HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

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Revised Government spending plans for 2017-18

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1. 2017-18 Supplementary Estimates
2. Why Supplementary Estimates are needed
3. Parliament's role in considering Estimates
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Summary

One of Parliament's longest standing functions is the consideration and authorisation of the Government's spending plans, requiring the Government to obtain parliamentary consent before spending public money.

A previous library note set out changes that are taking place to the debates associated with Estimates- the Estimates Day Debates. From now on, *any backbench Member* can submit a bid to Backbench Business Committee for a debate on public spending for one of these debates. Debate bids should relate to issues related to public spending included in Estimates.

The first allocation of debates follows the publication of the 2017-18 Supplementary Estimates on 7 February 2018.

This note gives details of the content of the 2017-18 Supplementary Estimates – the changes the government proposes to current year Departmental budgets.

Among notable changes proposed are:

- An increase of just over £2 billion (1.7%) in current spending for health, partly funded through a reduction of £0.5 billion (-8%) in investment health funding;
- Over £280 million on spending on Brexit related matters, distributed across a number of government departments;
- Extra money from Treasury's Reserve for a number of departments, including for defence operations and peacekeeping, to underwrite the costs of Carillion's receiver, for asylum support and counter terrorism, for the repatriation costs following the Monarch airlines collapse, for potential HS2 VAT costs, for the court reform programme and a shortfall in probate income, for costs following the reversal of an increase in mobile licence fees, and for costs following delays in introducing an exemption scheme for energy intensive industries;
- Mainly as a result in changes in long term discount rates, the costs of future liabilities for nuclear decommissioning, defence, health and environment rise. The estimate of impairment charges (reductions in estimated value) of the student loan book also rises, reflecting revised macroeconomic forecasts;
- The cash block grant to Scotland and Wales rises, and Northern Ireland's falls, but the underlying Departmental Expenditure Limits of all three – representing actual spending power – rises as a result of the Barnett formula and other changes (including the first tranche of £20 million under the confidence and supply agreement between Government and DUP);
- A number of departments are surrendering funds – in many cases to enable them to draw upon the funds instead in subsequent years.

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1. 2017-18 Supplementary Estimates

1.1 What are Supplementary Estimates?

In the interval between the publication of the original government budgets for the year (the Main Estimates) in April, and the closing months of the financial year, a lot can change. While government departments have flexibility to move money around within the limits previously agreed by Parliament (approved in the Main Estimates), fresh Parliamentary authority is required, through a Supplementary Estimate, to either

- Increase a spending limit previously voted
- add to the coverage of the spending (amend the "ambit")

In addition, government departments usually take the opportunity to update the detail of spending within the agreed totals, or to inform Parliament of money that is no longer thought to be required, when they produce a Supplementary Estimate.

1.2 What changes does the Government propose?

The 2017-18 Supplementary Estimates[1] were published on 7 February 2018. Alongside these Estimates, each department has submitted an explanatory memorandum to the relevant Select Committee.[2]

The detail of these documents runs to many hundreds of pages, and similarly hundreds of changes. Many of these changes will be routine changes driven by forecasts or small amounts being moved from one budget to another.

A summary of the more significant proposed changes by major department is shown in **Annex A**.[3] Of these, the following are highlighted for their significance or particular topical relevance:

- Increased day to day health funding of £2.1 billion. This reflects announcements made in last autumn's Budget, and a switch of £1 billion from capital[4] to resource budgets. As a consequence of the switch, Department for Health and Social Care's capital budget falls by almost £0.5 billion, compared to the original 2017-18 budget in the Main Estimate. This is the fourth successive

1 https://www.gov.uk/government/publications/supplementary-estimates-2017-18
2 The memoranda are currently not routinely made publicly available until the relevant Select committee agrees to publish them, usually within a few weeks of publication of Estimates.
3 There any many hundreds of changes taking place and not all can be listed here or in the annex. Both the details given here and the longer list at Annex A are, to varying degrees, selective.
4 Government departments have separate Resource budgets, covering day to day running costs; and capital budgets, covering investment in assets and loans. The Treasury does not normally allow departments to redeploy funds earmarked for capital purposes for day to day running costs, but has made an exception for Department of Health for the last four years.

year the department has moved a large amount of its capital funding to cover current pressures at Supplementary Estimates. The total value of these switches over the last four years has been £3.8 billion.

- Additional funding for costs in relation to exiting the EU. These include:
  - £35 million for the Department for Business, Energy & Industrial Strategy (BEIS);
  - £9 million for the Department for Digital, Culture, Media and Sport (DCMS);
  - £67 million for the Department for Environment, Food and Rural Affairs (DEFRA);
  - £30 million for the Department for International Trade (DIT);
  - £4 million for the Foreign and Commonwealth Office (FCO);
  - £60 million for the Home Office;
  - £5.6 million for the Department for Transport (DFT);
  - £5.4 million for HM Treasury;
  - £47 million for HMRC;
  - £6.6 million for the Cabinet Office;
  - £1 million for the Competition and Markets Authority;
  - £0.9 million for the Food Standards Agency;
  - £6.6 million for Scotland;
  - £3.7 million for Wales;
  - £2.4 million for Northern Ireland.

  A total of £0.5 million for Brexit costs is also being allocated to the Scotland, Wales and Northern Ireland offices.
- Additional funding, from the Treasury Reserve, to cover a number of new costs, including
  - £386 million to Ministry of Defence (MOD) for operations and peacekeeping;
  - £250 million for Ministry of Justice (MOJ) for a shortfall in probate income;
  - £150 million for Cabinet Office to underwrite the costs of Carillion's receiver;
  - £156 million for BEIS for energy intensive industries, because an exemption scheme planned was not put in place, leading to higher costs to government;
  - £213 million for DCMS after a court ruling that Ofcom's increase in licence fees for mobile operators should be reversed;
  - £80 million to Home Office for asylum support;
  - £24 million for Home Office for counter terrorism;

The Treasury Reserve is a small central funding pot held by the Treasury, which is used to top up Departmental budgets in exceptional circumstances.

  - £24 million for DEFRA for additional air quality, flood resilience and flood recovery work;
  - £265 million for DFT for HS2 VAT costs which may not be recoverable;
  - £68 million for DFT for repatriating customers after the Monarch airlines collapse; and
  - £77 million for MOJ for the Court reform programme.

