

Wales Office

Main Estimate 2019-20: Estimates Memorandum

1 Overview

1.1 Objectives

The Office of the Secretary of State for Wales (Wales Office) supports the Secretary of State for Wales in promoting the best interests of Wales within a strong United Kingdom. We are the face of the UK Government in Wales and the voice of Wales in Whitehall. Our primary and on-going goal is to support the Union of the United Kingdom.

Linked to this key objective is a more immediate goal, which is to ensure that the UK, including Wales, is in the strongest possible position on exiting the European Union.

This Estimate provides for the administration costs of the Wales Office, including the upkeep of a Grade II* listed building; the salaries of Wales Office Ministers and staff; and payments to the Welsh Consolidated Fund.

1.2 Spending controls

The Wales Office's Estimate is broken down into a number of discrete elements, for which Parliament's approval is sought separately.

The spending totals which Parliament votes are:

For the Wales Office itself:

- Resource Departmental Expenditure Limit ("**Resource DEL**")- day to day running costs of the Office
- Capital Departmental Expenditure Limit ("**Capital DEL**")- purchase of capital items e.g. equipment for the Office

For the Welsh Government

- **Non-budget** expenditure-cash payments to the Welsh Consolidated Fund. This includes cash payments to support spending by the Welsh Government and National Assembly for Wales, including payover of the Welsh rate of income tax.

In addition, Parliament votes a net cash requirement, designed to cover both the cash required to cover the Wales Office's own DEL spending, and the cash grant to the Welsh Consolidated Fund.

2 Wales Office

2.1 Comparison of spending totals sought

The table and graphic below show how the totals sought for the Wales Office only compares with last year:

Spending total Amounts sought this year		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£ m	%	£m	%
Wales Office: Resource DEL	£5.1m	+£0.2m	4%	£0.5m	9%
Wales Office: Capital DEL	£0.03m	+£0.0m	0%	+£0.0m	0%

Provision for the DEL budget for 2019-20 was determined in the 2015 Spending Review. From the baseline set in the 2015 Spending Review, the Wales Office agreed a flat real terms increase. This is in line with the settlements for the other Territorial Offices.

2.2 Spending trends

Wales Office, £ million	2015/16	2016/17	2017/18	2018/19	2019/20
	Outturn	Outturn	Outturn	Final Plans	Plans
Admin costs	3.9	4.4	4.6	4.7	4.7
Other costs	0.1	0.2	0.2	0.2	0.4
Total Resource DEL	4.0	4.5	4.8	4.9	5.1
Capital DEL	0.0	0.0	0.1	0.0	0.0
Less depreciation and impairments	0.1	0.1	0.1	0.2	0.1
Total DEL	3.9	4.4	4.8	4.8	5.0

Totals may not sum due to roundings

2.3 Administration costs and efficiency plans

Administration costs are set to fall by 0.1% in 2019-20 compared to last year's final budget.

Spending total Amounts sought this year		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£m	%	£m	%
Administration costs	4.7m	0.0	-1	0.2	4

The Office is fully committed to sharing services and expertise with the other Territorial Offices and Government Departments wherever possible with a view to exploiting all available opportunities to secure efficiencies and strengthen our resilience. To date a shared parliamentary unit has been established with the other Territorial Offices and a shared freedom of information requests (FOI) service with the Northern Ireland Office. The Office continues to use Ministry of Justice shared services in respect of accommodation, information technology, procurement, finance and Human Resources e.g. recruitment of staff.

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenancy and Independent Commission for Aid Impact) in the London Office and the Cabinet Office in Cardiff. The tenants will generate rental income in 2019-20 of £0.110m for the Office and improves the utilisation of our accommodation. We are also in regular discussions with the Government Property Unit (GPU) over its Hubs programme and the implications for Government buildings in South Wales. The Hubs Programme seeks to use rationalised estates and land release to reduce overall running costs and wherever possible locate departments together in hubs around the country.

3 Payments to the Welsh Consolidated Fund

3.1 Comparison of cash to be paid over

The table and graphic below show how the cash funding provided for the Welsh Consolidated Fund compares with last year:

Spending total Amounts sought this year		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£ m	%	£m	%
Welsh Consolidated Fund: Non- budget expenditure	13,443.3	-1,718.1	-13%	-1,110.8	-8%

3.2 Key drivers of changes in levels of cash to be paid over since last year

The level of UK centrally provided funding has been reduced due to devolution of certain tax raising powers to the Welsh Government. The devolved taxes are the Welsh replacements for Stamp Duty Land Tax and Landfill Tax (the Land Transaction Tax and Landfill Disposal Tax respectively). An element of Income Tax is also devolved and the Welsh Rates of Income Tax were introduced in April 2019.

