

## Grant to Welsh Government, and Wales Office funding



# Day-to-day Spending (Resource DEL) Grant

# Welsh Gov 4% of total Resource DEL

Reduction in budget from last year: **-£489m (- 3%)**

- This year's budget has been reduced due to block grant adjustment £269 million (due to devolution of stamp duty and landfill tax). Conversely, last year's budget was revised upwards due to a £300 million student loan impairment.
- Other changes make up the reduction to -£489m.

## Spending Review 2015

The 2015 Spending Review planned modest nominal increases (but real terms decreases) to the Welsh Government's Resource DEL over four years, driven by budget changes for UK departments such as Health, where equivalent functions in Wales are devolved and Wales receives "Barnett consequentials".

## 2015 Spending Review – changes since SR settlement

Increases of:

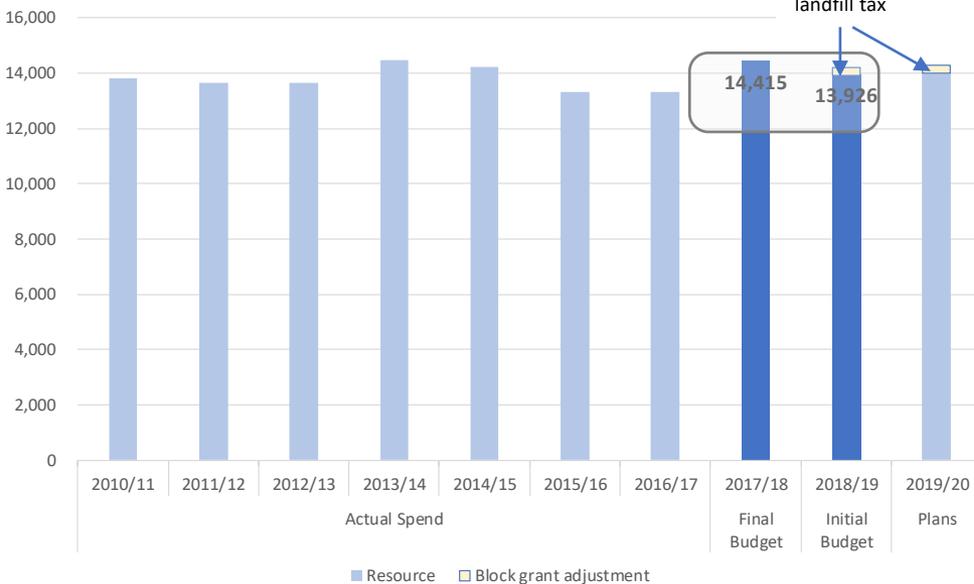
- £275 million resource of "Barnett Consequentials"**- additional funding for Wales, given because the UK Government has decided to allocate additional money for other parts of the UK, and needs to give Wales an equivalent amount. For a detailed break-down see Main Estimate Memorandum (Section 5).
- £8 million resource (5% uplift on Barnett Consequentials) - due to introduction of needs-based factor** in Barnett Formula for Wales. **This is a new adjustment for 2018-19** which was agreed to in the Welsh Fiscal Framework because evidence suggested the needs of the Welsh population were higher relative to the rest of the UK. The needs-based factor is 115% but from 2018-19, a transitional factor of 105% applies, because relative Welsh Government funding per head remains above 115%.
- £10 million resource for Cardiff City Deal**

Reductions of:

- £269 million block grant adjustment. This is a new adjustment for 2018-19** In 2018-19, stamp duty and land tax has been devolved to Wales. The Welsh Government's Resource DEL has been reduced to reflect the devolution of taxes. **The reductions (known as "block grant adjustments") reflect assumptions about what Wales would receive from these taxes, if Wales maintained the same tax policies as the rest of the UK. Wales now collects the variants of these taxes itself.**

## Long-term spending trends (£m, nominal)

Block grant adjustments for stamp duty and landfill tax



1

2

<sup>1</sup> Final budget at Supplementary Estimates 2016-17 (Feb 2017)

<sup>2</sup> Initial budget as at Main Estimates 2017-18 (April 2017)

Excluding the effect of block grant reductions, there has been a **7% nominal increase (1% in real terms)** in the Wales Government's Resource DEL since 2015-16. This is driven largely by the Barnett Consequentials above.



## Welsh Gov 3 % of total Capital DEL

### Spending Review 2015

The 2015 Spending Review planned modest nominal increases to the Welsh Government's Resource DEL over four years, driven by budget changes for UK departments such as Transport, where equivalent functions in Wales are devolved and Wales receives "Barnett consequentials".

