

Office of the Secretary of State for Wales

Wales Office

Supplementary Estimate 2020-21: 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 in promoting the best interests of Wales within a strong United Kingdom. We are the face of the UK Government in Wales and the voice of Wales in Whitehall. Our primary and on-going goal is to support the Union of 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.

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**"): - provision for potential impairments of 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 Welsh Senedd, 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 only compared with last year:

Spending total Amounts sought this year (Supplementary Estimates 2020-21)		Difference (+/-) Compared to original budget this year (Main Estimates 2020- 21)		Difference (+/-) compared to final outturn last year (2019-20)	
		£m	%	£m	%
Wales Office: Resource DEL	+£5.319m	+£0.119m	2%	+£0.638m	12%
Wales Office: Capital DEL	+£0.080m	+£0.050m	63%	+£0.035m	44%
Wales Office: AME	+£0.018m	+£0.018m	100%	-£0.225m	93%

2.2 Key drivers of spending changes since last year

The main causes of the changes in the Wales Office’s DEL and AME are:

Resource DEL

- **+£0.215m** – Budget transfer from the Cabinet Office. This is to provide funding for the UK Government’s awareness campaigns in Wales of the end of EU transition period and recovery from Covid-19.
- **-£0.031m** – Budget transfer to the Cabinet Office for the salary costs of the new Wales Office Special Adviser.

Capital DEL

- **£0.050m** - Budget switch from Resource DEL to Capital DEL to reflect increase in asset base.

AME

- **+£0.015m** – Budget switch from Resource DEL to AME to cover potential impairment provision of capital assets.

2.3 Spending trends

Wales Office	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
	Outturn	Outturn	Outturn	Outturn	Plans
Total Resource DEL	4.5	4.8	4.6	4.7	5.3
o/w admin	4.3	4.6	4.4	4.5	4.9
o/w other costs	0.2	0.2	0.2	0.2	0.4
Total Capital DEL	0	0.1	0	0	0.1
Less depreciation and impairments	0.1	0.1	0.1	0.2	0.2
Total DEL	4.4	4.8	4.5	4.5	5.2

*Totals may not sum due to rounding

2.4 Administration costs and efficiency plans

Administration costs are set to rise by 8% in 2020-21 compared to last year's final outturn.

Spending total		Difference (+/-)		Difference (+/-)	
		Compared to original budget last year (Main Estimates 2020-21)		Compared to final outturn last year (2019-20)	
Amounts sought this year (Supplementary Estimates 2020-21)		£m	%	£m	%
Administration costs	+£4.9m	-£0.1m	2%	+£0.4m	8%

The increase in administration costs from the final outturn last year is mainly due to the reclassification of funding for EU Exit work from programme to administration costs.

The Office is fully committed to sharing corporate services and expertise with the other Territorial Offices and Government Departments wherever possible with a view to exploiting all available opportunities to secure efficiencies and strengthen our resilience. We currently share a parliamentary team and security adviser with the other Territorial Offices and a Freedom of Information (FOI) requests 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 and the Cabinet Office in the Cardiff Office. The tenants will generate rental income in 2020-21 of £0.117m for the Department and makes more efficient use of our accommodation. We are also in regular discussions with the Government Property Agency (GPA) over its Hubs programme and have agreed in principle to move into the new UK Government Hub in central Cardiff in 2021. 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.

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		Comparison: Main Estimate 2020-21		Comparison: Supplementary Estimate 2019-20	
Budget Type	Supplementary Estimate 20-21 (£m)	Change (£m)	% change	Change (£m)	% change
Welsh Consolidated Fund: Non-budget expenditure	20,791.153	4,360.564	21%	6,942.5	33%

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

The level of UK Government funding was determined at Spending Review 2015 (SR15) and Spending Round 2019 (SR19). Since the outcome of SR15 and SR19, funding has increased following Barnett consequentials and non-Barnett allocations from UK Government budgets and estimates rounds. The increases are shown in the accompanying excel tables 3.4a and 3.4b.

The Cash grant payable to the Welsh Consolidated Fund has increased by £4.4bn, due to a £5.5 billion increase in the Welsh DEL block grant partly offset by a decrease in non-cash expenditure. Included in the £5.5bn of additional funding is £31 million made available to the Welsh Government to repair damage caused by severe floods, including to coal tips, following storms across Wales in February 2020.

