

## **Wales Office**

### **2018-19 Main Estimates Memorandum**

#### **Introduction**

The Wales Office Main Estimate for 2018-19 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 2017-18 Supplementary Estimate.

The main purpose of this Memorandum is to provide the Welsh Affairs Committee with an overview of the Wales Office 2018-19 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 **£14,558,773,000** and a net cash requirement of **£14,558,644,000** and for 2018-19 the Wales Office Departmental Expenditure (DEL) limit, net of depreciation and impairments, will be **£4,520,000**.

The Memorandum is split into sections covering:

- (1) Summary of the Wales Office plans for 2018-19;
- (2) An overview of the Office's Administration Costs;
- (3) An Overview of DEL and AME totals;
- (4) Details of the Cash grant paid to the Welsh Consolidated Fund;
- (5) Barnett consequentials for 2018-19;
- (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 current Control Totals;
- (8) Spending by Wales Office and Welsh Government 2015-16 to 2020-21.

Much of the information in relation to spending by the Welsh Government supplied to the committee in relation to Barnett Consequentials and the changes to the Welsh Government budget is now contained in the Treasury's Block Grant Transparency publication. Information relating to 2018-19 is replicated in full in the Estimates Memorandum to assist the Committee's understanding of both the Barnett Consequentials made available to the Welsh Government and the changes to the Welsh Government's budget since the 2015 Spending Review.

## Section 1

### Summary of Wales Office Plans for 2018-19

Provision for 2018-19 was determined in the 2015 Spending Review. From the baseline set in the 2015 Spending Review, the Wales Office agreed a flat real terms increase. This is in line with the settlements for the other Territorial Offices.

The Wales Office supports the Secretary of State for Wales in promoting the best interests of Wales within a stronger 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.

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

The Department is fully committed to sharing services and expertise with the other Territorial Offices and Government Departments wherever possible to with a view to exploiting all available opportunities to secure efficiencies and strengthen our 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 and Independent Commission for Aid Impact) in the London Office which generates rental income in 2018-19 of £99k for the Office and makes more efficient use of our accommodation. We are also in regular discussions with the Government Property Unit (GPU) over its Hubs programme and have signed up to moving into the Cardiff Hub in 2020. 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 increasing its headcount in 2018-19 to reflect the nature of the work the Office is undertaking around EU Exit and strengthening the Union. The Office advises within UK government on the Welsh dimension of EU exit such as frameworks, market access, trade deals, funding, border controls, issues that arise during negotiations etc. as well as leading on strengthening the Union in Wales through Ministerial visits/roundtables etc, enhanced stakeholder engagement and improved awareness of UK Government activity.

## **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

##### Departmental Expenditure Limit (DEL)

##### Resource and Capital DEL

£'000 nominal	2018-19
<b>Resource DEL (RDEL)</b>	<b>4.650</b>
<i>o/w RDEL excluding depreciation</i>	<i>4.520</i>
<i>o/w depreciation ring fence in RDEL</i>	<i>0.130</i>
<b>Administration Budget*</b>	<b>4.460</b>
<i>o/w non-ringfenced RDEL administration budget</i>	<i>4.460</i>
<i>o/w depreciation ringfence administration budget</i>	<i>0.000</i>
<b>Capital DEL</b>	<b>0.030</b>

\* 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:

- **Resource DEL excluding Depreciation**

2015 Spending Review Outcome:	4.580
Switch Admin costs to Depreciation:	<u>-0.060</u>
<b>Control Total at 2018-19 Main Estimate:</b>	<b>4.520</b>
  
- **Depreciation**

2015 Spending Review Outcome:	0.070
Switch Admin costs to Depreciation:	<u>0.060</u>
<b>Control Total at 2018-19 Main Estimate:</b>	<b>0.130</b>

There have been no changes to Capital DEL since the 2015 Spending Review Outcome.

##### Annually Managed Expenditure (AME)

- The Wales Office is not forecasting any Annually Managed Expenditure in 2017-18.

