

Office of the Secretary of State for Wales

Wales Office

Main Estimate 2021-22: 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;

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 for the Wales Office only compared with last year:

Spending total Amounts sought this year (Main Estimates 2021-22) £m		Difference (+/-) Compared to Supplementary Estimates 2020-21		Difference (+/-) compared to Main Estimates 2020-21	
		£m	%	£m	%
Wales Office: Resource DEL	£5.1	-£0.2	4%	-£0.1	2%
Wales Office: Capital DEL	£0.03	+£0.05	-167%	+£0	0%

2.2 Key drivers of spending changes since last year

The DEL budget for 2021-22 was determined in the one year 2020 Spending Round. The 2021-22 RDEL budget decreased by £0.2m in comparison to the 2020-21 Supplementary Estimates. This net reduction is made up of a number of different components viz:

- Reductions;
 - Funding for EU Exit posts £0.3m;
 - Covid 19 Communications Funding £0.2m.
- Additions;
 - Rent for Gwydyr House £0.3m

The addition of rent on Gwydyr House is sufficient to cover the anticipated costs arising from the transfer of the ownership of Gwydyr House from the Wales Office to the Government Property Agency. There is no scope for this funding to be used for other purposes.

2.3 Spending trends

Wales Office	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
	Outturn	Outturn	Outturn	Plans	Plans
Total Resource DEL	4.8	4.6	4.7	5.3	5.1
o/w admin	4.6	4.4	4.5	4.9	4.9
o/w other costs	0.2	0.2	0.2	0.4	0.2
Total Capital DEL	0.1	0	0	0.1	0
Less depreciation and impairments	0.1	0.1	0.2	0.2	0.2
Total DEL	4.8	4.5	4.5	5.2	4.9

*Totals may not sum due to rounding

2.4 Administration costs and efficiency plans

Administration costs are set at £4.9m for 2021-22.

Spending total		Difference (+/-)		Difference (+/-)	
Amounts sought this year (Supplementary Estimates 2021-22) £m		Compared to original budget last year (Supplementary Estimates 2020-21)		Compared to Main Estimates (2020-21)	
		£m	%	£m	%
Administration costs	+£4.9m	£0	0%	-£0.1	2%

The Office of the Secretary of State for Wales, together with Office of the Secretary of State for Scotland and Northern Ireland Office, are assessing where services can be shared across the three territorial offices and with other government bodies. The Office already shares 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 Office 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 2021-22 of £0.100m 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 will move into the new UK Government Hub in central Cardiff in the next few months. 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: Supplementary Estimate 2020-21		Comparison: Main Estimate 2020-21	
Budget Type	Main Estimate 21-22 (£m)	Change (£m)	% change	Change (£m)	% change
Welsh Consolidated Fund: Non-budget expenditure	18,249.783	-2,541.370	-14%	1,819.194	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 was determined at Spending Review 2020. The revised Statement of Funding Policy document sets out how the Barnett formula was applied, as exceptions were made for Covid-19 and replacement EU funding. The increases are shown in the accompanying excel tables 3.4a and 3.4b.

On top of their £19bn baseline through the Spending Review 2020, Budget 2021 and Main Estimates 2021-22 the UK Government has provided the Welsh Government with an additional £3.7bn. £2.1bn of which is from Barnett consequentials from the UK Government's response to Covid-19.

As set out in the Written Ministerial Statement of 24 March 2021, the Welsh Government have confirmed they are carrying forward £660m of DEL funding from 2020-21 into 2021-22. This funding is reflected in the Welsh Government's 2021-22 budgetary plans.

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 consequentialia 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 2021-22

	£ million
Welsh block grant (DEL)	20,367.2
UK government funded AME	1,146.8
Expenditure funded by Welsh taxes	2,325.4
Expenditure financed by Capital Borrowing	150.0
Non-Domestic Rates	<u>1,101.0</u>
TOTAL MANAGED EXPENDITURE	25,090.4
 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	-263.7
Repayment of principal of loans	2.4
Welsh Rates of Income Tax	-2,064.1
Capital borrowing	-150.0
subtotal	-2,475.4
 (3) less: non-cash expenditure:	
Resource ringfenced non-cash	-1,520.0
Other non-cash to accruals adjustments (UK funded AME-student loans)	-366.6
subtotal	-1,886.6
 VOTED EXPENDITURE:	
(1) less - voted receipts:	
Non-Domestic Rates income	-1,070.0
Contributions from the National Insurance Fund	-1,313.8
subtotal	-2,383.8
 (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	 18,249.7

In addition, HMRC collects Welsh Income Tax (estimated at £2,064 million in 2021-22) 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). The Total Payments to the Welsh Consolidated Fund are therefore £20,313 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

	2021-22 £million
Total Resource DEL of which:	17,757.139
RDEL excluding depreciation	16,237.179
Depreciation and impairments ring fence	551.554
Student loans ring fence in DEL	968.406
Total Capital DEL of which:	2,610.054
General CDEL	2,462.350
Ring fenced financial transactions	147.704
Total Welsh block grant allocation	20,367.193

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

	2021-22 £million
Student loans	820.575
NHS impairments	56.317
Other	269.918
Subtotal	1,146.810

3. Self-financed Annually Managed Expenditure

	2021-22 £million
Non-Domestic Rates	1,101.000
Welsh Stamp Duty Land Tax	230.998
Welsh Landfill Tax	32.728
Welsh Rates of Income Tax	2,064.061
Welsh Government borrowing	150.000
<i>Repayment of principal of loans</i>	-2.417
Subtotal	3,576.370
TOTAL UKG and Welsh funded AME	4,723.180

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 2021-22 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 2017-18 to 2021-22

£m¹	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Plans ^{[4] [5]}	2021-22 Plans
Welsh Government Resource DEL (pre- block grant adjustments)	14,001.8	14,279.3	15,300.6	21,814.3	20,113.0
Tax Block Grant Adjustment	0.0	-268.4	-2,441.9	-2,353.4	-2,355.8
Welsh Government Resource DEL	14,001.8	14,010.9	12,858.7	19,460.9	17,757.1
Welsh Government Capital DEL	1,821.3	2,036.8	2,131.2	3,151.3	2,610.1
Welsh Government Resource DEL plus Capital DEL²	15,823.0	16,047.7	14,989.8	22,612.2	20,367.2
less depreciation & impairments	-708.3	-703.8	-768.5	-1,537.0	-1,520.0
Total Welsh Government DEL³	15,114.8	15,343.9	14,221.4	21,075.2	18,847.2

1. Totals may not sum due to rounding

2. Including depreciation and impairments

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

4. 2020-21 outturn has yet to be finalised.

5. As set out in the Written Ministerial Statement of 24 March 2021, 2020-21 funding has been revised down since Supplementary Estimates 2020-21 to reflect the carry forward of funding from 2020-21 in to 2021-22. This funding is included in 2021-22 plans.

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.

[Signed]

A handwritten signature in black ink, appearing to be 'Glynne Jones', written in a cursive style.

Glynne Jones CBE

Accounting Officer

Director of the Office of the Secretary of State for Wales

May 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.