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 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 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 2020-21

	£ million
Welsh block grant (DEL)	23,272.4
UK government funded AME	1,219.8
Expenditure funded by Welsh taxes	2,374.3
Expenditure financed by Capital Borrowing	125.0
Non-Domestic Rates	804.0
TOTAL MANAGED EXPENDITURE	27,795.5
 LESS: NON-VOTED EXPENDITURE:	
(1) Less - general:	
LA Credit Approvals	-88.8
Other Non-Voted	-6.1
subtotal	-94.9
 (2) less - fiscal framework transactions (Wales Act 2014):	
Taxes collected by Welsh government	-204.6
Repayment of principal of loans	2.4
Welsh Rates of Income Tax	-2,169.7
Capital borrowing	-125.0
subtotal	-2,497.0
 (3) less: non-cash expenditure:	
Resource ringfenced non-cash	-1,537.0
Other non-cash to accruals adjustments (UK funded AME-student loans)	-483.4
subtotal	-2,020.4
 VOTED EXPENDITURE:	
(1) less - voted receipts:	
Non-Domestic Rates income	-1,112.5
Contributions from the National Insurance Fund	-1,279.7
subtotal	-2,392.2
 (2) less - timing adjustments:	
Increase / Decrease in Debtors & Creditors	0.0
Use of Provisions	0.0
Devolved Taxes - time lag in collection of receipts in year 1	0.0
subtotal	0.0
 CASH GRANT PAYABLE TO WELSH CONSOLIDATED FUND	 20,791.2

In addition, HMRC collects Welsh Income Tax (estimated at £2,170 million in 2020-21) on behalf of the Welsh Government and this is also paid over to the Welsh Consolidated Fund in monthly instalments via the Wales Office Supply Estimate (subhead C).

Total Payments to the Welsh Consolidated Fund are therefore £22,961 million.

3.3b Control Totals for the Welsh Government 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

	2020-21 £million
Total Resource DEL of which:	20,459.502
RDEL excluding depreciation	18,922.488
Depreciation and impairments ring fence	568.607
Student loans ring fence in DEL	968.406
Total Capital DEL of which:	2,812.925
General CDEL	2,473.699
Ring fenced financial transactions	339.226
Total Welsh block grant allocation	23,272.427

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

	2020-21 £million
Student loans	815.979
NHS pensions	0.0
Teachers pensions	0.0
NHS impairments	138.2
Other	265.591
Subtotal	1,219.795

3. Self-financed Annually Managed Expenditure

	2020-21 £million
Non-Domestic Rates	804
Welsh Stamp Duty Land Tax	176.457
Welsh Landfill Tax	28.187
Welsh Rates of Income Tax	2,169.7
Welsh Government borrowing	125.0
<i>Repayment of principal of loans</i>	<i>-2.4</i>
Subtotal	3,301.0

TOTAL UKG and Welsh funded AME **4,520.745**

3.4 Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving “Barnett consequentials” (Wales’s share) 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).

In July 2020, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-july-2020>

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 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 effecting the Welsh Government’s block grant funding in 2020-21 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 2016-17 to 2020-21

£m¹	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Plans
Welsh Government Resource DEL (pre- block grant adjustments)	13,325.2	14,001.8	14,279.3	14,584.2	22,812.9
Tax Block Grant Adjustment	0.0	0.0	-268.4	-2,441.9	-2,353.4
Welsh Government Resource DEL	13,325.2	14,001.8	14,010.9	12,142.3	20,459.5
Welsh Government Capital DEL	1,449.1	1,821.3	2,036.8	2,226.3	2,812.9
Welsh Government Resource DEL plus Capital DEL²	14,774.3	15,823.0	16,047.7	14,368.7	23,272.4
less depreciation & impairments	-253.4	-708.3	-703.8	-975.1	-1,537.0
Total Welsh Government DEL³	14,520.9	15,114.8	15,343.9	13,393.5	21,735.4

1. Totals may not sum due to rounding

2. Including depreciation and impairments

3. Total DEL = Resource + capital – (depreciation & impairments)

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

Accounting Officer

Director of the Office of the Secretary of State for Wales

19 February 2021

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.