HOUSE OF COMMONS
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BRIEFING PAPER

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Revised Government spending plans for 2018/19

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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 briefing paper, *Main estimates: Government spending plans for 2018-19*, set out details of the initial spending plans of the government for the current financial year. As is usual, the government has now published its proposals to amend those plans, in the Supplementary Estimates, which require the approval of Parliament in order to come into effect.

Backbench members can submit bids to the House's Backbench Business Committee for debates on public spending – known as Estimates day debates – on each occasion Estimates are presented to Parliament. The latest opportunity for debates, linked to the Supplementary Estimates, arises on **26 February 2019.**

Spending topics selected for debate must relate to the spending included in an Estimate or Estimates. Following the debates, motions are put to the House to agree those Supplementary Estimates which form the subjects of debate, followed by a single "roll-up" motion to agree all the remaining Supplementary Estimates.

Overall, in this year's supplementary estimates, the government proposes to increase Departmental Expenditure Limits for day-to-day spending by £16.9 billion (+5.9%), and investment spending by £2.5 billion (+4.6%), compared to the Main Estimates. However, most of this extra money has either already been announced in the Chancellor's previous Budgets, or is taken from the Treasury Reserve[1]. This means that most additional spending included in the Supplementary Estimates has already been factored into overall spending forecasts, even though Parliamentary approval has yet to be given[2].

Among notable changes proposed in the Supplementary Estimates are:

- An extra £2 billion for **health**, £0.8 million of which is for the recent pay award (already announced), with additional cover for in- year pressures and increases in costs of personal injury claims. £0.5 billion is to be switched from capital to day to day budgets- the fifth successive year such switches have taken place;
- £1.5 billion extra for **Brexit preparations**, from the Treasury Reserve. Four departments- Home Office, DEFRA, HMRC and BEIS- absorb two thirds of this money. While the government announced access to proposed allocations of extra funds for Brexit for 2018-19 last March, amounts are only now being allocated to departments, and in some cases the amounts have altered from the amounts previously announced;
- Over £1 billion extra for **justice**, to meet a number of spending pressures and priorities including probate, legal aid, prisons, probation and courts;
- Extra funding for **transport**, split between day-to-day spending and investment. This will cover lower than expected income from passenger rail services, increased costs of Crossrail, HS2 VAT liabilities and, as announced in the Budget, extra funds for local roads maintenance;

1 Money held back by Treasury, and although included in overall previous spending forecasts, not previously included in Estimates voted by Parliament.

2 The Office for Budget Responsibility's autumn forecast was for total public expenditure of £812.8 million in 2018-19; a new forecast will be produced for the Spring Statement on 13 March 2019.

- £0.4 billion extra for **school** equipment and facilities, as announced in the last Budget;
- £0.3 billion extra for **international development**, in line with the commitment to spend 0.7% of gross national income on aid;
- Adjustments to budgets for **devolved administrations**, to give funding equivalent to that being spent by UK departments in non-devolved areas[3], as well as some specific additional funds such as Fresh Start and City Deals;
- Savings on the capital **housing** budget, much of which is carried forward to future years.

3 Known as "Barnett consequentials" these give the same per head funding (for measures announced in Budgets) as is allocated by the UK government for direct spending where functions are not devolved, to devolved administrations, where the function is devolved, for spending in the way they see fit.

1. 2018-19 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, 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.