- Money being surrendered, in many cases to be brought forward in future years. Under Treasury rules, a maximum of 2% resource or 4% capital can be carried forward. BEIS, DCMS, DFE, DEFRA, Department for Exiting the EU (DExEU), Department for International Development (DFID), DFT and MOJ are all either surrendering or seeking carry forward of some funds – generally relatively small amounts.
- Changes to funding for devolved administrations. Some of this derives from the operation of the Barnett formula,[5] some from specific decisions such as £20 million for Northern Ireland (of the £1 billion proposed under the confidence and supply arrangement between the Government and the Democratic Unionist Party) and some from other factors such as changes to the levels of funding provided or estimated from other sources.
- Some large figure increases, reflecting reassessments of long term liabilities. The most notable ones this time are:
  - An increase of £14,684 million for DFE as a result of reassessment of the level of student loans expected not be repaid;[6]
  - an extra £71,206 million for revisions for BEIS for nuclear decommissioning costs,[7] mostly, but not entirely, resulting from changes to Treasury discount rates;[8]
  - An extra £13,556 million for changes to health provisions for liabilities, almost entirely due changes in the Treasury discount rate; and
  - An extra £8,668 million for defence provisions, due to the discount rate changes.

Apart from the changes in liabilities, the changes to the current year budgets contained in the Supplementary Estimates for 2017-18 are generally quite small in relation to the existing budgets (Main Estimates 2017-18), as the charts below illustrate. What may seem a large

[5] which allocates funding to Scotland, Wales and Northern Ireland equivalent to funding for England. For further information see Library briefing The Barnett formula

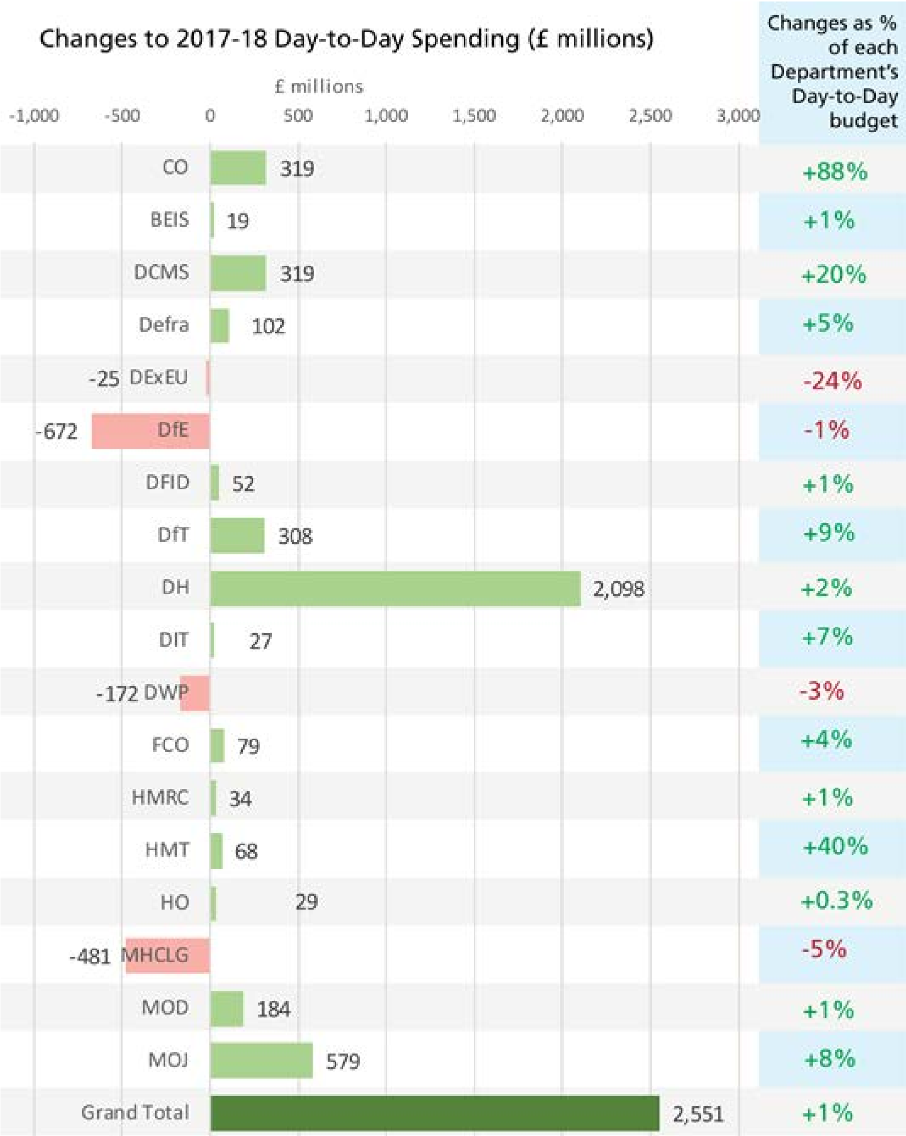
[6] This item is charged to DFE's Departmental Expenditure Limit, but has been fully funded by the Treasury. All the others listed in this section score as Annually Managed Expenditure. In practice, none of the departments concerned has had to make spending reductions to fund these rises.

[7] Not within the Departmental Expenditure Limit, but instead within a less tightly controlled limit, Annually Managed Expenditure

[8] Discount rates are rates used to adjust future costs to reflect the time value of money

change in terms of £ sought may be small in percentage terms, or vice versa.[9]

The diagram below shows the total value for changes proposed to current, day to day spending (Resource DEL),[10] alongside percentage changes.[11]



Note: The large change to the estimated reductions in the value of the student loan book, which affects DFE's Resource DEL, has been excluded from the diagram above.

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9 the large reassessment of student loan impairments has bene excluded from this table to avoid distorting the figures and giving the impression that day to day education spending is rising

10 Resource Departmental Expenditure Limit – covering day to day running costs, salaries, purchase of goods and services, depreciation and impairment of assets and current grants.

11 In some cases, the amounts formally sought through the Estimate relate to only part of the change because there are elements of spending which are funded from sources which do not require legal approval through the Estimates eg some health spend is funded through the National Insurance fund. These items are generally labelled as non- voted DEL

Changes to investment (Capital DEL)[12] budgets are shown below:

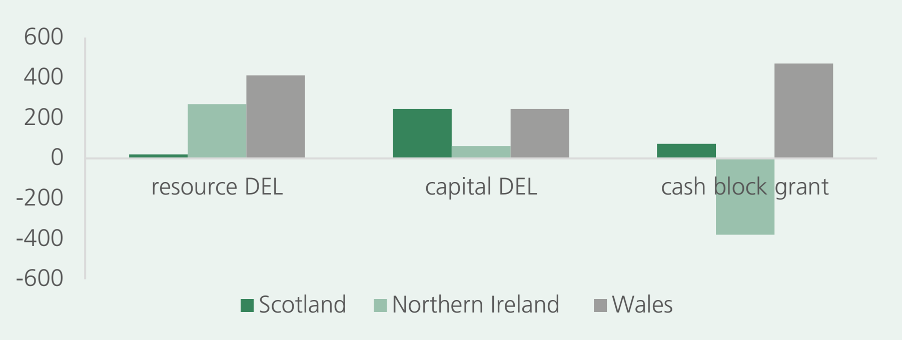
In addition, there are some changes to other types of funding not shown in these charts:

