

Wales Office 2017-18 Main Estimates Memorandum

Introduction

The Wales Office Main Estimate for 2017-18 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 2016-17 Supplementary Estimate.

The main purpose of this Memorandum is to provide the Welsh Affairs Committee (WAC) with an overview of the Wales Office 2017-18 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 **£14,322,509,000** and a net cash requirement of **£14,322,399,000** and for 2017-18 the Wales Office Departmental Expenditure (DEL) limit, net of depreciation and impairments, will be **£4,450,000**.

The Memorandum is split into sections covering:

- (1) Summary of the Wales Office plans for 2017-18;
- (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 Barnett consequentials for 2017-18;
- (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 2017-18;
- (8) Details of the Welsh Block 2015-16 to 2019-20.

This memorandum has been agreed with HM Treasury.

Section 1

Summary of Wales Office Plans for 2017-18

Spending plans for 2017-18 were set in the 2015 Spending Review. From the baseline set in the 2015 Spending Review, there will be an overall real terms increase of 2 per cent in the Wales Office's administration budget over the baseline. This is in line with 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. **Stronger Economy and Global Britain: support a strong outward looking Welsh economy.** - The Wales Office will seek to play a key role in securing infrastructure investment and high levels of exports and foreign direct investment;
- II. **EU exit: ensure Wales's interests are fully represented as we exit the EU.** - This will include implementing an effective stakeholder engagement strategy on EU exit and ensuring that the Great Repeal Bill delivers for Wales and the UK;
- III. **United Nation: deliver a clearer and sustainable devolution settlement.** – We will implement the Wales Act 2017 and support Welsh cultural interests.

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 Lieutenantcy) 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

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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.

The Wales Office is a small department with around 44 staff. The Office faces resourcing pressures in 2017-18 as a consequence of preparing for EU Exit and the Great Repeal Bill and implementing the Wales Act 2017. The Office is currently restructuring its teams to meet these challenges.

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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.

Section 3

Overview of Wales Office DEL and AME totals for 2017-18

Resource and Capital DEL

£'000 nominal	2017-18
Resource DEL (RDEL)	4.560
<i>o/w RDEL excluding depreciation</i>	<i>4.450</i>
<i>o/w depreciation ring fence in RDEL</i>	<i>0.110</i>
Administration Budget*	4.390
<i>o/w non-ringfenced RDEL administration budget</i>	<i>4.390</i>
<i>o/w depreciation ringfence administration budget</i>	<i>0.000</i>
Capital DEL	0.030

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

The following adjustments have been made to the Control Totals for the Wales Office since the 2015 Spending Review settlement:

2016-17

- **£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.

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- **£40,000** – Budget switch from Administration to Programme to reflect increase in ringfenced depreciation to reflect an increase in our asset base;
- **£-40,000** – 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.

Annually Managed Expenditure (AME)

- The Wales Office has no AME in 2017-18.

Section 4

Cash grant payable to the Welsh Consolidated Fund Section

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. 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 2017-18

	2017-18
	£'000
Expenditure Classified as DEL	15,605,433
Expenditure Classified as AME	754,198
Expenditure Financed by Capital Borrowing	20,000
Non Domestic Rates	1,059,000
Total Managed Expenditure	17,438,631
Less:	
Non Voted expenditure:	
LA Credit Approvals	88,800
Other Non-Voted	6,078
Wales Act 2014 Transactions:	
Capital Borrowing	20,000
Resource Ringfenced Non Cash	636,264
AME Non-cash	204,937
TOTAL NON VOTED TME	956,079
TOTAL VOTED TME	16,482,552
Less: Voted receipts	
Contributions from the National Insurance Fund	1,163,325
NDR Receipts	1,001,278
Add: Timing Adjustments	
Increase / Decrease in Debtors & Creditors	0
Use of Provisions	0
Cash Grant payable to Welsh Consolidated Fund by Wales Office	14,317,949

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 2017-18 received by the Welsh Government since the announcement of the 2015 Spending Review.

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Barnett Consequentials Barnett Consequentials for 2017-18 since 2015 Spending Review

