Office of the Secretary of State for Wales

Wales Office

Main Estimate 2023-24: Estimates Memorandum

1 Overview

1.1 Objectives

The Office of the Secretary of State for Wales (Wales Office) supports the Secretary of State for Wales and the Parliamentary Under Secretary of State in promoting the best interests of Wales within a stronger United Kingdom, ensuring Welsh interests are represented at the heart of the UK Government and representing the UK Government's responsibilities in Wales.

This Estimate provides for the administration costs of the Wales Office, including the maintenance of a Grade II* listed building, the salary costs of the Secretary of State and Parliamentary Under Secretary for Wales and payments to the Welsh Consolidated Fund.

1.2 Spending controls

The Wales Office's Estimate is broken down into a number of discrete elements, for which Parliament's approval is sought separately.

The spending totals which Parliament votes are:

For the Wales Office itself:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - day to day running costs of the Office;
- Capital Departmental Expenditure Limit ("**Capital DEL**") - purchase of capital items e.g. equipment for the Office.

For the Welsh Government:

- **Non-budget** expenditure - cash payments to the Welsh Consolidated Fund. This includes cash payments to support spending by the Welsh Government and Welsh Parliament (Senedd Cymru), including payover of the Welsh rate of income tax.

In addition, Parliament votes a net cash requirement, designed to cover both the cash required to cover the Wales Office's own DEL spending and the cash grant to the Welsh Consolidated Fund.

2 Wales Office

2.1 Comparison of spending totals sought

The table and graphic below show how the totals sought solely for the Wales Office compared with last year.

Thie table shows the changes between the Estimates 2022-23 and Main Estimates 2023-24. Explanations were provided in the Memorandum to the 2022-23 Supplementary Estimates of the movements from the Main to Supplementary Estimates 2022-23.

Spending total **Amounts sought this year (Main Estimates 2023-24)** **£m**		**Difference (+/ -) compared to Supplementary Estimates 2022-23**		**Difference (+/-) compared to Main Estimates 2022-23**	
		£m	**%**	**£m**	**%**
Wales Office: Resource DEL	£5.778	£0.214	4%	£0.121	2%
Wales Office: Capital DEL	£0.030	-£0.042	-140%	£0.000	0%

2.2 Key drivers of spending changes since last year

The DEL budget for 2023-24 was determined in the three-year 2021 Spending Round

2.3 Spending trends

Wales Office	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
	Outturn	**Outturn**	**Outturn**	**Plans**	**Plans**
Total Resource DEL	**4.7**	**4.7**	**6.0**	**5.6**	**5.7**
o/w admin	4.5	4.4	5.9	5.5	5.6
o/w other costs	0.2	0.3	0.1	0.1	0.1
Total Capital DEL	**0**	**0.1**	**0**	**0.1**	**0**
Less depreciation and impairments	0.2	0.2	0	0.4	0.4
Total DEL	**4.5**	**4.6**	**6.0**	**5.3**	**5.3**

*Totals may not sum due to rounding

2.4 Administration costs and efficiency plans

Administration costs are set at £5.6m for 2023-24.

Spending total **Amounts sought this year (Main Estimates 2023-24)** **£m**		**Difference (+/-)** **Compared to Supplementary Estimates 2022-23**		**Difference (+/-)** **Compared to Main Estimates (2022-23)**	
		£m	**%**	**£m**	**%**
Administration costs	+£5.642m	£0.139m	3%	£0.121m	2%

The Admin costs for 2023-24 have increased by £0.139m from the 2022-23 Supplementary Estimates. This budget was determined in the Spending Round 2021

The Office continues to work with the other Territorial Offices to share back-office services and to strengthen our resilience. We continue to fully utilise our existing shared services and are further consolidating the finance teams shared between the Wales and Scotland Offices.

3. Payments to the Welsh Consolidated Fund (detailed tables provided in Excel at Annex A)

3.1 Comparison of cash to be paid over

The table below shows how the cash funding provided for the Welsh Consolidated Fund compares with last year:

Spending Total: amounts sought this year 2023-24		**Comparison: Supplementary Estimate 2022-23**		**Comparison: Main Estimate 2022-23**	
Budget Type	**Main Estimate 2023-24 (£m)**	**Change (£m)**	**% change**	**Change (£m)**	**% change**
Welsh Consolidated Fund: Non-budget expenditure	18,659.331	1,194.256	6.4%	2,199,556	11.8%

3.2 Key drivers of changes in levels of cash to be paid over since last year

The level of UK Government funding for the Welsh Government in 2023-24 was largely determined at Spending Review 2021. The Statement of Funding Policy document sets out how the Barnett Formula was applied. On top of the SR21 settlement, the UK Government has provided the Welsh Government with a further £750m of Barnett consequentials. The UK Government has also provided additional non-Barnett funding (for example in relation to City and Growth deals), updated tax Block Grant Adjustments as set out in the Welsh Government's Fiscal Framework and restated the Welsh Government's funding to reflect the implementation of the IFRS16 accounting standard.

3.3 Cash grant payable to the Welsh Consolidated Fund

The Wales Office Estimate allows for the payment of a cash grant to the Welsh Consolidated Fund. This expenditure is shown in Section C of the Wales Office Estimate under the heading “non-budget expenditure”. All expenditure by the Welsh Government is charged to the Welsh Consolidated Fund.

A summary of how the amount of cash payable is derived is shown below.

More detail of how the item “Welsh block grant” is calculated, including Barnett consequentials since the Spending Review, is provided in Excel tables at Annex A, which forms part of this memorandum.