3.3 Cash grant payable to the Welsh Consolidated Fund

The Wales Office Estimate allows for the payment of a cash grant to the Welsh Consolidated Fund. This expenditure is shown in Section C of the of the Wales Office Estimate under the heading “non- budget expenditure”. All expenditure by the Welsh Government is charged to the Welsh Consolidated Fund.

The amount of cash which the Welsh government receives via this route, and which is sought under this Estimate, is a result of a calculation. The starting point to that calculation is the amount of DEL budget (block grant) and Annually Managed Expenditure which the UK government is prepared to provide.

The table below shows the stages in the calculation.

Calculation of Cash Grant Payable to Welsh Consolidated Fund 2018-19

	2019-20 Main Estimate £M
Revised Expenditure Classified as DEL	14,709.6
Expenditure Classified as AME	869.1
Expenditure Financed by Welsh Taxes	2,358.0
Expenditure Financed by Capital Borrowing	125.0
Non Domestic Rates AME	1,061.0
TOTAL MANAGED EXPENDITURE	19,122.7
Less:	
Non Voted expenditure:	
LA Credit Approvals	88.8
Other Non-Voted	6.1
Wales Act 2014 Transactions:	
Income from Welsh taxes:	
Income Tax	2,059.0
Land Transaction Tax	256.0
Landfill Disposal Tax	43.0
Repayment of principle of loans	-2.3
Capital Borrowing	125.0
Non Cash:	
Resource Ringfenced Non Cash	690.1
AME Non-cash	69.7
TOTAL NON VOTED TME	3,335.4
TOTAL VOTED TME	15,787.3
Voted receipts:	
Contributions from the National Insurance Fund	1,275.1
NDR Receipts	1,068.9
Timing Adjustments:	
Increase / Decrease in Debtors & Creditors	0.0
Use of Provisions	0.0
Devolved Taxes - time lag in collection of receipts in year 1	0.0

Cash Grant payable to Welsh Consolidated Fund by Wales Office **13,443.3**

Note

All items forming this calculation refer to expenditure incurred by income received by the Welsh Government.

In addition, HMRC collects Welsh Income Tax (estimated at £2,059 million in 2019-20) on behalf of the Welsh Government and this is also paid over to the Welsh Consolidated Fund in monthly instalments via the Wales Office Supply Estimate (subhead C).

3.4 Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving “Barnett consequentials” (Wales’s share) of these adjustments.

The majority of these budgetary adjustments take place at major fiscal events such as at Budget (and previously at Spring Budget and Autumn Statement).

At the end of 2018, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2018>.

This shows that since the 2015 Spending Review, the Welsh Government have received £1,272.6m in Barnett Consequentials for 2019-20 (£833.3m RDEL, £247m CDEL, £192.3m CDEL) (Financial Transactions). Since that publication, there have been further Barnett Consequentials added to the Welsh Government budget. This represent the application of the Barnett formula to Reserve claims granted to UK Government Departments and are set out in the table below.

In order to assist Members’ understanding of how ‘Barnett Consequentials’ have impacted upon the Welsh Government’s budget for 2019-20, the table below details all Consequentials made available to the Welsh Government.

3.4 Barnett Consequentials (since last SR)

Department/Programme	Measure	RDEL/CDEL	2019-20 £m
<u>Budget 2016</u>			
Business, Innovation and Skills	Royal College of Arts	Capital	0.683
Business Rates	Permanently double SBRR from 2017-18	Resource	37.668
Business Rates	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	42.163
Business Rates	Increasing the standard multiplier threshold from 2017-18	Resource	6.202
Education	Making all schools academies by 2022	Resource	2.447
Education	National Funding Formula	Resource	2.902
Education	Northern Powerhouse	Resource	1.053
Education	Mentoring for 25,000 disadvantaged students	Resource	0.171
Education	Longer school day	Resource	16.217
Education	Expanding breakfast clubs	Resource	0.569
Education	Doubling the primary school sports premium	Resource	9.104
Environment, Food and Rural Affairs	Flood package: maintenance funding	Resource	2.276
Environment, Food and Rural Affairs	Floods: Partnership Support Fund	Capital	1.423

