

## Welsh Assembly Government and Local Authority Expenditure - Population Group Analysis<sup>1</sup>

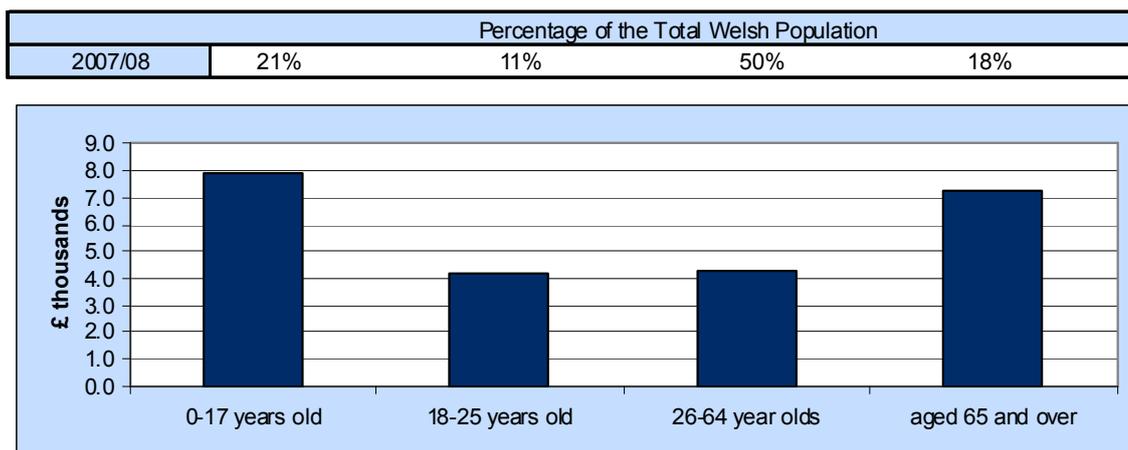
This statistical article presents information on the proportion of the Welsh Assembly Government and Local Authorities budget spent on those aged 0-17, 18-25, 26-64 and those aged 65 and over. This statistical article contains experimental research and is based on financial data taken at a particular snapshot in time. It estimates the expenditure on population groups, building on research published in 2009. In addition the figures in this article have not been adjusted to take account of inflation. Users are advised to note the methodologies, assumptions and caveats on interpretation (particularly relating to links between expenditure and outcomes) detailed in Annex B and Annex D and notes on Statistical articles in Annex A.

This article provides outturn figures, for 2005-06, 2006-07 and 2007-08, for the proportion of the Welsh Assembly Government and Total Local Authority expenditure spent on 0-17, 18-25, 26-64 and those aged 65 and over<sup>2</sup>.

### Key Points

- Welsh Assembly Government and Local Authority Expenditure per head on 0-17 year olds and those aged 65 and over was higher than for those aged 18-25 and 26-64.
- When focussing on Welsh Assembly Government expenditure by ministerial portfolio, spend per head in the Health and Social Services portfolio on those aged 65 and over was markedly higher than for other population groups. In the Social Justice and Local Government portfolio spend per head on 0-17 year olds was markedly higher than for other population groups.

**Chart 1: Welsh Assembly Government and Local Authority expenditure attributable to population groups, spend per head 2007-08 (£000's)**



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Author: Matthew Wellington, Economic Output and Finance Statistics, Statistical Directorate

E-mail: [economic.stats@wales.gsi.gov.uk](mailto:economic.stats@wales.gsi.gov.uk)

Telephone: 029 2082 5701

<sup>1</sup> Notes on the use of statistical articles can be found in Annex A at the end of this document.

<sup>2</sup> Data relating to Outturn Expenditure were sourced from Finance System extracts in January 2009 whilst the Total Local Authority expenditure was sourced from Local Government Finance data from August 2009.

## Background

In 2006, work was undertaken to identify the proportion of the Welsh Assembly Government and Local Authority budget spent on children. This was in response to a requirement to understand the resources which are spent on children, in order to inform policy development, and to comply with a responsibility under the United Nations Convention on the Rights of the Child to report on the amount and percentage of national budgets spent on children. This year for the first time this analysis has been extended to include further breakdowns for 18-25, 26-64 and those aged 65 and over. The Methodology Section of this paper (Annex D) covers changes from the previous article, including a full map of the process taken to complete this exercise.

## Summary

### 0-17 year olds:

- In 2007-08, an estimated 30% of Welsh Assembly Government and Local Authority expenditure<sup>2</sup> can be attributed to 0-17 year olds. This equates to £5.0 billion.
- Expenditure per 0-17 year old rose from £6,900 in 2005-06 to £7,900 in 2007-08.

### 18-25 year olds:

- In 2007-08, an estimated 8% of Welsh Assembly Government and Local Authority expenditure<sup>2</sup> can be attributed to 18-25 year olds. This equates to £1.3 billion.
- Expenditure per 18-25 year old rose from £3,800 in 2005-06 to £4,200 in 2007-08.

### 26-64 year olds:

- In 2007-08, an estimated 39% of Welsh Assembly Government and Local Authority expenditure<sup>2</sup> can be attributed to 26-64 year olds. This equates to £6.4 billion.
- Expenditure per 26-64 year old rose from £3,800 in 2005-06 to £4,300 in 2007-08.

### Those aged 65 and over:

- In 2007-08, an estimated 23% of Welsh Assembly Government and Local Authority expenditure<sup>2</sup> can be attributed to those aged 65 and over. This equates to £3.9 billion.
- Expenditure per head on those aged 65 and over rose from £6,300 in 2005-06 to £7,300 in 2007-08.

<sup>2</sup> Data relating to Outturn Expenditure were sourced from Finance System extracts in January 2009 whilst the Total Local Authority expenditure was sourced from Local Government Finance data from August 2009.

## Results

Table 1 relates to Welsh Assembly Expenditure as well as an amount for Local Authority Expenditure. For further explanation as to what this includes see the methodology section of this paper (Annex D).

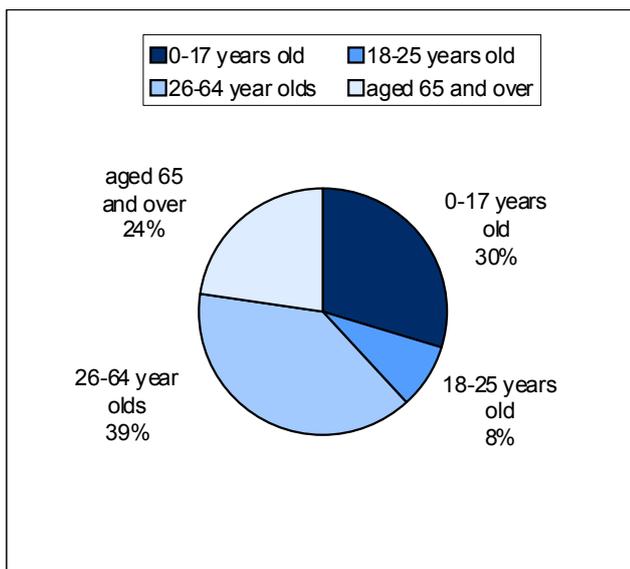
**Table 1: Welsh Assembly Government and Local Authority expenditure attributable to population groups**

