



## Members' Research Service – QuickGuide 9 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 9



### Assembly Budget Reserves<sup>1</sup>

This paper describes the presentation of reserves in the National Assembly for Wales' Budget, illustrates the level of National Assembly for Wales' Budget Reserves, and sets-out the caveats to using comparisons over time of the level of National Assembly for Wales' Budget Reserves.

### What are Reserves?<sup>2</sup>

UK government reserves, normally speaking, include the UK government's main foreign currency assets, which are held in the Exchange Equalisation Account (EEA), managed by the Bank of England on behalf of the Treasury. All UK departments' foreign currency transactions made via the Bank of England will usually involve the EEA.

In the context of devolution, reserves are a small part of the Departmental Expenditure Limit (DEL)<sup>3</sup> that is not allocated to departmental programmes. This is retained centrally to cover for unforeseen circumstances, transfers to the National Assembly for Wales' budget, movements into and out of the Main Expenditure Groups (MEGs), and other technical adjustments.

Table 1 below shows the summary page of the final Budget 2005. In this, the most recent budget, Reserves are shown as two lines: Central Cash Reserves, and Central Capital Charge Reserves.

**Central Cash Reserves**, are what is generally understood as reserves, and are split between capital and revenue. It is possible to move planned expenditure from revenue to capital, however planned capital reserves cannot be used to fund revenue expenditure. The **Central Capital Charge Reserves** line shows provision in revenue only, as cost of capital charges are revenue items. HM Treasury sets the level of this reserve and Central Capital Charge Reserves cannot be used for other purposes.

In common with other devolved administrations, Wales is expected to manage additional pressures from within its Total DEL, however the Secretary of State for Wales may apply for additional funds from the UK Reserves in very exceptional circumstances.

<sup>1</sup> The proposals contained in the Government of Wales Bill may have an impact on the processes described in this paper. This QuickGuide will be revised to reflect such changes as they emerge.

<sup>2</sup> For more information on government reserves see the Government Accounting Manual Glossary, at <http://www.government-accounting.gov.uk/current/frames.htm>

<sup>3</sup> Departmental Expenditure Limit (DEL) is spending which is planned and controlled on a three-year basis in biennial Spending Reviews. It includes the assigned DEL over which the Assembly has spending discretion and non-assigned DEL provided by HMT for specified purposes.



## Members' Research Service – QuickGuide 9 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 9

**Table 1: The presentation of reserves in the National Assembly for Wales' Budget 2005**

Components of the Welsh Budget	2006-07			2007-08			2008-09		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>MAIN EXPENDITURE GROUP</b>									
Departmental Expenditure Limits									
Health and Social Services	4,987,860	228,609	5,114,478	5,154,933	316,111	5,471,044	5,154,933	316,111	5,471,044
Local Government	3,819,103	21,000	3,840,103	3,989,985	21,500	3,991,485	3,989,985	21,500	3,991,485
Social Justice and Regeneration	217,487	374,471	591,958	241,147	393,971	635,118	241,147	393,971	635,118
Environment, Planning and Countryside	263,828	63,593	327,421	273,146	71,345	344,491	270,546	71,345	341,891
Economic Development and Transport	611,689	539,707	1,151,396	617,052	535,170	1,152,222	619,652	535,170	1,154,822
Education and Lifelong Learning	1,318,430	107,146	1,516,576	1,488,009	194,596	1,682,605	1,488,009	194,596	1,682,605
Culture, Welsh Language and Sport	113,639	9,299	122,938	122,331	9,974	132,305	122,331	9,974	132,305
Assembly Parliamentary Service	30,977	20	30,997	31,748	20	31,768	32,538	20	32,558
Central Administration	270,041	39,103	309,144	275,674	26,330	302,007	267,932	26,330	294,265
Auditor General for Wales	4,642	0	4,642	4,757	0	4,757	4,757	0	4,757
Public Services Ombudsman for Wales	1,920	0	1,920	1,970	0	1,970	1,970	0	1,970
Other Assembly Services	12,755	694	13,439	16,455	684	17,139	16,455	684	17,139
Inspectores	14,529	0	14,529	14,525	0	14,525	14,525	0	14,525
<b>Central Cash Reserves</b>	<b>63,000</b>	<b>33,430</b>	<b>96,430</b>	<b>94,672</b>	<b>121,386</b>	<b>216,058</b>	<b>101,434</b>	<b>121,386</b>	<b>222,820</b>
<b>Central Capital Change Reserves</b>	<b>38,380</b>	<b>0</b>	<b>38,380</b>	<b>114,807</b>	<b>0</b>	<b>114,807</b>	<b>114,807</b>	<b>0</b>	<b>114,807</b>
<b>Total Assembly DEL</b>	<b>11,729,257</b>	<b>1,506,052</b>	<b>13,235,309</b>	<b>12,401,051</b>	<b>1,691,490</b>	<b>14,092,541</b>	<b>12,401,051</b>	<b>1,691,490</b>	<b>14,092,541</b>
Wales Office (1)			4,679			4,679			4,679

(1) In accordance with Section 81 of the Government of Wales Act 1998, the funding of the Secretary of State for Wales Office is met out of the total Welsh Budget before the funding is passed to the National Assembly for Wales.

