

Wales Office 2016-17 Supplementary Estimates Memorandum

Introduction

The Wales Office Supplementary Estimate for 2016-17 seeks the necessary resources and cash to support the functions of the Wales Office. These are continuing functions and no new functions have been added since the 2016-17 Main Estimate.

The main purpose of this Memorandum is to provide the Welsh Affairs Committee (WAC) with an overview of the Wales Office 2016-17 Supplementary Estimate, which is part of the supply procedure. It also gives information on the budgetary changes of the Welsh Government and changes to the cash grant payable to the Welsh Consolidated Fund by the Wales Office.

The Supplementary Estimate seeks approval to a net resource requirement of **£14,035,618,000** and a net cash requirement of **£14,035,521,000** and for 2016-17 the Wales Office Departmental Expenditure (DEL) limit, net of depreciation and impairments, will increase from **£4,410,000** to **£4,602,000**.

The Memorandum is split into sections covering:

- (1) Summary of the Wales Office plans for 2016-17;
- (2) An overview of the Office's Administration Costs;
- (3) An overview of DEL and AME totals for the Wales Office;
- (4) Details of the grant paid to the Welsh Consolidated Fund;
- (5) Details of Welsh Barnett consequential for 2016-17;
- (6) Control Totals for the Welsh Government including breakdown by main programme of AME spending;
- (7) Reconciliation of the 2015 Spending Review settlement for Welsh Government and Control Totals for 2016-17; and
- (8) Details of spending in Wales by the Wales Office and Welsh Government, 2015-16 to 2019-20.

This memorandum has been agreed with HM Treasury.

Section 1

Summary of Wales Office Plans for 2016-17

Spending plans for 2016-17 were set in the 2015 Spending Review. From the baseline set in the 2015 Spending Review, the Wales Office agreed an overall real terms increase of 2 per cent in its administration budget over the baseline. This is in line with the targets set for the other Territorial Offices.

The 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. Our three key objectives to support these priorities are:

- I. A strong Welsh economy, with the Wales Office playing a key role in securing infrastructure investment and high levels of exports and foreign direct investment;
- II. Wales's interests fully reflected and represented in the ongoing work on exiting the European Union, and as the UK government develops its UK regional policy and industrial strategy – in particular noting the importance of cross-border working; and
- III. A clearer, stronger and fairer devolution settlement that is coherent, stable and lasting, where powers are exercised at the most appropriate level of government across the United Kingdom.

To help deliver these objectives and challenges the Office will manage work efficiently and effectively, in accordance with good governance principles and providing value for money to the taxpayer.

The Department continues to look to share services and expertise with the other Territorial Offices and other Government Departments wherever possible to both drive down costs and improve 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 Lieutenant) in the London Office which generates rental income of £51k per annum for the Department and also improves the utilisation of our accommodation. We have also held discussions with the Government Property Unit (GPU) over its Hubs programme and in particular the implications for Government buildings in South Wales. The Hubs Programme seeks to use rationalised estates and land release to reduce

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overall running costs and wherever possible locate departments together in hubs around the country.

The Department has recently delivered the Wales Act 2017, which provides a stable and sustainable basis for Welsh devolution over the long-term. The Act received Royal Assent on January 2017.

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Section 2

Overview of the Wales Office's Administration Costs

The key purpose of the Wales Office remains to support the Secretary of State for Wales in promoting the best interests of Wales within the United Kingdom.

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.

The Wales Office also has AME commitments in respect of a pension liability, which was transferred from Ministry of Justice (MOJ), for an early release scheme in 2009-10. The pension liability ends in 2016-17.

Section 3

Overview of Wales Office DEL and AME totals for 2016-17

Departmental Expenditure Limit (DEL)

The following adjustments have been made to the Control Totals for the Wales Office since the 2016-17 Main Estimate.:

- **£242,000** – Reserve claim in relation to higher than expected legal costs for work undertaken on the Wales Bill;
- **£50,000** – Budget switch from Administration to Programme to reflect increase in ringfenced depreciation to reflect an increase in our asset base;
- **£-50,000** – Budget switch from Administration to Programme to reflect increase in ringfenced depreciation to reflect an increase in our asset base offset by a reduction in cash.

The Departmental Expenditure Limit current control totals for the Wales Office are set out in the table below:

£'000 nominal	Main Estimate	Changes	Supp Estimate
Resource DEL (RDEL)	4.480	0.242	4.722
<i>o/w RDEL excluding depreciation</i>	<i>4.410</i>	<i>0.192</i>	<i>4.602</i>
<i>o/w depreciation ring fence in RDEL</i>	<i>0.070</i>	<i>0.050</i>	<i>0.120</i>
Administration Budget*	4.350	0.192	4.542
<i>o/w non-ringfenced RDEL administration budget</i>	<i>4.350</i>	<i>0.192</i>	<i>4.542</i>
Capital DEL	0.030	0.000	0.030

* This is part of the RDEL control total and not an addition to it.

