

Wales Office

2011-12 Supplementary Estimates Memorandum

Introduction

This memorandum provides information relating to the Supplementary Estimate being sought by the Wales Office. The Wales Office Supplementary Estimate for 2011-12 seeks changes to the budgetary limits resources and cash to support the functions of the Wales Office. In addition to the continuing functions from previous years the Wales Office seeks to amend its Ambit to allow:

- Funding for the Commission on Devolution in Wales; and
- Under the Supply and Appropriation (Anticipation and Adjustments) Act, allow for a payment to the Swansea Valley Miners' Appeal Fund.

Resource Departmental Expenditure Limit

In the Supplementary Estimate, the Resource Departmental Expenditure Limit (RDEL) provision for the administration of the Wales Office will reduce by **£114,000** as the Wales Office is making a deposit under the budget exchange mechanism. This leaves a net resource requirement of **£ 5,903,000** and a net cash requirement of **£ 6,346,000**. For 2011-12 the Wales Office overall Resource and Capital Departmental Expenditure (DEL) limit will now be **£ 6,627,000**.

Changes within R DEL

- **£114,000** – deposit for budget exchange (there will be a corresponding increase in 2012-13);
- **£331,000** -a separate line has been created within the Estimate for expenditure by the Commission on Devolution in Wales. However as this is being funded from within the existing Wales Office DEL, our overall DEL figure will only change by the amount of the budget exchange; and
- **£105,000** has been switched from ringfenced non cash recharges to ringfenced cash recharges for payment to Ministry of Justice for services supplied. This has no effect on the RDEL but does increase our cash requirement.

Annually Managed Expenditure Limit

The Supplementary Estimates reflect the HM Treasury approved increase of £20,000 to our overall Annually Managed Expenditure Limit (AME) provision. We have also increased the release of the provision by £1,000 to £20,000 per year until 2016. The changes were necessary to meet the pension commitment transferred to us from Ministry of Justice in the 2011-12 Estimate as a result of the Wales Office becoming a stand alone department.

Changes within AME

- **£20,000** – increase to the overall provision
- **£ 1,000** – increase annually to the utilisation of the provision

The Memorandum also details the changes to the Welsh Consolidated Fund, which reduces by **£45,076,000** to **£12,865,791,000**.

The Memorandum is split into sections covering:

- (1) Summary of the Wales Office plans for 2011-12;
- (2) An overview of the Office's Administration Costs;
- (3) An overview of the DEL and AME totals; and
- (4) Details of the grant paid to the Welsh Consolidated Fund.

Section 1:

Summary of Wales Office Plans for 2011-12

2011-12 is the start of the new Spending Review period (SR10). It is the first year that the Wales Office has laid its own estimates, having previously been included within the Ministry of Justice (MOJ) estimate.

From the baseline set in the 2010 Spending Review, the Wales Office has agreed a real terms reduction, over the four years, of 33 per cent.

To help meet this reduction the Wales Office, together with the Northern Ireland and Scotland Offices, are assessing the potential for sharing services across the three territorial offices. We are currently taking part in the piloting of a shared Parliamentary service with the Northern Ireland and Scotland Offices. A review of the pilot will be undertaken shortly.

Section 2

An overview of the Office's Administration Costs

The role of the Wales Office is to support the Secretary of State for Wales in promoting the best interests of Wales within the United Kingdom and to act as the voice for Wales within the UK Government and the voice of the UK Government in Wales.

This Estimate provides for the administration costs of the Wales Office, including the upkeep of a Grade II* listed building; the salaries of the Secretary of State, her Minister and staff; and payments to the Welsh Consolidated Fund. It also allows for a payment to the Swansea Valley Miners' Appeal Fund under the Supply and Appropriation (Anticipation and Adjustments) Act. This will be a one off payment and will not be carried into the 2012-13 Estimate.

Background on Payment

The Swansea Valley Miners' Appeal Fund was founded in September 2011 by Peter Hain MP and Wayne Thomas, General Secretary, National Union of Mineworkers, South Wales Area.