1.2 What changes does the government propose?

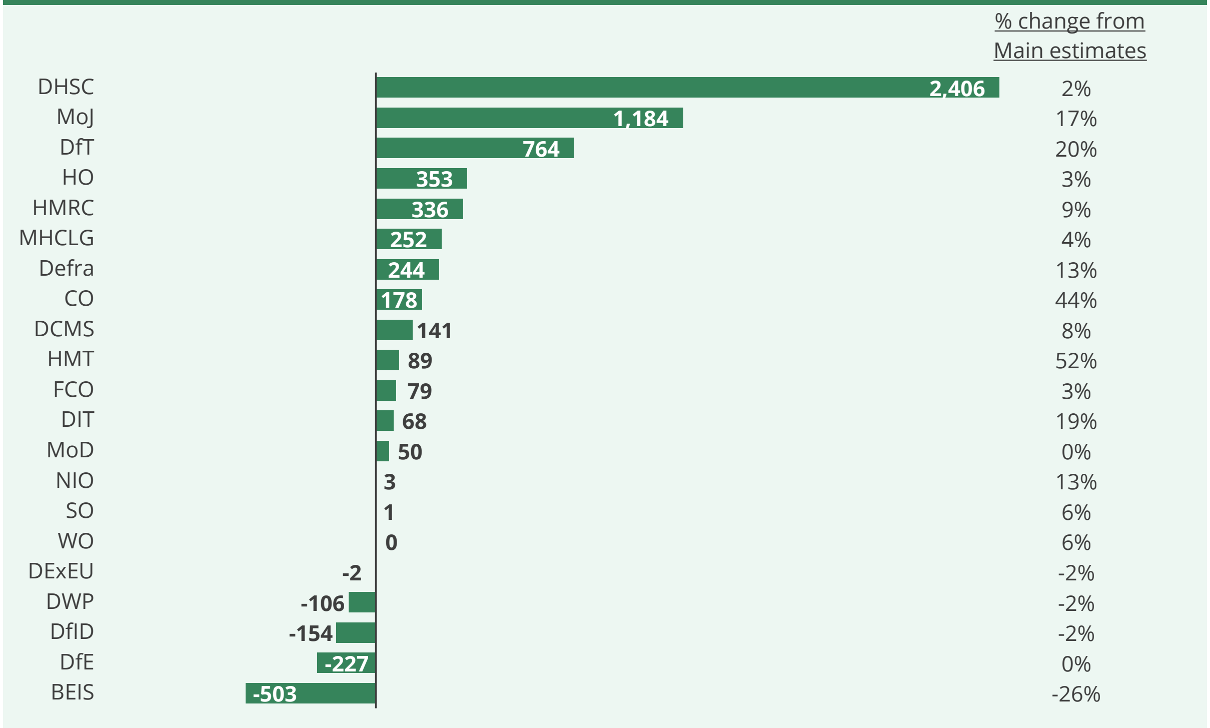
The 2018-19 Supplementary Estimates were published on 11 February 2019. Alongside these Estimates, each department has submitted an explanatory memorandum to the relevant Select Committee.[4]

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.

The charts below show the overall impact of the changes for the major departments, to both Resource DEL (day to day spending) and Capital DEL (investment spending). It is important to note that what may appear a large change in £ terms may be a small change in percentage terms, and vice versa. For this reason, while changes are shown in order of value the percentage change to the original budget is also shown alongside. For example, the £2,400 million increase in health spending amounts to a 2% rise, whereas the £89 million rise in treasury's budget is a 52% increase.

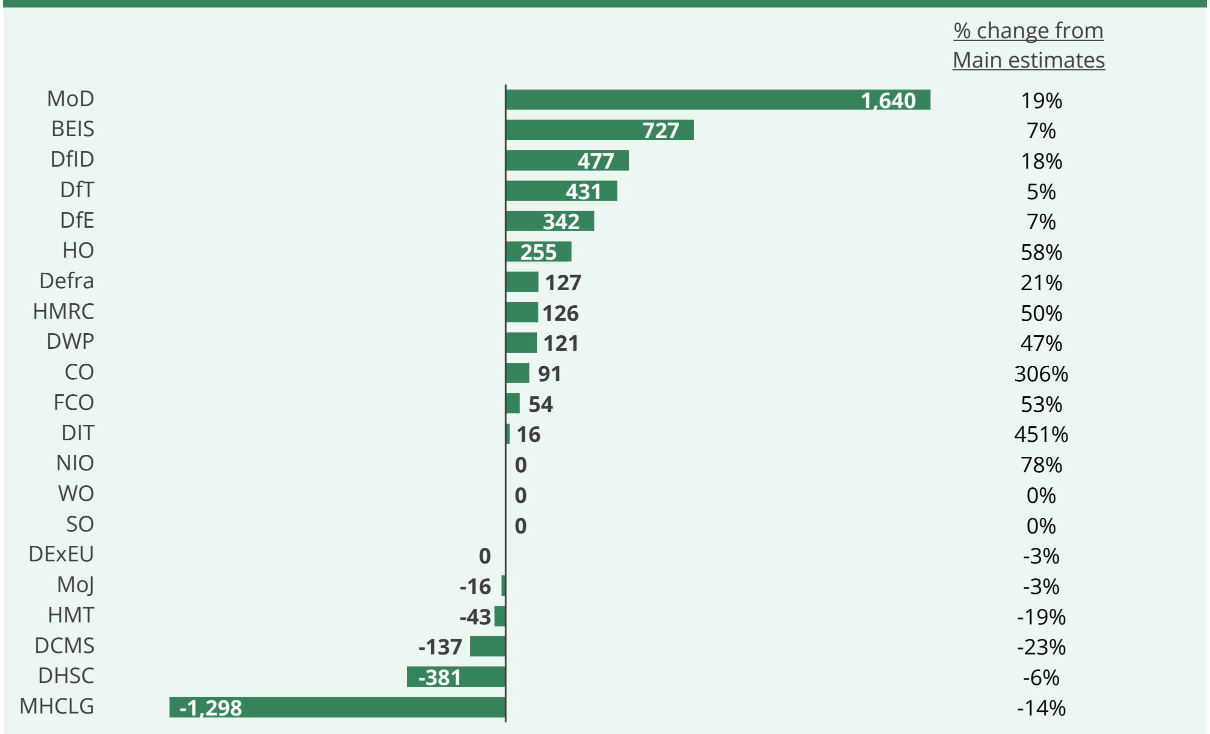
[4] The memoranda are currently not routinely made publicly available until the relevant Select Committee agrees to publish them, usually within a few weeks of publication of Estimates.