	Outturn		
	2005-06	2006-07	2007-08
<i>Outturn/Budget (£bn)</i>			
0-17 years old	4.5	4.7	5.0
18-25 years old	1.1	1.2	1.3
26-64 year olds	5.7	6.0	6.4
aged 65 and over	3.3	3.5	3.9
<b>Total</b>	<b>14.6</b>	<b>15.5</b>	<b>16.7</b>
<i>Percentage of total spend</i>			
0-17 years old	31	31	30
18-25 years old	8	8	8
26-64 year olds	39	39	39
aged 65 and over	23	23	23
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>Percentage of Welsh Population</i>			
0-17 years old	22	22	21
18-25 years old	10	11	11
26-64 year olds	50	50	50
aged 65 and over	18	18	18
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>Spend per head of population group (£000)</i>			
0-17 years old	6.9	7.4	7.9
18-25 years old	3.8	4.0	4.2
26-64 year olds	3.8	4.0	4.3
aged 65 and over	6.3	6.8	7.3
<b>All ages</b>	<b>4.9</b>	<b>5.2</b>	<b>5.6</b>

Table 1 highlights the fact that over the period 2005-06 to 2007-08 the proportions spent on population groups remains broadly the same. For example, in 2005-06 an estimated 39% of the Welsh Assembly Government and Local Authority's expenditure can be attributed to 26-64 year olds and according to outturn for 2007-08, the proportion of 26-64 year olds remains around 39%.

This can be further illustrated when looking at Chart 2, from which the 2007-08 attributable expenditure by population group remain unchanged from those in 2005-06 (Table 1).

**Chart 2: Proportion of Welsh Assembly Government and Local Authority Expenditure attributable to population groups in 2007-08**



Similarly this can also be seen through the Welsh population proportions. For example, in 2005 half of the Welsh population was aged 26-64 (Annex C) and in 2007 the percentage of the Welsh population aged 26-64 remained unchanged at 50% (Annex C).

In proportional terms it can be noted that:

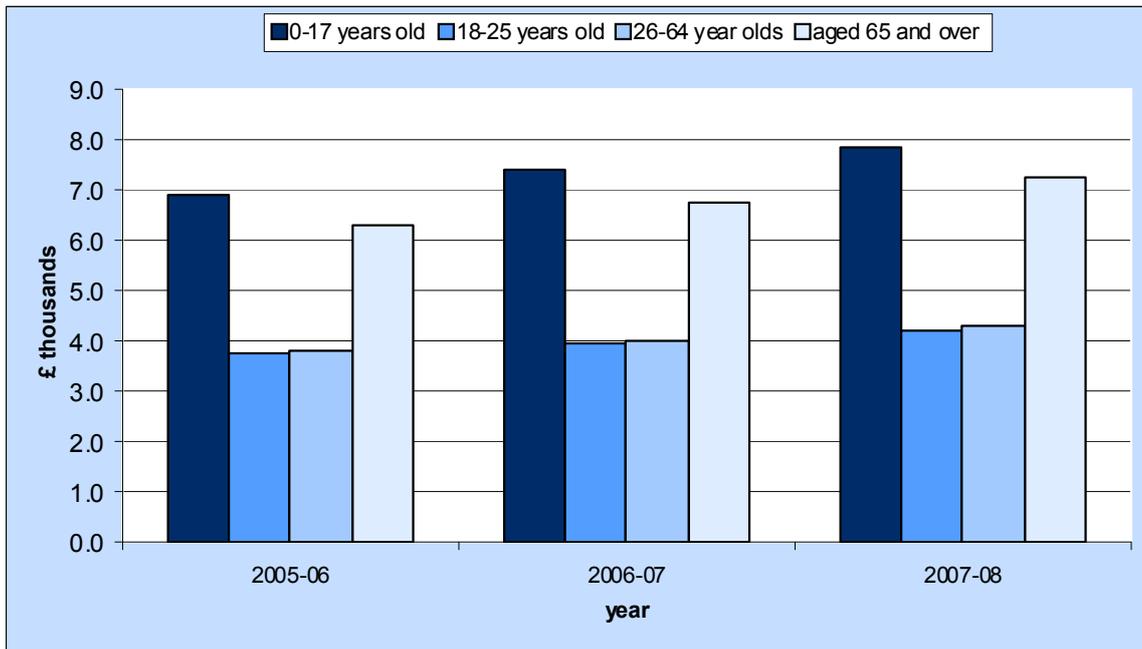
- The 26-64 year olds group, accounting for 50% of the Welsh population in 2007-08 (Annex C), accounted for 39% of the total expenditure in the same year.
- Conversely, the 0-17 year olds group accounted for 21% of the Welsh population in 2007-08 (Annex C) and accounted for 30% of the total expenditure in the same year.
- Similarly those aged 65 and over accounted for 18% of the Welsh population in 2007-08 (Annex C) and accounted for 23% of the total expenditure in the same year.
- The 18-25 year olds group accounted for 11% of the Welsh population in 2007-08 (Annex C) and accounted for 8% of the total expenditure in the same year.

It can be seen in Chart 3 that the 0-17 year olds and those aged 65 and over have a higher spend per head of their respective population groups than the other population groups.

In Table 6 (Annex C) it can be seen that the 0-17 year olds population group fell from 646,000 in 2005 to 637,000 in 2007, which contributes to the increase in spend per 0-17 year old.

In contrast those aged 65 and over population group increased from 521,000 in 2005 to 531,000 in 2007, which suggests that planned expenditure is increasing in line with or at a marginally greater rate than the population increase to contribute to the spend per head on those aged 65 and over.

**Chart 3: Welsh Assembly Government and Local Authority expenditure attributable to population groups, spend per head (£000's)**



## Welsh Assembly Government Outturn Expenditure Attributable to population groups by Ministerial Portfolio

The following tables relate to Welsh Assembly Government expenditure only. This includes money provided to Local Authorities, but excludes Local Authority self financed expenditure and other grants given to local authorities by other government departments. For further explanation as to what this includes see the methodology section of this paper (Annex D).

It is important to note that the Social Justice and Local Government portfolio includes the Revenue Support Grant to Local Authorities. This grant is non-hypothecated – that means the Welsh Assembly Government does not specify how it must be spent and the Local Authority can choose what to spend the money on. It is therefore assumed the Revenue Support Grant is spent in the same overall proportion as total Local Authority spending.

The figures include Welsh Assembly Government hypothecated funding (that is, funding given for a specific purpose) for local authorities in the relevant Ministerial portfolios. For example, school capital funding is within the portfolio for Children, Education, Lifelong Learning and Skills. Local authority self-financed expenditure (e.g. expenditure financed from local resources such as council tax) is not included nor are grants provided to Local Authorities by other government departments.

**Note:** Spending on Ministerial Portfolios is not the same as spending on function areas. For example, expenditure within the Children, Education, Lifelong Learning and Skills ministerial portfolio will not wholly represent spending on Education, as the Revenue Support Grant contained within the Social Justice and Local Government portfolio will also include an amount of Local Authority spend on Education.