Environment, Food and Rural Affairs	Floods: Six-year programme top-up	Capital	1.252
Transport	M62 smart motorway	Capital	5.462
	<i>Sub Total Resource</i>		<i>120.770</i>
	<i>Sub Total Capital</i>		<i>8.820</i>

Autumn Statement 2016

Business, Energy and Industrial Strategy	Northern Power House: Investment Fund	Financial Transactions	0.226
Business, Energy and Industrial Strategy	Midlands Engine: Investment Fund	Financial Transactions	0.967
Business, Energy and Industrial Strategy	Mayfield Review of Management	Resource	0.170
Business, Energy and Industrial Strategy	Invest in University Tech Transfers	Capital	1.415
Business, Energy and Industrial Strategy	QR funding	Capital	4.051
Business Rates	Rural Rate Relief	Resource	0.283
Business Rates	Fibre relief	Resource	0.566
Communities & Local Government	Accelerated build-out	Capital	31.696
Communities & Local Government	Affordable housing grants	Capital	20.489
Communities & Local Government	“Help-to-Build”, including “Roads for Homes”	Capital	45.280

Culture, Media & Sport	Royal Society of Arts School Pilots	Resource	0.006
Culture, Media & Sport	Rugby League World Cup 2021	Capital	0.142
Culture, Media & Sport	Rugby League World Cup 2021	Resource	0.226
Culture, Media & Sport	World Road Cycling	Capital	0.283
Culture, Media & Sport	World Road Cycling	Resource	0.057
Education	Grammar Schools	Capital	2.830
Transport	Strategic roads – pinch points	Capital	2.547
Transport	Local roads and local transport	Capital	17.829

<i>Sub Total Resource</i>			<i>1.307</i>
<i>Sub Total Capital</i>			<i>126.561</i>
<i>Sub Total Financial Transactions</i>			<i>1.193</i>

Spring Budget 2017

Business Rates	Business Rates - Mitigating Impact of SBRR	Resource	1.189
Business Rates	Business Rates - Discretionary Relief Fund	Resource	1.981
Education	16-19 Education: Sainsbury Review	Resource	5.445
Education	110 Free Schools Schools	Resource	1.019

Education	110 Free Schools Schools	Capital	1.472
Education	Schools Maintenance	Capital	6.113
Education	School Buses	Resource	0.187
Health	Social Care	Resource	19.063
Health	Social Transformation Programme Funding	Capital	6.195
Health	Employee Mental Health	Resource	0.198
	<i>Sub Total Resource</i>		<i>29.081</i>
	<i>Sub Total Capital</i>		<i>13.780</i>

Autumn Budget 2017

Business Rates	Move from RPI to CPI in 2018-19	Resource	29.400
Business, Energy and Industrial Strategy	Growth Hubs and Diffusion Pilot	Resource	0.946
Communities & Local Government	Help to Buy Equity Loan	Financial Transactions	157.809
Communities & Local Government	Home Building Fund for SMEs	Financial Transactions	29.389
Communities & Local Government	Estate Regen	Financial Transactions	3.941

Communities & Local Government	National Housing Fund (Strategic Infrastructure inc. Remediation)	Capital	10.134
Communities & Local Government	National Housing Fund (Small/Stuck Sites infra and remediation)	Capital	16.890
Communities & Local Government	National Housing Fund (HCA Land Assembly)	Capital	10.416
Communities & Local Government	Voluntary Right to Buy Pilot	Resource	3.941
Communities & Local Government	Private Rented Access Scheme	Resource	0.563
Communities & Local Government	Office for Data Analytics	Resource	0.020
Culture, Media & Sport	DCMS: Jodrell Bank Observatory	Capital	0.113
Culture, Media & Sport	Efficiency Savings	Resource	-3.997
Education	Industrial Strategy - Skills	Resource	4.189
Education	Teacher Development Premium	Resource	0.788
Education	Efficiency Savings	Resource	-2.421
Environment, Food and Rural Affairs	Compliance Funding	Resource	0.732
Environment, Food and Rural Affairs	Clean Air Fund	Resource	3.097
Environment, Food and Rural Affairs	Waste Crime Enforcement	Resource	0.282
Health	Health Resource	Resource	50.726
Health	Health Capital	Capital	39.860
Transport	Clean Air Fund	Capital	3.097
Transport	Compliance Funding	Capital	3.378