Changes in Resource DEL since Main Estimates, by department
2018-19, £ millions



Note: a large increase in DFE's Resource DEL- the result of the annual revaluation of student loans- is excluded from the figures in the chart above to enable more meaningful comparison.

Change in Capital DEL since Main Estimates, by department
2018-19, £ millions



Overall, in this year's Supplementary Estimates, the government proposes to increase Departmental Expenditure Limits for day to day spending by £16.9 billion (+5.9%), and investment spending by £2.5 billion (+4.6%), compared to the Main Estimates.

However, most of this extra money has either already been announced in the Chancellor's previous Budgets, or is taken from the Treasury Reserve[5]. This means that most additional spending included in the Supplementary Estimates has already been factored into overall spending forecasts, even though Parliamentary approval has yet to be given[6].

The Office for Budget Responsibility's autumn forecast was for total public expenditure of £812.8 million in 2018-19; a new forecast will be produced at the time of the Spring Statement on 13 March 2019.

A summary of the more significant proposed changes by major department is shown in **Annex A**.[7]

Of these, the following are highlighted for their significance or particular topical relevance:

- £2 billion of additional funding for health. £0.5 billion is to be moved from Department of Health's existing capital budget, (the fifth successive year transfers of large amounts from capital to resource have been made). The extra money includes £0.8 billion to cover the Agenda for Change pay award (already announced), £0.6 billion for unforeseen in year pressures and £0.4 million for a change in the personal injury discount rate, which pushes up costs;
- Over £1.5 billion in additional funding for Brexit preparations.8 Most of these amounts were announced back in March 2018, but were not included in the Main Estimates[9]. Some amounts have changed since the original announcement. Home Office, DEFRA, HMRC and BEIS together account for over two thirds of this additional funding;

[5] Money held back by Treasury, and although included in overall previous spending forecasts, not previously included in Estimates voted by Parliament.

