

# Office of the Secretary of State for Wales

## Wales Office

### Main Estimates memorandum (2020–21):

#### 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 Office, including the upkeep of a Grade II\* listed building; the salary costs of the Secretary of State and staff; and payments to the Welsh Consolidated Fund.

##### *1.2 Spending controls*

The Wales Office's Estimate is broken down into several components, 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**") – investment in infrastructure of 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 National Assembly for Wales, 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 Spending Detail: Wales Office

### 2.1 Comparison of spending totals sought

The table and graphic below show how the totals sought for the Wales Office compares with last year:

Spending Total: amounts sought this year		Comparison: Supplementary Estimate 2019-20		Comparison: Main Estimate 2019-20	
Budget Type	Main Estimate 20-21 (£m)	Change (£m)	% change	Change (£m)	% change
OSSW RDEL	5.2	0.12	2%	0.1	2%
OSSW CDEL	0.03	-0.02	-67%	0	0%

### 2.2 Key drivers of spending changes since last year

Provision for the DEL budget for 2020-21 was determined in the one year 2019 Spending Round. The 2020-21 RDEL budget increased by £0.120m in comparison to 2019-20. The increase in funding was due to increased budgetary cover for annual staff pay awards, and higher depreciation charges due to the increase in the value of the department's asset base.

### 2.3 Spending trends

The table and graphic below show overall spending trends for the last five financial year and the plans presented at Estimates 2020-21.

£m	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Plans	2020-21 Plans
<b>Total Resource DEL</b>	4.5	4.8	4.6	5.1	5.2
o/w admin	4.4	4.6	4.4	4.6	5.0
o/w other costs	0.1	0.2	0.2	0.5	0.2
<b>Total Capital DEL</b>	0	0.1	0	0	0
o/w depreciation/impairments*	0.1	0.1	0.1	0.2	0.2
<b>Total DEL</b>	4.4	4.8	4.5	4.9	5.0

\*less than 1dp

## 2.4 Administration costs

Administration costs are set as £5.0m for 2020–21.

Spending Total: amounts sought this year		Comparison: Supplementary Estimate 2019–20		Comparison: Main Estimate 2019–20	
Budget Type	Main Estimate 20–21 (£m)	Change (£m)	% change	Change (£m)	% change
Administration costs	5.0m	0.4m	8%	0.3m	6%

The Wales Office is fully committed to sharing 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 share a parliamentary team and security adviser with the other Territorial Offices and a freedom of information requests (FOI) 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.

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenant and Independent Commission for Aid Impact) in the London Office and the Cabinet Office in Cardiff. The tenants will generate rental income in 2020–21 of £0.117m for the Office, making more efficient use of our office space. We are also in regular discussions with the Office of Government Property (OGP) and Government Property Unit (GPU) about the implications for Wales of relocating civil service posts away from London and the south east and the establishment of UK government hubs across the country.

The Office is working closely with HMRC and other government departments with the intention of moving into the new UK Government Hub in Cardiff once it is ready for occupation.

### 3 Payments to Welsh Consolidated Fund (detailed tables available in accompanying workbook)

#### 3.1 Comparison of cash grant payable to 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: Supplementary Estimate 2019–20		Comparison: Main Estimate 2019–20	
Budget Type	Main Estimate 20–21 (£m)	Change (£m)	% change	Change (£m)	% change
Welsh Consolidated Fund: Non–budget expenditure	16,430.6	2,582.0	16%	2,987.3	18%

#### 3.2 Key drivers in change of cash provision 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, 3.4b and 3.4c.

The UK Government funding for the response to Covid–19 and the subsequent Barnett consequentials for the Welsh Government have driven a large proportion of this increase (£1.9bn). This includes over £730m Barnett consequentials in relation to small business grants, and over £600m for business rates relief. Other additions include Barnett consequentials from Budget 2020 (£345m) and funding as a result of the UK Government’s commitment to maintain farm support for the duration of the parliament (£231m). Some of the key drivers of Barnett consequentials from the UK Government Budget 2020 include £58.9m in relation to the Building Safety Fund and £40.2m for DHSC capital funding.

The level of UK government funding is adjusted to reflect the devolution of certain tax raising powers to the Welsh Government as set out in the Welsh Government’s fiscal framework. The devolved taxes are the Welsh replacements for Stamp Duty Land Tax and Landfill Tax (the Land Transaction Tax and Landfill Disposal Tax respectively) and the Welsh Rates of Income Tax introduced in April 2019. As set out in the OBR forecast published alongside Budget 2020 the Welsh Government are forecast to collect £2.169bn in income tax receipts in 2020–21.

### 3.3 Trends: Welsh Government funding 2016–17 to 2020–21

£m <sup>1,2</sup>	2016–17 outturn	2017–18 outturn	2018–19 outturn	2019–20 plans	2020–21 plans
Welsh Government Resource (pre- block grant adjustments)	13,325.2	14,001.8	14,279.3	15,436.5	17,818.0
<i>less tax Block Grant Adjustment</i>	0.0	0.0	-268.4	-2319.1	-2,441.9
<b>Welsh Government Resource<sup>6</sup></b>	13,325.2	14,001.8	14,010.9	13,117.5	15,376.1
<b>Welsh Government Capital</b>	1,449.1	1,821.3	2,036.8	2,226.3	2,429.8
<b>Total Welsh Government DEL<sup>3</sup></b>	14,774.3	15,823.0	16,047.7	15,343.8	17,805.9
<i>less depreciation &amp; impairments</i>	-253.4	-708.3	-703.8	-975.1	-688.7
<b>Total Welsh Government DEL<sup>456</sup></b>	14,520.9	15,114.8	15,343.9	14,368.7	17,117.2

<sup>1</sup> Totals may not sum due to rounding

<sup>2</sup> Includes Budgetary Changes as a result of Clear Line of Sight

<sup>3</sup> Including depreciation and impairments

<sup>4</sup> Resource + capital - (depreciation & impairments)

<sup>5</sup> DEL budgets are expressed as resource and capital less depreciation & impairments. Total resource and capital do not sum to total DEL, the difference being depreciation & impairments

<sup>6</sup> Includes Block Grant Adjustments to reflect the devolution of taxes (Stamp Duty Land Tax, Landfill Tax and Welsh Rates of Income Tax) under the Welsh Government's Fiscal Framework

### ***3.4 Cash grant payable to Welsh Consolidated Fund, Control Tables and Barnett consequentials (tables available in accompanying Excel workbook)***

#### **3.4 (a) Cash grant payable to the Welsh Consolidated Fund**

The Wales Office's 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.

The amount of cash which the Welsh Government receives via this route, and which is sought under this Estimate, is a result of a calculation. The starting point to that calculation is the amount of DEL budget (block grant) and Annually Managed Expenditure which the UK government is prepared to provide.

In addition, HMRC collects the Welsh Rates of Income Tax (£2.169m in 2020–21) on behalf of the Welsh Government and this is also paid over to the Welsh Consolidated Fund via the Office of the Wales Office Supply Estimate (subhead D).

#### **3.4 (b) Control Totals for the Welsh Government**

A breakdown of the Welsh Government's control total for 2020–21, including the breakdown by main programme of AME spending, is set out in the accompanying Excel workbook.

#### **3.4 (c) 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, this includes changes since the last Block Grant Transparency publication.