

# Office of the Secretary of State for Wales

## Wales Office

### Supplementary 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 and the Parliamentary Under Secretary of State in promoting the best interests of Wales within a strong United Kingdom and to ensure Welsh interests are represented at the heart of the UK Government and the UK Government's responsibilities are represented in Wales.

This Estimate provides for the administration costs of the 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 future dilapidation costs at the Cardiff Hub and 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 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 compare with last year:

Spending total Amounts sought this year (Supplementary Estimates 2021-22)		Difference (+/-) Compared to original budget this year (Main Estimates 2021- 22)		Difference (+/-) compared to final outturn last year (2020-21)	
		£m	%	£m	%
Wales Office: Resource DEL	+£6.363m	+£1.237m	19%	+£1.681m	26%
Wales Office: Capital DEL	+£0.030m	£0.00m	0%	-£0.048m	160%
Wales Office: AME	-£0.249m	-£0.249m	100%	-£0.257m	103%

### 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

- **+£0.966m** - Budget increase to cover cross government charges relating to the Department’s occupancy of space in the UK Government Hub in Cardiff (Ty William Morgan).
- **+£0.240m** - Budget increase relating to exit costs for the vacation of the Department’s previous office in Cardiff.
- **+£0.131m** - Budget transfer from the Ministry of Justice to cover pay awards.
- **-£0.100m** - Budget reduction in depreciation following the transfer of the ownership of the Department’s London Office (Gwydyr House) to the Government Property Agency.

## AME

- **+£0.040m** - Budget increase to cover potential future dilapidation costs at the Cardiff Hub;
- **+£0.010m** - Budget increase to cover potential impairment of office based assets;
- **-£0.299m** - Budget reduction to cover release and writeback of provision relating to exit costs from vacating the Department's previous office in Cardiff.

## 2.3 Spending trends

Wales Office	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
	Outturn	Outturn	Outturn	Outturn	Plans
<b>Total Resource DEL</b>	<b>4.8</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>6.3</b>
o/w admin	4.6	4.4	4.5	4.4	6.2
o/w other costs	0.2	0.2	0.2	0.3	0.1
<b>Total Capital DEL</b>	<b>0.1</b>	<b>0</b>	<b>0</b>	<b>0.1</b>	<b>0</b>
Less depreciation and impairments	0.1	0.1	0.2	0.2	0.1
<b>Total DEL</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>6.2</b>

\*Totals may not sum due to rounding

## 2.4 Administration costs and efficiency plans

Administration costs are set to rise by 29% in 2021-22 compared to last year's final outturn.

Spending total		Difference (+/-)		Difference (+/-)	
		Compared to original budget last year (Main Estimates 2021-22)		Compared to final outturn last year (2020-21)	
Amounts sought this year (Supplementary Estimates 2021-22)		£m	%	£m	%
Administration costs	+6.2m	+£1.3m	21%	+1.8m	29%

The increase in administration costs from the final outturn last year is mainly attributable to the cost of moving to, and occupying, space at the new UK Government Hub in Cardiff, and a new requirement to pay rent to the Government Property Agency for the London Office.

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 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:

<b>Spending Total: amounts sought this year</b>		<b>Comparison: Main Estimate 2021-22</b>		<b>Comparison: Supplementary Estimate 2020-21</b>	
<b>Budget Type</b>	<b>Supplementary Estimate 21-22 (£m)</b>	<b>Change (£m)</b>	<b>% change</b>	<b>Change (£m)</b>	<b>% change</b>
Welsh Consolidated Fund: Non-budget expenditure	18,799.126	549.343	3%	-1,992.027	-11%

#### 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 for 2021-22 was initially determined at Spending Review 2020. The Statement of Funding Policy document published at the same time sets out how the Barnett formula was applied; exceptions were made for Covid-19 and replacement EU funding.

On top of their Spending Review 2020 settlement, the UK Government has provided the Welsh Government with an additional £2.8bn in Barnett consequentials in 21-22. This includes £660m of Barnett funding the Welsh Government chose to carry forward from 20-21 into 21-22, and £420m being confirmed at Supplementary Estimates 21-22.