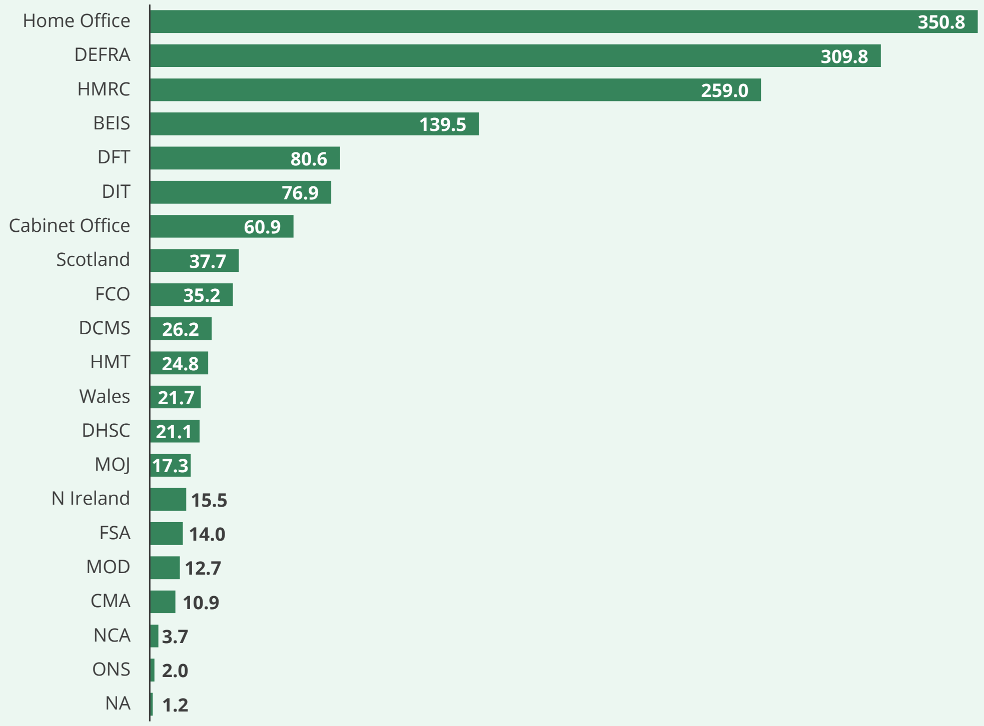
[6] The Office for Budget Responsibility's autumn forecast was for total public expenditure of £812.8 million in 2018-19; a new forecast will be produced for the Spring Statement on 13 March 2019.

[7] 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.

[8] Little information is given on how this money is to be spent. Where information has been provided, this has been included in the departmental summaries in Annex A.

[9] The government has also announced, in December 2018, proposed amounts to be added to 2019-20 budgets. These will likely be included in 2019-20 Supplementary Estimates.

Additional Brexit spending, by department
£ millions



Source: Supplementary Estimates 18-19 and Supplementary Estimates Memoranda

- £1.1 billion additional day-to-day funding for justice, of which £0.15 billion is taken from Ministry of Justice's capital budget. In particular, £0.3 billion is being added for a shortfall in probate fees; £0.15 billion for staff and maintenance costs of the Prison and Probation service and £0.14 billion for increased Legal Aid expenditure. There is also additional money previously announced in the Chancellor's Budget for Courts and Tribunal reform (£0.1 billion) and £0.14 billion brought forward from past years;
- Over £1 billion extra for transport (£0.76 billion day to day spending, and £0.43 billion capital). The government is providing £0.14 billion to address lower than expected income from passenger rail services, £0.465 billion for Crossrail cost increases, and £0.42 billion for local roads maintenance (as announced in the Budget). Provision is also being made for potential VAT liabilities of HS2;
- There are some in- year budget reductions for housing, reducing the Ministry of Housing, Communities and Local Government capital budget by about £1.3 billion, or about 14%, compared to the initial budget for the year in the Main Estimate. Much of this money is being carried forward into future years[10]. Despite these changes, MHCLG still expects capital spending to be 22% or £1.5 billion *higher* in 2018-19 than last year;

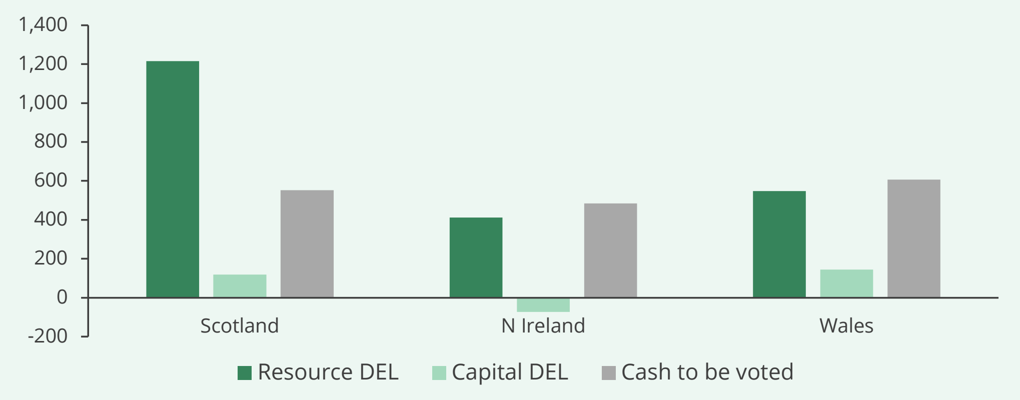
[10] Under the treasury's budget exchange scheme, where savings offered up in a Supplementary Estimate may be drawn down in a later year's Estimate.