## Section 4

### Details of the 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 of 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 2018-19

	<b>2018-19 £'000</b>
Expenditure Classified as DEL	15,827,012
Expenditure Classified as AME	741,995
Expenditure Financed by Welsh Taxes	275,880
Expenditure Financed by Capital Borrowing	125,000
Non Domestic Rates	1,050,000
<b>Total Managed Expenditure</b>	<b>18,019,887</b>
<b>Less:</b>	
<i>Non Voted expenditure:</i>	
Supported Borrowing by Welsh Local Authorities	88,800
Collection costs for the NI Contributions and Non Domestic Rates	6,078
<i>Wales Act 2016 Transactions:</i>	
Income from Welsh taxes:	
Land Transaction Tax	250,000
Landfill Disposal Tax	26,000
Repayment of principal of loans	-120
Capital Borrowing	125,000
Resource Ringfenced Non Cash	664,279
AME Non-cash	53,757
<b>Sub-Total</b>	<b>1,213,794</b>
<b>TOTAL SUPPLY EXPENDITURE</b>	<b>16,806,093</b>
<b>Lees receipts:</b>	
Contributions from the National Insurance Fund	1,214,227

NDR Receipts

1,037,743

**Cash Grant payable to Welsh Consolidated Fund by Wales  
Office**

**14,554,123**

Note

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

## Section 5

### Barnett Consequentials for 2018-19

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 at Budget (and previously at Spring Budget and Autumn Statement).

At the end of 2017, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>

This shows that since the 2015 Spending Review, the Welsh Government have received £591.603m in Barnett Consequentials for 2018-19 (£275.317m RDEL, £158.917m CDEL and £157.369m CDEL (Financial Transactions)).

There have been no further Barnett Consequentials added to the Welsh Government budget since that publication.

In order to assist the Committee's understanding of how Barnett Consequentials have impacted upon the Welsh Government's budget for 2018-19, the table below details all Consequentials made available to the Welsh Government.

## Barnett Consequentials for Welsh Government since 2015 Spending Review

Department/Programme	Measure	RDEL/ CDEL	2018-19 £m
<b>Budget 2016</b>			
BIS	Royal College of Arts	Capital	0.797
Business Rates - Additional DEL support by DCLG	Permanently double SBRR from 2017-18 (reduced income)	Resource	18.265
Business Rates - Additional DEL support by DCLG	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	20.456
Business Rates - Additional DEL support by DCLG	Increasing the standard multiplier threshold from 2017-18	Resource	3.016
Business Rates - Reduced income to Exchequer	Permanently double SBRR from 2017-18 (reduced income)	Resource	18.265
Business Rates - Reduced income to Exchequer	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	20.456
Business Rates - Reduced income to Exchequer	Increasing the standard multiplier threshold from 2017-18	Resource	3.016
Education	Making all schools academies by 2022	Resource	6.259
Education	National Funding Formula	Resource	3.016
Education	Northern Powerhouse	Resource	1.223
Education	Mentoring for 25,000 disadvantaged students	Resource	0.171
Education	Longer school day	Resource	11.522
Education	Expanding breakfast clubs	Resource	0.569
Education	Doubling the primary school sports premium	Resource	9.104
Floods (DEFRA & DfT)	Flood package: maintenance funding	Resource	2.276
Floods (DEFRA & DfT)	Partnership Support Fund	Capital	0.854
Floods (DEFRA & DfT)	Six year programme top-up	Capital	1.138
Transport	M62 smart motorway	Capital	3.699

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<i>Sub Total Resource</i>	117.612
<i>Sub Total Capital</i>	6.487

**Autumn Statement 2016**

BEIS	Mayfield Review of Management	Resource	0.283
BEIS	Invest in University Tech Transfers	Capital	1.415
Business Rates	Rural Rate Relief	Resource	0.283
Business Rates	Fibre relief	Resource	0.340
DCLG	Right to Buy - extended pilot	Resource	2.830
DCMS	Wentworth Woodhouse	Resource	0.362
DCMS	Royal Society of Arts School Pilots	Resource	0.017
DCMS	Rugby League World Cup 2021	Capital	0.113
DCMS	Rugby League World Cup 2021	Resource	0.170
DCMS	World Road Cycling	Capital	0.283
DCMS	World Road Cycling	Resource	0.117
Education	Grammar Schools	Capital	2.830
Housing (DCLG)	Accelerated build-out (Conference)	Capital	30.281
Housing (DCLG)	Affordable housing grants	Capital	24.904
Housing (DCLG)	"Help-to-Build", including "Roads for Homes"	Capital	14.150
Industrial Strategy (BEIS)	Northern Power House: Investment Fund	Financial Transactions	0.226
Industrial Strategy (BEIS)	Midlands Engine: Investment Fund	Financial Transactions	0.967
Research and development (BEIS)	QR funding	Capital	2.478
Transport	Midlands Rail Hub	Resource	0.170
Transport	Strategic roads – pinch points	Capital	4.528
Transport	Local roads and local transport	Capital	18.395
Transport	Development funding for M25	Capital	0.736
Transport	Development funding for Oxford-Cambridge + M25	Capital	1.245
	<i>Sub Total Resource</i>		4.571