### Summary

#### 0-17 year olds:

- Table 4 shows that with respect to spending by Ministerial Portfolio, about 72% (£2.6 billion in 2007-08) of all spending on 0-17 year olds is accounted for by the Social Justice and Local Government, and the Health and Social Services portfolios.
- This is also evident when looking at spend per 0-17 year old, as in 2007-08 there was spend of £2,600 per 0-17 year old within the Social Justice and Local Government portfolio, which was the highest spend per 0-17 year old compared to the other Ministerial Portfolios.

#### 18-25 year olds:

- With respect to spending by Ministerial Portfolio, about 55% (£0.6 billion in 2007-08) of all spending on 18-25 year olds is accounted for by the Health and Social Services, and the Social Justice and Local Government portfolios.
- Although it is worth highlighting that around 23% (£0.3 billion in 2007-08) of all spending on 18-25 year olds are accounted for by the Children, Education and Lifelong Learning portfolio, suggesting a more diverse coverage of spend for this population group across Ministerial Portfolios.
- The highest spend per 18-25 year old in 2007-08 was again accounted for by the Health and Social Services portfolio of £1,000 per 18-25 year old and the Social Justice and Local Government portfolio of £1,000 per 18-25 year old.

#### 26-64 year olds:

- With respect to spending by Ministerial Portfolio, around 62% (£3.7 billion in 2007-08) of all spending on 26-64 year olds is accounted for by the Health and Social Services and Social Justice and Local Government portfolios.
- Focussing on spend per 26-64 year old we see the above reflected with the highest spend per 26-64 year old in 2007-08 accounted for by the Health and Social Services portfolio of £1,500 per 26-64 year old.

**Those aged 65 and over:**

- With respect to spending by Ministerial Portfolio, around 61% (£2.1 billion in 2007-08) of all spending on those aged 65 and over is accounted for by the Health and Social Services portfolio.
- In terms of spend per head on those aged 65 and over in 2007-08 the Health and Social Services portfolio was £4,000 per head on those aged 65 and over.

**Table 2: Welsh Assembly Government outturn expenditure attributable to population groups, by Ministerial Portfolio (£bn) <sup>2</sup>**

	£bn		
	Outturn		
	2005-06	2006-07	2007-08
<b>Health and Social Services</b>			
0-17 year olds	0.9	0.9	0.9
18-25 year olds	0.3	0.3	0.3
26-64 year olds	1.9	2.0	2.2
aged 65 and over	1.8	1.9	2.1
Total	4.9	5.2	5.6
<b>Social Justice and Local Government (a)</b>			
0-17 year olds	1.5	1.6	1.7
18-25 year olds	0.3	0.3	0.3
26-64 year olds	1.3	1.4	1.5
aged 65 and over	0.6	0.6	0.7
Total	3.7	4.0	4.1
<b>Environment, Sustainability and Housing</b>			
0-17 year olds	0.1	0.1	0.1
18-25 year olds	0.1	0.1	0.1
26-64 year olds	0.3	0.3	0.3
aged 65 and over	0.1	0.1	0.1
Total	0.6	0.6	0.6
<b>Economy and Transport</b>			
0-17 year olds	0.3	0.3	0.3
18-25 year olds	0.2	0.2	0.2
26-64 year olds	0.8	0.8	0.7
aged 65 and over	0.2	0.2	0.2
Total	1.4	1.4	1.4
<b>Children, Education, Lifelong Learning and Skills (a)</b>			
0-17 year olds	0.4	0.4	0.5
18-25 year olds	0.2	0.2	0.3
26-64 year olds	0.8	0.8	0.9
aged 65 and over	0.2	0.2	0.2
Total	1.6	1.7	1.9
<b>Other (b)</b>			
0-17 year olds	0.1	0.2	0.2
18-25 year olds	0.0	0.1	0.1
26-64 year olds	0.2	0.3	0.3
aged 65 and over	0.1	0.1	0.1
Total	0.5	0.6	0.7
<b>Total Spend</b>			
0-17 year olds	3.3	3.5	3.6
18-25 year olds	1.1	1.1	1.2
26-64 year olds	5.2	5.6	5.9
aged 65 and over	3.0	3.2	3.5
Total	12.6	13.4	14.2

(a) The majority of pre-16 education funding is provided by local authorities, therefore through the Revenue Support Grant contained within the Social Justice and Local Government portfolio.

(b) Other is composed of Rural Affairs, Heritage, Public Services and Performance and Central Services and Administration expenditure groups.

Table 2 shows Welsh Assembly Government outturn expenditure by population group. It can be seen that in general the largest areas of expenditure relate to the Health and Social Services and Social Justice and Local Government Portfolios (£5.6 billion and £4.1 billion in 2007-08 respectively).

<sup>2</sup> This does not include Local Authority Self Financed Expenditure and grants from other government departments (excluding the Welsh Assembly Government) paid to Local Authorities.

**Table 3: Welsh Assembly Government outturn expenditure attributable to population groups, by Ministerial Portfolio (per cent of Ministerial Portfolio) <sup>3</sup>**

	% of Main Expenditure Group		
	Outturn		
	2005-06	2006-07	2007-08
<b>Health and Social Services</b>			
0-17 year olds	17.6	17.2	16.5
18-25 year olds	5.9	6.1	5.8
26-64 year olds	39.5	39.4	39.6
aged 65 and over	37.0	37.3	38.1
<b>Social Justice and Local Government (a)</b>			
0-17 year olds	41.2	41.5	40.6
18-25 year olds	7.4	7.6	7.9
26-64 year olds	35.0	34.6	35.2
aged 65 and over	16.3	16.3	16.3
<b>Environment, Sustainability and Housing</b>			
0-17 year olds	25.8	23.0	23.3
18-25 year olds	10.6	10.4	10.6
26-64 year olds	45.9	46.0	44.8
aged 65 and over	17.7	20.6	21.3
<b>Economy and Transport</b>			
0-17 year olds	18.9	18.9	19.3
18-25 year olds	11.2	11.4	11.4
26-64 year olds	54.7	54.3	53.2
aged 65 and over	15.2	15.5	16.1
<b>Children, Education, Lifelong Learning and Skills (a)</b>			
0-17 year olds	24.6	24.3	24.4
18-25 year olds	14.8	14.6	15.4
26-64 year olds	50.5	51.2	50.2
aged 65 and over	10.1	9.9	10.0
<b>Other (b)</b>			
0-17 year olds	26.9	27.2	26.4
18-25 year olds	9.2	9.1	9.4
26-64 year olds	44.4	43.6	44.1
aged 65 and over	19.4	20.1	20.1
<b>Total Spend</b>			
0-17 year olds	26.3	26.2	25.6
18-25 year olds	8.4	8.5	8.6
26-64 year olds	41.7	41.5	41.4
aged 65 and over	23.6	23.9	24.4

(a) The majority of pre-16 education funding is provided by local authorities, therefore through the Revenue Support Grant contained within the Social Justice and Local Government portfolio.

