

## **Wales Office 2015-16 Supplementary Estimates Memorandum**

### **Introduction**

The Wales Office Supplementary Estimate for 2015-16 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 2015-16 Main Estimate.

The main purpose of this Memorandum is to provide the Welsh Affairs Committee (WAC) with an overview of the Wales Office 2015-16 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 **£13,760,906,000** and a net cash requirement of **£13,760,826,000**. The Wales Office Departmental Expenditure (DEL) limit, net of depreciation, non cash and impairments, will decrease from **£4,362,000** to **£4,282,000**.

The Memorandum is split into sections covering:

- (1) Summary of the Wales Office plans for 2015-16;
- (2) An overview of the Office's Administration Costs;
- (3) An overview of DEL and AME totals;
- (4) Details of the grant paid to the Welsh Consolidated Fund;
- (5) Details of Barnett consequentials for 2015-16;
- (6) Control Totals for the Welsh Government including breakdown by main programme of AME spending;
- (7) Reconciliation of the SR 2010 settlement for Welsh Government and Control Totals for 2015-16; and
- (8) Details of the Welsh Block 2011-12 to 2015-16.

This memorandum has been agreed with HM Treasury.

## **Section 1**

### **Summary of Wales Office Plans for 2015-16**

Spending plans for 2015-16 were set in the 2013 spending round. From the baseline set in the 2013 spending review, the Wales Office agreed an overall real terms reduction of 10 per cent over the baseline. This is in line with the targets set for the other Territorial Offices.

To help meet this reduction the Wales Office reviewed its staffing levels and restructured the teams across the Office. Staff costs represent around 60% of Departmental spend and reductions have been achieved in this area through natural wastage, and running a voluntary early departure scheme in 2014-15.

The Department also identified a number of potential efficiency savings; for example spend on travel and subsistence decreased from 2012-13 to 2014-15 by £164,000. The Department also 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.

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.

Following the St David's Day Agreement on the future of Welsh devolution, the Department published a draft Wales Bill in October 2015 and is preparing the Bill for its parliamentary introduction.

## **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 from 2011-12 to 2015-16. 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 2015-16

#### Departmental Expenditure Limit (DEL)

The following adjustments have been made to the Control Totals for the Wales Office since the 2015-16 Main Estimate:-

**-£25,000** – reduction in the Wales Office DEL budget, making a budget switch from Resource DEL to Capital DEL to cover capital works.

**£50,000** – increase in ringfenced depreciation, due to an increase in our asset base.

**£30,000** – increase in other notional costs to cover annual audit fees.

**£-80,000** – Reduction in cash, making a budget switch from cash to non cash to reflect increase in non cash items (depreciation and audit fees).

**£25,000** – increase in Capital DEL, making a budget switch from Resource DEL to Capital DEL to cover capital works.

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
<b>Resource DEL (RDEL)</b>	<b>4.407</b>	<b>-0.025</b>	<b>4.382</b>
<i>o/w RDEL excluding depreciation and non cash</i>	4.337	-0.105	4.232
<i>o/w depreciation ring fence in RDEL</i>	0.070	0.050	0.120
<i>o/w non cash items in RDEL</i>	0	0.030	0.030
<b>Administration Budget*</b>	<b>4.347</b>	<b>-0.025</b>	<b>4.322</b>
<i>o/w non-ringfenced RDEL administration budget</i>	4.277	-0.105	4.172
<i>o/w depreciation ringfence administration budget</i>	0.070	0.050	0.120
<i>o/w non cash items in RDEL</i>	0	0.030	0.030
<b>Capital DEL</b>	<b>0.025</b>	<b>0.025</b>	<b>0.050</b>

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

**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 Part II of the Wales Office Estimate. Since the Main Estimate, provision has increased/decreased by £72,652,000. 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 2015-16