- Education gets another £400 million for school equipment and facilities, as announced in the last Budget;
- International Development spend rises by £0.3 billion, with an extra £0.23 billion reflecting the continuing commitment to spend 0.7% of GDP on Official Development Assistance; and
- There are numerous other smaller increases, funded either by Treasury, or from savings on other areas of spending. Further details can be found in Annex A to this paper.

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; and
- 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 changes too. The changes are not directly voted upon by the Westminster Parliament. Instead, the House of Commons authorises the necessary cash (which is usually a different amount) to support those spending plans, and the devolved administrations need approval of their own Parliaments or Assemblies[11] to carry out their spending plans.

Resource DEL, capital DEL and cash changes for devolved administrations
£ millions



1.3 Opportunities for debate

Since last year, new opportunities were made available to backbench Members to debate government spending plans in the House of Commons. The rules on who can bid, what bids can be made and how bids are made for what are known as "Estimates day debates" were altered.

Estimates debate days are now devoted to the discussion of government spending plans rather than the previous focus of such debates on select committee reports. This means that:

[11] Special arrangements apply for Northern Ireland at present.

- Any backbench Member is able to bid for an Estimates day debate;
- the Backbench Business Committee now takes the lead in allocation of Estimates day debates;[12]
- Bids for Estimates day debates need to relate to Government spending plans in the Estimates.[13]

1.4 Why did the change happen?

A report of the House of Commons Procedure Committee[14] in 2017 was critical of the way, previously, Estimates day debates had 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 spending), in practice these slots were often 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, previously, 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 return for selecting topics for the three days of Estimates day debates a year, the Backbench Business Committee will now 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 Estimates day debates

The time available between publication of Supplementary Estimates and Estimates day debates is traditionally very tight.

[12] 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.
[13] Most central government spending has to go through the estimates process. There are a few areas of spending where this does not arise as spending is authorised through other channels.
[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
[15] Chairs of Select Committees meeting together

This year, Supplementary Estimates were published on 11 February 2019, the Backbench Business committee deadline for submission of bids for Estimates day debates was 15 February and bids for debates will be considered at the meeting on 19 February. As usual, there is very little time for members submitting bids to take account of the content of the Supplementary Estimates presented.

In its deliberations, the Backbench Business Committee will take account of the likely level of members supporting a bid for a debate – particularly the number likely to speak – and the degree of cross-party interest. Under Standing Orders, the House's Liaison Committee (Chairs of Select Committees) will need to endorse the selection. Successful bidders for debates will be notified in the usual way by the Backbench Business Committee.

The Estimates day debates agreed at the Backbench Business committee are expected to be held on Tuesday 26 February[16].

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:[17]

- 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 are normally two annual opportunities to bid for Estimates day debates, in February, and in May/June. Following the debates on 26 February 2019, the next Estimates day debates are expected to be held in July 2019, following publication of Main Estimates.

1.6 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 a "roll-up motion" – they cannot be amended, although they can theoretically be rejected outright.