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<i>Sub Total Capital</i>			101.358
<i>Sub Total Financial Transactions</i>			1.193

**Spring Budget 2017**

Business Rates	Business Rates - Mitigating Impact of SBRR (Lost revenue to Exchequer)	Resource	0.509
Business Rates	Business Rates - Mitigating Impact of SBRR (additional LG DEL)	Resource	0.509
Business Rates	Business Rates - Discretionary Relief Fund (Lost revenue to Exchequer)	Resource	2.406
Business Rates	Business Rates - Discretionary Relief Fund (additional LG DEL)	Resource	2.406
Education	16-19 Education: Sainsbury Review	Resource	2.830
Education	110 Free Schools	Resource	0.962
Education	110 Free Schools	Capital	0.396
Education	Schools Maintenance	Capital	6.113
Education	School Buses	Resource	0.125
Health	Social Care	Resource	38.125
Health	Social Transformation Programme Funding	Capital	6.195
Midlands Engine (DWP)	Work Coaches	Resource	0.311
Midlands Engine (Health)	Employee Mental Health	Resource	0.198
Midlands Engine (Education)	Midlands Skills Challenge (English Language Training)	Resource	0.057
International Women's Day (Home Office)	Returnships	Resource	0.175
	<i>Sub Total Resource</i>		48.613
	<i>Sub Total Capital</i>		12.704

**Autumn Budget 2017**

Air Quality (DEFRA)	Compliance Funding	Resource	0.732
Air Quality (DEFRA)	Clean Air Fund	Resource	2.534
Air Quality (DfT)	Compliance Funding	Capital	2.534
Air Quality (DfT)	Clean Air Fund	Capital	2.815
BEIS	Growth Hubs and Diffusion Pilot	Resource	0.946

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Business Rates	RPI to CPI in 2018-19 (change in CG receipts)	Resource	4.802
Business Rates	RPI to CPI in 2018-19 (change to LG DEL)	Resource	8.180
Business Rates	Continue 1k discount for Pubs (change in CG receipts)	Resource	0.586
Business Rates	Continue 1k discount for Pubs (change to LG DEL)	Resource	0.991
DCLG	Office for Data Analytics	Resource	0.020
DCMS	Jodrell Bank Observatory	Capital	0.028
DEFRA	Waste Crime Enforcement	Resource	0.282
Education	Industrial Strategy - Skills	Resource	2.491
Education	Teacher Development Premium	Resource	0.450
Efficiency Review	Savings - DCMS	Resource	-2.308
Efficiency Review	Savings - DfE	Resource	-6.193
Health	Health - Resource	Resource	90.136
Health	Health Capital	Capital	19.930
Housing	National Housing Fund (Small/Stuck Sites infra and remediation) - NPIF	Capital	12.949
Housing	Help to Buy Equity Loan	Financial Transactions	136.021
Housing	Home Building Fund for SMEs	Financial Transactions	17.340
Housing	Estate Regeneration	Financial Transactions	2.815
Housing	Private Rented Access Scheme	Resource	0.563
Housing	Manufacturing Zones	Resource	0.028
Transport	Midlands Connect: Rail Hub	Resource	
Transport	Midlands Connect: Motorway Hub	Capital	0.113
Transport	Cambridge South Station	Resource	0.000
Transport	Pembroke Dock Railway	Resource	0.000
Work & Pensions	Relationship Support - Maintain Funding	Resource	0.282
	<i>Sub Total Resource</i>		<i>104.521</i>
	<i>Sub Total Capital</i>		<i>38.368</i>
	<i>Sub Total Financial Transactions</i>		<i>156.176</i>

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**Total Barnett Consequentials Since 2015 Spending Review**

<b>Resource</b>	<b>275.318</b>
<b>Capital</b>	<b>158.918</b>
<b>Financial</b>	<b>157.369</b>
<b>Transactions</b>	

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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	2018-19
<b>Resource DEL (RDEL)</b>	13,927
<i>of which:</i>	
<i>RDEL excluding depreciation</i>	13,262
<i>depreciation ring fence in RDEL</i>	557
<i>student loans ring fence in RDEL</i>	108
<b>Capital DEL</b>	1,900
<i>of which:</i>	
General CDEL	1,619
Ring-Fenced Financial Transactions	281

In addition, the Welsh Government are forecasting Annually Managed Expenditure of £1,917million in the following areas