	Main Estimate £'000	Changes £'000	Supplementary Estimate £'000
<b>Expenditure Classified as DEL</b>	15,040,606	79,813	15,120,419
<b>Expenditure Classified as AME</b>	647,476	-346,052	301,424
<b>Non Domestic Rates</b>	956,000	0	956,000
<b>Total Managed Expenditure</b>	<b>16,644,082</b>	<b>-266,239</b>	<b>16,377,843</b>
<b>Less:</b>			
Non Voted expenditure:			
LA Credit Approvals	88,800	0	88,800
Other Non-Voted	6,078	0	6,078
Resource Ringfenced Non Cash	626,499	13,596	640,095
AME Non-cash	201,635	-339,067	-137,432
<b>TOTAL NON VOTED TME</b>	<b>923,012</b>	<b>-325,471</b>	<b>597,541</b>
<b>TOTAL VOTED TME</b>	<b>15,721,070</b>	<b>59,232</b>	<b>15,780,302</b>
<b>Less Voted receipts</b>			
Contributions from the National Insurance Fund	-1,081,564	-21,580	-1,103,144
NDR Receipts	-956,000	0	-956,000
<b>Timing Adjustments</b>			
Increase / Decrease in Debtors & Creditors	120	35,000	35,120
Use of Provisions	266	0	266
<b>TOTAL GRANT TO WELSH CONSOLIDATED FUND</b>	<b>13,683,892</b>	<b>72,652</b>	<b>13,756,544</b>

The following significant adjustments have been made to the cash grant to the Welsh Consolidated Fund since the 2015-16 Main Estimate:-

**£66,000,000** – Increase in DEL (RDEL excluding depreciation + Capital DEL + Financial Transactions).

**-£5,000,000** – decrease in cash spending in AME.

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**£35,000,000** – Movement in Creditors/Debtors.

**-£22,000,000** – Increased income (principally from the National Insurance Fund and fines).

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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 2015-16 received by the Welsh Government since the announcement of the 2013 spending round in June 2013. Additional Barnett consequentials for 2015-16 announced since the publication of the 2015-16 Main Estimate are shown at the foot of the table.



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Barnett Consequentials from Fiscal Events for 2015-16 since 2013 Spending Review

