan. This Supplementary Budget provides an additional £18,000k to support these priorities.

**2.6** This budget allocates £18,000k to a number of schemes in the Health and Social Services MEG where our additional investment will contribute to sustainable and affordable health services. These allocations comprise:

- **Health Vision Swansea**

A £9.5 million allocation will support the redevelopment of health services in Swansea. This continued investment in the health infrastructure within the City will see further upgrading of the NHS estate with a view of delivering more integrated and balanced services.

- **Hwyl Dda Neonatal Services**

£3 million is allocated from reserves to support changes to maternity, obstetric, neonatal and paediatric services in Hwyl Dda LHB.

Phase 1 of the development ensures that the Health Board can accommodate the increased capacity required in obstetrics, neonatal and paediatric services on the Glangwili Hospital site, and will also provide midwifery led units at both Glangwili and Worthybush Hospitals.

- **Cwm Taf Diagnostics Hub**

A £2 million allocation to allow the Royal Glamorgan Hospital to develop a hub for diagnostics and ambulatory care to support the wider network of hospitals within a South Wales Central Alliance.



This allocation will fund the provision of additional diagnostic equipment to reduce waiting times in line with All Wales standards, increase capacity and improve Cardiac and Colonography services.

- **Emergency Medical Retrieval Service**

An allocation of £1 million will support phase 1 of the development of an Emergency Medical Retrieval Service which will provide an 'All Wales' integrated adult, paediatric and neonatal transport service.

This allocation will contribute to meeting the infrastructure costs needed to support the service which will be delivered through a combination of helicopters and road vehicles.

- **Diagnostics**

A £2.5 million allocation to accelerate reductions in waiting times and access through the procurement of a range of diagnostic and imaging equipment across the Welsh NHS.

All of the above investments will be subject of the approval of full business cases.

2.7 Tables 1.1 to 1.4 set out the net impact of all the changes listed above.

**Table 1.1 – Allocation of the Wales DEL – Supplementary Budget**

MAIN EXPENDITURE GROUPS (MEGs)		£000s		
		Budget 2014-15	Changes	Revised Budget 2014-15
<b>Departmental Expenditure Limits (DEL)</b>				
Health and Social Services		6,378,630	18,000	6,396,630
Local Government		4,591,813	5,200	4,597,013
Communities and Tackling Poverty		212,696	0	212,696
Economy, Science and Transport		933,239	17,423	950,662
Education and Skills		1,771,008	12,269	1,783,277
Natural Resources and Food		415,710	0	415,710
Housing and Regeneration		535,639	0	535,639
Culture and Sport		137,160	0	137,160
Central Services and Administration		345,883	100	345,983
<b>Total Allocated to Welsh Government Departments</b>		<b>15,321,778</b>	<b>52,992</b>	<b>15,374,770</b>
Resource Reserves	Fiscal Resource DEL	145,976	7,016	152,992
	Non-Fiscal Resource DEL	91,534	0	91,534
Capital Reserves		6,928	5,690	12,618
Assembly Commission		50,598	0	50,598
Auditor General for Wales		5,974	0	5,974
Public Services Ombudsman for Wales		4,247	0	4,247
Direct Charges to the Welsh Consolidated Fund		672	0	672
<b>Total Expenditure within the Wales DEL Budget</b>		<b>15,627,707</b>	<b>65,698</b>	<b>15,693,405</b>

**Table 1.2 – Changes to the Welsh Government Resource DEL**

MAIN EXPENDITURE GROUPS (MEGs)	£000s			£000s		
	Fiscal Resource			Non-Fiscal Resource		
	Budget 2014-15	Changes	Revised Budget 2014-15	Budget 2014-15	Changes	Revised Budget 2014-15
Health and Social Services	5,926,580	0	5,926,580	170,000	0	170,000
Local Government	4,568,486	5,200	4,573,686	407	0	407
Communities and Tackling Poverty	192,246	0	192,246	0	0	0
Economy, Science and Transport	403,243	17,423	420,666	110,000	0	110,000
Education and Skills	1,510,243	12,269	1,522,512	106,931	0	106,931
Natural Resources and Food	298,730	0	298,730	3,340	0	3,340
Housing and Regeneration	169,269	0	169,269	0	0	0
Culture and Sport	117,439	0	117,439	3,677	0	3,677
Central Services and Administration	302,570	100	302,670	16,000	0	16,000
<b>Total Allocation to Welsh Government Departments</b>	<b>13,488,806</b>	<b>34,992</b>	<b>13,523,798</b>	<b>410,355</b>	<b>0</b>	<b>410,355</b>