### Changes since Spending Review

The following changes have been made to the 2018-19 investment budget from the Spending Review Settlement:

#### Increases of

- **£316 million Barnett Consequentials** (additional funding for Wales, given because the UK Government has decided to allocate additional money for other parts of the UK, and needs to give Wales an equivalent amount). For a detailed break-down see Main Estimate Memorandum (Section 5)
- **£8 million (5% uplift on Barnett Consequentials)** – due to **introduction of needs-based factor** in Barnett Formula for Wales. This is a new adjustment for 2018–19 which was agreed to in the Welsh Fiscal Framework because evidence suggested the needs of the Welsh population were higher relative to the rest of the UK. The needs-based factor is 115% but from 2018-19, a transitional factor of 105% applies, because relative Welsh Government funding per head remains above 115%.
- **£8 million Swansea City Deal**

<sup>1</sup> Final budget at Supplementary Estimates 2016-17 (Feb 2017)

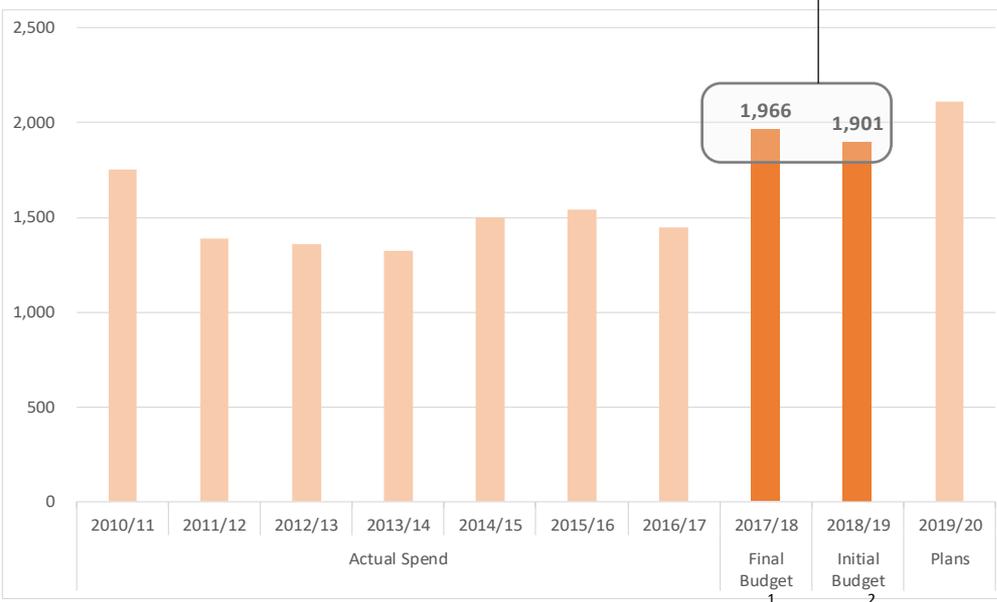
<sup>2</sup> Initial budget as at Main Estimates 2017-18 (April 2017)

Reduction in budget from last year:

**-£65m (- 3%)**

- Last year's budget included £186m carried over from previous years.
- **Offsetting the above** : this year's grant includes £110m more Barnett Consequentials arising from fiscal events than last year

### Long-term spending trends (£m, nominal)



## What shows up in the Estimate:



### The Wales Office Estimate routinely includes:

- ✓ **Cash grant to the Welsh Government** - this is derived from Welsh Government's budget [Resource DEL + Capital DEL + Annually Managed Expenditure] *with adjustments mainly taking out non-cash items such as depreciation and for timing differences*

Cash grant is **£15,602 million** (2% over last year's revised budget)

- ✓ Funding for the Wales Office  
UK ministerial department responsible for the smooth working of the devolution settlement and relations between the UK and the Wales Government

Resource (day to day spending ) DEL budget - **£4.65 million** (9% lower than last year's revised budget of £5.11m but still 17% higher than what is was at the beginning of the Spending Review period 2015-16). The Spending Review protected the budgets of Territorial Offices in real terms.