Fiscal Event	UK Government Measure	Resource/Capital	Barnet Consequential (£m)	
<b>Autumn Statement 2013</b>	Free School Meals	Resource	36.513	
	Business Rates £1000 discount for 2 years (Retail)	Resource	22.885	
	Business Rates cap at 2% for 1 year	Resource	14.145	
	Business Rates: Reoccupation Relief (50% for reta	Resource	0.575	
	Relax single property criteria for SBRR	Resource	0.173	
	Increasing HE student numbers by 30k in 14/15	Resource	14.088	
	FE apprenticeships	Resource	1.725	
	FE apprenticeships (STEM)	Resource	2.013	
	Right to Buy	Capital	2.415	
	Rail fares RPI + 0	Resource	1.725	
	Affordable Rent to Buy	Financial Transactions Capite	14.490	
	Builders Finance Fund	Financial Transactions Capite	11.845	
	Housing: Infrastructure to unlock housing on large s	Financial Transactions Capite	12.305	
	RDEL Reduction	Resource	-19.748	
	Sub total		115.149	
	<b>Budget 2014</b>	Apprenticeship Grants for Employers	Resource	4.888
		Postgrad Apprenticeships	Resource	0.575
		Early Years Pupil Premium	Resource	2.875
		Flooding - Extra maintenance funding	Resource	2.013
		Flooding - Extra capital funding for maintenance	Capital	1.438
		Enterprise Zone Business Rates Discount	Resource	0.058
Development Benefits		Resource	0.144	
Cathedral Repairs		Capital	0.575	
Cambridge City Deal		Resource	1.150	
Estate Regeneration		Financial Transactions Capite	1.150	
Custom Build		Financial Transactions Capite	0.575	
Sub total			15.441	
<b>Autumn Statement 2014</b>		Business Rates: Doubling of SBRR for 2015-16	Resource	23.967
		Business Rates: 2% Cap for 1 year	Resource	5.892
	Business Rates: Additional £500 retail discount	Resource	6.349	
	Business Rates: Transitional Relief	Resource	0.572	
	Mental health - eating disorders	Resource	1.716	
	Mental health - adult community learning	Resource	0.286	
	Mental health - dementia	Resource	0.172	
	NHS frontline - additional funding	Resource	67.210	
	NHS frontline - additional funding	Capital	4.290	
	Education: Early intervention pilot	Resource	0.172	
	Education: Academies	Resource	0.572	
	Education: Careers	Resource	1.144	
	Manchester International (Lyric Theatre)	Capital	0.320	
	Manchester Museum of Science & Industry	Capital	0.029	
	WW1 cultural activities	Resource	0.086	
	Football Facilities	Capital	0.458	
	Football Facilities	Resource	0.114	
	Housing Zones	Financial Transactions Capite	2.288	
	Rail fares	Resource	4.462	
	Shale - Support for Planning	Resource	0.069	
	Shale - Regulators & Public Engagement	Resource	0.063	
	Off Grid Gas Fund	Capital	1.430	
	Kew Gardens	Resource	0.132	
	Coastal Paths	Resource	0.286	
	Sub total		122.079	
	<b>Budget 2015</b>	Health North	Resource	0.286
		Advanced Wellbeing Research Centre	Capital	0.286
		Defibrillators	Resource	0.057
		Mental Health: CAMHS - Increase access by 110,00	Resource	2.688
		Mental Health: CAMHS - Childrens' talking therapies	Resource	1.830
		Mental Health: Perinatal mental health services	Resource	0.858
		Mental Health: Non-recurrent funding for CAMHS	Resource	8.923
		Mental Health: Co-location of IAPT in Jobcentres	Resource	0.025
Mental Health: Early access to online CBT		Resource	0.193	
Mental Health: Veterans - supported accommodatio		Resource	0.097	
Universal Infant Free school meals		Resource	0.572	
Universal Infant Free school meals		Capital	0.572	
Tech Nation - entrepreneur hubs		Resource	0.629	
Free wifi in libraries		Resource	0.423	
Tour de Yorkshire - marketing		Resource	0.017	
Yorkshire Festival		Resource	0.029	
Closed Road Circuits		Capital	0.017	
Welcome to Yorkshire - marketing		Resource	0.029	
Turner Prize - Hull		Resource	0.029	
Turner Prize - Hull		Capital	0.057	
Muni Theatre - Colne		Resource	0.003	
Waste Crime		Resource	0.240	
Northstowe		Resource	0.172	
Croydon Growth Zone		Resource	0.080	
London Land Commission		Resource	0.057	
Norway to Newcastle ferry - marketing		Resource	0.017	
Business Rates Discount in EZs		Resource	0.011	
Sub total			18.197	
<b>Summer Budget 2015</b>		Adoption Reform	Resource	0.854
		Local Authority Land & Property Deals	Resource	0.341
		Midlands Connect	Resource	0.171
		Transport for the North	Resource	0.569
		Common Technology Services	Resource	0.569
	Enabling Strategy	Resource	1.024	
	Commercial Property Model	Resource	0.569	
	Grants Efficiency Programmes	Resource	0.114	
	Ludlow Museum (funded by LIBOR fines)	Resource	0.003	
	Sub total		4.214	
<b>Total Barnett Consequentials for 2015-16</b>			<b>275.080</b>	
<b>of which:</b>				
<b>Resource</b>			<b>220.540</b>	
<b>Capital</b>			<b>11.887</b>	
<b>Financial Transactions Capital</b>			<b>42.653</b>	

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## Section 6

### 2015-16 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 2015-16 Main Estimate:

<b>DEL Changes</b>	<b><u>£million</u></b>
Barnett Consequentials: Council Tax freeze grants	8.776
Barnett Consequentials: Summer Budget 2015	4.213
Barnett Consequentials: Support for Charities	0.005
Barnett Consequentials: Support to LA's & Farmers-Storm Desmond	2.276
Barnett Consequentials: Support to LA's & Farmers-Storm Eva	8.421
Budget Exchange (Rdel excl depreciation)	69.346
Budget Transfer from HO: Migrant Health Levy	0.804
Budget Transfer to BIS: Invest in People Delivery	-0.464
Cash Management Rebate	0.152
DEL Reduction: In years savings exercise	-42.549
Resource to Capital transfer	-30.000
Reserve Claim: Coastal Communities Fund	2.293
Reserve Claim: LIBOR fines – Air Ambulance	1.750
Reserve Claim: Structural Funds in West Wales	3.807
Budget Exchange (Rdel depreciation)	13.596
Budget Exchange (Capital DEL)	1.404
Budget Exchange (Financial Transactions Capital)	1.884
Budget Transfer from DCMS: Broadband	10.037
Budget Transfer from DECC: Energy Efficiency	1.456
DEL Reduction: In years savings exercise	-7.394
Resource to Capital transfer	30.000
<b>Total</b>	<b>79.813</b>