**Table 1.3 – Changes to the Welsh Government Capital DEL**

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	Budget 2014-15	Changes	Revised Budget 2014-15
Health and Social Services	282,050	18,000	300,050
Local Government	22,920	0	22,920
Communities and Tackling Poverty	20,450	0	20,450
Economy, Science and Transport	419,996	0	419,996
Education and Skills	153,834	0	153,834
Natural Resources and Food	113,640	0	113,640
Housing and Regeneration	366,370	0	366,370
Culture and Sport	16,044	0	16,044
Central Services and Administration	27,313	0	27,313
<b>Total Allocation to Welsh Government Departments</b>	<b>1,422,617</b>	<b>18,000</b>	<b>1,440,617</b>

**Table 1.4 – Wales AME Budget**

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	Budget 2014-15	Changes	Revised Budget 2014-15
Health and Social Services	166,095	14,605	180,700
Local Government	24,488	0	24,488
Communities and Tackling Poverty	0	0	0
Economy, Science and Transport	48,946	1,150	50,096
Education and Skills	214,084	37,998	252,082
Natural Resources and Food	2,900	0	2,900
Housing and Regeneration	-71,000	-2,000	-73,000
Culture and Sport	2,740	0	2,740
Central Services and Administration	2,070	0	2,070
<b>Total Welsh Government AME Budget</b>	<b>390,323</b>	<b>51,753</b>	<b>442,076</b>

### **3. Budget Exchange System**

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**3.1** In the Second Supplementary Budget 2013-14, the Welsh Government held contingency reserves of £50,771k Fiscal Resource DEL and £7,749k Capital DEL, which included £1,294k financial transactions funding. These amounts alongside any underspends against the allocations detailed in that budget will be carried forward to 2014-15 under the Budget Exchange Scheme.

**3.2** Details of the exact amounts of Fiscal Resource DEL and Capital DEL to be carried forward from 2013-14 will be confirmed once the Welsh Government's Annual Accounts for 2013-14 have been finalised and reflected in the Final Outturn Report. Adjustments to the baseline to reflect the final amount carried forward will be made later in the year through the UK Supplementary Estimate process.

## Annex 1 – Reconciliation between the Welsh Block Budget and Resource Allocations in the Budget Motion

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This document supports the Supplementary Budget Motion, which sets out the changes to both the resources that the Welsh Government is proposing to use in 2014-15 and the cash it is seeking authority to draw from the Welsh Consolidated Fund. The tables within this report show budgets on an administrative basis, whereas the figures in the Supplementary Budget Motion are on a resource basis.

The Welsh Government's administrative budget contains a number of items which are scored outside the accounts of the Welsh Government and therefore do not score as part of the Resources Required by Welsh Ministers. This Annex reconciles the administrative and resource budgets of each Main Expenditure Group.

### Health and Social Services

	2014-15
<b>DEL</b>	
Resource	6,096,580
Capital	300,050
<b>AME</b>	
Resource	180,700
Capital	0
<b>TME</b>	<b>6,577,330</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs and NHS bodies	-280,700
Supported Borrowing	-3,602
National Insurance Fund Receipts (and collection costs)	-942,891
<b>Resources requested</b>	<b>5,350,137</b>

## Local Government and Government Business

	2014-15
<b>DEL</b>	
Resource	4,574,093
Capital	22,920
<b>AME</b>	
Resource	24,488
Capital	0
<b>TME</b>	<b>4,621,501</b>
<b>Reconciliation to Resources</b>	
National Non Domestic Rates payable (and collection costs)	-1,046,172
Resource Consumption of WGSBs	-400
<b>Resources requested</b>	<b>3,574,929</b>

## Communities and Tackling Poverty

	2014-15
<b>DEL</b>	
Resource	192,246
Capital	20,450
<b>AME</b>	
Resource	0
Capital	0
<b>TME</b>	<b>212,696</b>
<b>Reconciliation to Resources</b>	
<b>Resources requested</b>	<b>212,696</b>



