



Research Briefing
**Budget Series 3: Scrutiny of
the budget**

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Date: **June 2013**



National Assembly for Wales
Research Service

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Date: **June 2013**

Paper Number: **16-056**

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Budget Series 3: Scrutiny of the budget

The role of the legislature in the budget process

The 'power of the purse' is an important function of the legislature, thus there is an obligation to ensure the budget plans authorised are fiscally sound, match the needs of the population with available resources and are properly and efficiently implemented. This should go beyond 'rubber-stamping' the government's plans.

The purpose of scrutiny of the budget is to make the government's financial decisions transparent and to give wider society the opportunity to comment. There is also the opportunity to influence the government's spending plans and to hold the government to account, thus contributing to an improvement in financial decisions, management and improved value for money from the public purse.

The majority of detailed scrutiny of the budget takes place in the committees; these are the 'engine rooms' of the legislature, allowing for in-depth, technical debate.¹ Strong committees, capable in financial scrutiny, enable the legislature to develop its expertise and play a greater role in budget decision making.²

Principles of financial scrutiny

As with any other form of financial scrutiny, consideration of the budget should adhere to the four principles of financial scrutiny:

- 01. Affordability** – are the resources available are sufficient to meet the plans and are they appropriately balanced?
- 02. Prioritisation** – is the division of allocations between different portfolios, programmes, sectors justifiable and coherent, and do these match the strategic objectives of government?
- 03. Value for money** – is public money being well utilised, i.e. for the resources put in, what are the outputs and outcomes being achieved, and does this deliver in terms of economy, efficiency and effectiveness?
- 04. Process** – are the budget processes effective and accessible, and is there integration between government and departmental planning and performance and financial management?

In order to conduct comprehensive and effective financial scrutiny, the consideration of the budget must adhere to and challenge on these objectives. In terms of budget scrutiny by individual committees, some of the principles may be more relevant than others. For example, the Finance Committee are likely to be more concerned with the affordability and process objectives; whereas a policy committee will be more focused on prioritisation and value for money in their specific area of interest. However, it is only when all of the principles are met that comprehensive financial scrutiny can be seen to have been undertaken.

¹ Wehner, J. *Back from the Side-lines? Redefining the Contribution of Legislatures to the Budget Cycle*, 2004, World Bank, Governance, Civil society and Participation [accessed 5 June 2013]

² Further information on how the Assembly's committees scrutinise the Government's budget can be found in [Budget Series 2: The budget process in Wales](#).

Navigating the budget documents

The previous Quick Guide in this series shows the requirements for information to be provided in the budget motions.³ In addition to the motion, at each stage in the budget process, the Welsh Government publishes additional supporting information in the form of detailed allocation tables and a narrative document providing commentary on the nature and purpose of movements and allocations in the budget. For each financial year, the budget documents are available on the Welsh Government's website.⁴

Within the documentation, the Welsh Government's budget is split into three categories for monitoring and control purposes:

- **Main expenditure group (MEG)** – generally correspond to Ministerial portfolios, or ambits.
- **Spending programme area (SPA)** – within each MEG, resources are allocated to SPAs according to the type of services they are intended to deliver.
- **Actions** – the most detailed category in published budget documents; within SPAs, actions indicate allocations to policy or initiative areas. They do not necessarily relate to specific policies or programmes.

Below action level, there is a further level of detail, termed budget expenditure lines (BELs). These are not detailed in the published budget documents, but are often detailed in the Ministerial papers provided to Assembly Committees during their scrutiny of the draft budget, to enable more detailed scrutiny of the portfolio budgets.

Within this structure the budget is further divided into the HM Treasury control totals of departmental expenditure limit (DEL) and annually managed expenditure (AME), and within these control totals, allocations are divided into revenue and capital.⁵

The narrative document generally provides information in relation to the SPA level, whilst the allocation tables provide details of allocations at action level. The allocation tables will generally show summary tables for each MEG, split into DEL and AME, and within these revenue and capital. This is followed by detailed tables for each MEG, showing each of the control totals (revenue DEL, capital DEL, revenue AME and capital AME) down to the action level, as shown in Figure 1. The MEG tables shown at each type of budget (draft, final or supplementary) will differ slightly in terms of the columns shown, reflecting their different purposes. However, the basic structure shown here is consistent through all types of budget.

³ National Assembly for Wales, Research Service, Quick Guide [Budget Series 2: The budget process in Wales](#)

⁴ Welsh Government, [Budgets](#). For example, documents for Final Budget 2013-14 include: [Annual Budget Motion 2013-14](#), [Final Budget Explanatory Note 2013-14](#), and [Main Expenditure Group Allocations](#). [accessed 15 May 2013]

⁵ Definitions of these control totals can be found in [Budget Series 4: Budget Glossary](#).