- **Annually Managed Expenditure**, covering demand led items such as benefits, and the provision for future nuclear decommissioning. See Annex A for details of major changes to these items
- **Block grant to devolved administrations**: the devolved institutions all show increases in their Departmental Expenditure Limits (DELs), largely reflecting the operation of the Barnett formula, but sometimes other increases too. Changes to DELs – actual spending power – do not, however, necessarily result in the *same* level of changes to the cash block grant voted in Estimates (shown as "non-budget expenditure" in the Estimates) because a number of often very large adjustments have to be made to reflect other sources of revenue (e.g. devolved taxes) and timing

12 Capital Departmental Expenditure Limit, covering purchase and enhancement of assets, capital grants and loans.

differences. Additional DEL resources *will* impact on the level of block grant – it is just that other items will too.

Supplementary estimates changes £ million



1.3 Opportunities for debate

From February 2018, new opportunities are being made available to backbench Members to debate government spending plans in the House of Commons.

This is because the rules on who can bid, what bids can be made and how bids are made for what are known as "Estimates day debates" are changing.

In future, these debate days will be devoted to the discussion of government spending plans rather than the previous focus of such debates on select committee reports. The main changes which are taking place now, and which come into effect immediately, are:

- Any backbench Member, not just select committees, will be able to bid for an Estimates day debate;
- The Backbench Business Committee will take the lead in allocation of Estimates day debates;[13]
- Bids for Estimates day debates will need to relate to Government spending plans in the Estimates;
- Bids for Estimates day debates will no longer need to relate to a recent Select Committee report.

1.4 Why are these changes happening?

A report of the House of Commons Procedure Committee[14] last year was critical of the way, up until now, Estimates day debates have been used. While three days a year have been set aside for many years, nominally for debates on Estimates (the government's plans for public

[13] For the time being formal approval will still rest with the Liaison Committee under Standing Orders, but the Liaison Committee has agreed to endorse the Backbench Business committee's proposals for a pilot period of the remainder of the 2017-19 session

[14] Procedure Committee, 5th report, 2016-17 session, *Authorising government expenditure: steps to more effective scrutiny*, HC 190, 19 April 2017, https://publications.parliament.uk/pa/cm201617/cmselect/cmproced/190/19002.htm

spending), in practice these slots have been used to debate a variety of topics, often only very loosely tied to public spending.

Part of the problem was felt to be that because, until now, the Liaison Committee[15] selected the debates, the expectation was that debates should be about recent select committee reports.

Under an arrangement between the Backbench Business Committee and the Liaison Committee it has been agreed that, in future, in return for selecting topics for the three days of Estimates day debates a year, the Backbench Business Committee will make available three of its slots to the Liaison Committee for discussion of select committee reports.

Roles of the Committees

Section 1 of this briefing mentions three House of Commons Committees. Below is a short summary of their respective roles:

- The Backbench Business Committee chooses the business to be debated in the House of Commons during backbench time.
- The Liaison Committee considers general matters relating to the work of select committees. It is made up of the Chairs of Select committees meeting together.
- The Procedure Committee considers, and makes recommendations on the practices and procedures of the House of Commons

1.5 Submitting a bid for an Estimates day debate under the new arrangements

Bids for new Estimates day debates should give the names of those members who will take part in the debate and submitted to Backbench Business Committee using a new variant of the bid form which will be made available on the committee's webpage. The Committee will use the list of names to gauge the likely level of cross-party interest in a debate.

In order to ensure that the Estimates day debates remain relevant to the public spending in the Estimates the title of the topic to be debated should take the form:[16]

- The spending of [name of Department] *or*
- the spending of [name of Department] on [name of programme/name of arms length body/name of activity] *or*
- [name of Department] spending and its consequences for grants to the devolved institutions.

There will be two annual opportunities to bid for Estimates day debates, in February, and in May/June.

The first slots to be allocated under the new arrangements will be for the 2017-18 Supplementary Estimates (published on 7 February). The timetable will be as follows:

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15 Chairs of Select committees meeting together

16 A few specific items of spending (e.g. judges' salaries) are not annually voted by Parliament in Estimates. For this reason, bids for debates on spending on these items should not be made.

- Bids should be submitted to the Backbench Business Committee by Friday 16th February 2018.
- The Backbench Business Committee will consider at its meeting on 20 February.
- The debates are currently expected to be held either in the week commencing 26 February or 5 March 2018

The deadlines for future bid rounds will be announced in due course and widely publicised. The next round will of bids will take place shortly after Main Estimates are published in April.

1.6 Selection of Estimates day debates

Debates will be considered by the Backbench Business Committee, and endorsed by the Liaison Committee, before being announced in the weekly Business Statement in the usual way. Successful bidders for debates will be notified in the usual way by the Backbench Business Committee.

1.7 Parliament's role

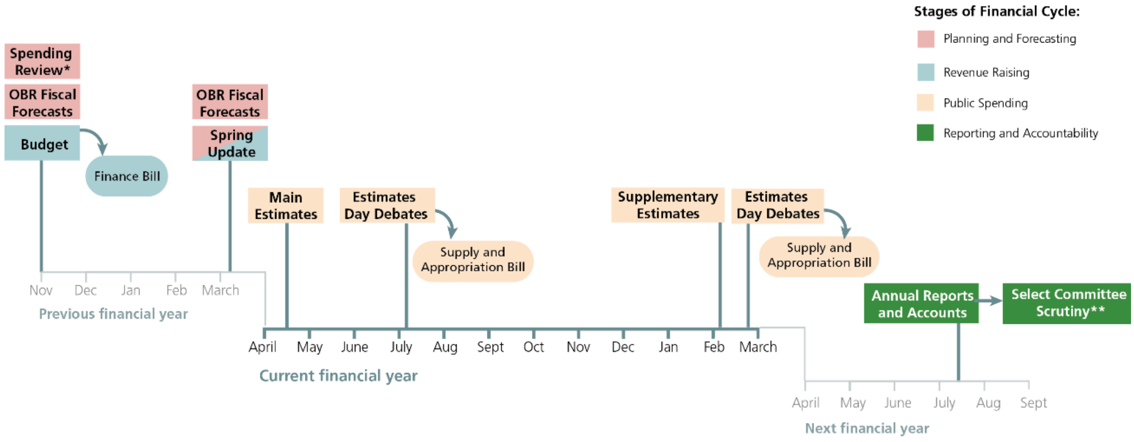
For government budgets to be formally amended – either upwards or downwards, or to extend the coverage of what existing or amended budgets can be spent upon – Supplementary estimates containing details of proposed changes need to be formally approved by the House of Commons.