Source: Welsh Assembly Government

### Making Year-on-Year Comparisons of Reserves

Care should be taken when making year on year comparisons using reserve figures. Because of the nature of reserves, it is normal for the figures to change constantly from the final budget to the supplementary budget, from supplementary to draft budget and from draft to the final budget again.

Table 2 below illustrates movements in the level of Assembly Budget reserves for 2001-02 to 2008-09.



## Members' Research Service – QuickGuide 9 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 9

**Table 2: National Assembly for Wales' Budget Reserves 2001-02 to 2008-09**

Year	Baseline draft budget (£'000)	Change from draft budget (£ '000)	Final budget (£ '000)	Supplementary budget	Source
2001-02	0	0	0	33,547	[1]
2002-03	129,271	-103,458	25,813	24,567	[2]
2003-04	322,594	-250,581	72,013	54,956	[3]
2004-05	32,045	184	32,229	55,704	[4]
2005-06	120,410	-27,056	93,354	93,805	[5]
2006-07	107,726	8,297	99,429		[6]
2007-08	224,203	7,905	216,298		[6]
2008-09	231,155	7,905	223,250		[6]

Source: Welsh Assembly Government <sup>4</sup>

Looking specifically at the figures in Table 2, it is unlikely that reserves were zero at 2001-02. This is the year when Resource Accounting and Budgeting (RAB) was introduced and reserves were reported in the Budget for that year with other resource budgeting adjustments (for more information, see the RAB QuickGuide). Again, looking at Table 2, the figures for 2007-08 and 2008-09 are drawn from the final budget 2005 and are indicative only.

Table 3 below shows an example of the list of transfers into and out of reserves, and illustrates the range and type of transactions that can underlie headline changes in the reserve figures.

**Table 3: Examples of movements into and out of reserves from the Supplementary Budget 2004**

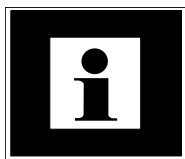
Expenditure Groups	2005-2006 Plans at Final Budget on 30 November	2005-2006 Changes	2005-2006 New Plans at Supplementary March 2005	2006-2007 Changes	2007-2008 Changes	Comments on Changes between Final and Supplementary Budget
Reserve	93,354	451	93,805	14,222	14,025	1. Transfer out of £674k to the ELL MEG in 2005-06. 2. Transfer in of £115k from ODPMin 2005-06. 3. Transfer out of £9,700k in all three financial years to DWP for administrative costs for the Housing Benefit Subsidies. 4. Transfer in of £1,095k in 2005-06, £1,134k in 2006-07 and £1,173k in 2007-08 from the Cabinet Office. 5. Transfer in of £1,168k in 2005-06 from ODPM. 6. Transfer in of £452k in 2005-06 for additional HM Treasury Spending Review allocation. 7. Transfer in of £11,839k in 2006-07 and £7,657k in 2007-08 as a consequence of the Pre Budget Report. 8. Transfer in of £3,829k in 2006-07 and £7,775k in 2007-08 as a consequence of the Pre Budget Report. 9. Transfer in of £530k in 2005-06, £1,119k in 2006-07 and 2007-08 as a consequence of the Pre-Budget Report. 10. Transfer in of £1,465k in 2005-06 from the Home Office. 11. Transfer in of £6,000k in 2005-06 and £6,000k in 2006-07 and 2007-08 from the DFES.

Source: Welsh Assembly Government

<sup>4</sup> [1] Final Budget 2000 (p.22), [2] Final Budget 2001 (p.22), [3] Final Budget 2002 (p.20), [4] Final Budget 2003 (p.24), [5] Final Budget 2004 (p.21) and [6] Final Budget 2005 (p.1)



## Members' Research Service – QuickGuide 9 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 9



### Further Information:

For further information on the topics below, double click on the links.

#### **Members' Research Service:**

[Members' Research Service Publications](#) (links to papers produced by Members' Research Service)

#### **Policy documents:**

[HM Treasury – Funding the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly](#) (A Statement of Funding Policy)

#### **Budget Information:**

[National Assembly for Wales Budget Information](#) (links to current and past budget documents and information)

[Budget 2005](#)

[Budget 2004](#)

[Budget 2003](#)

[Budget 2002](#)

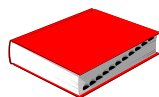
[Budget 2001](#)

[Budget 2000](#)



#### **More QuickGuides**

[Full list of QuickGuides available from the Members' Research Service](#)



[Glossary of terms](#)