

## **Wales Office**

### **2016-17 Main Estimates Memorandum**

#### **Introduction**

The Wales Office Main Estimate for 2016-17 seeks the necessary resources and cash to support the functions of the Wales Office. These are continuing functions from previous years and no new functions have been added since the 2015-16 Supplementary Estimate.

The main purpose of this Memorandum is to provide the Welsh Affairs Committee with an overview of the Wales Office 2016-17 Main Estimate, which starts the supply procedure. This memorandum has been agreed with HM Treasury.

The Estimate seeks approval to a net resource requirement of £13,860,393,000 and a net cash requirement of £13,860,342,000 and For 2016-17 the Wales Office Departmental Expenditure (DEL) limit, net of depreciation and impairments, will be £4,410,000.

The Memorandum is split into sections covering:

- (1) summary of Wales Office plans for 2016-17;
- (2) overview of the Office's Administration Costs;
- (3) overview of DEL and AME totals;
- (4) details of the cash grant paid to the Welsh Consolidated Fund;
- (5) details of Barnett consequential for 2016-17;
- (6) Control Totals for the Welsh Government, including breakdown by main programme of AME spending;
- (7) Changes to Welsh Government Control Totals since 2015 Spending Review; and
- (8) spending by Wales Office and Welsh Government 2011-12 to 2019-20

## **Section 1**

### **Summary of Wales Office plans for 2016-17**

Provision for 2016-17 was determined in the 2015 spending round (SR 2015). The SR 2015 settlement maintains the Wales Office allocations from 2016-17 to 2019-20 at the same level as its 2015-16 budget (£4.34m) in real terms (i.e. the budget will rise each year with inflation). This settlement is line with the other Territorial Offices.

The Wales Office is expected to meet from within this settlement the costs of an average pay award of 1% for the next four years and any increase in the Department's running costs. The department will therefore need to continue to be prudent in its financial management and its financial position will continue to be monitored by senior directors and reviewed at Departmental Board meetings.

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

## **Section 2**

### **Overview of the 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 from 2011-12 to 2016. This is in respect of a pension liability, transferred from Ministry of Justice (MOJ), for an early release scheme in 2009-10.

**Section 3:****Overview of Wales Office DEL [and AME] totals for 2016-17****Resource and Capital DEL**

<b>£'000 nominal</b>	<b>2016-17</b>
<b>Resource DEL (RDEL)</b>	<b>4.480</b>
<i>o/w RDEL excluding depreciation</i>	<i>4.410</i>
<i>o/w depreciation ring fence in RDEL</i>	<i>0.070</i>
<b>Administration Budget*</b>	<b>4.350</b>
<i>o/w non-ringfenced RDEL administration budget</i>	<i>4.350</i>
<i>**o/w depreciation ringfence administration budget</i>	<i>0.070</i>
<b>Capital DEL</b>	<b>0.030</b>

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

\*\* Depreciation will be classified as ringfence programme budget from 2016-17.

**Annually Managed Expenditure (AME)**

In addition, the Supply Estimate (Section II) contains £-20,000 of AME for the Wales Office. This is in respect of utilisation of a pension commitment for an early retirement which was created in 2009 and remains until 2016.

**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 Section II of the Wales Office Estimate. The table below reconciles the spending aggregates of the Welsh Government with the cash grant payable to the Welsh Consolidated Fund.

**Calculation of Cash Grant Payable to Welsh Consolidated Fund 2016-17**

	<b>2016-17</b>
	<b>£'000</b>
<b>Expenditure Classified as DEL</b>	15,232,941
<b>Expenditure Classified as AME</b>	557,080
<b>Non Domestic Rates</b>	977,000
<b>Total Managed Expenditure</b>	<b>16,767,021</b>
<b>Less:</b>	
Non Voted expenditure:	
LA Credit Approvals	88,800
Other Non-Voted	6,078
Resource Ringfenced Non Cash	589,240
AME Non-cash	110,403
<b>TOTAL NON VOTED TME</b>	<b>794,521</b>
<b>TOTAL VOTED TME</b>	15,972,500
<b>Less Voted receipts</b>	
Contributions from the National Insurance Fund	1,140,187
NDR Receipts	977,000
<b>Timing Adjustments</b>	
Increase / Decrease in Debtors & Creditors	620
<b>TOTAL CASH GRANT PAYABLE TO THE WELSH CONSOLIDATED FUNI</b>	<b>13,855,933</b>

Note

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

## 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 round in 2015.

#### Barnett Consequentials for 2016-17 since 2015 Spending Review

Fiscal Event	UK Government Measure	Resource/Capital	Barnet Consequential (£m)
<b>Budget 2016</b>	Making all schools academies by 2022	Resource DEL	3.471
	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	<u>2.333</u>
	<b>Totals</b>	<b>Resource DEL</b>	
<b>Capital DEL</b>			<b>5.207</b>
<b>All DEL</b>			<b>14.761</b>