<b>£m Nominal</b>	<b>2015-16 Main Estimate</b>	<b>Changes</b>	<b>2015-16 Supp Estimate</b>
<b>Resource DEL</b>	<b>13,526</b>	<b>43</b>	<b>13,569</b>
<i>of which:</i>			
<i>RDEL excluding depreciation</i>	<i>12,899</i>	<i>29</i>	<i>12,928</i>
<i>depreciation ring fence in RDEL</i>	<i>437</i>	<i>14</i>	<i>451</i>
<i>student loans ring fence in RDEL</i>	<i>190</i>	<i>0</i>	<i>190</i>
<b>Capital DEL (incl financial transactions)</b>	<b>1,515</b>	<b>37</b>	<b>1,552</b>

**Annually Managed Expenditure (AME)**

The following changes have been agreed since the publication of the 2015-16 Main Estimates:-

<b>Programme</b>	<b>2015-16 Main Estimate</b>	<b>Changes</b>	<b>2015-16 Supp Estimate</b>
Non Domestic Rates	956	0	956
Student Loans	333	-236	97
Public Sector Pensions	13	-1	12
Depreciation & Impairments	73	0	73
NHS impairments	95	-89	6
Provisions	102	-15	87
Other	31	-5	26
<b>TOTAL</b>	<b>1,603</b>	<b>-346</b>	<b>1,257</b>

## Section 7

## Reconciliation of the SR 2013 settlement for Welsh Government and Control Totals

Changes to Welsh Government Control Totals for 2015-16 since 2013 Spending Round

	RDEL £m	Ring-fenced	Ring-fenced	Financial		Total Capital DEL £m
		depreciation £m	student loans £m	General Capital DEL	Transactions Capital £m	
<b>SR 2013 settlement</b>	<b>13,635.427</b>	<b>436.736</b>	<b>189.763</b>	<b>1,281.915</b>	<b>178.673</b>	<b>1,460.588</b>
Barnett Consequentials: Autumn Statement 2013	36.314	0.000	0.000	2.415	38.640	41.055
Barnett Consequentials: Autumn Statement 2014	113.262	0.000	0.000	6.527	2.288	8.815
Barnett Consequentials: Budget 2014	11.701	0.000	0.000	3.163	0.575	3.738
Barnett Consequentials: Budget 2015	17.267	0.000	0.000	0.932	0.000	0.932
Barnett Consequentials: Business Rates	37.778	0.000	0.000	0.000	0.000	0.000
Budget Transfer from DCMS: Superfast Broadband	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from DECC: Energy Efficiency	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from DWP: Council Tax Support administration costs	4.770	0.000	0.000	0.000	0.000	0.000
Budget Transfer from HO: Health migrant levy	5.936	0.000	0.000	0.000	0.000	0.000
Budget Transfer from DCMS: Superfast Broadband	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from DECC: Energy Efficiency	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from MOJ: Administrative Justice Tribunal Council	0.058	0.000	0.000	0.000	0.000	0.000
Budget Transfer to DH: National Institute for Biological Science & Control	-0.609	0.000	0.000	0.000	0.000	0.000
Budget Transfer to DWP: Independent Living Fund	-6.600	0.000	0.000	0.000	0.000	0.000
RDEL adjustment: VAT on Legal Services	-0.325	0.000	0.000	0.000	0.000	0.000
Reclassify spend of Non Domestic Rates Income from DEL to AME	-956.000	0.000	0.000	0.000	0.000	0.000
<b>Opening Position for 2015-16 Main Estimate</b>	<b>12,898.979</b>	<b>436.736</b>	<b>189.763</b>	<b>1,294.952</b>	<b>220.176</b>	<b>1,515.128</b>
Barnett Consequentials: Council Tax Freeze Grant	8.776	0.000	0.000	0.000	0.000	0.000
Barnett Consequentials: Summer Budget 2015	4.213	0.000	0.000	0.000	0.000	0.000
Barnett Consequentials: Support for Charities	0.005	0.000	0.000	0.000	0.000	0.000
Barnett Consequentials: Support to LAs & Farmers - Storm Desmond	2.276	0.000	0.000	0.000	0.000	0.000
Barnett Consequentials: Support to LAs & Farmers - Storm Eva	8.421	0.000	0.000	0.000	0.000	0.000
<i>Budget Exchange</i>	<i>69.346</i>	<i>13.596</i>	<i>0.000</i>	<i>1.404</i>	<i>1.884</i>	<i>3.288</i>
Budget Transfer from DCMS: Superfast Broadband	0.000	0.000	0.000	10.037	0.000	10.037
Budget Transfer from DECC: Energy Efficiency	0.000	0.000	0.000	1.456	0.000	1.456
Budget Transfer from DWP: Council Tax Support administration costs	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from HO: Health migrant levy	0.000	0.000	0.000	0.000	0.000	0.000
Budget Transfer from HO: Migrant Surcharge	0.804	0.000	0.000	0.000	0.000	0.000
Budget Transfer to BIS: Invest in People Delivery	-0.464	0.000	0.000	0.000	0.000	0.000
Cash Management Charge/Rebate	0.152	0.000	0.000	0.000	0.000	0.000
In Year Savings Exercise	-42.549	0.000	0.000	-7.394	0.000	-7.394
Reserve Claim: Use of LIBOR fines for Air Ambulance	1.750	0.000	0.000	0.000	0.000	0.000
Reserve Claim: Coastal Communities Fund	2.293	0.000	0.000	0.000	0.000	0.000
Reserve Claim: Structural Funds - West Wales	3.807	0.000	0.000	0.000	0.000	0.000
Switch of provision from Resource to Capital	-30.000	0.000	0.000	30.000	0.000	30.000
<b>Current Control Totals (Supplementary Estimate 2015-16)</b>	<b>12,927.809</b>	<b>450.332</b>	<b>189.763</b>	<b>1,330.455</b>	<b>222.060</b>	<b>1,552.515</b>
	<u>Opening Position</u>	<u>Changes</u>	<u>Current Position</u>			
Fiscal RDEL	12,898.979	28.830	12,927.809			
Ring-fenced depreciation in RDEL	436.736	13.596	450.332			
Ring-fenced student loans in RDEL	189.763	0.000	189.763			
Capital DEL	1,515.128	37.387	1,552.515			
<b>Total DEL (RDEL including ringfences + CDEL)</b>	<b>15,040.606</b>	<b>79.813</b>	<b>15,120.419</b>			
<b>Total DEL (RDEL excluding ringfences + CDEL)</b>	<b>14,414.107</b>	<b>66.217</b>	<b>14,480.324</b>			