Annually Managed Expenditure (AME)

In addition, the Estimate (Section II) contains £-24,000 of AME for the Wales Office. This has been changed from the Main Estimate as a result of:-

- **£7,000** – reduction in utilisation of pension provision due to end of provision.
- **£-11,000** – increase in AME due to write back of pension provision due to end of provision.

Section 4

Cash grant payable to the Welsh Consolidated Fund

The Estimate also allows for the payment of a cash grant to the Welsh Consolidated Fund. All expenditure by the Welsh Government is charged to the Welsh Consolidated Fund. This expenditure is shown in Part II of the Wales Office Estimate. Since the Main Estimate, provision has increased by **£174,987,000**. The table below reconciles the spending aggregates of the Welsh Government with the cash grant payable to the Welsh Consolidated Fund

RECONCILIATION OF GRANT PAYABLE TO WELSH CONSOLIDATED FUND 2016-17

	Main Estimate £'000	Changes £'000	Supplementary Estimate £'000
Expenditure Classified as DEL	15,232,941	309,002	15,541,943
Expenditure Classified as AME	557,080	361,831	918,911
Non Domestic Rates (AME)	977,000	0	977,000
Total Managed Expenditure	16,767,021	670,833	17,437,854
Less:			
Non Voted expenditure:			
LA Credit Approvals	88,800	0	88,800
Other Non-Voted	6,078	0	6,078
Resource Ringfenced Non Cash AME Non-cash	589,240 110,403	168,072 329,857	757,312 440,260
TOTAL NON VOTED TME	794,521	497,929	1,292,450
TOTAL VOTED TME	15,972,500	172,904	16,145,404
Less Voted receipts			
Contributions from the National Insurance Fund	1,140,187	465	1,140,652
NDR Receipts	977,000	57,452	1,034,452
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	620	60,000	60,620
Use of Provisions	0	0	0
TOTAL GRANT TO WELSH CONSOLIDATED FUND	13,855,933	174,987	14,030,920

The following significant adjustments have been made to the cash grant to the Welsh Consolidated Fund since the 2016-17 Main Estimate:-

£141,000,000 – Increase in DEL (RDEL excluding depreciation + Capital DEL + Financial Transactions).

£32,000,000 – increase in cash spending in AME.

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£60,000,000 – Movement in Creditors/Debtors.

-£58,000,000 – Increase in income

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Section 5

Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving Barnett consequentials of these adjustments. The majority of these budgetary adjustments take place at major fiscal events such as the Autumn Statement and Spring Budget. The table below details the Barnett consequentials for the financial year 2016-17 received by the Welsh Government since the announcement of the 2015 Spending Review in November 2015.

Announcements in the 2016 Budget gave Wales Barnett Consequentials totalling £14.760 million and additional Barnett consequentials of £1.521million arose as a result of announcements made at the 2016 Autumn Statement. Full details are shown in the table below.

Barnett Consequentials from Fiscal Events for 2016-17 since 2015 Spending Review

Fiscal Event	UK Government Measure	Resource/Capital	Barnett Consequential (£m)
Budget 2016	Making all schools academies by 2022	Resource DEL	3.470
	Northern Powerhouse	Resource DEL	0.535
	Mentoring for 25,000 disadvantaged students	Resource DEL	0.285
	Longer school day	Resource DEL	0.199
	Flood package: maintenace funding	Resource DEL	2.276
	Six year programme top-up	Capital DEL	0.228
	Royal College of Arts	Capital DEL	0.740
	S1 Artspace	Capital DEL	0.028
	Tour de Yorkshire	Resource DEL	0.028
	Cathedrals	Resource DEL	0.285
	Hull City of Culture	Resource DEL	0.142
	Devolution Deals - capital	Capital DEL	4.211
	Devolution Deals - resource	Resource DEL	2.333
	Sub Total Budget 2016		14.760
Autumn Statement 2016	Northern Power House: Investment Fund	Finacial Transactions Capital	0.170
	Midlands Engine: Investment Fund	Finacial Transactions Capital	0.967
	Rugby League World Cup 2021	Resource DEL	0.113
	World Road Cycling	Resource DEL	<u>0.271</u>
	Sub Total Autumn Statement 2016		1.521
TOTAL BARNETT CONSEQUENTIALS 2016-17			16.281
of which:			
Resource			9.937
Capital			5.207
Financial Transactions Capital			1.137

Section 6

2016-17 Control Totals for the Welsh Government including breakdown by main programme of AME spending

Resource and capital DEL for Welsh Government

The following adjustments have been made to the Control Totals for the Welsh Government since the 2016-17 Main Estimate:

DEL Changes	<u>£million</u>
Barnett Consequentials - Autumn Statement 2016	1.137
Barnett Consequentials - Autumn Statement 2016	0.384
Budget Exchange (Capital DEL)	6.156
Budget Exchange (Financial Transactions Capital)	3.760
Budget Exchange (RDEL Depreciation)	18.072
Budget Exchange (RDEL excl Depreciation)	113.335
Budget Transfer from BEIS: Energy Efficiency	2.709
Budget Transfer from HO: Immigration Health Surcharge	3.232
Cash Management Rebate	0.175
Reserve claim (BCs Pontormo Painting)	1.099
Reserve Claim: Use of LIBOR fines for Air Ambulance	1.000
Reserve Claim: Coastal Communities Fund	2.640
Reserve Claim: Fire pensions	0.350
Reserve Claim: Immigration Health Surcharge	1.146
Reserve Claim: Structural Funds in West Wales	3.807
Reserve Claim: Student Loans	150.000
Resource to Capital Switch	75.000
Resource to Capital Switch	<u>-75.000</u>
Total	309.002