## Section 6

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

Resource and capital DEL for Welsh Government

<b>£m nominal</b>	<b>2016-17</b>
RDEL	<b>13,689</b>
<i>of which:</i>	
<i>RDEL excluding depreciation</i>	<i>13,100</i>
<i>depreciation ring fence in RDEL</i>	<i>458</i>
<i>student loans ring fence in RDEL</i>	<i>131</i>
CDEL	<b>1,544</b>

In addition the Welsh Government are forecasting Annually Managed Expenditure of £1.534 million in the following areas:-

<b>Programme</b>	<b>2016-17 £,000</b>
Non Domestic Rates	977
Student Loans	337
Public Sector Pensions	15
Depreciation & Impairments	102
Provisions	70
Other	33
<b>TOTAL</b>	<b>1,534</b>

## Section 7

## Changes to Welsh Government Control Totals since 2015 Spending Review

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

	Resource DEL £m	Depreciation & impairments ring-fence £m	Student loans ring-fence £m	General Capital DEL £m	Financial Transactions Capital £m
2015 Spending Review settlement	13,026.089	457.969	131.271	1,343.615	187.556
Barnett Consequentials: Budget 2016	9.554			5.206	
Budget 2016: Cardiff City Deal	10.000				
Budget 2016: Tampon Tax	0.497				
Budget Transfer from HO: Police funding	5.495				
Add back in-year savings (deduction effected at 2015-16 Supplementary)	42.549			7.394	
Reclassification of Non Domestic Rates from DEL to AME					
Budget transfer from HO: Health migrant levy	5.746				
DEL Addition: Business Rates Barnett consequentials from Autumn Statement 2013					
<b>Current Control Totals (Main Estimate 2016-17)</b>	<b>13,099.930</b>	<b>457.969</b>	<b>131.271</b>	<b>1,356.215</b>	<b>187.556</b>



## Section 8

## Spending by Wales Office &amp; Welsh Government 2011-12 to 2019-20

	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 outturn £'000	2014-15 outturn £'000	2015-16 plans £'000	2016-17 plans £'000	2017-18 plans £'000	2018-19 plans £'000	2019-20 plans £'000
<b>Wales Office Expenditure<sup>(1)</sup></b>									
Resource expenditure within Administration Costs	5,099	5,501	4,406	4,280	4,322	4,350	4,430	4,520	4,610
Other resource expenditure	34	57	43	43	60	130	130	130	130
<b>Total Resource Expenditure<sup>(2)</sup></b>	<b>5,133</b>	<b>5,558</b>	<b>4,449</b>	<b>4,323</b>	<b>4,382</b>	<b>4,480</b>	<b>4,560</b>	<b>4,650</b>	<b>4,740</b>
Wales Office Capital	185	319	564	117	50	30	30	30	30
<b>Total Resource + Capital</b>	<b>5,318</b>	<b>5,877</b>	<b>5,013</b>	<b>4,440</b>	<b>4,432</b>	<b>4,510</b>	<b>4,590</b>	<b>4,680</b>	<b>4,770</b>
less depreciation & impairments	-70	-72	-71	-131	-120	-70	-70	-70	-70
<b>Wales Office DEL<sup>(3) (4)</sup></b>	<b>5,248</b>	<b>5,805</b>	<b>4,942</b>	<b>4,309</b>	<b>4,312</b>	<b>4,440</b>	<b>4,520</b>	<b>4,610</b>	<b>4,700</b>
<b>Welsh Government Expenditure (The Welsh Block)</b>									
Resource	13,659,943	13,653,771	14,466,418	14,202,351	13,567,904	13,689,170	13,913,426	14,013,724	14,132,896
Capital	1,385,694	1,361,724	1,324,687	1,500,097	1,552,515	1,543,771	1,523,952	1,572,318	1,656,696
<b>Total Resource + Capital</b>	<b>15,045,637</b>	<b>15,015,495</b>	<b>15,791,105</b>	<b>15,702,448</b>	<b>15,120,419</b>	<b>15,232,941</b>	<b>15,437,378</b>	<b>15,586,042</b>	<b>15,789,592</b>
less depreciation & impairments	-427,664	-406,226	-757,100	-448,732	-640,095	-589,240	-636,264	-662,945	-687,423
<b>Welsh Government DEL<sup>(3) (4)</sup></b>	<b>14,617,973</b>	<b>14,609,269</b>	<b>15,034,005</b>	<b>15,253,716</b>	<b>14,480,324</b>	<b>14,643,701</b>	<b>14,801,114</b>	<b>14,923,097</b>	<b>15,102,169</b>

## Notes

Totals may not sum due to roundings.

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

(2) Including depreciation & impairments.

(3) Resource + capital - depreciation & impairments.

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

From the 2015 Spending Review, Wales Office expenditure no longer forms part of the Welsh Block.