(b) Other is composed of Rural Affairs, Heritage, Public Services and Performance and Central Services and Administration expenditure groups.

Table 3 shows the percentage of Welsh Assembly Government Ministerial Portfolio Budgets by population group. Given that the 26-64 year olds population group covers the largest share of the population (50% in 2007-08 as seen in Table 1) it can be seen that in general the largest percentage of the ministerial portfolio benefits this population group. However for the Social Justice and Local Government portfolio the largest percentage relate to the 0-17 year olds group (40.6% in 2007-08). The Social Justice and Local Government portfolio includes the Revenue Support Grant to Local Authorities (see methodology section in Annex D for more details).

<sup>3</sup> See previous footnote.

**Table 4: Welsh Assembly Government outturn expenditure attributable to population groups, by Ministerial Portfolio (per cent of population group) <sup>4</sup>**

	% of Population Group		
	Outturn		
	2005-06	2006-07	2007-08
<b>0-17 year olds</b>			
Health and Social Services	25.8	25.4	25.3
Social Justice and Local Government (a)	46.0	46.9	46.2
Environment, Sustainability and Housing	4.4	3.9	3.7
Economy and Transport	7.9	7.5	7.3
Children, Education, Lifelong Learning and Skills (a)	11.6	11.4	12.4
Other (b)	4.2	4.8	5.1
<b>18-25 year olds</b>			
Health and Social Services	27.2	27.8	26.7
Social Justice and Local Government (a)	26.0	26.5	26.7
Environment, Sustainability and Housing	5.7	5.5	5.0
Economy and Transport	14.7	14.0	12.8
Children, Education, Lifelong Learning and Skills (a)	22.0	21.3	23.4
Other (b)	4.4	5.0	5.4
<b>26-64 year olds</b>			
Health and Social Services	36.6	36.6	37.5
Social Justice and Local Government (a)	24.6	24.7	24.7
Environment, Sustainability and Housing	5.0	4.9	4.4
Economy and Transport	14.4	13.6	12.4
Children, Education, Lifelong Learning and Skills (a)	15.1	15.2	15.8
Other (b)	4.3	4.9	5.2
<b>aged 65 and over</b>			
Health and Social Services	60.6	60.2	61.3
Social Justice and Local Government (a)	20.3	20.2	19.4
Environment, Sustainability and Housing	3.4	3.8	3.5
Economy and Transport	7.1	6.7	6.4
Children, Education, Lifelong Learning and Skills (a)	5.3	5.1	5.4
Other (b)	3.3	3.9	4.0

(a) The majority of pre-16 education funding is provided by local authorities, therefore through the Revenue Support Grant contained within the Social Justice and Local Government portfolio.

(b) Other is composed of Rural Affairs, Heritage, Public Services and Performance and Central Services and Administration expenditure groups.

Table 4 looks at the percentage of the Welsh Assembly Government outturn expenditure across Ministerial Portfolios compared across the population groups. The majority of the expenditure identified to the 0-17 year olds group can be seen to fall within the Social Justice and Local government portfolio (46.2% in 2007-08). In contrast the majority of the expenditure on those aged 65 and over can be seen in the Health and Social Service portfolio (61.3% in 2007-08).

<sup>4</sup> See previous footnote.

**Table 5: Welsh Assembly Government outturn expenditure as a spend per head of population group (£ thousands) <sup>5</sup>**

	£ thousands		
	Outturn		
	2005-06	2006-07	2007-08
<b>Health and Social Services</b>			
0-17 year olds	1.3	1.4	1.4
18-25 year olds	0.9	1.0	1.0
26-64 year olds	1.3	1.4	1.5
aged 65 and over	3.5	3.7	4.0
All ages	1.6	1.7	1.9
<b>Social Justice and Local Government (a)</b>			
0-17 year olds	2.4	2.6	2.6
18-25 year olds	0.9	1.0	1.0
26-64 year olds	0.9	0.9	1.0
aged 65 and over	1.2	1.2	1.3
All ages	1.2	1.3	1.4
<b>Environment, Sustainability and Housing</b>			
0-17 year olds	0.2	0.2	0.2
18-25 year olds	0.2	0.2	0.2
26-64 year olds	0.2	0.2	0.2
aged 65 and over	0.2	0.2	0.2
All ages	0.2	0.2	0.2
<b>Economy and Transport</b>			
0-17 year olds	0.4	0.4	0.4
18-25 year olds	0.5	0.5	0.5
26-64 year olds	0.5	0.5	0.5
aged 65 and over	0.4	0.4	0.4
All ages	0.5	0.5	0.5
<b>Children, Education, Lifelong Learning and Skills (a)</b>			
0-17 year olds	0.6	0.6	0.7
18-25 year olds	0.8	0.8	0.9
26-64 year olds	0.5	0.6	0.6
aged 65 and over	0.3	0.3	0.4
All ages	0.5	0.6	0.6
<b>Other (b)</b>			
0-17 year olds	0.2	0.3	0.3
18-25 year olds	0.2	0.2	0.2
26-64 year olds	0.2	0.2	0.2
aged 65 and over	0.2	0.2	0.3
All ages	0.2	0.2	0.2
<b>Total Spend</b>			
0-17 year olds	5.1	5.5	5.7
18-25 year olds	3.5	3.7	3.8
26-64 year olds	3.5	3.7	4.0
aged 65 and over	5.7	6.1	6.5
All ages	4.3	4.5	4.8

(a) The majority of pre-16 education funding is provided by local authorities, therefore through the Revenue Support Grant contained within the Social Justice and Local Government portfolio.

(b) Other is composed of Rural Affairs, Heritage, Public Services and Performance and Central Services and Administration expenditure groups.

Table 5 and Chart 4 look at the Welsh Assembly Government outturn expenditure as spend per head of the population groups by ministerial portfolio. The highest spend per head of the groups can be seen on those aged 65 and over within the Health and Social Services portfolio (£4,000 per head on those aged 65 and over in 2007-08). Within the Health and Social Services portfolio spend per head on those aged 65 and over is much larger than the other groups.

<sup>5</sup> See previous footnote.

Similarly this can be seen in Chart 4 for the 0-17 year olds group within the Social Justice and Local Government Group where in 2007-08 there was a spend of £2,600 per 0-17 year old. This was noticeably larger than the next biggest spend within this group of £1,300 per head on those aged 65 and over within this portfolio.

As mentioned above the majority of pre-16 education funding would come through local authorities, so therefore through the Revenue Support Grant which sits in the Social Justice and Local Government portfolio. The outcome of this is that the Children, Education, Lifelong Learning and Skills portfolio won't include a large amount of spending on pre-16 education, reiterating the point made earlier that spending by ministerial portfolio doesn't necessarily represent spending by function e.g. education.