## Section 8

### The Welsh Block 2011-12 to 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
	outturn	outturn	outturn	outturn	plans
	£'000	£'000	£'000	£'000	£'000
<b>Wales Office Resource<sup>(3)</sup></b>					
Wales Office Administration Costs	5,099	5,501	4,406	4,280	4,322
Wales Office - other	34	57	43	43	60
<b>Wales Office Resource<sup>(3)</sup></b>	<b>5,133</b>	<b>5,558</b>	<b>4,449</b>	<b>4,323</b>	<b>4,382</b>
<b>Wales Office Capital</b>					
Wales Office	185	319	564	117	50
<b>Wales Office Resource + Capital DEL<sup>(3)</sup></b>	<b>5,318</b>	<b>5,877</b>	<b>5,013</b>	<b>4,440</b>	<b>4,432</b>
<i>less depreciation &amp; impairments</i>	<i>-70</i>	<i>-72</i>	<i>-71</i>	<i>-131</i>	<i>-120</i>
<b>Wales Office DEL<sup>(4)</sup></b>	<b>5,248</b>	<b>5,805</b>	<b>4,942</b>	<b>4,309</b>	<b>4,312</b>
<b>Welsh Government</b>					
Welsh Government Resource	13,659,943	13,653,771	14,466,418	14,202,351	13,567,904
Welsh Government Capital	1,385,694	1,361,724	1,324,687	1,500,097	1,552,515
<b>Welsh Government DEL<sup>(3)</sup></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>
<i>less depreciation &amp; impairments</i>	<i>-427,664</i>	<i>-406,226</i>	<i>-502,082</i>	<i>-448,732</i>	<i>-640,095</i>
<b>Welsh Government DEL<sup>(4)</sup></b>	<b>14,617,973</b>	<b>14,609,269</b>	<b>15,289,023</b>	<b>15,253,716</b>	<b>14,480,324</b>
<b>Total Welsh Block<sup>(4) (5) (6)</sup></b>	<b>14,623,221</b>	<b>14,615,074</b>	<b>15,293,965</b>	<b>15,258,025</b>	<b>14,484,636</b>

#### 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 a
- (6) Wales Office DEL + Welsh Government DEL less depreciation and impairments

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