Office of the Secretary of State for Wales

Wales Office

Supplementary 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.
- Resource Annually Managed Expenditure Limit ("**Resource AME"**): - potential impairments of office-based assets.

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 Senedd Cymru (Welsh Parliament), 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 for the Wales Office compare with last year:

Spending total **Amounts sought this year (Supplementary Estimates 2023-24)**		**Difference (+/ -) Compared to original budget this year.** **(Main Estimates 2023-24)**		**Difference (+/-) compared to final outturn last year (2022-23)**	
		£m	**%**	**£m**	**%**
Wales Office: Resource DEL	+£5.896m	+£0.118m	2%	+£0.576m	11%
Wales Office: Capital DEL	-£1.016m	-£1.046m	-3487%	-£1.055m	-2705%
Wales Office: AME	+£0.020m	+£0.020m	100%	+£0.020m	100%

2.2 Key drivers of spending changes since last year

The RDEL budget for 2023-24 was determined in the three-year 2021 Spending Review.

The main causes of the changes in the Wales Office's DEL and AME since the Main Estimates are:

Resource DEL

Budget Transfers

- **+£0.169m** - Budget transfer (increase in administration costs) from the Department for Business and Trade for support to the Tata Steel / Port Talbot Transition Board.

- **-£0.027m** - Budget transfer to HM Treasury (reduction in administration costs) to reflect the removal of the Health and Social Care levy on National Insurance, for which we received funding.

- **-£0.024m** – Budget transfer to the Cabinet Office (reduction in administration costs) to cover severance payment for former special adviser.

Capital DEL

- **-£1.046m -** Budget change in respect of a building lease resulting from a technical adjustment to comply with IFRS 16.

AME

- **+£0.020m** - Budget cover for potential impairments of office-based assets.

2.3 Spending trends

Wales Office	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Plans**
Total Resource DEL	**4.7**	**4.7**	**6.0**	**5.3**	**5.9**
o/w admin	4.5	4.4	5.9	5.3	5.8
o/w other costs	0.2	0.3	0.1	0	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**	**4.9**	**4.5**

*Totals may not sum due to rounding

2.4 Administration costs and efficiency plans

Administration costs have increased by a net 3% since the Main Estimates. The net increase of £0.193m is due to budget transfers into and out of the Department of £0.118m (see section 2.2 above) and a budget switch of depreciation from programme costs to administration costs of £0.075m.

Spending total **Amounts sought this year (Supplementary Estimates 2023-24)**		**Difference (+/-)** **Compared to original budget last year** **(Main Estimates 2023-24)**		**Difference (+/-)** **Compared to final outturn last year (2022-23)**	
		£m	**%**	**£m**	**%**
Administration costs	+£5.835m	+£0.193m	3%	£0.540m	9%

The Office continues to work with the other Territorial Offices to share back-office services and to strengthen our resilience. We share many key back-office functions, including a parliamentary team shared between the three Territorial Offices and an FOI team shared with the Northern Ireland Office. We 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 grant payable to the Welsh Consolidated Fund

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

Spending Total: amounts sought this year		**Comparison: Main Estimates 2023-24**		**Comparison: Supplementary Estimates 2022-23**	
Budget Type	**Supplementary Estimate 23-24 (£m)**	**Change (£m)**	**% Change**	**Change (£m)**	**% Change**
Welsh Consolidated Fund: Non-budget expenditure	19,343.358	684.027	4%	1,878.283	10%

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 is applied.

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)	20,769.328
UK government funded AME	2,098.866
Expenditure funded by Welsh taxes	3,114.192
Expenditure financed by borrowing	150.000
Non-Domestic Rates	906.000
TOTAL MANAGED EXPENDITURE	**27,038.386**
LESS: NON-VOTED EXPENDITURE:	
(1) Less - general:	
LA Credit Approvals	-88.800
Other Non-Voted	343.628
subtotal	**254.828**
(2) less - fiscal framework transactions (Wales Act 2014):	
Taxes collected by Welsh government	-353.146
Repayment of principal loans	4.454
Welsh Rates of Income Tax	-2,765.500
Capital borrowing	-150.000
subtotal	**-3,264.192**
(3) less: non-cash expenditure:	
Resource ringfenced non-cash	-1,196.831
Other non-cash to accruals adjustments (UK funded AME-student loans & IFRS 16)	-1,302.633
Subtotal	**-2,499.464**
VOTED EXPENDITURE:	
(1) less - voted receipts:	
Non-Domestic Rates income	-1,035.028
Contributions from the National Insurance Fund	-1,596.347
Subtotal	**-2,631.375**
(2) less - timing adjustments:	
Increase / Decrease in Debtors & Creditors	445.175
Use of Provisions	0.000
Subtotal	**445.175**
CASH GRANT PAYABLE TO WELSH CONSOLIDATED FUND	**19,343.358**
PAYOVER OF INCOME TAX	**2765.500**
TOTAL CASH REQUIREMENT	**22,108.858**

3.3b Control Totals for the Welsh Government including breakdown by main programmes 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:	**17,650.104**
RDEL excluding depreciation and Block Grant Adjustment	19,383.301
Block Grant Adjustment (BGA)	-2,930.028
Depreciation and impairments ring fence	882.335
Student loans ring fence in DEL	314.496
Total Capital DEL of which:	**3,119.224**
General CDEL	3,031.962
Ring fenced financial transactions	87.262
Total Welsh block grant allocation	**20,769.328**

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

	2023-24 £million
Student loans	1,250.439
NHS impairments	94.562
Other	753.865
Subtotal	**2,098.866**

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	-4.454
Subtotal	**4,170.192**
TOTAL UKG and Welsh funded AME	**6,269.058**

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 Outturn [4]	2023-24 Plans
Welsh Government Resource DEL (pre- block grant adjustments)	15,300.576	20,976.746	18,653.888	19,607.143	20,580.132
Tax Block Grant Adjustment	-2,441.893	-2,353.369	-2,401.587	-2,798.890	-2,930.028
Welsh Government Resource DEL (post Block Grant Adjustment)	**12,858.683**	**18,623.377**	**16,252.301**	**16,808.253**	**17,650.104**
Welsh Government Capital DEL	**2,131.160**	**3,297.143**	**2,938.766**	**2,889.236**	**3,119.224**
Welsh Government Resource DEL plus Capital DEL[2]	**14,989.843**	**21,920.520**	**19,191.067**	**19,697.489**	**20,769.328**
less depreciation & impairments	-768.478	-1,057.423	174.661	-1,232.033	-1,196.831
Total Welsh Government DEL[3]	**14,221.365**	**20,863.097**	**19,365.728**	**18,465.456**	**19,572.497**

[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

29 February 2024

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.