Transport	Nexus Rolling Stock Replacement (from NPIF)	Capital	1.216
Transport	Midlands Connect: Motorway Hub	Capital	0.056
Transport	Regional Transport Infrastructure Fund (from NPIF)	Capital	10.134
Work & Pensions	Relationship Support	Resource	0.372
	<i>Sub Total Resource</i>		<i>88.636</i>
	<i>Sub Total Capital</i>		<i>95.293</i>
	<i>Sub Total Financial Transactions</i>		<i>191.139</i>

Budget 2018

Business Rates	Retail Discount	Resource	25.964
Business Rates	Revision to AB 17 package	Resource	9.832
Business, Energy and Industrial Strategy	Improving management by supporting peer to peer networks	Resource	1.180
Business, Energy and Industrial Strategy	Knowledge Transfer Partnerships	Capital	0.059
Business, Energy and Industrial Strategy	Small Business Leadership Programme - Conf Enterprise Package	Resource	0.649
Culture, Media & Sport	Coventry City of Culture	Capital	0.502
Culture, Media & Sport	Digital Skills Bootcamps	Resource	0.177
Environment, Food and Rural Affairs	Air Quality - Implementation Fund	Resource	0.266

Environment, Food and Rural Affairs	Food Waste Fund	Resource	0.885
Environment, Food and Rural Affairs	Landfill Site Clearance	Resource	0.295
Environment, Food and Rural Affairs	Urban Tree Planting	Resource	0.041
Environment, Food and Rural Affairs	Urban Tree Planting	Capital	0.171
Environment, Food and Rural Affairs	Plastics and Waste Innovation Funding	Capital	0.590
Education	Apprenticeships - Reducing co-investment charge for SMEs	Resource	1.180
Education	Children's' Social Care	Resource	2.343
Education	Regional pilot of on-the-job training for young people	Resource	0.207
Education	National Retraining Scheme	Resource	0.236
Education	National Retraining Scheme	Capital	0.354
Education	Regional Skills for the Self-Employed	Resource	0.295
Transport	Air Quality - Implementation Fund	Capital	0.384
Transport	Birmingham Future Mobility City	Resource	0.118
Transport	Birmingham Future Mobility City	Capital	0.295
Health & Social care	NHS Settlement	Resource	332.875
Housing, Communities & Local Government	Development Corporations	Resource	0.118
Housing, Communities & Local Government	High Streets	Capital	0.030
Housing, Communities & Local Government	High Streets	Resource	0.797

Housing, Communities & Local Government	Strategic Housing	Resource	0.236
Housing, Communities & Local Government	Neighbourhood forums	Resource	0.165
Housing, Communities & Local Government	Social Care (2019-20)	Resource	38.357
Housing, Communities & Local Government	Heritage High Streets	Capital	0.207
Housing, Communities & Local Government	Heritage High Streets	Resource	0.089
	<i>Sub Total Resource</i>	<i>Resource</i>	<i>416.304</i>
	<i>Sub Total Capital</i>	<i>Capital</i>	<i>2.591</i>

Main Estimates 2019-20

Business Rates	Changes to Forecast	Resource	29.700
DHSC	NHS	Resource	2.301
Various	Pensions Pressures	Resource	145.215
	Sub Total Resource		177.216

Total Barnett Consequentials Since 2015
Spending Review

Total Resource	833.314
Total Capital	247.045
Total Financial Transactions	192.332

3.5 Control Totals for the Welsh Government including breakdown by main programme of AME spending

Resource and capital DEL for the Welsh Government

£m nominal	2019-20
RDEL	12,575
<i>of which:</i>	
<i>RDEL excluding depreciation*</i>	11,885
<i>depreciation ring fence in RDEL</i>	516
<i>student loans ring fence in RDEL</i>	174
CDEL	2,134
<i>Of which:</i>	
<i>General CDEL</i>	1,834
<i>Ring-fenced Financial Transactions</i>	300

**includes block grant adjustment for tax devolution of £12,195 million*

In addition, the Welsh Government are forecasting Annually Managed Expenditure of £3,352.2 million in the following areas:

Programme	2018-19
	£m
UK Government Funded AME	
Student Loans	650.5
NHS Pensions	18.0
NHS Impairments	121.1
Other Non-Cash	79.6
SUB TOTAL	869.2

Welsh Government AME

Expenditure Financed by Welsh Taxes

Income Tax	2,059
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Land Transaction Tax	256
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Landfill Disposal Tax	43
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Expenditure Financed by Capital Borrowing	125
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SUB TOTAL	2,483
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TOTAL	3,352.2
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3.6 Reconciliation of the 2015 Spending Review settlement for the Welsh Government and current Control Totals for 2019-20

The Treasury's Block Grant Transparency document details all changes made to the Control Totals of the Welsh Government between SR 2015 and the end of 2018, and how they are calculated. This covers all years which were considered during the 2015 Spending Review (2016-17, 2017-18, 2018-19 and 2019-20).

The table below details all changes to the Welsh Governments budget for 2019-20 since the 2015 SR settlement, including changes since the above document was published.

Changes to Welsh Government Control Totals for 2018-19 since 2015 Spending Review

	Resource DEL	Depreciation & impairments ring- fence	Student loans ring-fence	General Capital DEL	Financial Transactions Capital
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
SR 2015 Settlement	13,284.773	514.844	172.579	1,542.109	105.767
Barnett Consequentials: Budget 2016	120.770			8.820	
Barnett Consequentials: Autumn Statement 2016	1.307			126.561	1.193
Barnett Consequentials: Spring Budget 2017	29.081			13.780	
Barnett Consequentials: Autumn Budget 2017	88.636			95.293	191.139
Barnett Consequentials: Autumn Budget 2018	416.305			2.591	
Barnett Consequentials Main Estimates 2019-20	177.216				
5% uplift on Barnett Consequentials	9.109	1.207	1.351	15.802	2.120
Block Grant Adjustment: Fiscal Framework	-2,334.323				
Budget Transfer from Home Office: Immigration Health Surcharge	14.687				
Budget Transfer from BEIS: GovTech competition winners in Wales				2.250	

Budget Transfer from Cabinet Office: Cyber Security	0.650				
Budget Transfer from HMRC - Savings iro administering SDLT & LfT in Wales	0.173				
Budget Transfer from BEIS : Research & Development				2.701	
Budget Transfer from BEIS: National Productivity Investment Fund R&D				4.253	
Budget Transfer from DCMS: Lloyd George Museum	0.027				
Budget Transfer from HO: Police funding	29.930				
Budget Transfer to HM Treasury: OBR costs	-0.100				
Cardiff City Deal	10.000				
Machinery of Government Transfer from DEFRA: Forestry	0.607	0.083		0.384	
North Wales Growth Deal				8.000	
Reprofile Efficiency Review savings into 2017-18	6.418				
Reserve Claim - Financial Services	2.446				
Reserve Claim - Funding for EU Exit	27.500			3.584	
Swansea City Deal				8.000	
Total at Main Estimates 2018-19	11,885.212	516.134	173.930	1,834.130	300.220

3.7 Trends: Welsh Government spending 2015-16 to 2019-20

	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Final plans	Plans
	£m	£m	£m	£m
Welsh Government				
Welsh Government Resource (Before Block Grant Adjustment)	13,325.208	14,001.757	14,724.529	14,909.599
less Block Grant Adjustment	0.000	0.000	-268.374	-2,334.323
Welsh Government Resource (6)	13,325.208	14,001.757	14,456.155	12,575.276
Welsh Government Capital	1,449.083	1,821.285	2,064.483	2,134.347
Welsh Government DEL(3)	14,774.291	15,823.042	16,520.638	14,709.623
less depreciation & impairments	-253.397	-708.262	-904.362	-690.064
Welsh Government DEL(4) (6)	14,520.894	15,114.780	15,616.276	14,019.559

Notes

(1) Totals may not sum due to rounding.

(2) Includes Budgetary Changes as a result of Clear Line of Sight.

(3) Including depreciation & impairments.

(4) Resource + capital - depreciation & impairments.

(5) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation & impairments. Therefore the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference being depreciation & impairments.

(6) Includes Block Grant Adjustments to reflect the devolution of SDLT, Landfill Tax, and Income Tax under the Welsh Fiscal Framework.