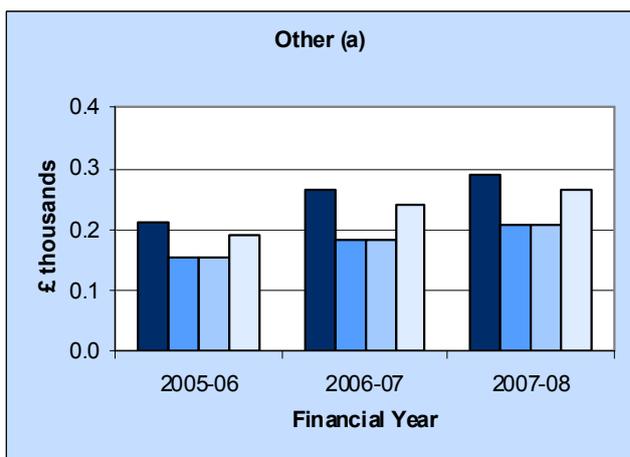
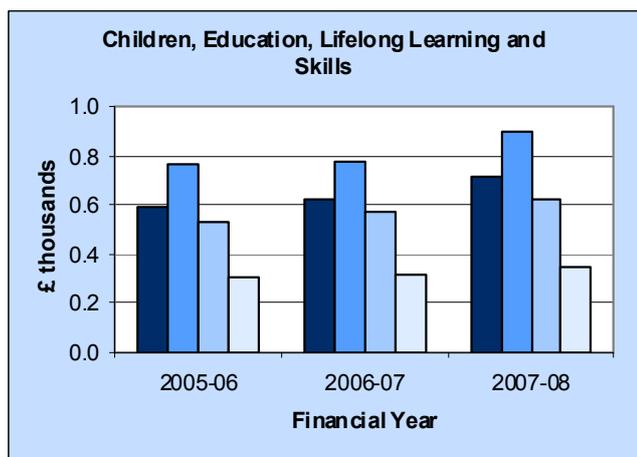
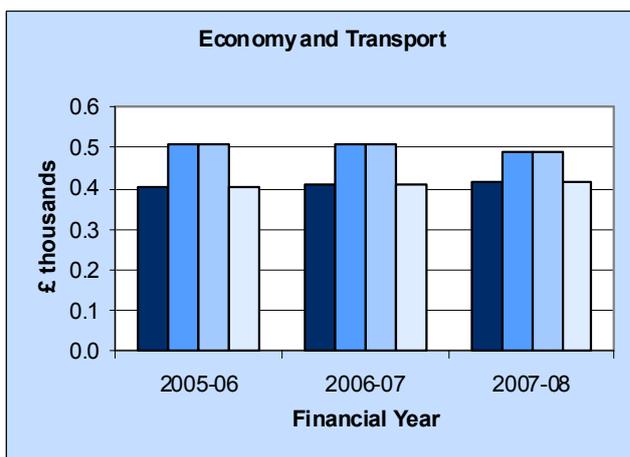
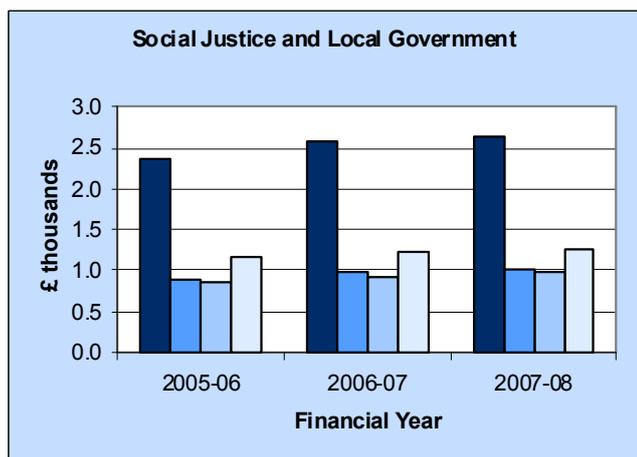
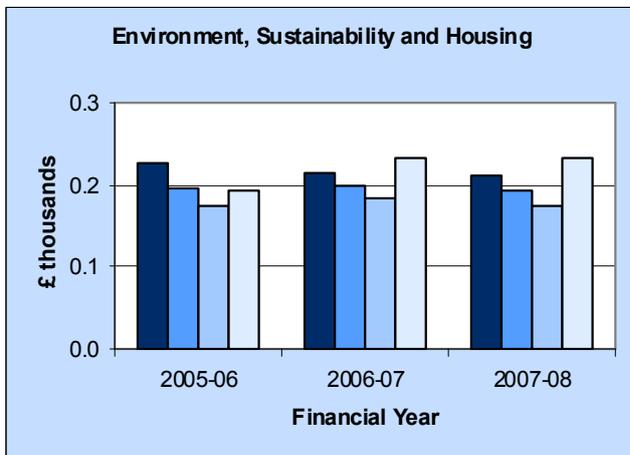
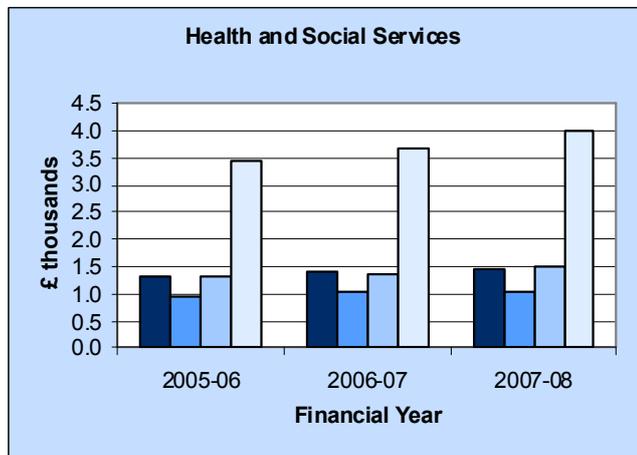
### **Future work**

This information has been published as a statistical article because the methodology may be developed further following feedback from users.

It is planned that this work will be repeated for future years, and will form part of the Statistical Directorate forward work programme. The intention is to move to a 3 yearly cycle to fall in line with the Children and young people's well-being monitor. Future iterations will also look to take account of children's poverty.

Furthermore it is recommended that future work concentrates on outturn data due to the volatility of budget estimates.

**Chart 4: Comparison of the Proportion of Welsh Assembly Government outturn expenditure attributable to population groups, by Ministerial Portfolio spend per head (£000's)**



As mentioned above the majority of pre-16 education funding would come through local authorities, so therefore through the Revenue Support Grant which sits in the Social Justice and Local Government portfolio. The outcome of this is that the Children, Education, Lifelong Learning and Skills portfolio won't include a large amount of spending on pre-16 education, reiterating the point made earlier that spending by ministerial portfolio doesn't necessarily represent spending by function e.g. education.

## Annex A: Notes on the use of statistical articles

Statistical articles generally relate to one-off analyses for which there are no updates planned, at least in the short-term, and serve to make such analyses available to a wider audience than might otherwise be the case. They are mainly used to publish analyses that are exploratory in some way, for example:

- Introducing a new experimental series of data;
- A partial analysis of an issue which provides a useful starting point for further research but that nevertheless is a useful analysis in its own right;
- Drawing attention to research undertaken by other organisations, either commissioned by the Welsh Assembly Government or otherwise, where it is useful to highlight the conclusions, or to build further upon the research;
- An analysis where the results may not be of as high quality as those in our routine statistical releases and bulletins, but where meaningful conclusions can still be drawn from the results.