The current control totals for the Welsh Government are set out in the table below:

£m nominal	2016-17 Main Estimate	Changes	2016-17 Supp Estimate
Resource DEL	13,689	219	13,908
<i>of which:</i>			
<i>RDEL excluding depreciation</i>	<i>13,100</i>	<i>51</i>	<i>13,151</i>
<i>depreciation ring fence in RDEL</i>	<i>458</i>	<i>18</i>	<i>476</i>
<i>student loans ring fence in RDEL</i>	<i>131</i>	<i>150</i>	<i>281</i>
Capital DEL (incl Financial Transactions Capital)	1,544	90	1,634
<i>of which:</i>			
<i>General CDEL</i>	<i>1,356</i>	<i>85</i>	<i>1,441</i>
<i>Financial Transactions</i>	<i>188</i>	<i>5</i>	<i>193</i>

Annually Managed Expenditure (AME)

The following changes have been agreed since the publication of the 2016-17 Main Estimates:-

Programme	2016-17 Main Estimate	Changes	2016-17 Supp Estimate
Non Domestic Rates	977	0	977
Student Loans	337	45	382
Public Sector Pensions	48	1	49
Depreciation & Impairments	102	-13	89
Provisions	70	330	400
TOTAL	1,534	362	1,897

Note

Totals may not sum due to rounding's

Section 7

Reconciliation of the SR 2015 settlement for Welsh Government and Control Totals

Changes to Welsh Government Control Totals for 2016-17 since 2015 Spending Review

	RDEL	Ring-fenced depreciation	Ring-fenced student loans	General Capital DEL	Finacia Transaction: Capita
	£m	£m	£m	£m	£m
SR 2015 settlement	13,026.089	457.969	131.271	1,343.615	187.551
Barnett Consequentials - Autumn Statement 2016	0.384				1.13
Barnett Consequentials - Budget 2016	9.554			5.206	
Barnett Consequentials of DCMS Reserve Claim				1.099	
Budget Exchange	113.335	18.072		6.156	3.761
Budget Transfer from BEIS: Energy Efficiency				2.709	
Budget Transfer from HO: Immigration Health Surcharge	8.978				
Budget Transfer from HO: Police funding	5.495				
Cash Management Rebate	0.175				
Reserve Claim: Use of LIBOR fines for Air Ambulance	1.000				
Reserve Claim: Cardiff City Deal	10.000				
Reserve Claim: Coastal Communities Fund	2.640				
Reserve Claim: Fire pensions	0.350				
Reserve Claim: Immigration Health Surcharge	1.146				
Reserve Claim: Structural Funds in West Wales	3.807				
Reserve Claim: Student Loans			150.000		
Reserve Claim: Tampon Tax	0.497				
Reversal of in-year savings (deduction made at 2015-16 SE)	42.549			7.394	
Switch of provision from Resource to Capital	-75.000			75.000	
Current Control Totals (Supplementary Estimate 2016-17)	13,150.999	476.041	281.271	1,441.179	192.451

Section 8

Spending in Wales by the Wales Office and Welsh Government, 2015-16 to 2019-20

Spending by Wales Office & Welsh Government 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
	outturn	plans	plans	plans	plans
	£'000	£'000	£'000	£'000	£'000
Wales Office Resource⁽³⁾					
Wales Office Administration Costs	3,892	4,542	4,430	4,580	4,670
Wales Office - other	54	180	130	70	70
Wales Office Resource⁽³⁾	3,946	4,722	4,560	4,650	4,740
Wales Office Capital					
Wales Office	45	30	30	30	30
Wales Office Resource + Capital DEL⁽³⁾	3,991	4,752	4,590	4,680	4,770
<i>less depreciation & impairments</i>	<i>-100</i>	<i>-120</i>	<i>-70</i>	<i>-70</i>	<i>-70</i>
Wales Office DEL⁽⁴⁾	3,891	4,632	4,520	4,610	4,700
Welsh Government					
Welsh Government Resource	13,328,115	13,908,311	13,923,092	14,018,295	14,134,203
Welsh Government Capital	1,542,599	1,633,632	1,591,541	1,674,869	1,784,450
Welsh Government DEL⁽³⁾	14,870,714	15,541,943	15,514,633	15,693,164	15,918,653
<i>less depreciation & impairments</i>	<i>-513,641</i>	<i>-757,312</i>	<i>-636,264</i>	<i>-662,945</i>	<i>-687,423</i>
Welsh Government DEL⁽⁴⁾	14,357,073	14,784,631	14,878,369	15,030,219	15,231,230

Notes

(1) Totals may not sum due to roundings.

(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 and impairments.

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