First, topics need to be selected for debate (see sections above). The House may choose to amend downwards or reject outright the proposals contained in an Estimates which is the subject of debate

Second, remaining Estimates which are not the subject of debate are put to the House as "roll up motion"- they cannot be amended, although they can theoretically be rejected outright.

Third, all Estimates presented – those debated and those not debated – and if approved are put into effect through the passage of a Supply and Appropriation Act.

Fourth, Following Royal Assent departments may draw down any additional funds contained in the Estimate.



Notes:
* Spending Review happens once every 3-4 years
** Select Committee Scrutiny of Departmental Annual Reports and Accounts may continue well into the financial year

2. Why Supplementary Estimates are needed

2.1 Drivers of change

In the interval between the publication of the original government budgets for the year (the Main Estimates) in April, and the closing months of the financial year, a lot can change. While government departments have flexibility to move money around within the limits previously agreed by Parliament (approved in the Main Estimates), fresh Parliamentary authority is required, through a Supplementary Estimate, to either

- Increase a spending limit previously voted; or
- add to the coverage of the spending (amend the "ambit").

In addition, government departments usually take the opportunity to update the detail of spending within the agreed totals, or to inform Parliament of money that is no longer thought to be required, when they produce a Supplementary Estimate.

The main reasons changes are needed within Supplementary Estimates are:

- **Circumstances change**: Events – economic downturns, wars, natural disasters are examples of events which can all alter the level of funding needed or felt to be needed to fund services or to pay costs.
- **Priorities change**: Electoral changes, changes in ministerial leadership, or revaluation of priorities can lead to additional funds being sought or reallocated
- **Forecasts improve**: Sometimes the amount of spending, or the timing of spending, can lead to changes in funds sought for a particular financial year. Sometimes assumptions have had to have been made at the beginning of the year as to how money will be allocated, when in fact decisions have yet to be finally taken, and the final decisions turn out to be different
- **New services are to be provided**: Governments cannot seek funds for new services until they have passed the necessary legislation to do so. If this happens during the year, the ambit and the funding may need to be altered in a Supplementary Estimate
- **The delivery of spending alters**: As the spending limits are set at departmental level, it may be decided that funding may be better deployed through another department instead. In such cases the overall change is neutral – one department reduces its budget, and another increases it. But this needs a Supplementary Estimate, and Parliament's approval, to happen

- **Responsibilities of departments alter**: Cabinet reshuffles and other changes to the responsibilities and titles of departments can lead to money needed to be shifted in year to follow new responsibilities
- **Timing of spending alters**: Funding is voted by Parliament for a single financial year only. But if it is known by the end of the year that spending will slip into the following year, a department may reduce its funding in the current year in order to allow it to boost spending for a future year. This arrangement is agreed internally within government under a scheme known as "Budget exchange" before being presented to Parliament in a Supplementary Estimate
- **The nature of spending alters**: Sometimes a department wants or needs to increase capital spending, and fund it by reducing its current spending. Because the spending limits have previously been separately agreed by Parliament, changes to them also need to be agreed by Parliament before they can take effect. Simple switches between different programmes that are within the same limit do not need Parliamentary approval, although often departments choose to include details in a Supplementary Estimate for completeness.

Some of these changes have a net neutral effect on spending overall. Where the overall level of funding increases, government departments will have had to agree funding with the Treasury beforehand.

For some areas of spending (e.g. pensions and benefits) it is accepted that forecasts routinely fluctuate throughout the year. Treasury has categorised such spending as "Annually Managed Expenditure" and will normally allow any reasonable forecast changes to be included in the supplementary estimate.

In other areas, (where spending lies within Departmental Expenditure Limits – limits set in previous Spending Reviews) the Treasury will consider requests for funding on their merits, and if satisfied that they are a priority grant access to its central Reserve for additional funding, i.e. allow the department to submit a Supplementary Estimate to Parliament for a specified additional sum. Where this happens, use of the Reserve should be clearly indicated in the Estimate, and its accompanying explanatory memorandum.

2.2 Funding for devolved administrations

The devolved Parliaments/Assemblies receive cash funding through Estimates approved by the Westminster Parliament. The amount of cash they receive relates to calculations made using the Barnett formula, other increases to spending limits (e.g. funding under the confidence and supply agreement between the Government and DUP), and takes account of revised estimates of cash from other sources (e.g. devolved taxes). The Barnett formula is designed to ensure that where funding is announced in Spending Reviews, Budgets or Autumn Statements, the devolved governments receive equivalent funding per head for services that are devolved.

The Westminster Parliament also needs to approve, through estimates, the amount which the UK government is collecting in tax on behalf of the Scottish government and planning to pay over.

Devolved institutions need both to operate within the cash limits approved by the Westminster Parliament; and the spending limits (i.e. Resource and Capital DELs, which also cover non-cash costs) set by HM Treasury. Subject to these, devolved administrations have freedom to spend the resources allocated to them on any devolved functions.

3. Parliament's role in considering Estimates

3.1 Approving, rejecting or amending

Following debates, votes on the floor of the House may only take place on those Estimates relevant to the Estimates day debates. Furthermore, it is a long-standing convention that only the government may propose *additional* spending (the Crown Prerogative).

Accordingly, while it is possible for an Estimate selected for debate to be rejected or amended downwards,[17] for such a vote to be successful is extremely rare.

The remainder of Estimates not selected for debate – the vast majority – are put together in a "roll up" motion and voted without debate.

The funds are formally authorised first by Supply Resolutions, and subsequently through a Supply and Appropriation Bill. There are two of these each year: one for the Main Estimates, and one for the Supplementary Estimates and Vote on Account.

3.2 Role of Select committees

Select committees have a continuing role in financial scrutiny. The Liaison Committee has set out a number of core tasks which are common to select committees. There is a specific core task:

> "to examine the expenditure plans, outturn and performance of the department and its arms length bodies and the relationship between spending and the delivery of outcomes"

Committees are supported in this role by the House of Commons Scrutiny Unit. The Scrutiny Unit routinely provides analysis and data visualisations of Estimates for committees, which are subsequently available on its webpages.

3.3 Role of House of Lords

The House of Lords involvement in approval of Estimates is purely formal, with no debates or votes taking place.

[17] If proposed, a token reduction of £1,000 is conventional.

4. Further reforms

4.1 The Procedure Committee's inquiry and its recommendations

The Procedure Committee's 2017 report[18] also made a number of other recommendations for reform, beyond the allocation and usage of Estimates day debates.