Where quality is an issue, this may arise in one or more of the following ways:

- being unable to accurately specify the timeframe used (as can be the case when using an administrative source);
- the quality of the data source or data used; or
- other specified reasons.

However, the level of quality will be such that it does not significantly impact upon the conclusions. For example, the exact timeframe may not be central to the conclusions that can be drawn, or it is the order of magnitude of the results, rather than the exact results, that are of interest to the audience.

The analysis presented does not constitute a National Statistic, but may be based on National Statistics outputs and will nevertheless have been subject to careful consideration and detailed checking before publication. An assessment of the strengths and weaknesses in the analysis will be included in the article, for example comparisons with other sources, along with guidance on how the analysis might be used, and a description of the methodology applied.

Articles are subject to the release practices as defined by the release practices protocol, and so, for example, are published on a pre-announced date in the same way as other statistical outputs. Missing value symbols used in the article follow the standards used in other statistical outputs, as outlined below.

- .. The data item is not available
- . The data item is not applicable
- The data item is not exactly zero, but estimated as zero or less than half the final digit shown
- \* The data item is disclosive or not sufficiently robust for publication

## **Annex B: Notes on the methodology**

The method we have used to attribute expenditure to population groups (see Annex D, E and F) ensures that the total for each population group sums to total expenditure overall. It could be argued, however, that this understates the benefits that accrue to any particular population group from public expenditure because:

- i. many areas of expenditure provide benefits which go beyond the immediate recipient of the service. Education expenditure does not simply benefit children and young people, for example, but allows parents and guardians to participate in the labour market as well as having wider societal benefits.
- ii. The cost of provision of some services would be the same - or only marginally less - whether it was available to all ages, or just to specific ones. The provision of parks or some other leisure amenities, for example, might fall into this category.

Care should be taken in interpreting the results of Population Group Budgeting. In addition to the practical difficulties associated with determining the level of spend on each group, outcomes across groups are likely to reflect a wide range of factors beyond the level of spending by the Welsh Assembly Government.

In many areas, UK government spending is also important and would need to be taken into account. More basically, the effectiveness of policies may vary, and in principle there may be greater scope for beneficial outcomes to be created by spending on some groups than on others.

In addition, levels of need will vary across groups, so that some groups may need less spending in order to achieve equal outcomes. Furthermore, outcomes may be strongly influenced by policies that do not involve higher levels of spending, for example by the use of laws and regulations, by the use of the tax system, and by approaches that seek to change behaviour. For some groups such approaches may be more effective than spending.

Finally, income is likely to be redistributed within households, so that the ultimate beneficiaries of spending may not be the same as the immediate recipients. For all these reasons, it cannot be assumed that equal levels of spending by the Welsh Assembly Government across population groups would be appropriate.

## Annex C:

### Population

**Table 6: Welsh Mid-Year Populations Estimates<sup>1</sup>**

	2005	2006	2007
0-17 years old	645,705	640,606	636,723
18-25 years old	303,799	311,054	318,810
26-64 year olds	1,480,113	1,485,472	1,489,901
aged 65 and over	520,511	524,794	530,714
<b>Total</b>	<b>2,950,128</b>	<b>2,961,926</b>	<b>2,976,148</b>

<sup>1</sup> Data refer to the population as at 30 June eg 2005 population data refers to population estimates for 30 June 2005. This data is then related to the corresponding financial year in the context of this article eg 2005 population data refers to the financial year 2005-06.

## Annex D: Methodology Used in the Population Group Budgeting Exercise

The aim of this section is to provide clarity in the process taken to calculate population group budgeting. The section will detail the sources of data used and the role they played in the final allocations.

### Budget and Finance

The main component of the exercise is the expenditure information, which is sourced from the Assembly budget matched to an extract from the Assembly's Finance system showing the outturn expenditure. It is from this matched extract that it is possible to analyse BEL (Budget Expenditure Line) level detail and can assign benefit groups to each BEL.

Below provides some background information on the structure of the Budget and Current expenditure information.

The budget is attributed according to Welsh Assembly Government spending priorities. Budgets are hierarchical, with the top level being the Main Expenditure Groups (MEGs). These MEGs are broken down to Spending Programme Areas (SPAs) and these SPAs broken down into Budget Expenditure Lines (BELs). The MEGs which make up total Welsh Assembly Government expenditure are:

- Health and Social Services;
- Social Justice and Local Government;
- Economy and Transport;
- Children, Education, Lifelong Learning and Skills;
- Environment, Sustainability and Housing;
- Rural Affairs;
- Heritage;
- Public Services and Performance; and
- Central Services and Administration.

### Definitions

**RSG (Revenue Support Grant)** - a non-hypothecated grant paid by central government to support local authority services in general, as opposed to specific grants, which may only be used for a stated purpose.

**Hypothecated grants** are those which are supplied for a specific purpose or "ring-fenced". Essentially a Local Authority can only spend money obtained from the hypothecated grant on a specific purpose defined by the grant parameters.

**Non-hypothecated funding** is the reverse of hypothecated funding, where money is provided for a general purpose that Local Authorities may choose how to spend. In essence the Government does not specify how it must be spent and the Local Authority can choose what to spend the money on. As mentioned above the RSG block grant is the main example of this type of funding.

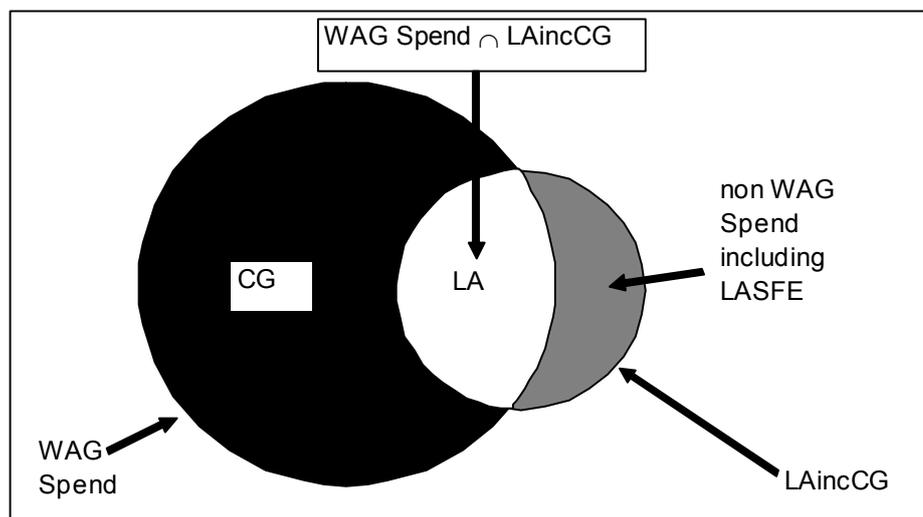
Essentially the Welsh Assembly Government allocates expenditure both through internally funded programmes and grants paid to Local Authorities – the biggest of which is the Revenue Support Grant.