3.3a Cash grant payable to the Welsh consolidated fund 2023-24

	£ million
Welsh block grant (DEL)	20,938.200
UK government funded AME	1,155.499
Expenditure funded by Welsh taxes	3,112.009
Expenditure financed by Borrowing	150.000
Non-Domestic Rates	906.000
TOTAL MANAGED EXPENDITURE	**26,261.708**
LESS: NON-VOTED EXPENDITURE:	
(1) Less - general:	
LA Credit Approvals	-88.800
Other Non-Voted	-6.078
Subtotal	**-94.878**
(2) less - fiscal framework transactions (Wales Act 2014):	
Taxes collected by Welsh government	-353.146
Repayment of principal of loans	6.637
Welsh Income Tax	-2,765.500
Capital borrowing	-150.000
Subtotal	**-3,262.009**
(3) less: non-cash expenditure:	
Resource ringfenced non-cash	-1,803.254
Other non-cash to accruals adjustments (UK funded AME-student loans and IFRS 16)	-269.382
Subtotal	**-2,072.636**
VOTED EXPENDITURE:	
(1) less - voted receipts:	
Non-Domestic Rates income	-1,022.805
Contributions from the National Insurance Fund	-1,514.198
Subtotal	**-2,537.003**
(2) less - timing adjustments:	
Increase / Decrease in Debtors & Creditors	364.149
Use of Provisions	0.000
Subtotal	**364.149**
CASH GRANT PAYABLE TO WELSH CONSOLIDATED FUND	**18,659.331**
PAYOVER OF INCOME TAX	**2,765.500**
TOTAL CASH REQUIREMENT	**21,424.831**

3.3b Control Totals for the Welsh Government 2023-24 including breakdown by main programme of AME spending

The tables below show the Resource and Capital DEL and AME control totals for the Welsh Government:

1. Welsh Government DEL Control Total

	2023-24 £million
Total Resource DEL of which:	**17,791.539**
RDEL excluding depreciation and Block Grant Adjustment	18,915.843
Block Grant Adjustment (BGA)	-2,927.558
Depreciation and impairments ring fence	834.848
Student loans ring fence in DEL	968.406
Total Capital DEL of which:	**3,146.661**
General CDEL	3,053.899
Ring fenced financial transactions	92.762
Total Welsh block grant allocation	**20,938.200**

2. Welsh Government Annually Managed Expenditure funded by the UK Government

	2023-24 £million
Student loans	790.254
NHS impairments	92.801
Other	272.444
Subtotal	**1,155.499**

3. Self-financed Annually Managed Expenditure

	2023-24 £million
Non-Domestic Rates	906.000
Welsh Stamp Duty Land Tax	312.344
Welsh Landfill Tax	40.802
Welsh Rates of Income Tax	2,765.500
Welsh Government borrowing	150.000
Repayment of principal of loans	-6.637
Subtotal	**4,168.009**
TOTAL UKG and Welsh Govt funded AME	**5,323.508**

3.4 Barnett Consequentials

3.4a Funding changes: Barnett consequentials, non-Barnett changes and current control totals compared against SR settlements

At fiscal events and Spending Reviews, devolved administrations receive additional funding through the Barnett formula to reflect changes in UK government spending on devolved policy areas. These adjustments are known as Barnett consequentials, and are applied to devolved administrations' funding at Estimates Rounds. In addition, sometimes devolved administrations receive additional funding outside the Barnett arrangements – for example City and Growth Deals.

HM Treasury's Block Grant Transparency publication provides a detailed breakdown of all changes applied to the devolved administrations budgets since Spending Review 2015. A summary of changes affecting the Welsh Government's block grant funding in 2023-24 is set out in the accompanying Excel workbook (3.4a and 3.4b), this includes changes since the last Block Grant Transparency publication.

3.5. Trends: Welsh Government funding 2019-20 to 2023-24

£m[1]	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Plans [4]	2023-24 Plans
Welsh Government Resource DEL (pre- block grant adjustments)	15,300.6	20,976.7	18,653.9	19,607.1	20,719.1
Tax Block Grant Adjustment	-2,441.9	-2,353.4	-2,401.6	-2,798.89	-2,927.6
Welsh Government Resource DEL	**12,858.7**	**18,623.4**	**16,252.3**	**16,808.25**	**17,791.5**
Welsh Government Capital DEL	**2,131.2**	3,297.1	2,938.8	2,889.24	3,146.7
Welsh Government Resource DEL plus Capital DEL[2]	**14,989.8**	**21,920.5**	**19,191.1**	**19,697.5**	**20,938.2**
less depreciation & impairments	-768.5	-1,057.4	174.7	-1232.033	-1,803.3
Total Welsh Government DEL[3]	**14,221.4**	**20,863.1**	**19,365.7**	**18,465.5**	**19,134.9**

[1] Totals may not sum due to rounding
[2] Including depreciation and impairments
[3] Total DEL = Resource + capital – (depreciation & impairments)
[4] As set out in the Written Ministerial Statement of the 30 March 2023, 2022-23 funding has been revised since Supplementary Estimates 2022-23 to reflect the Welsh Government's decisions to switch £65m from Resource DEL to Capital DEL.

4. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Glynne Jones CBE

Accounting Officer

Director of the Office of the Secretary of State for Wales

17th May 2023

NOTE: in addition, ANNEX A forms part of this memorandum and the Accounting Officer's approval and is provided as an accompanying document in excel.