Some of these recommendations have now been accepted by the government:

- The government published detailed calculations in December for the first time on how the amounts payable to the devolved institutions have been calculated.
- The government has agreed to look at improvements to the format of Estimates, and to making more information available in spreadsheet format.
- The government has agreed also to support the Scrutiny unit in reviewing the content and format of the explanatory memoranda that accompany Estimates.
- The government has no objection to altering the allocation of estimates days between spring and summer.

Other recommendations, such as suggested changes to allow greater time for Estimates consideration, and bring this forward to before the start of each financial year, have not, for now, been accepted.[19]

A further report, by the Procedure committee of the new Parliament, was published on 22 January 2018,[20] following up the government's response and implementation of changes.

It is possible that further future inquiries, on related subjects, may be conducted by the Procedure committee.

[18] Procedure Committee, 5th report, session 2016-17, *Authorising government expenditure: steps to more effective scrutiny* , HC 190, 19 April 2017, https://publications.parliament.uk/pa/cm201617/cmselect/cmproced/190/19002.htm

[19] Government response to the fifth report of the Committee, Session 2016-17, *Authorising government expenditure: steps to more effective scrutiny* http://www.parliament.uk/documents/commons-committees/procedure/hc739-response-fifth-report-201617-hc-190.pdf

[20] Procedure Committee, 3rd report, session 2017-19, *Debates on Estimates days: piloting new arrangements* https://publications.parliament.uk/pa/cm201719/cmselect/cmproced/739/73902.htm

Annex A: Notable changes included in the 2017-18 Supplementary Estimates

Definitions

Resource Department Expenditure Limits (RDEL): day to day spending on services, pay and running costs, including grants to support such spending

Capital Department Expenditure Limits (CDEL): investment spending, including loans and capital grants

Resource Annually Managed Expenditure (RAME): spending on benefits and pensions and other day to day spending which is demand led or difficult to forecast. Long term provisions for liabilities are also included.

Capital Annually Managed Expenditure (CAME): spending on investment or loans which is demand led or difficult to forecast

Non-budget: cash block grant to the devolved institutions, which they decide how to spend. Devolved institutions use this cash, voted by the Westminster Parliament, to support the spending power which HM Treasury allows them through the DELS which it sets (but which are not voted by the Westminster Parliament), and which can be increased as a result of the Barnett formula and other changes.

Cabinet Office

Cabinet Office proposes an increase of £319 million or 88% in its Resource DEL budget and of £26 million (+27%) to its capital DEL. The changes include:

- £150 million to underwrite the Official receiver, appointed as liquidator of Carillion, in providing liquidity (ie cash) and support his role in seeking to maintain the continuity of public services.
- £141 million to fund the costs of the 2017 UK General Election.
- £7.6 million related to preparations for the European Union Exit: £6.6 million extra funding and £0.965 million to transfer two units from the Department for Exiting the EU to establish a new Europe Unit in the Cabinet Office.
- £5 million to cover the costs of the Independent Grenfell Tower Inquiry.

Department for Business, Energy and Industrial Strategy

Overall, there is a small increase proposed in BEIS' Resource DEL of £19.1 million (+1%) and a small reduction in its capital DEL of £39.5 million (-0.4%) proposed.

The main changes proposed are:

- Additional resource DEL funding of £156 million from the Treasury Reserve to fund compensation to Energy Intensive Industries (EIIs). The EIIs are compensated for increased energy costs as a result of government energy policies; namely Renewables Obligation and Feed-in Tariff schemes. There was no agreed budget for 2017/18 as the expectation was that an exemption scheme would be in place for these schemes, which would exempt EIIs from the increased costs and have no direct cost to BEIS; however, this has not been able to be implemented yet for reasons outside of BEIS' control.

- Additional resource DEL funding of £27.7 million and £7.4 million capital from the Treasury Reserve to fund costs resultant from Brexit. £22 million of this relates to additional administration costs.
- At the same time, £109 million of capital DEL funding is being surrendered as not required following the sale of the Green Investment Bank.
- A total of £196 million resource DEL and £61.2 million capital DEL is being surrendered for take up in a later estimate in future years, under the Treasury's budget exchange scheme. This arises from nuclear decommissioning (£196 million), energy R&D demonstration (£28 million capital), heat networks (£8.5 million capital) and research bodies commercial flexibility (£24.7 million capital)
- While there is an enormous increase of £82,890 million in the provision for liabilities[21] sought, £71,206 million relates to nuclear decommissioning and of this £68,000 million arises solely from a change to the discount rate set by the Treasury ie not increases in cash costs. £4,900 million arises from increased estimates of costs of nuclear decommissioning work. This provision scores in the resource AME budget.

Department for Digital, Culture, Media and Sport

DCMS proposes an increase to its Resource DEL of £319 million[22] (20%) compared to its Main Estimate. The main drivers of this increase are:

- £213 million from the Treasury Reserve for potential fee repayment liabilities, after a court ruling that Ofcom's increase of the annual licence fees charged to mobile network operators should be reversed.
- £72 million of other further additional funding from the Treasury Reserve for a variety of other items, including £9 million for EU Exit costs.
- There are around £30 million in transfers from other government departments, including £15 million each from Department for International Trade and Cabinet Office for the Great Campaign and Cyber Security, respectively.

There is also a proposed decrease to DCMS's Capital DEL of £64 million (14%). This includes decreases where money is being carried forward to future years to be included in a future Estimate for:

[21] Estimates of future cash costs which are unavoidable, adjusted to take account of the time value of money – many of them not being actually payable for many years to come

[22] Voted RDEL has actually increased by £323 million, but there has been an increase in non-voted income from Spectrum Management of £4 million

- Blythe House, an archive storage facility for the British and Science Museums (-£33.7 million)
- Broadband Delivery UK (-£56.7 million)

The overall net capital reduction does however includes some new, additional, money from the Treasury Reserve for smaller projects, such as Museum's Freedoms, which allows museums to spend self-generated reserves.

Department for Education

Overall, a rise of £14,012 million to DFE's Resource DEL is proposed. If the student loan impairment changes (see below) rises are excluded, DFE's Resource DEL (excluding student loans) actually falls by 1%, and its capital DEL falls by 5%.

Significant changes to DFE's budgets include:

- An annual revision to the student loan impairment charge is leading to an additional £14,684 million being sought (Resource DEL). According to DFE, this reflects the sensitivity of student loans to changes in macroeconomic forecasts including earnings, prices and the Bank of England base rate.

Reductions in spending compared to the Main Estimates have led DFE to give up some funding this year:

- £390 million resource DEL and £76 million capital DEL funding is being carried forward to future years.
- £142 million (Resource DEL) is being surrendered to Treasury as a surplus.
- £24 million is being moved out of programme spending to fund increased administration costs, primarily associated with Sanctuary Buildings.

