

David T.C. Davies MP
Chair, Welsh Affairs Select Committee
Welsh Affairs Committee
House of Commons
LONDON
SW1A 0AA

24 April 2017

Dear David,

Supplementary Estimates and Budget 2017

Thank you for your letter of 6 April setting out specific queries on the Departments 2016-17 Supplementary Estimate and Budget 2017. My department has provided responses to the committee's queries below:-

Supplementary Estimates 2016-17

The data included in the Estimates Memoranda are supplied by HM Treasury who work closely with colleagues in the Welsh Government to ensure that accurate information is provided to Parliament. At the Spring Supplementary, incorrect data was supplied to the Wales Office and this was subsequently corrected.

The incorrect data had an impact on tables contained in Sections 4 and 6 of the 2016-17 Supplementary Estimates Memorandum. The corrected tables are reproduced in Annex A.

In section 4, the corrected data appears in the lines labelled "Expenditure Classified as AME" and "AME Non-cash". As the data in both of these lines offset one another, there was no material impact on the amount of cash granted to the Welsh Consolidated Fund.

In Section 6, the corrected data has a material effect on the final table of this section which shows the changes for spending classed as Annually Managed Expenditure. The preceding two tables in this Section of the Memorandum are unaffected.

The changes recorded against AME programmes arise from revised forecasts made as part of the 2016 Autumn Statement process where the opening forecast for the year (made at 2016 Spring Budget) is updated to reflect updated spending patterns.

The significant changes in the Welsh Government's AME budget fall in three areas –

- Student Loans (+£45 million) – This results from an increased take up of student loans in Wales.
- Depreciation and Impairments (-£13 million) – The decrease has arisen from a reduced forecast for write-offs, principally by the NHS in Wales
- Provisions increase of £130 million: This increase comprises:-
 - a £35m increase in respect of the provision for blood contaminated products; and
 - a £95m increase in respect of the Welsh Risk Pool (WRP). £60m of this increase relates to an estimation of the effect on the liabilities in the WRP due to a change in the discount rate for Personal Injury Damages.

Transfer of £75 million from resource to capital

A transfer of £75m was requested by the Welsh Government from resource DEL to capital DEL in line with agreed budgetary procedures across Government (including the devolved administrations). Welsh Government officials inform us the resource DEL was transferred from their unallocated reserves therefore no projects were adversely affected by this transfer.

Immigration Health Surcharge

The Immigration Health Surcharge was introduced by the Home Office on 6th April 2015. Non-EEA residents coming to the UK for more than six months have to pay money towards the National Health Service (healthcare in the UK). The health surcharge is £150 per year for students and £200 per year for all other visa and immigration applicants. The charge also applies to each dependant and is levied at the same rate as for the primary applicant.

The Surcharge is collected by the Home Office and, after deducting a small amount for collection costs, is transferred to the Department of Health and the three devolved administrations. The amounts available for transfer to each body are calculated using the prevailing population percentages underlying the Barnett Formula. The amounts received by the devolved administrations are added to the respective block grants and, in line with normal practice, each devolved

administrations allocate the additional provision received from the Surcharge in accordance with local needs and priorities.

Barnett Consequentials from 2016 Budget and Autumn Statement

The Barnett Formula is applied in the normal way to all changes to public expenditure announced at fiscal events such as the 2016 Budget and Autumn Statement in the same way that the Formula is applied to all changes in spending in spending reviews. The full workings of the Formula are set out in HM Treasury's Statement of Funding Policy.

At fiscal events, it is possible to apply the Barnett Formula at a programme level, rather than at a departmental level in spending reviews, since the allocations are made to specific programmes of UK Government Departments.

The Committee asks whether the devolved administrations receive Barnett Consequentials for all additional funding given to English Regions and Cities. This depends on whether the funding in question relates to a policy area which is devolved to any of the devolved nations. For example, additional funding for English regions and cities relating to housing and most aspects of culture and economic regeneration would attract Barnett Consequentials for all three devolved administrations. Other funding spent in English regions and cities may attract Barnett Consequentials for some, but not all, of the devolved administrations, depending on the specifics of the devolution settlements for Wales, Scotland and Northern Ireland.

Budget Statement 2017 and Barnett Consequentials

We will engage with HM Treasury and work with the Welsh Government further on this and will update the committee in due course.

I hope that this additional information is helpful but please do not hesitate to contact me or my office if you require anything further.



Rt Hon Alun Cairns MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

Annex A

Revised table for Section 4 of 2016-17 Supplementary Estimates Memorandum

	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	161,831	718,911
Non Domestic Rates (AME)	977,000	0	977,000
Total Managed Expenditure	16,767,021	470,833	17,237,854
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	168,072 129,857	757,312 240,260
TOTAL NON VOTED TME	794,521	297,929	1,092,450
TOTAL VOTED TME	15,972,500	172,904	16,145,404
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

Revised table for Section 6 of 2016-17 Supplementary Estimates Memorandum

Programme	Main Estimate £M	Changes £M	Supplementary Estimate £M
Non Domestic Rates	977	0	977
Student Loans	337	45	382
Public Sector Pensions	48	1	49
Depreciation & Impairments	102	-13	89
Provisions	70	130	200
TOTAL	1,534	162	1,696