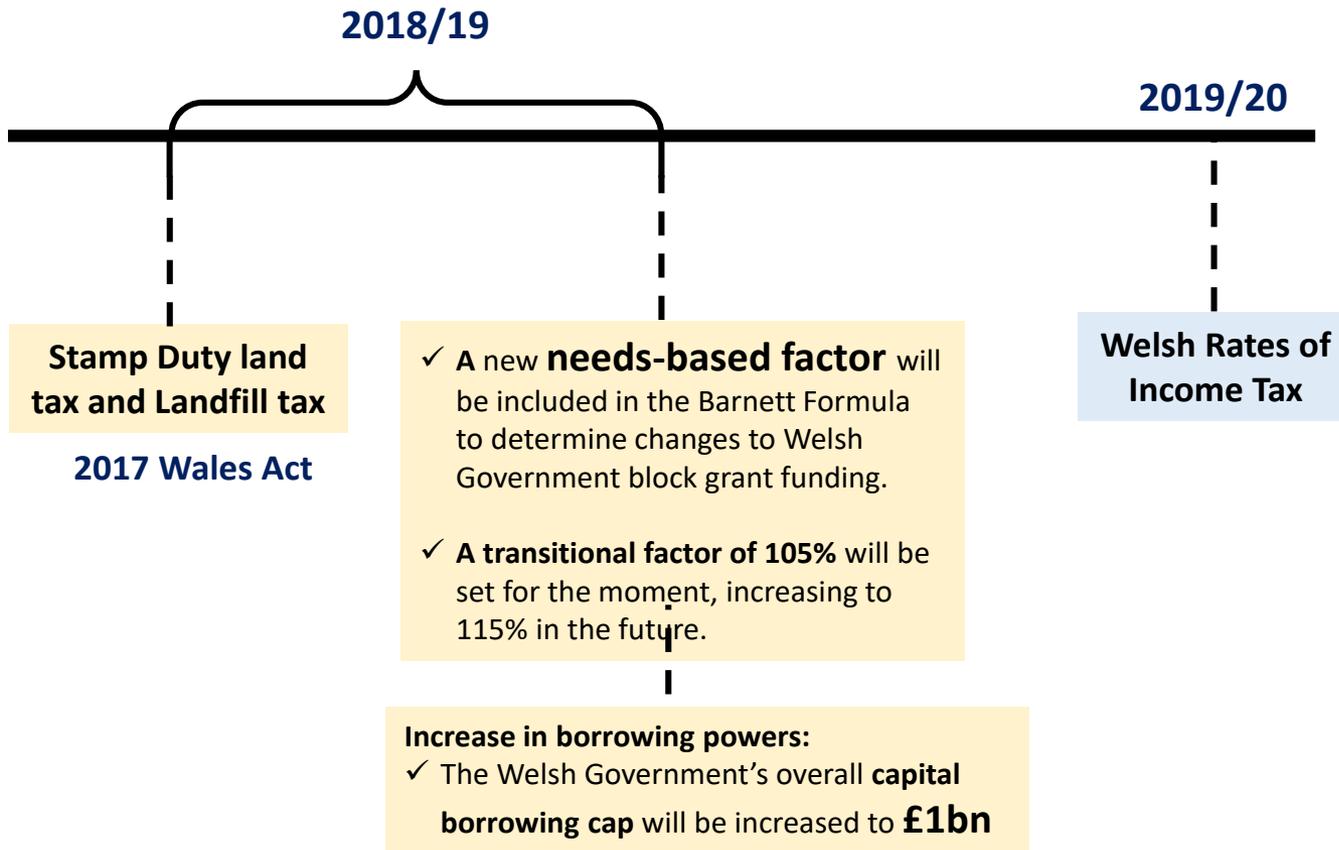
Capital (investment) DEL budget small at **£0.03 million**



Context

Wales' Devolution of Powers: TIMELINE

ADDITIONAL POWERS DEVOLVED:



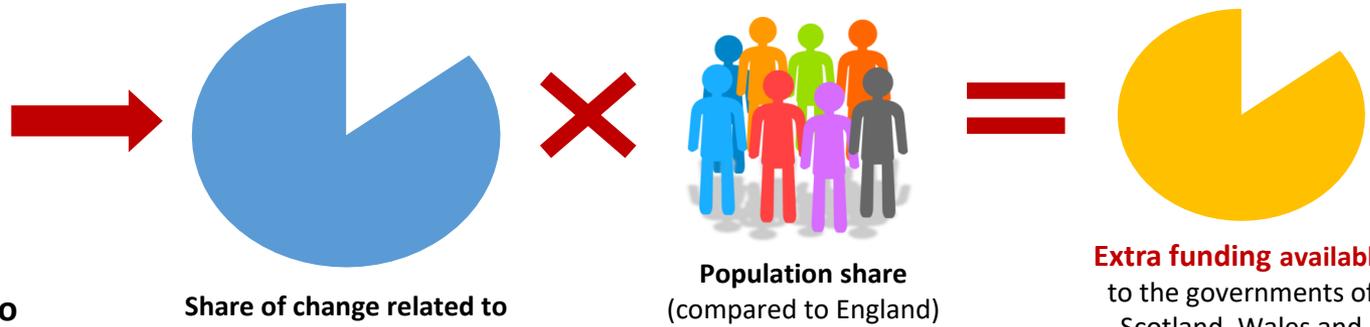
# The Barnett Formula

- ✓ **2018-19:** a new **needs-based factor** will be included in the Barnett Formula to determine changes to Welsh Government block grant funding.
- ✓ **A transitional factor of 105%** will be set for the moment, increasing to 115% in the future.

Change (rise or fall) in Resource DEL budget determined by UK government

↓

Share of change related to functions **RESERVED TO UK GOVERNMENT** (e.g., defence)



**Wales compared to England:**  
 2010 Spending Review: 5.79%  
 2015 Spending Review: 5.69%  
*This reduction in population share will mean slightly smaller increases and decreases in funding for Wales from the Barnett Formula than would have resulted if the share had remained as before.*



**NO CHANGE TO THE BLOCK GRANT** provided to Scotland, Wales and Northern Ireland

These funds can be spent on **ANY DEVOLVED FUNCTION**

## Example: CHANGE EXAMPLE

Increase of **£100m** in UK Departments' Resource DEL budget. → 75% relates to functions which are devolved; 25% are UK reserved functions. × **5.69%** (Wales's population compared to England) = **£4.268m** Extra to Welsh government