The causes of reduced spending this year given by DFE include:

- Delays in policy decisions, procurement and planned engagement as a result of the General Election. This affected the schools improvement programme and other areas
- Reduced spending on the pupil premium due to declining levels of eligibility
- Updates to census data affecting spending on early years programmes
- Fewer applicants than projected, resulting in less being needed in spending on the teacher training incentives programme. There were also lower than anticipated participant numbers in the Teach First expansion programme
- Some small increases in budgets partially offsetting these decreases, e.g. fast track newly designated teaching schools and national leaders of governance advocates

There are also a large number of switches in funding between spending lines within DFE's estimate. Some reflect updated assessments of spending breakdowns, or changes which result from reorganisation (eg changes in the status of schools).

Department for Environment, Food and Rural Affairs

DEFRA's Resource DEL is proposed to rise by £102 million (just over 5%) compared to the Main Estimate. Around £61 million of this relates to administration, mainly EU Exit preparations (where Treasury is granting £58 million extra from its Reserve) as DEFRA is one of the departments most affected by Brexit.

The remaining £41 million increase is mainly due to:

- £30 million of funds from other departments, the largest of which is for the Global Environment Facility (GEF), from the Department for International Development (DfID) (see also decrease in the capital budget, below).
- £24 million for additional work on Air Quality, Flood Resilience and Flood Recovery funded from the Treasury Reserve.

DEFRA plans to decrease its Capital DEL budget by £41 million (6%), mainly due to:

- £36 million in net transfers to other departments (the largest being to DfID for the Global Environment Facility, more than offsetting the resource transfer).
- A £30 million decrease as a result of re-profiling of the Flood and Coastal Erosion Risk Management budget – an announcement was made in the 2017 Autumn Budget that this funding would be shifted to 2019-20.

There is also £9 million extra capital for work on EU Exit, again funded from the Treasury Reserve.

Department for Exiting the European Union

DEXEU proposes to reduce its resource DEL budget by £25 million (-24%.) There is a small increase to its capital DEL budget (+£0.7 million). The main changes proposed are:

- £20 million to be surrendered to the Treasury;
- £1 million to be transferred to the Cabinet Office. This is a Machinery of Government (MOG) change involving the transfer of responsibilities in relation to the role of Europe Adviser to the Prime Minister and Secretariat functions from DExEU to the Cabinet Office (CO);
- £0.5 million to go the National Archives to cover work on preparing to publish new UK legislation that incorporates laws previously covered by EU legislation;
- £0.4 million to a number of UK Representative to Brussels (UKREP) roles that will help support the Brexit negotiations and also for key stakeholder events that will take place in Diplomatic posts across Europe;
- £0.7 million transferred to the capital DEL for IT costs.

Department of Health and Social Care

DHSC proposes an increase to its Resource DEL of £2.1bn[23] (1.7%) compared to the Main Estimate. This covers the day to day running costs of the NHS as well as some central functions. The main changes to the Resource DEL proposed are:

- A transfer of £1 billion from Capital DEL (investment budgets), to Resource DEL (day-to-day spending).
- An increase in Resource DEL funding of £337 million, previously announced in Autumn Budget 2017.
- Increased resource funding of £267 million for higher than anticipated expenditure for reciprocal healthcare arrangements with the European Economic Area: this has been driven by an increased number of claims and also higher average claim costs.
- Increased funding of £394 million to cover the change in the Personal Injury Discount Rate – the lower discount rate will increase the value of claims.

The Capital DEL budget will reduce by £486 million (8.0%). This reduction to Capital DEL is mostly made up of two large movements, one reduction and one increase:

- The £1 billion switch away from Capital DEL to Resource DEL – which reduces the capital budget by £1 billion.
- An increase in the Capital DEL budget of £506 million which was announced in the Autumn Budget 2017.

The other large change within the estimate is to the provision for current liabilities. While there is an increase of £14 billion proposed to Department of Health and Social Care's Annually Managed Expenditure, £13.6 billion of this results from a change to the Treasury discount rate- the estimated future cost of money. This additional £14 billion neither increases available resources to the NHS this year, nor means that funds have already been set aside for these claims. Claims will still have to be paid from the core Resource DEL budget in the future.

Department for International Development

DFID proposes an increase to its Resource DEL budget of £52 million (less than 1%) compared to the Main Estimate.

The main changes proposed are

- £137 million to be moved from the capital DEL budget. This is unusual as transfers from capital to resource are generally not allowed by the Treasury;

23 not all of this additional funding is "voted". This is essentially a legal distinction with some additional funds being funded through the National Insurance fund, and hence not requiring approval through estimates and supply and appropriation bills

- £75 million transferred out to other government departments (these are mainly routine transfers related to the Conflict, Stability and Security Fund)
- A reduction of £10 million- being returned to the Treasury as no longer required.

A reduction to DFID's capital DEL budget of £141 million (5%) is proposed. The main movements are:

- £137 million to transfer to the resource budget;
- £124 million received from other government departments- the main item being £91million for the capital contribution payments to the Asian Infrastructure Investment Bank;
- A switch of £128 million to capital AME, representing an injection into CDC (UK's Development Finance Institution). This is part of UK Government's programme of supporting investment in poorer countries.

Department for International Trade

DIT has a small budget and proposes a change of £27 million (7%) to its resource DEL. Changes include:

- Preparation of exiting the EU: An increase of £29.8 million specifically for preparations for EU Exit. Most of this is administrative spend which is due to increase by £22.4m.
- GREAT marketing campaign: Following the Machinery of government changes DIT took oversight of the GREAT resulting in an increase of £27.3m to the programme budget – most of this is offset by budget transfers from other government departments reducing the net impact on the budgetary control totals.

Department for Transport

The Department for Transport proposes a net increase of £308 million (9%) to its Resource DEL and £22 million (0.3%) to its Capital DEL. There are many changes proposed within the totals. Notable changes proposed include:

- An increase of £265 million to cover the risk that HS2 Ltd will have to pay back recovered VAT. HMRC is currently conducting a VAT review.
- Follow the collapse of Monarch airlines there was £68 million cost for repatriating stranded travellers and reimbursing ATOL protected passengers who had paid for flights.
- Non-cash costs include £100 million for an increase in depreciation of roads, and a £75 million revaluation of property purchased by HS2 Ltd which is not required for construction of the rail line.
- Reductions to DEL, which offset the above DEL increases, which is being carried forward to future years.

- £5.6 million is also being made available for the Treasury reserve for Brexit related costs.

Department for Work and Pensions

Unlike most departments the majority of DWP's spending (on pensions and benefits) is demand led and scores as resource AME.