The Fund was established as an emergency fund in response to the tragic death of four miners at the Gleision Colliery in the Swansea Valley, South Wales. This was the worst mining accident Wales has seen for generations.

The Appeal Fund was established as an emergency fund to support the families of the victims along with aiding the survivors of the accident where judged appropriate. The Appeal Fund is now a registered charity with an extract from its objects reading:

'THE OBJECTS OF THE CHARITY ARE TO RELIEVE THOSE WHO MAY BE IN NEED OF HELP (WHETHER NOW OR IN FUTURE) AS A RESULT OF THE DISASTER IN WHATEVER WAY IS CHARITABLE AND IN ACCORDANCE WITH CHARITY LAW.'

Whilst the Fund was in the process of becoming a registered charity, it was not eligible for Gift Aid on donations received. The Government agreed to make a donation to the Fund equivalent to what could have been received through Gift Aid (25% on all donations).

HM Revenue and Customs (HMRC) confirmed that making such a payment will not set a precedent, and HM Treasury confirmed that the Director of the Wales Office, as Principal Accounting Officer, has delegated authority to make such a payment once the ambit was amended in the Supplementary Estimate. However, as no specific authority exists for this payment, the Treasury has agreed that it can be made under the Supply and Appropriation (Anticipation and Adjustments) Act. This payment will be duly noted in the Supplementary Estimate.

Additionally the Wales Office has added to its ambit and will have a line within the Estimate for the administration costs of the Commission on Devolution in Wales.

We also have AME commitments from 2011-12 to 2015-16. This is in respect of a pension liability, transferred from MOJ, for an early release scheme in 2009-10.

Wales Office

Section 3

Resource and Capital DEL Changes

Table 1 – Net Resource and Capital requirement DEL

	Main Estimate 2011-12 £'000s	Supplementary Estimate 2011-12 £'000s	Change £'000s
DEL	6,017	5903	-114
CAPITAL	724	724	0
Grant to Welsh Consolidated Fund	12,910,867	12,865,791	-45,076

Table 2 – Net AME requirement

	Main Estimate 2011-12 £'000s	Supplementary Estimate 2011-12 £'000s	Change £'000s
AME	90	110	20
Utilisation	-19	-20	-1
Total changes		90	19

Resource Changes arising in the Estimate from 2011/12 Main Estimate:

RDEL has reduced by £114,000

AME provision has increased by £20,000 to £110,000. It will be discharged over five years at an expected rate of around £20,000 per year.

Section 4

The Estimate also allows for the payment of a grant to the Welsh Consolidated Fund as allowed for in Section 118 of the Government of Wales Act 2006. All expenditure by the Welsh Government (WG) is charged to the Welsh Consolidated Fund (WCF). The grant has decreased by **£45,076,000** from **£12,910,867** to **£12,865,791,000** in the Supplementary Estimate. Reconciliation, in line with changes announced in the Autumn Statement, of the 2011-12 spending aggregates of the WG with the cash grant is shown on the Table below:

WELSH CONSOLIDATED FUND			
	Original Position	Changes	Revised Position
	£'000		
Expenditure Classified as DEL ⁽¹⁾	15,066,870	83,883	15,150,753
Expenditure Classified as AME	318,789	111,439	430,228
Total Managed Expenditure	15,385,659	195,322	15,580,981
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	120,211	0	120,211
Other Non-Voted	6,078	0	6,078
Resource Ringfenced Non Cash	431,149	23,950	455,099
AME Non-cash	164,726	122,077	286,803
TOTAL NON VOTED TME	722,164	146,027	868,191
TOTAL VOTED TME	14,663,495	49,295	14,712,790
Voted receipts			
Contributions from the National			
Insurance Fund	-886,953	8,629	-878,324
NDR Receipts	-867,000	-103,000	-970,000
Total	-1,753,953	-94,371	-1,848,324
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	1,275	0	1,275
Use of Provisions	50	0	50
TOTAL GRANT TO WELSH CONSOLIDATED FUND			
	12,910,867	-45,076	12,865,791

(1) Resource and capital DEL inc. depreciation.