Programme	2018-19
<i>Non- Domestic Rates</i>	1,050
<i>Student Loans</i>	553
<i>Public Sector Pensions</i>	49
<i>Impairments</i>	30
Provisions	26
Capital Borrowing	125
NHS Impairments	85
<b>TOTAL</b>	<b>1,917</b>

Note

Totals may not sum due to roundings

## **Section 7**

### **Reconciliation of the 2015 Spending Review settlement for Welsh Government and current Control Totals for 2018-19**

The Treasury's Block Grant Transparency document details all changes made to the Control Totals of the Welsh Government between SR 2015 and the end of 2017. This covers all years falling under the remit of the 2015 Spending Review. However, to assist the Committee's understanding of the movements in the Welsh Government budget for 2018-19 since the 2015 Spending Review, the table below details all changes to the Welsh Government budget since the 2015 SR settlement.

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## Changes to Welsh Government Control Totals for 2018-19 since 2015 Spending Review

	Resource DEL	Depreciation & impairments ring-fence	Student loans ring-fence	General Capital DEL	Financial Transactions Capital
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>SR 2015 Settlement</b>	13,204.756	502.852	160.093	1,442.983	122.848
Barnett Consequentials: Budget 2016	117.612			6.487	
Barnett Consequentials: Autumn Statement 2016	4.571			101.358	1.193
Barnett Consequentials: Spring Budget 2017	48.613			12.704	
Barnett Consequentials: Autumn Budget 2017	104.521			38.368	156.176
Cardiff City Deal	10.000				
Block Grant Adjustment: Fiscal Framework	-269.000				
Budget Transfer from BEIS : Research & Development				2.761	
Budget Transfer from DCMS: Lloyd George Museum	0.027				
Budget Transfer from DWP: Fit for Work					
Budget Transfer from HO: Police funding	18.411				
Budget Transfer from Home Office: Immigration Health Surcharge	7.238				
Swansea City Deal				8.000	
5% uplift on Barnett Consequentials	6.890	0.608	0.726	6.504	1.226

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Budget Transfer to Cabinet Office: Civil Service Live	-0.015				
Reprofile Efficiency Review savings into 2017-18	8.501				
Switch within non-cash ring-fence		53.244	-53.244		
<b>Total at Main Estimates 2018-19</b>	<b>13,262.125</b>	<b>556.704</b>	<b>107.575</b>	<b>1,619.165</b>	<b>281.443</b>

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## Section 8: Spending by Wales Office & Welsh Government 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
	outturn £'000	outturn £'000	plans £'000	plans £'000	plans £'000
<b>Wales Office Resource<sup>(3)</sup></b>					
Wales Office Administration Costs	3,937	4,350	4,910	4,460	4,570
Wales Office - other	54	163	200	190	170
<b>Wales Office Resource<sup>(3)</sup></b>	<b>3,991</b>	<b>4,513</b>	<b>5,110</b>	<b>4,650</b>	<b>4,740</b>
<b>Wales Office Capital</b>					
Wales Office	45	0	120	30	30
<b>Wales Office Resource + Capital DEL<sup>(3)</sup></b>	<b>4,036</b>	<b>4,513</b>	<b>5,230</b>	<b>4,680</b>	<b>4,770</b>
<i>less depreciation &amp; impairments</i>	<i>-100</i>	<i>-109</i>	<i>-140</i>	<i>-130</i>	<i>-110</i>
<b>Wales Office DEL<sup>(4)</sup></b>	<b>3,936</b>	<b>4,404</b>	<b>5,090</b>	<b>4,550</b>	<b>4,660</b>
<b>Welsh Government</b>					
Welsh Government Resource (before Block Grant Adjustment)	13,328,115	13,324,553	14,414,970	14,195,404	14,270,032
<i>less: Block Grant Adjustment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-269,000</i>	<i>-277,000</i>
Welsh Government Resource	13,328,115	13,324,553	14,414,970	13,926,404	13,993,032
Welsh Government Capital	1,542,599	1,448,699	1,965,612	1,900,608	2,113,285
<b>Welsh Government DEL<sup>(3)</sup></b>	<b>14,870,714</b>	<b>14,773,252</b>	<b>16,380,582</b>	<b>15,827,012</b>	<b>16,106,317</b>
<i>less depreciation &amp; impairments</i>	<i>-513,641</i>	<i>-253,319</i>	<i>-949,538</i>	<i>-664,279</i>	<i>-689,981</i>
<b>Welsh Government DEL<sup>(4)</sup></b>	<b>14,357,073</b>	<b>14,519,933</b>	<b>15,431,044</b>	<b>15,162,733</b>	<b>15,416,336</b>

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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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