HEALTH, SOCIAL SERVICES AND CHILDREN MAIN EXPENDITURE GROUP (MEG)							
REVENUE BUDGET - Departmental Expenditure Limit							£000's
SPA	Actions	2013-14 New Plans Draft Budget October 2012	2013-14 Changes	2013-14 Final Budget	2014-15 Indicative Plans Draft Budget October 2012	2014-15 Changes	2014-15 Indicative Plans Final Budget
NHS Delivery	Delivery of Core NHS Services	5,049,874	0	5,049,874	5,040,262	0	5,040,262
	Delivery of Targeted NHS Services	445,042	0	445,042	449,173	0	449,173
	Total NHS Delivery	5,494,916	0	5,494,916	5,489,435	0	5,489,435

Source: Welsh Government, [Final Budget 2013-14, Main Expenditure Group Allocations](#)

Other sources of information

The budget documents themselves clearly set out the proposed spending allocations. However, to conduct effective scrutiny these should be considered in conjunction with other sources of information in order to gain a fuller picture. The following suggestions illustrate how this can be approached, but are not intended to be exhaustive.

Programme for Government⁶ (PfG): sets out the actions and aims of the Welsh Government. An annual report is produced each year to provide an update on progress against the commitments in the PfG. It can be difficult to match the commitments in the PfG to budget allocations, however the Draft Budget 2013-14 did attempt, for the first time, to align budget allocations (selected actions only) to areas in the PfG.⁷ Although the links between the outcomes and budget allocations are incomplete, this can be used to consider value for money and how spending is prioritised, by considering progress against the stated commitments. It can also be used to consider whether the spending plans of the Government reflect their strategic aims and objectives.

Wales Infrastructure Investment Plan⁸ (WIIP): sets out the Welsh Government's long term capital investment plans over the next ten years. Again, this is updated to reflect progress on the project pipeline. Again, this can be used to determine whether the capital allocations in the Government's budgets reflect their stated priorities and long-term investment plans.

Legislative Programme: The Welsh Government produces an annual Legislative Programme,⁹ as well as a 5 year legislative plan.¹⁰ This gives an indication of what legislation they intend to bring forward and in which financial year it is likely to impact. Therefore, this allows the consideration of any potential costs of legislation (either related to implementation or proposing of legislation) in the budget plans.

Wales Audit Office (WAO) Reports: the WAO produces reports on individual public bodies in devolved areas and their utilisation of public funds, part of which involves specific value for money reports. These can be used as a source of information to consider the allocation of resources. For example, the WAO's 2012 report on the educational attainment of looked after children suggested that it was uncertain whether there were significant resources available to deliver significant improvements in this area, and that funding for this purpose had not increased since 2005-06.¹¹ Such information can be used to inform the consideration of spending plans within specific policy areas or programmes.

Assembly Committee Reports: note should be taken of recommendations from previous Committee reports, particularly those on the previous budget; both that of the relevant subject Committee and the overarching report of the Finance Committee, to see whether any progress or changes have been made as a result. Subject Committee reports on their inquiries conducted throughout the year can be considered, to ascertain whether any relevant recommendations have been reflected in the planned spending.

External research: various other sources of research can also be used to inform analysis of the Government's budget. There are many sources of such research, depending on the area of particular interest. Further advice regarding sources can be obtained from the Research Service.

⁶ Welsh Government, *Programme for Government* [accessed 5 June 2013]

⁷ Welsh Government, *Draft Budget 2013-14 Narrative*, October 2012 (Annex D Alignment between Programme for Government and budget) [accessed 5 June 2013]

⁸ Welsh Government, *Wales Infrastructure Investment Plan* [accessed 5 June 2013]

⁹ Welsh Government, *Legislative Programme 2012-13*, [accessed 5 June 2013]

¹⁰ Welsh Government, *5 Year Legislative Plan* [accessed 5 June 2013]

¹¹ Wales audit Office, *The educational attainment of looked after children and young people*, August 2012

Scrutiny tips

This section provides some which could be considered when looking at budget proposals. They are not intended to be prescriptive nor exhaustive.

- Does the Minister have sufficient resources available to achieve their stated commitments for the financial year? Are there any particular areas of concern? **(Affordability)**
- What is the scope for change, e.g. how much of the proposed budget is committed, and therefore how much is discretionary, and therefore available for allocation? **(Affordability/Prioritisation)**
- How are the commitments in the PfG provided for in budget allocations? **(Prioritisation)**
- Have allocations been altered to reflect performance against commitments as shown in the progress report on the PfG? **(Prioritisation)**
- Have PfG commitments been evaluated to assess value for money and is this reflects in the spending allocations? **(Value for money)**
- How has the financial impact of legislation been provided for in the budget? **(Prioritisation)**
- How do any major spending announcements or specific funding commitments throughout the year relate to allocations in the budget? Do such commitments reflect additional funding, or are they being sourced from re-prioritisations or other existing resources? To what time period do these commitments refer? **(Prioritisation)**
- Have issues such as equality, sustainability and Welsh language been taken into account when planning allocations? Have impact assessments been conducted? **(Process)**
- In comparison to the previous budget have there been any significant changes in spending plans or areas of responsibility? What are the reasons for any such changes? **(Prioritisation/Process)**
- Are there sufficient unallocated funds within the department/central reserves to deal with unforeseen circumstances throughout the financial year? **(Affordability)**