In addition to receiving the Revenue Support Grant, from the Welsh Assembly Government, local authorities also generate finances from a variety of sources, for example from council tax and investments (known as local authority self-financed expenditure).

Perhaps the easiest way to define the relationship between Welsh Assembly Government expenditure and Local Authorities' expenditure can be seen in Chart 5.

Please note this Venn diagram is not drawn to scale, it is merely used as a tool to illustrate the relationship between Local Authorities and the Welsh Assembly Government.

**Chart 5: Venn diagram showing the relationship between Welsh Assembly Government and Local Authority expenditure**



**WAG Spend** relates to the total money that the Welsh Assembly Government spends including grants to local authorities as mentioned above. (Left Circle, Black and White)

**LAincCG** relates to total Local Authority expenditure. Alongside money given to Local Authorities by the Welsh Assembly Governments seen in the LA section in Chart 5 they also generate finances from a variety of sources, for example from council tax and investments (non WAG Spend including LASFE). In Annex B this relates to the Revenue Outturn & Capital Outturn datasets, which are sourced from Local Government Finance. (Right Circle, Grey and White)

**LA** relates to money that Local Authorities spend which has been provided to them by the Welsh Assembly Government (WAG spend). This can be through hypothecated or non-hypothecated grants (see definition above) including the RSG block grant. This is where figures overlap as both Local Authorities and Central Government report on these figures. (Central Section, White)

**Non WAG Spend including LASFE** relates to Local Authority Self Financed Expenditure as well as finance local authorities generate from other sources for example grants from other government departments or from council tax and investments. This excludes money from the Welsh Assembly Government, so is solely generated by the Local Authority in the case of LASFE or provided by other government departments through grants. (Right Section, Grey)

**CG** relates to Central Government money that the Welsh Assembly Government spends centrally via programmes, excluding grants to Local Authorities. This will include running costs and central administration alongside the main areas of programme spending e.g. health spending. (Left Section, Black)

## How provision for population groups was calculated – the underlying principle

Budget Expenditure Lines (BELs) were used to estimate the financial provision for each population group within the Welsh Assembly budget. Each BEL was considered individually and business areas decided who benefitted from that BEL. The proportion of each Budget Expenditure Line (BEL) was then attributed in one of three ways:

- Directly. Those BELs which are directly aimed at a population group are assumed to benefit that population group 100 per cent. Hence, the whole of that BEL expenditure is attributed to that population group. For example, Food and Nutrition in Schools is aimed at 0-17 year olds. Therefore all of the expenditure associated with this BEL is attributed to 0-17 year olds. Council Tax Reduction Scheme for Pensioners is aimed at 65 year olds and older. Therefore in this case none of the expenditure associated with this BEL is attributed to 0-17 year olds, but 100% is attributed to the group containing those aged 65 and over.
- Indirectly. Those BELs which are aimed at the population in general, use a population breakdown to ascertain how much of the particular BEL is attributable to those aged 0-17, 18-25, 26-64 and those aged 65 and over. For example, the BEL relating to Town Centre Regeneration Programme is aimed at the community. Therefore, a proportion of the expenditure associated with this BEL is attributed to those aged 0-17, 18-25, 26-64 and those aged 65 and over respectively based upon population data.
- Using statistical data. Those BELs for which data, with a population breakdown, is available. For example in health, the BEL for Trusts and Central Budgets uses a statistical breakdown to ascertain the proportion spent on those aged 0-17, 18-25, 26-64 and those aged 65 and over. From statistical data it is known what proportion of patients are aged 0-17, 18-25, 26-64 and those aged 65 and over. Therefore, the proportion of the expenditure associated with the BEL for Trusts and Central Budgets is attributed to those aged 0-17, 18-25, 26-64 and those aged 65 and over respectively based upon these data.

The decision of who benefits from each BEL was agreed with policy areas/business units through a consultation exercise.

The benefit groups were defined as follows;

**Table 7: Benefit Group Allocations**

<b>Benefit</b>	<b>Age Group</b>
18-25	Benefits 18-25 year olds only
Admin	All ages apportioned out using the total Central Government and Local Authority spend
Adults	Aged 18+ (not the same as working age - see below)
Children	Aged 0-17
Community	Everyone equally
Culture	Everyone equally
Family	Everyone equally
Housing	Everyone equally in Social or Local Authority Housing
Older	those aged 65 and over only
Adult Working Age	Aged 18-64 only
Statistical	Where other methods are used, for example other data sources such as school aged data or health data

From these benefits it was possible to derive the final population breakdowns of;

- 0-17 year olds
- 18-25 year olds
- 26-64 year olds
- those aged 65 and over

**A detailed process map can be found in Annex E.**

## **Statistical Budget Expenditure Lines and Benefit Groups**

As mentioned above some of the BELs were attributed on a statistical basis using a population specific breakdown using alternative data sources which were a more appropriate measure of apportioning the data. Essentially this differs from the BELs based on benefit groups as these were based on population proportions, usually derived from census information.

**Annex F shows a more detailed process map of the Statistical Allocation process.**

At the beginning of the exercise various data sources were collected for use within the exercise, these are listed in broad terms in table 8 below.

The following section shows for each relevant area the derivation and purpose of the Statistical BELs. This will seek to elaborate on the data sources shown in Table 8 and provide commentary to the process shown in Annex F.

**LGF Data (Local Government Finance):** The specific area of allocation that first warrants further explanation is the apportionment of the RSG block grant and other non-hypothecated Local Authority Central Admin Grants. In Annex F it can be seen that this comes in at the end of the Statistical allocation process, but plays an important role in the exercise.

Given the above definitions, the assumption is that the non-hypothecated grants including the RSG provided by the Welsh Assembly Government (relating to a portion of the expenditure included in the LA section in Chart 5) spent on population groups is proportionate to the money spent on population groups by Local Authorities as a whole (LAincCG). To implement this, the LAincCG proportions (or benefit proportions) are applied to the aforementioned grants which in turn relate to specific BELs. To simplify the above, it is therefore assumed the proportion of the Revenue Support Grant that benefits population groups is the same as the overall proportion of Local Authority spending on population groups.

As a further note, due to the length of the exercise there is more recent LGF data available which was not included in the exercise. To include the newer datasets would have required a refresh of the main finance data (on which the exercise was based) to ensure consistency with the LGF data. Given the significant amount of time required to process the main finance data this would have increased the length of the exercise significantly. As such the Capital Outturn data used relates to 2007-08 and was sourced in August 2009. The Revenue outturn data related to 2007-08 and was sourced in August 2009.

**Health Data:** For certain Health BELs relating to money given centrally by the Welsh Assembly Government to Health areas such as Local Health Boards, Trusts and Central Budgets, statistical data is available allowing for more accurate allocations to be derived. The two sources of this information as described in Table 8 are;

- PEDW (Patients Episode Database Wales) providing microdata of hospital activity.
- WCR1 (Welsh Costing Return) formerly known as the TFR2 (Trust Financial Return), which records aggregated expenditure by medical category.