## Economy, Science and Transport

	2014-15
<b>DEL</b>	
Resource	530,666
Capital	419,996
<b>AME</b>	
Resource	50,096
Capital	0
<b>TME</b>	<b>1,000,758</b>
<b>Reconciliation to Resources</b>	
Supported Borrowing	-10,336
Direct Charges on the Welsh Consolidated Fund	-1,677
PFI	-7,786
<b>Resources requested</b>	<b>980,959</b>

## Education and Skills

	2014-15
<b>DEL</b>	
Resource	1,629,443
Capital	153,834
<b>AME</b>	
Resource	-86,240
Capital	338,322
<b>TME</b>	<b>2,035,359</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,082
Supported Borrowing	-33,781
<b>Resources requested</b>	<b>1,995,496</b>

## Natural Resources and Food

	2014-15
<b>DEL</b>	
Resource	302,070
Capital	113,640
<b>AME</b>	
Resource	2,900
Capital	0
<b>TME</b>	<b>418,610</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-5,990
Supported Borrowing	-9,741
<b>Resources requested</b>	<b>402,879</b>

## Housing and Regeneration

	2014-15
<b>DEL</b>	
Resource	169,269
Capital	366,370
<b>AME</b>	
Resource	-73,000
Capital	0
<b>TME</b>	<b>462,639</b>
<b>Reconciliation to Resources</b>	
Supported Borrowing	-31,340
<b>Resources requested</b>	<b>431,299</b>

## Culture and Sport

	2014-15
<b>DEL</b>	
Resource	121,116
Capital	16,044
<b>AME</b>	
Resource	2,740
Capital	0
<b>TME</b>	<b>139,900</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,008
<b>Resources requested</b>	<b>133,892</b>

## Central Services and Administration

	2014-15
<b>DEL</b>	
Resource	318,670
Capital	27,313
<b>AME</b>	
Resource	2,070
Capital	0
<b>TME</b>	<b>348,053</b>
<b>Reconciliation to Resources</b>	
Direct Charges on the Welsh Consolidated Fund	-78
<b>Resources requested</b>	<b>347,975</b>

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## Annex 2 – Glossary

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<b>Action</b>	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions. Tables showing budgets at Action level are available at:  <a href="http://wales.gov.uk/about/budget/?lang=en">http://wales.gov.uk/about/budget/?lang=en</a>
<b>Ambits</b>	Descriptions of the specific purposes for which Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit Descriptions and resource limits are contained within the Annual Budget Motion. Ambits correspond to MEGs.
<b>Annually Managed Expenditure (AME)</b>	Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.
<b>Budget Motion</b>	The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.
<b>Capital</b>	Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.
<b>Departmental Expenditure Limit (DEL)</b>	The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a three year basis in Spending Reviews.
<b>Depreciation</b>	The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.

<b>Direct Charges on the Welsh Consolidated Fund</b>	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.
<b>Fiscal Resource DEL</b>	Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, resource grants and subsidies.
<b>Main Expenditure Group (MEG)</b>	The Assembly Government DEL is divided into a number of Main Expenditure Groups. There are currently 9 MEGs: Health and Social Services; Local Government; Communities and Tackling Poverty; Economy, Science and Transport; Education and Skills; Natural Resources and Food; Housing and Regeneration; Culture and Sport; and Central Services and Administration.
<b>Non-Fiscal Resource DEL</b>	Accruals measures included in budgets to ensure they reflect the full economic cost of activities even though there is not a direct link to cash flows in the relevant period - for example, depreciation and provisions. Non-fiscal resource DEL cannot be used to fund fiscal resource DEL spending.
<b>Receipts</b>	Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. There are represented in the budget as a receipt and shown as a negative figure.
<b>Resource budgeting</b>	The Welsh Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budget includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.
<b>Resource</b>	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.
<b>Spending Programme Area (SPA)</b>	Within each MEG, budgets are allocated to Spending Programme Areas according to the kind of services they will deliver.

<b>Spending Review</b>	Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming three years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula.
<b>Total Managed Expenditure (TME)</b>	The total Departmental Expenditure Limit plus Annually Managed Expenditure.
<b>Welsh Consolidated Fund</b>	The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.
<b>WGSB</b>	Welsh Government Sponsored Body.