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Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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Public Sector Spending

The allocation of public spending within Wales for the years 2002-03 and 2003-04 was approved by the Welsh Assembly Government on November 22nd 2001. In presenting the budget, the Assembly Finance Minister Edwina Hart underlined that this was only a two year budget since the UK government's spending review of 2002 would determine the resources available within Wales for 2004-05 and beyond. This also meant that for the year 2002-03, spending increases within Wales were limited by the total ceiling on the Assembly's budget.

Table 10 shows the Assembly's approved budget for the period 2002-03 to 2003-04, and compares spending levels with those of 2001-02. This indicates that the Assembly continues to place a high priority on increasing expenditure on health and education in Wales. The increased spending on health, for example, represents a real increase of 5.9% in 2002-03 and 5.7% in 2003-04. Spending on education is also increasing in real terms in line with the priorities of the partnership agreement between Labour and the Liberal Democrats. This trend looks set to continue as new initiatives take effect, such as the means-tested Assembly Learning Grant (announced in February 2002). This is designed to provide guaranteed additional financial support to Welsh students in both Higher and Further Education following the recommendations of the Rees report into student hardship and finance. Spending on transport, the environment and planning is also a key priority in line with BetterWales.com, with additional resources being targeted on the construction and improvement of roads.

A new expenditure category has been

introduced into the Assembly's budget entitled 'Other Assembly Services'. This is designed to provide resources for areas of spending that cut across the whole range of Assembly business including, for example, the spending of the Public Appointments Unit. The Assembly also approved a substantial increase in spending on the central administration itself, being largely accounted for by the need to fund a pay reform. This was introduced in response to the results of an equal pay audit of Assembly administrative staff which found that in all but the most junior administrative grades, on average, male workers earn more than their female counterparts employed on the same grades. The audit also found that the gap is as large as 10% for some grades. Thus, a pay reform for administrative staff and junior and middle managers has been initiated.

In presenting the budget, Edwina Hart stated that the major issue facing the Assembly in relation to public spending in Wales is its capacity to fully spend the available budget and to ensure that all resources reach the frontline services for which they are intended.

Underspend for the 2001-02 period amounted to 3% of the Assembly's budget with a cumulative underspend of £387 million being carried over to be re-allocated in 2002-03 as 'end-year flexibility'. Edwina Hart set a medium-term target for the Assembly of reducing underspend to 1% of the budget.

Issues surrounding underspending provided much of the focus for the debates around the draft and final budget. Opposition parties raised concerns about the procedures for identifying and dealing with areas of underspend, as well as the potential for underspend to jeopardise the Assembly's case for additional resources in the forthcoming spending review negotiations with the Treasury. Concerns were also expressed about the lack of transparency in the way underspend is reallocated which may create the perception that the Assembly is continuously re-announcing existing pots of funding. The Assembly's progress in spending under both the Objective One programme and the Communities First initiative in Wales are likely to bring these issues sharply into focus.

Table 10: Welsh Assembly Government Budget for 2001-02 to 2003-04 (£000)

Expenditure Groups	2001-02 Original Plans	2002-03 New Plans	2003-04 New Plans	% change 2001-02 to 2003-04
Health & Social Services	3,343,518	3,675,681	4,017,351	+20.1
Local Government	2,865,691	2,995,198	3,123,691	+9.0
Housing	574,359	618,040	638,564	+11.2
Environment, Planning & Transport	848,277	914,700	958,863	+13.0
Agriculture & Rural Development	227,543	226,689	230,075	+1.1
Economic Development	455,478	500,842	522,994	+14.8
Education & Lifelong Learning	922,290	1,070,830	1,136,162	+23.2
Culture, Sport & the Welsh Language	63,325	71,799	75,963	+20.0
Estyn	10,264	11,104	11,696	+13.9
Auditor General for Wales	2,166	2,401	2,401	+10.8
Welsh Administration Ombudsman	600	600	600	0
Forestry (1)	3,000	31,200	32,450	Na
Office of the Presiding Officer	22,305	24,532	26,381	+18.3
Central Administration	128,379	143,628	155,806	+21.4
Other Assembly Services	1,576	2,333	2,494	+58.2
TOTAL ASSEMBLY EXPENDITURE	9,705,827	10,458,091	11,144,762	+14.8
Office of the Secretary of State for Wales	3,231	3,231	3,231	0
TOTAL WELSH BUDGET	9,709,058	10,461,322	11,147,993	+14.8

(1) Budget increase reflects transfer of responsibility for forestry to National Assembly for Wales.

Source: Welsh Assembly Government