From this information it is possible to derive a unit cost (cost per activity/population group), which in turn allows spend per population group/category or percentage per population group to be calculated. So in this case we are able to more accurately define the benefit groups for the aforementioned Health BELs from the above information.

A further assumption has been made in regards to admission activities relating to Maternity in PEDW, such that they benefit 0-17 year olds primarily despite the fact that the activity would have been performed on the mother.

In addition there exists within PEDW an element of unallocated codes where an appropriate activity code hasn't been identified. The assumption applied to these activities is that a median cost based on all WCR1 expenditure could be applied to these codes.

**Social Housing Data:** As can be seen in table 8 data from the APS (Annual Population Survey), specifically relating to number of people in social housing by population group, is used to derive the Housing Benefit Group (as seen in Annex F).

Essentially, BELs defined as having the Housing Benefit Group relate to expenditure on Social Housing, as such the use of the APS data is a more accurate measure than a census derived population proportion.

**Education Data:** As can be seen in Annex F the Education Data is used to create a variety of Statistical BELs, including data for Careers Wales. To explain this derivation it will require detail of the data sources first and then explanation of their role in the derivation of the Statistical BELs:

- Learners at FE (Further Education) institutions, LEA (Local Education Authority) Community Learning and other training providers.
- Higher Education enrolments at Welsh HEIs (Higher Education Institutions) by age.
- Maintained Schools, full time pupils by Age.
- Maintained Schools, Part time pupils under the age of 5 by age.
- Careers Wales data relating to specific Careers Wales activities derived from annual reports and liaison with Careers Wales colleagues showing activities derived by age groups. For reference, for the first time in this exercise we were able to consult with Careers Wales colleagues. As such for 2008-09 data it was possible for certain activities that relate to FE education population groups, to apply suitable proportions using the above FE data after the consultation process.

From the above data sources various combinations of the data are then used to create suitable proportions for statistical BELs relating to Education as agreed with business units:

- After the FE adjustment to the Careers Wales raw data, these derived proportions are then used to apportion the specific BEL relating to Careers Wales by population group.
- The FE data is used to apportion statistical BELs that relate solely to Further Education spending. For example, 'Post 16 Inclusion and Support for Learning' has been defined by the relevant business unit to relate solely to FE spending.
- Likewise, FE and School data combined is used to apportion those Statistical BELs defined as benefiting both of these groups; that is, spending on qualifications and curriculum current expenditure and expenditure on Estyn, the office of Her Majesty's Inspectorate for Education and Training in Wales as an organisation which reviews all Education in Wales.
- Finally, HE, FE and School is combined to apportion those Statistical BELs benefiting all these groups, or in essence education as a whole.

**Population Data:** This relates to a large number of BELs included in this exercise based upon population proportions, where an appropriate Statistical source of data hasn't been located. To create this group an extract is taken from the Population Database containing Mid-Year population Estimates by age. From this the following benefit groups and statistical BELs can be created;

- Adults - Excludes those 17 year olds and younger from calculations.
- Children - 100% of expenditure in this area benefits 0-17 year olds.
- Community - Benefits everyone in the community equally, as such this benefit group uses total Welsh population data upon which to base proportions.
- Culture - Benefit group for which BELs benefit culture. This is calculated on the same basis as Community.
- Family - Benefit group for which BELs benefit the family as a whole. As for the Culture group this is calculated on the same basis as Community.
- Older - 100% of expenditure in this area benefits those aged 65 and over.
- Adult Working Age - Benefits the Adult Working Population, as such this excludes those 17 year olds and younger and those aged 65 and over from calculations
- Statistical Population BELs - For a small number of BELs where it was identified that they benefited specific population groups of the population and where no suitable data alternative was identified separate population proportions were calculated. These were as follows;
  - Child Poverty and Financial Inclusion - upon agreement with the SJLG business unit this is a combination of the Children and Community Benefit groups such that 72.5% benefits children and 27.5% benefit the community. These proportions were then applied to the relevant population groups.
  - Education Maintenance Allowances - Benefitting those aged 16-19.
  - Support for Extending Entitlement - Benefitting those aged 11-25.
  - 14-19 Learning in Wales - Benefitting those aged 14-19.

**Admin Data:** This relates to Welsh Assembly Government BELs that can be classified as belonging to the Admin benefit group – usually belonging to central administration costs. For example, this could be staff costs, computer equipment etc.

The methodology applied for these kind of administration costs is that the proportion that the Welsh Assembly Government and Local Authorities collectively spend on population groups can be applied to these particular BELs (so in relation to Chart 5 CG spend and LAincCG combined excluding LA).

In practice this requires the entire dataset to be able to best make this apportionment. As seen in Annex F this stage takes place after the completion of the other statistical apportionment. This allows for all amendments to be made to the data ensuring that the Admin apportionment is based on the entire updated dataset including the LGF data which is required for the LAincCG aspect of this apportionment.

### **Business Unit Consultation**

As part of the process the relevant business units were consulted in relation to their area's BELs and asked to define who benefitted from each BEL based on the groups shown in table 7.

### **Final Allocations**

After the completion of the exercise the LGF Data and Admin data stages mentioned above had to be re-run due to their reliance on the data set in its entirety for appropriate apportionment. After which the final figures can be produced.

**Table 8: Source Data Description**

	Data Name	Source	Subject Area	Purpose in the exercise
1	Welsh Assembly Expenditure Data	COINS	All	Matched with the budget to provide the main underlying data on which the exercise is based.
2	Welsh Assembly Budget Data	Budget	All	Matched with the COINS data to provide the main underlying data on which the exercise is based.
3	Hospital Spells by Speciality & Age Group	PEDW	Health	Combined with WCR1 data to create Health Statistical BELs.
4	Wales Costing Return	WCR1 (formerly TFR2)	Health	Combined with PEDW data to create Health Statistical BELs.
5	Number of people in social housing by age groups	APS	Social Housing	Creates the Housing benefit group based on the proportion of people by age group in social housing.
6	Population breakdown by age	Mid-year population estimates database	Population	Creates the Statistical BELs relating specifically to population. In addition it is also used to create the majority of the population based benefit groups.
7	Higher Education enrolments at Welsh HEIs by age	HESA (Higher Education Statistics Agency)	Education	Creates Education Statistical BELs.
8	Maintained schools: full time and part time pupils by age	Annual Schools Census	Education	Creates Education Statistical BELs.
9	Learners at FE institutions, LEA Community Learning and other training providers	LLWR (Lifelong Learning Wales Record)	Education	Creates Education Statistical BELs and is also used to adjust the Careers Wales data.
10	Breakdown of Careers Wales Activities	Careers Wales Annual Report and Policy Colleagues	Education	Allocates Careers Wales BEL 4480.
11	Revenue outturn expenditure summary, by service (£ thousand) (Welsh UAs, service)	StatsWales	Local Authority Expenditure	Used to apportion RSG Block Grant and Local Authority Central Admin (non-hypothecated) expenditure.

## Annex E: Process Map of the Population Group Budgeting Exercise