The main changes in DWP's Resource AME (up £3,198 million or 1.8%) which are proposed reflect:

- The routine addition of a safety margin to cover potential uncertainty in levels of benefits and pension payments in the remainder of the year (+£1,400 million, on an existing budget of £176,000 million). This will only be spent if needed.
- An increase in provision for liabilities of £900 million to cover potential Personal Independence Payments and Employment and Support Allowance legal cases, in the future.
- A technical increase of £900 million for the Financial Assistance scheme (failed occupational pensions) because of changed discount rates (reflecting changes in the time value of money, not actual increased cash liabilities).
- While changes in benefits payments forecast have varied from previous forecasts, overall the net impact of the revised Office for Budget Responsibility's forecasts is minimal – only a £21 million increase on a budget of around £176,000 million.

Within Departmental Expenditure Limits (more tightly controlled spending) the main changes proposed are:

- £123 million is being moved from Resource DEL spending to capital DEL (investment) spending for increased spending on digital infrastructure.
- £44 million is being given up, to be brought forward in later years, due to timing changes on the People and locations programme (which include an estate rationalisation programme).

Foreign and Commonwealth Office

FCO proposes a net increase to its resource DEL budget of £79.5 million (4%). Most of this (£96.7 million) is funded through additional resources from the Treasury Reserve. The additional funds include

- £49.4 million for consular premiums;[24]
- £38.3 million for international subscriptions;
- £9 million for BBC World Service;
- £3.9 million for preparations for exiting the EU;

[24] Consular Premiums are collected in the UK by the Home Office and are transferred to the FCO via the Reserve in the Supplementary Estimate.
The Consular Premium is part of the passport fee which funds consular assistance services.

- £1.2 million for hurricane recovery work.

There are also a number of transfers out, many of which result from redistributing some of the Conflict, Security and Stability funds to other departments.

FCO is receiving an additional £16 million for disposing of its Bangkok residence, which benefits its capital DEL.

Home Office

Home Office proposes an increase of £29 million (less than 1%) to its Resource DEL.

Whilst there are net transfers out to other government departments, the most significant changes are routine, regular changes such as the re-distribution of the Immigration Health Surcharge to the Department of Health. Offsetting these some new funding from the Treasury's Reserve is provided of

- £80 million for Asylum Support,
- £42 million to help with EU Exit, and
- an additional £24 million for Counter Terrorism (response to Manchester and London attacks)

An increase of £97 million (19%) to Capital DEL is proposed. The majority of this additional funding from the Treasury but is termed a "switch from resource to capital from HMT" in the Supplementary Estimate, worth £75 million.

An additional £18 million in capital budget is also requested for EU Exit work.

HM Revenue and Customs

Changes in HM Revenue and Customs Resource DEL and Capital DEL budgets proposed are very small overall.

The resource DEL increase proposed is £34 million (0.9%) and the Capital DEL budget increase proposed is £36 million (14%). The main increases relate to funding for EU exit preparation which increase both resource and capital DELS by £47 million in total.

The majority of HMRC's annual expenditure is categorised as Resource AME- this includes spending on items such as child benefit and tax credits.

Changes in AME which reduce planned expenditure include:

- A £346 million decrease in forecast costs of Tax Free Childcare due to low take up
- A £491 million reduction in forecast Personal Tax Credits

Changes increasing AME expenditure include:

- £175 million increase in the recorded cost of child benefit. This is due to HMRC now recorded spending on child benefit on an accruals basis rather than a cash basis.

There is a net increase in costs of £303 million forecast arising from tax reliefs and other allowances.

HM Treasury

HM Treasury's plans to increase its Resource DEL budget by a net amount of £68 million (+40.4%) and decrease the Capital DEL budget by £169 million (-90.6%).

Changes to Resource DEL planned include:

- £55.1 million increase to reliefs for Oil and Gas decommissioning
- £5.7 million for legal costs for a case being fought against HM Treasury by Bank Mellat, an Iranian bank.
- £5.4 million for exiting the EU.

Changes to Capital DEL include:

- Loan repayment to Infrastructure Finance Unit Limited of £91 million (which reduces net spending).
- Transfer of Asian Infrastructure Bank to the Department for International Development reduced CDEL by £80 million provision
- £3.6 million for Infrastructure UK investment in PF2 schools projects.

The changes to HM Treasury's Resource AME budget which are proposed are large, but this is not unusual. Resource AME is forecast to increase by a net amount of £24.8 billion and Capital AME by a net amount of £10.2 billion. The largest changes are caused by:

- Forecast reduction in the fair value of the Bank of England Asset Purchase facility fund (i.e. "Quantitative Easing" assets) which increase Resource AME by £25.05 billion.
- Sale of Bradford and Bingley loan assets which had been expected to take place in 2017-18 but took place in 2016-17 had the effect of increasing Capital AME by £11.3 billion this year.

Ministry of Defence

MOD proposes increasing its Resource DEL budget by £184 million (1%) and its Capital DEL budget by £1,263 million (15%). These changes reflect two common themes in MoD Supplementary Estimates – claims on the Treasury Reserve for ongoing military operations and switches from the resource budget to capital for Single Use Mililtary Equipment.

The major increases proposed to Resource DEL budget are:

- £386 million from the Reserve for Operations and Peacekeeping.
- £122 million, funded by LIBOR fines payable to HMT by the finance sector, to support the Armed Forces community.
- £64 million additional funding from the Treasury and Cabinet Office for the Conflict, Stability and Security Fund.

Within the Capital DEL budget, the significant changes proposed are:

- £154 million from the Treasury Reserve for Operations and Peacekeeping missions including Afghanistan, the Wider Gulf, and counter-Daesh.

- A resource to capital switch for £900milllion, specifically for Single Use Military Equipment (SUME) such as munitions and missiles. Such switches routinely take place at year end as the balance of defence funding between resource and capital becomes clearer
- A further £200 million increase for which no specific details have been provided.

Ministry of Housing, Communities and Local Government

The Ministry of Housing, Communities and Local Government seeks a decrease in Resource DEL of £481 million (a reduction of 5%) of the combined budgets of MHCLG: Housing & Communities (a £471 million reduction) and MHCLG: Local Government (a £10 million reduction).

Some of the largest reductions in the Resource budget this year are due to the use of Budget Exchange, where spending is moved from 2017-18 to the next year, 2018-19. Budget exchange reductions in 2017-18 amount to a total of £349 million and included:

- £125 million for the Grenfell Recovery and Support Programme.
- £43 million for the Community Housing Fund.
- £41 million for Troubled Families.
- £31 million for HCA Single Land Programme.

Other large reductions in Resource DEL include a surrender of funds of £74 million to HM Treasury which had been earmarked for Devolution Deals and a number of switches between resource and capital budgets which have the net effect of reducing resource DEL by £27 million.