### 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 2021-22

	<b>£ million</b>
Welsh block grant (DEL)	21,432.591
UK government funded AME	1,429.806
Expenditure funded by Welsh taxes	2,474.236
Expenditure financed by Capital Borrowing	113.000
Non-Domestic Rates	721.500
<b>TOTAL MANAGED EXPENDITURE</b>	<b>26,171.133</b>
<b>LESS: NON-VOTED EXPENDITURE:</b>	
<b>(1) Less - general:</b>	
LA Credit Approvals	-88.800
Other Non-Voted	-6.078
<b>subtotal</b>	<b>-94.878</b>
<b>(2) less - fiscal framework transactions (Wales Act 2014):</b>	
Taxes collected by Welsh government	-412.592
Repayment of principal of loans	2.417
Welsh Rates of Income Tax	-2,064.061
Capital borrowing	-113.000
<b>subtotal</b>	<b>-2,587.236</b>
<b>(3) less: non-cash expenditure:</b>	
Resource ringfenced non-cash	-1,582.490
Other non-cash to accruals adjustments (UK funded AME-student loans)	-583.519
<b>subtotal</b>	<b>-2,166.009</b>
<b>VOTED EXPENDITURE:</b>	
<b>(1) less - voted receipts:</b>	
Non-Domestic Rates income	-1,040.053
Contributions from the National Insurance Fund	-1,412.088
<b>subtotal</b>	<b>-2,452.141</b>
<b>(2) less - timing adjustments:</b>	
Increase / Decrease in Debtors & Creditors	108.453
Use of Provisions	0.0
Other timing adjustments	-180.196
<b>subtotal</b>	<b>-71.743</b>
<b>CASH GRANT PAYABLE TO WELSH CONSOLIDATED FUND</b>	<b>18,799.126</b>
<b>PAYOVER OF INCOME TAX</b>	<b><u>2,064.061</u></b>
<b>TOTAL CASH REQUIREMENT</b>	<b>20,863.187</b>

### 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

	<b>2021-22</b> <b>£million</b>
<b>Total Resource DEL of which:</b>	<b>18,862.627</b>
RDEL excluding depreciation	17,280.137
Depreciation and impairments ring fence	614.084
Student loans ring fence in DEL	968.406
<b>Total Capital DEL of which:</b>	<b>2,569.964</b>
General CDEL	2,390.238
Ring fenced financial transactions	179.726
<b>Total Welsh block grant allocation</b>	<b>21,432.591</b>

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

	<b>2021-22</b> <b>£million</b>
Student loans	887.403
NHS impairments	48.087
Other	494.316
<b>Subtotal</b>	<b>1,429.806</b>

#### 3. Self-financed Annually Managed Expenditure

	<b>2021-22</b> <b>£million</b>
Non-Domestic Rates	721.500
Welsh Stamp Duty Land Tax	367.246
Welsh Landfill Tax	45.346
Welsh Rates of Income Tax	2,064.061
Welsh Government borrowing	0.000
<i>Repayment of principal of loans</i>	-2.417
<b>Subtotal</b>	<b>3,195.736</b>
<b>TOTAL UKG and Welsh funded AME</b>	<b>4,625.542</b>

## 3.4 Barnett Consequentials

From time to time HM Treasury will adjust the budgets of UK departments, with the devolved administrations receiving “Barnett consequentials” 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 December 2021, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2021>

### 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 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

<b>£m<sup>1</sup></b>	<b>2017-18 Outturn</b>	<b>2018-19 Outturn</b>	<b>2019-20 Outturn</b>	<b>2020-21 Outturn <sup>[4]</sup></b>	<b>2021-22 Plans</b>
Welsh Government Resource DEL (pre- block grant adjustments)	14,001.8	14,279.3	15,300.6	20,976.7	18,911.4
Tax Block Grant Adjustment	0.0	-268.4	-2,441.9	-2,353.4	-48.7
<b>Welsh Government Resource DEL</b>	<b>14,001.8</b>	<b>14,010.9</b>	<b>12,858.7</b>	<b>18,623.4</b>	<b>18,862.6</b>
<b>Welsh Government Capital DEL</b>	<b>1,821.3</b>	<b>2,036.8</b>	<b>2,131.2</b>	<b>3,297.1</b>	<b>2,570.0</b>
<b>Welsh Government Resource DEL plus Capital DEL<sup>2</sup></b>	<b>15,823.0</b>	<b>16,047.7</b>	<b>14,989.8</b>	<b>21,920.5</b>	<b>21,432.6</b>
less depreciation & impairments	-708.3	-703.8	-768.5	-1,057.4	-1,582.5
<b>Total Welsh Government DEL<sup>3</sup></b>	<b>15,114.8</b>	<b>15,343.9</b>	<b>14,221.4</b>	<b>20,863.1</b>	<b>19,850.1</b>

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 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.

A handwritten signature in black ink, appearing to read 'Glynne Jones', written over a faint circular stamp or watermark.

Glynne Jones CBE

Accounting Officer

Director of the Office of the Secretary of State for Wales

21 February 2022

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.