

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance

Ein cyf/Our ref SF/JH/2804/13

Jocelyn Davies AM,
Chair, Finance Committee,
The National Assembly for Wales,
Cardiff Bay,
Cardiff
CF99 1NA



Llywodraeth Cymru
Welsh Government

6th September 2013

Dea Jocelyn,

In line with the Welsh Government's continuing commitment to improving transparency we gave an undertaking to provide a written report to the Finance Committee on final outturn against spending plans. I provided a report to you on the outturn for 2011-12 in August 2012.

The Welsh Government's Consolidated Annual Accounts for 2012-13 were published on 30 July 2013 and so I can now provide a report on the final outturn for 2012-13 which is enclosed.

The final Ambit outturn for 2012-13 is £13,060.1 million, an underspend against the Welsh Government Budget of £53.2 million which represents a 0.4% variance.

The report and supporting annexes provide a summary of expenditure by portfolio, variations compared to the budget, an explanation of significant variances and details the Welsh Government underspends carried forward into the current year under the Budget Exchange Mechanism.

I hope you will find this second report useful and should you find it helpful I am happy for us to return to the matter following recess.

Best wishes,

Jane

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

*Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)
recycled paper*

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence.Jane.Hutt@wales.gsi.gov.uk
Printed on 100%

1. Introduction

1.1 On 21 March 2012 the National Assembly for Wales endorsed the protocol on changes to the Budget motion and their impact on the in-year Budget cycle as agreed between the Welsh Government and the Committee with responsibility for the functions specified in Standing Order 19.

1.2 As part of the protocol the Welsh Government agreed:

In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government will provide a written report to the Committee on final outturn. The report would include a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations.

1.3 This brief report addresses this commitment for the financial year 2012-13.

1.4 The Second Supplementary Budget for 2012-13, was approved by the National Assembly on 2 March 2013. The final outturn follows publication of the Welsh Government's Consolidated Annual Accounts on 30 July 2013. See the attached internet link:

<http://www.assemblywales.org/bus-home/bus-business-fourth-assembly-laid-docs.htm?act=dis&id=248522&ds=7/2013>

1.5 The outturn is reported on the basis of the Welsh Government budget structure in force at the time. That structure precedes the Machinery of Government changes which were announced by the First Minister on 14 March 2013.

2. Changes to 2012-13 Budgets

Changes agreed after the Second Supplementary Budget for 2012-13

- 2.1** Following the approval of the Second Supplementary Budget on 5 March 2013 there was one adjustment to the budget.
- 2.2** On 27 March 2013 the Welsh Ministers authorised the use of additional resources under S128 of the Government of Wales Act 2006. The purpose of the additional resources was to facilitate the purchase of shares in Cardiff International Airport Limited. A total of £50 million was authorised.
- 2.3** For administrative purposes these resources are considered to be added to the £298.3 million authorised in the Second Supplementary Budget of 2012-13 for the Business, Enterprise, Technology and Science Main Expenditure Group (MEG).

Table 2.1 – Changes agreed after the last Supplementary Budget

SPA	ACTION	£000s		
		2012-13 Capital		
		Supplementary Budget	Changes	Revised Budget
Infrastructure	Deliver Property Related Infrastructure	3,559	50,000	53,559

3. Main Expenditure Group Outturn 2012-13

3.1 The Consolidated Accounts of the Welsh Government were laid before the Assembly on 30 July 2013. These audited accounts contain a Summary of Resource Outturn against the control totals approved in the Second Supplementary Budget motion of 2012-13 (the 'Ambit'), as amended for the additional approval under S128.

3.2 This report provides details of outturn against the controls operated and enforced by HM Treasury. These administrative budgets are detailed in the documentation and tables which supported the Second Supplementary Budget.

Departmental Expenditure Limit (DEL) Outturn

3.3 The Welsh Government's audited DEL outturn is £14,975.4 million. This is an underspend against the budget as agreed in the Second Supplementary Budget of £60.6 million.

3.4 Included in the results is an underspend of £7.7 million against the Fiscal Resource budget (near cash revenue). There is also an underspend of £1.8 million on the Capital budget. The outturn represents an underspend of 0.06% against Fiscal Resource and 0.13% Capital. The Non Fiscal Resource budget (non cash) is underspent by £51.1 million. Fiscal Resource and Capital underspends of greater than 1% of departmental DEL and any overspends are explained below. A breakdown of the outturn by MEG is provided in Annex 1.

Fiscal Resource

3.5 The overspend of £4.9 million reported against the Health, Social Services and Children MEG amounts to 0.08% of the allocated budget. The variance related entirely to an overspend on the reimbursement costs

made by the Welsh Government to the Welsh Risk Pool for clinical negligence claims. The actual overspend against this budget of £52.2m was £8.5m. However, the total overspend against the Department's MEG was reduced to £4.9m, by savings generated from other budgets managed directly by the Welsh Government within its central programme budgets.

3.6 The small overspend of £0.018 million within the Housing, Regeneration and Heritage MEG amounts to 0.006% of the allocated budget. This arose as a result of late accrual adjustments. However, there were underspends in other elements of the Housing, Regeneration and Heritage DEL, giving a net overall underspend of £0.5 million.