Fiscal Event	UK Government Measure	Resource/Capital	Barnet Consequential (£m)	
Budget 2016	Business Rates - Permanently double SBRR from 2017-18	Resource	35.619	
	Business Rates - Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	39.887	
	Business Rate - Increasing the standard multiplier threshold from 2017-18	Resource	5.861	
	Making all schools academies by 2022	Resource	9.673	
	National Funding Formula	Resource	2.845	
	Northern Powerhouse	Resource	1.144	
	Mentoring for 25,000 disadvantaged students	Resource	0.171	
	Longer school day	Resource	3.841	
	Expanding breakfast clubs	Resource	0.341	
	Doubling the primary school sports premium	Resource	5.292	
	Flood package: maintenace funding	Resource	2.276	
	Partnership Support Fund	Capital	0.285	
	Six year programme top-up	Capital	0.683	
	Royal College of Arts	Capital	0.626	
	Drapers Hall - Coventry	Capital	0.057	
	Hall for Cornwall	Capital	0.114	
	S1 Artspace	Capital	0.028	
	Shakespeare North	Capital	0.228	
	Cathedrals	Resource	0.285	
	Hull City of Culture	Resource	0.142	
	Devolution Deals - resource	Resource	2.333	
	Sub-Total			111.729
	Autumn Statement 2016	Business Rates - Rural Rate Relief	Resource	0.340
		Business Rates - Fibre relief	Resource	0.170
Northern Power House: Investment Fund		Capital - Financial T	0.226	
Midlands Engine: Investment Fund		Capital - Financial T	0.967	
Mayfield Review of Management		Resource	0.283	
Wentworth Woodhouse		Resource	0.067	
Creative Media Centre Plymouth		Capital	0.057	
Studio 144 Southampton		Capital	0.091	
Royal Society of Arts School Pilots		Resource	0.025	
Rugby League World Cup 2021		Capital	0.057	
Rugby League World Cup 2021		Resource	0.113	
World Road Cycling		Capital	0.028	
World Road Cycling		Resource	0.065	
Right to Buy - extended pilot		Resource	8.490	
Midlands Rail Hub		Resource	0.113	
Invest in University Tech Transfers		Capital	1.415	
Grammar Schools		Capital	2.830	
Strategic roads – pinchpoints		Capital	5.377	
Local roads and local transport		Capital	11.886	
Smart ticketing		Capital	1.415	
Development funding for Oxford-Cambridge + M25		Capital	0.283	
Accelerated build-out (Conference)		Capital	13.584	
Affordable housing grants		Capital	25.753	
"Help-to-Build", including "Roads for Homes"		Capital	2.830	
QR funding	Capital	1.191		
Sub-Total			77.656	
Spring Budget 2017	Business Rates - Mitigating Impact of SBRR	Resource	1.019	
	Business Rates - Discretionary Relief Fund	Resource	9.905	
	Business Rates - Pubs	Resource	1.302	
	LAs delivering Business Rates Reforms	Resource	0.238	
	Free Schools	Resource	0.906	
	Social Care	Resource	57.188	
	Health Capital A & E	Capital	5.660	
	Social Transformation Programme Funding	Capital	6.195	
	Work Coaches	Resource	0.311	
	Midlands Skills Challenge (English Language Training)	Resource	0.057	
	Returnships	Resource	0.119	
	Suffragette Centenary	Resource	0.294	
	Sub-Total			83.194
Totals	Resource DEL		90.558	
	Capital DEL		83.858	
	Capital - Financial Transactions		1.193	
	All DEL		175.609	

Note

Totals may not sum due to roundings

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Section 6

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

Resource and Capital DEL for Welsh Government

£m nominal	2017-18
RDEL	14,002
<i>of which:</i>	
<i>RDEL excluding depreciation</i>	13,365
<i>depreciation ring fence in RDEL</i>	491
<i>student loans ring fence in RDEL</i>	146
CDEL	1,604
<i>of which:</i>	
General CDEL	1,438
<i>Ring-fenced Financial Transactions</i>	166

In addition the Welsh Government are forecasting Annually Managed Expenditure of £1.813 million in the following areas

Programme	2017-18
<i>Non Domestic Rates</i>	1,059
<i>Student Loans</i>	408
<i>Public Sector Pensions</i>	4
<i>Depreciation & Impairments</i>	170
NHS impairments	172
TOTAL	1,813

Note

Totals may not sum due to rounding's

Section 7

Reconciliation of the 2015 Spending Review settlement for Welsh Government and current Control Totals

Changes to Welsh Government Control Totals for 2017-18 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	13,147.343	490.695	145.569	1,357.395	164.537
Barnett Consequentials: Budget 2016	109.709			2.020	
Barnett Consequentials: Autumn Statement 2016	9.666			66.796	1.193
Barnett Consequentials: Spring Budget 2017	71.338			11.855	
Budget Transfer from DCMS: Lloyd George Museum	0.027				
Budget 2016: Cardiff City Deal	10.000				
Budget Transfer from HO: Health migrant levy	7.180				
Budget Transfer from HO: Police funding	10.110				
Current Control Totals (Main Estimate 2017-18)	13,365.373	490.695	145.569	1,438.066	165.730

Section 8

Reconciliation of the 2015 Spending Review settlement for Welsh Government and current Control Totals

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⁽²⁾					
Wales Office Administration Costs	3,892	4,542	4,390	4,480	4,570
Wales Office - other	54	180	170	170	170
Wales Office Resource⁽²⁾	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>-110</i>	<i>-110</i>	<i>-110</i>
Wales Office DEL⁽⁴⁾	3,891	4,632	4,480	4,570	4,660
Welsh Government					
Welsh Government Resource	13,328,115	13,908,311	14,001,637	14,066,935	14,163,311
Welsh Government Capital	1,542,599	1,633,632	1,603,796	1,687,573	1,798,230
Welsh Government DEL⁽³⁾	14,870,714	15,541,943	15,605,433	15,754,508	15,961,541
<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	14,969,169	15,091,563	15,274,118

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 & impairments.

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