Includes Budgetary Changes as a result of the implementation of Clear Line of Sight

Subject to parliamentary approval of any necessary Supplementary Estimate, the Welsh Government's (WG) total Departmental Expenditure Limit (DEL) will be increased by **£123,401,000** from **£14,688,541,000** to **£14,811,942,000**

Within the total Departmental Expenditure Limit (DEL) changes, the impact is set out in the following tables:

FISCAL RDEL	£'000		
Provision at Main Estimates	13,348,774		
<i>Changes in Supplementary Estimate</i>			
Transfer from DEFRA (Animal Health)	1,200		
Transfer to BIS (Public sector Mapping)	-2,081		
Resource to capital switch	-97,000		
Reserve Claim: Olympic settlement	8,622		
Barnett Consequentials: Council Tax Freeze	38,895		
Barnett Consequentials: Free Advice Services	967		
<i>subtotal changes</i>	<i>-49,397</i>		
Revised provision (Supplementary Estimate)	13,299,377		
Ring-fenced Student Loans in RDEL			
Provision at Main Estimates	52,820		
<i>Changes in Supplementary Estimate</i>			
Switch from Ring fenced Depreciation	37,868		
Reserve Claim: Student Loans	25,600		
<i>subtotal changes</i>	<i>63,468</i>		
Revised provision (Supplementary Estimate)	116,288		
Ringfenced Depreciation in RDEL			
Provision at Main Estimates	378,329		
Switch to Ring Fenced Student Loans	-37,868		
Transfer to DEFRA (Environment Agency depreciation)	-1,650		
<i>subtotal changes</i>	<i>-39,518</i>		
Revised provision (Supplementary Estimate)	338,811		
Capital DEL			
Provision at Main Estimates	1,286,947		
<i>Changes in Supplementary Estimate</i>			
Resource to capital switch	97,000		
Reserve Claim: Olympic settlement	241		
Barnett Consequentials: Growing Places	12,089		
<i>subtotal changes</i>	<i>109,330</i>		
Revised provision (Supplementary Estimate)	1,396,277		
Summary	Opening Position	Changes	Current Position
Fiscal RDEL	13,348,774	-49,397	13,299,377
Ring-fenced Student Loans in RDEL	52,820	63,468	116,288
Ringfenced Depreciation in RDEL	378,329	-39,518	338,811
Capital DEL	1,286,947	109,330	1,396,277
Total DEL (RDEL + CDEL)	15,066,870	83,883	15,150,753
Total DEL (RDEL + CDEL - Deprecation)	14,688,541	123,401	14,811,942

CONTROL TOTALS FOR THE SPENDING REVIEW PERIOD

The following table reflects the revised control totals applicable to the Wales Office following the changes agreed as part of the Supplementary round.

£000 nominal	2011-12	2012-13	2013-14	2014-15
Core Administration budget	5,843	5,966	5,412	4,971
Boundary Reviews	0	140	660	0
Lord Lieutenants Costs	60	60	60	60
RDEL	5,903	6,166	6,132	5,031
<i>o/w non-ringfenced RDEL</i>	<i>5,833</i>	<i>6,096</i>	<i>6,062</i>	<i>4,961</i>
<i>o/w depreciation ringfenced in RDEL</i>	<i>70</i>	<i>70</i>	<i>70</i>	<i>70</i>
Capital	724	724	724	25

The Welsh Government's DEL for the years 2011-12 to 2014-15 is set out in the following table. In addition to the changes included in this Supplementary round, this includes the overall effects of the changes announced in the Autumn Statement:

£m nominal	2011-12	2012-13	2013-14	2014-15
RDEL	13,754	13,845	13,987	14,044
<i>o/w non-ringfenced RDEL</i>	<i>13,299</i>	<i>13,372</i>	<i>13,505</i>	<i>13,537</i>
<i>o/w depreciation ringfenced in RDEL</i>	<i>339</i>	<i>372</i>	<i>356</i>	<i>353</i>
<i>o/w student loan ringfenced</i>	<i>116</i>	<i>101</i>	<i>126</i>	<i>154</i>
Capital	1,396	1,188	1,064	1,106