3.7 The underspend of £6.9 million within the Central Services & Administration MEG amounts to 2.5% of the allocated budget. The variance includes underspends in a number of areas. There was an underspend on Staff Costs of £3.2 million as a result of delays in filling vacancies as well as an accrual adjustment for staff unused annual leave. There were also savings made of £2 million in the Information and Support Services budget which includes digital mapping, research, Value Wales, Public Sector Management Wales and election costs. An underspend on General Administration of £1.8 million arose due to lower than anticipated pension related costs which are more difficult to forecast.

Capital

3.8 The underspend of £0.5 million reported against Central Services and Administration MEG amounts to 1.75% of the allocated budget. The underspend has arisen in 2012-13 mainly as a consequence of lower than expected applications for the Gypsy and Traveller Refurbishment Grant.

3.9 There were no other underspends over 1% of the respective departmental capital DEL budgets.

Non Fiscal Resource

3.10 A number of departments recorded underspends against non cash budgets. The most significant of these were in the Health, Social Services and Children MEG and the Education and Skills MEG.

3.11 The Health, Social Services and Children underspend related to depreciation charged against assets held by NHS bodies. These charges are dependent on asset valuations which can fluctuate from year to year as a result of economic factors. As a result they are difficult to forecast.

3.12 The Education and Skills underspend relates to the charge for the annual write-off of student loans. The charge is determined by a statistical model which takes account of economic factors, future graduate earnings and likely repayment. HM Treasury provided additional funding cover for deficiencies in the model during the year and not all of the cover was needed.

Annually Managed Expenditure (AME) Outturn

3.13 HM Treasury recognise the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result these programme budgets are managed on an annual basis and funding cover is generally provided. Examples include asset impairments, student loans issued and repaid, housing revenue account subsidy and pension valuations of sponsored bodies. The Welsh Government are unable to recycle underspends against AME programmes.

3.14 Annex 2 to this report provides a summary of outturn against Annually Managed Expenditure (AME) Budgets.

4. Budget Exchange System

4.1 In the Second Supplementary Budget for 2012-13, the Welsh Government reported Fiscal Resource DEL reserves of £61.7 million and Capital DEL reserves of £50 million. We also signalled the intention to carry forward both these reserves and any underspends up to the agreed caps under Budget Exchange although the balance on the capital reserve was utilised subsequently following the S128 order. The caps are set at 0.6% of Resource DEL and 1.5% of Capital DEL.

4.2 In line with this both these reserves from 2012-13 and the underspends detailed below are carried forward within the Treasury limits.

Table 4.1 Carry forward resulting from Welsh Government outturn

	Fiscal Resource (£000)	Non Fiscal Resource (£000)	Capital (£000)
Reserves as per Second Supplementary Budget 2012-13	61,708	46,410	50,000
Less: additional allocation made under S128 GOWA 2006	-	-	-50,000
2012-13 Underspends	7,724	51,109	1,767
Balance to be carried forward to 2013-14	69,432	13,596¹	1,767
<i>Treasury Budget Exchange Limits</i>	<i>79,957</i>	<i>3,071</i>	<i>20,442</i>

4.3 The adjustments to our baseline to reflect the final amount carried forward outlined above will be made later in the financial year through the UK Supplementary Estimate process and will feature in the Second Supplementary Budget for 2013-14.

¹ In the event that the limit for Fiscal Resource DEL carry forward is not fully utilised the balance can be used to carry additional Non Fiscal Resource DEL forward up to the overall cap on Resource DEL

4.4 Of the amounts planned to be carried forward, £20 million was allocated in the Final Budget 2013-14 and a further £19 million in the First Supplementary Budget for 2013-14. Both from Fiscal Resource reserves.

Annex 1 – DEL Outturn 2012-13

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Health, Social Services & Children	5,963,272	169,268	227,889	5,968,197	144,143	227,332	-4,925	25,125	557
Local Government and Communities	4,718,925	140,407	280,851	4,718,245	133,197	280,697	680	7,210	154
Business, Enterprise, Technology and Science	152,049	3,850	158,556	151,769	4,263	158,530	280	-413	26
Education & Skills	1,567,008	123,163	235,043	1,562,312	104,585	234,928	4,696	18,578	115
Environment Sustainable Development	258,554	1,577	81,639	258,529	1,566	81,632	25	11	7
Housing, Regeneration & Heritage	273,814	4,096	348,218	273,832	3,997	347,833	-18	99	385
Central Services & Administration	278,891	19,000	29,888	271,905	18,501	29,365	6,986	499	523
TOTAL	13,212,513	461,361	1,362,084	13,204,789	410,252	1,360,317	7,724	51,109	1,767

Annex 2 – AME Outturn 2012-13

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Health, Social Services & Children	-	325,896	-	-	280,612	-	-	45,284	-
Local Government and Communities	16,152	35,233	-	16,152	14,013	-	0	21,220	-
Business, Enterprise, Technology and Science	-	20,000	-	-	14,036	-	-	5,964	-
Education & Skills	-	-84,007	248,369	-	-84,007	252,270	-	0	-3,901
Housing, Regeneration & Heritage	-68,000	2,490	-	-72,317	-	-	4,317	2,490	-
Central Services & Administration	-	1,050	-	-	-3,001	-	-	4,051	-
TOTAL	-51,848	300,662	248,369	-56,165	221,653	252,270	4,317	79,009	-3,901