The capital DEL budget of MHCLG, which only relates to Housing and Communities, not local government, is planned to rise by a net amount of £484 million (a 7% increase).

The most significant change is:

- £1,598 million increase in funding from HM Treasury for the Help to Buy housing scheme.

This increase is partly offset by reductions, amounting to over £1 billion, in other areas so that the net increase in the Capital Budget is much less. MHCLG has surrendered funding of £742 million to HM Treasury for other housing schemes including:

- £259 million reduction in HCA funding for Starter Homes
- £166 million reduction in funding for Accelerated construction
- £135 million reduction in London Settlement (includes £70 million for Starter Homes)
- £72 million reduction in Affordable Homes spending (Affordable Housing and Affordable Homes Programme)
- £52 million reduction in Build to Rent
- £52 million reduction in Estate Regeneration.

£478 million of capital spending is also being carried forward under Budget Exchange to 2018-19.

Ministry of Justice

A £579 million increase (8%) is proposed to Resource DEL.

£235 million of this comes from a switch from the Capital DEL (investment) budget, to counteract resource pressures. These types of switches are unusual and need special authority from Treasury, as they contravene Treasury's normal rules.

Other important changes include:

- £250 million in new funding from HM Treasury for a shortfall in probate income, as planned increases in fees could not be implemented before the general election
- A £77 million drawdown for the court reform programme
- £4 million for mitigating emerging risks

The Capital DEL budget is set to decrease by some £317 million (43 per cent) since the Main Estimate. MOJ plans to switch £235 million to Resource DEL, and carry forward £103 million to next year, for inclusion in a subsequent Estimate. An extra £10 million is included for mitigating emerging risks.

Scotland

The Scotland Office Estimate routinely includes both funding for the Scotland Office;[25] funding for the Scottish Consolidated fund (shown as (*Non-Budget* expenditure) and also income tax pay-over (income tax which is devolved to Scotland but which the HMRC collects on behalf of Scotland. Funding authorised by the House of Commons for the Scottish consolidated fund is used to fund the Scottish government expenditure.

The Supplementary Estimate seeks an increase of £71.8 million (0.4%) in the amount sought for payment in the Scotland Consolidated Fund. This is made up of mainly:

- Increases in resource (day-to-day spending) Departmental Expenditure Limits of £20 million (0.1%). This is comprised of several movements including
  - £100 million addition agreed to in the Fiscal Framework (paras 31-32) for implementation costs of devolution
  - a net revision downwards of the block grant adjustment (£89 million);[26]
  - Barnett consequentials arising from additional funding given to UK government departments (e.g. rail fares, probate fees) (£39 million)
- Increase in capital (investment) Departmental Expenditure Limit of £245 million (7.2%). This is comprised mainly of Barnett

25 shown as Voted Resource DEL, voted Capital DEL and voted Resource AME

26 Block grant adjustments result in this case of Scotland receiving a smaller block grant as they, rather than the UK Treasury, will receive the revenue from the devolved tax.

consequentials arising from additional funding given to UK government departments in the Autumn Statement (£215 million)

- Adjustments made to remove non-cash elements (depreciation and provisions)

The Supplementary Estimate also seeks an increase of £29 million (0.2%) of income tax pay-over (this is income tax devolved to the Scottish Government but which HMRC collects on behalf of Scotland). This is due to the revisions to estimated income tax collected.

Northern Ireland

The Northern Ireland Office Estimate routinely includes both funding for the Northern Ireland Office[27] and for the Northern Ireland Consolidated fund (shown as *Non-Budget* expenditure). Funding authorised by the House of Commons for the Northern Ireland Consolidated Fund is used to fund the Assembly, Executive and interim government arrangements.

The Supplementary Estimate seeks a *reduction* of £378.2 million in the amount sought for payment to the Northern Ireland Consolidated fund

This is made up of:

- *Increases* in Departmental Expenditure limits (i.e. real spending power)[28] and Annually Managed Expenditure, including
  - £87 million of extra "Barnett Consequentials"[29] (£12 million resource, £75 million capital)
  - £92 million student loan impairment (reduction in the value of student loans)
  - £20m additional funds as a result of the confidence and supply agreement. This is the first draw-down of the £1 billion additional funds proposed by the Government in its agreement with the DUP;
  - £55 million (£48 million resource, £7 million capital) of funds carried over from the previous year's budget to supplement this year's budget (budget exchange);
  - £2.35 million for EU exit funding;
  - £10 million transferred from other government departments e.g. for broadband;
  - £11 million reduction due to efficiency savings.
- A small net reduction in income from other sources (e.g. borrowing).
- Changes in the amounts of spending power which require cash support to be voted through estimates. Some spending does not for instance require cash – it is

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27 shown as Voted Resource DEL, voted Capital DEL and voted Resource AME

28 Although not within previous published DEL totals, £75.9 million of this has already been taken into account in the cash block grant voted in Main Estimates and has not therefore been included in the supplementary estimate.

29 Barnett Consequentials are the repercussions on spending on devolved authorities from changes in the budgets of UK government departments. They are driven by the Barnett formula.

> recognition of a cost, for which cash may not be paid for some time. Some items of spending do not require to be voted for legal reasons. There have been some large changes in the forecasts for these items, and it is these which largely drive the overall reduction proposed in block grant

Northern Ireland has been without a functioning Assembly and Executive since January 2017 due to the DUP and Sinn Fein failing to reach agreement. This meant that in November 2017, the UK Parliament had to approve the 2017-18 Budget on behalf of the Northern Ireland government.

Had any of the increases to DEL amounts for Northern Ireland, (including Barnett consequentials, funding under the Supply and confidence agreement etc.) not been proposed now, there would have been a larger overall net reduction in block grant now proposed in the estimate, all other things being equal.

Wales

The Wales Office Estimate routinely includes both funding for the Wales Office[30] and funding for the Welsh Consolidated fund (shown as (*Non-Budget* expenditure) (which is used to fund the Welsh government expenditure).

The Supplementary Estimate seeks an increase of £471 million (3.3%) in the cash amount sought for payment in the Welsh Consolidated Fund. This is made up of mainly

- Increases in resource (day-to-day spending) Departmental Expenditure Limits of £413 million (3%). This comprises several movements including £300 million related to student loan impairment (non-cash) and £79 million of budget carried forward from the previous year (budget exchange).
- Increase in capital (investment) Departmental Expenditure Limit of £362 million (22.6%). £185 million is to be carried over from the previous year and £33 million in Barnett consequentials arise from additional funds awarded in the 2017 Autumn Budget to other UK Government departments.
- Adjustments made to remove non-cash elements.

[30] shown as Voted Resource DEL, voted Capital DEL and voted Resource AME

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