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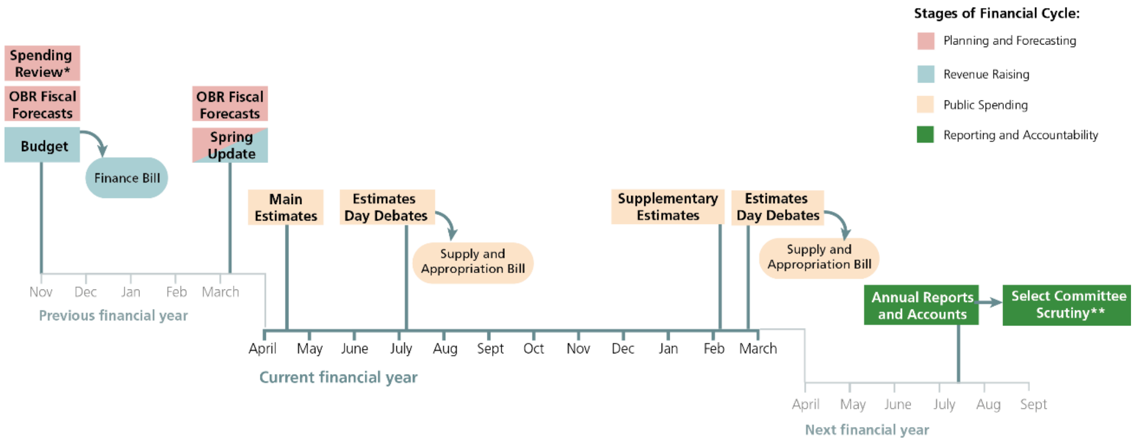
16 Subject to formal endorsement by the Liaison Committee, as required under Standing Orders

17 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.

Third, all Estimates presented – those debated and those not debated – are, if approved, 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

1.7 Estimates memoranda

Every department or other body which produces a Supplementary Estimate must also prepare an accompanying Estimates memorandum and submit this to the appropriate Departmental Select Committee.

The House of Commons Scrutiny Unit has been working with government departments to improve the quality and usefulness of future memoranda, following a recommendation of the House's Procedure Committee. The Scrutiny Unit has issued new guidance and prepared example mock-ups for departments which departments are expected to follow.[18]

Once committees have agreed to publish the memoranda they are sent, they can be viewed on the relevant committee and Scrutiny Unit webpages.

[18] The requirement is for the changes to take effect from Main Estimates 2019-20, although many departments have chosen to adopt the improvements earlier, with effect from the 2018-19 Supplementary Estimates.

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.

The main reasons changes are needed within Supplementary Estimates are:

- **Circumstances change**: 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) 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 and other increases to spending limits, 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 and Budgets, 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 (if proposed, a token reduction of £1,000 is conventional), 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. Committees also publish the memoranda on estimates sent to them by departments.

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.

4. Further reforms

4.1 Work of the Procedure Committee

The Procedure Committee's 2017 report[19] into authorising government expenditure 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 and are being implemented:

- The government now publishes detailed calculations in December on how the amounts payable to the devolved institutions have been calculated.
- The government has altered the allocation of Estimates days between spring and summer – there are now two Estimates days in the summer, and one in the spring rather than the other way around.
- Government departments are now introducing new style, more helpful, Estimates memoranda, following guidance from the House of Commons Scrutiny Unit.
- The government has agreed to look at improvements to the format of Estimates, and to making more information available in spreadsheet format.

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.[20]

A further report, by the Procedure Committee of the new Parliament, was published on 22 January 2018,[21] following up the government's response and implementation of changes.

In 2018, the Procedure Committee embarked on a new inquiry, into the idea of establishing a House of Commons Budget Committee. The Committee has taken written evidence and is now currently holding evidence sessions, before producing its report.

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[19] 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

[20] 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

[21] 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 2018-19 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 £178.4 million (+43.9%)** in its **Resource DEL** budget to £585.0 million, and an **increase of £90.8 million (+306.3%)** in its **Capital DEL** budget to £120.5 million.

The key changes to the Resource DEL budget include:

- EU exit preparations – an additional £49.4 million for the Cabinet Office includes funding for the Prime Minister's Office, the Europe Unit, the Government Digital Service and the Government Commercial Function;
- EU exit communications – other departments surrendered a total of £11.5 million to the Cabinet Office to support a cross-government communications programme;
- Funding for inquiries – Grenfell Tower Inquiry (£18 million) and Infected Blood Inquiry (£9.6 million);
- Increased spending on: National security programmes (£20.2 million); One Public Estate funding to Local Authorities (£15 million); Verify – digital identity service (£12 million); and
- Non-cash depreciation and impairment costs of £20 million.

The key changes to the Capital DEL budget include:

- Geospatial Commission (which is part of the Cabinet Office) funding of £74.9 million transferred from the Department for Business and Industrial Strategy; and
- Fit out costs of £9.8 million for the Government Hub office in Canary Wharf, London.

Department for Business, Energy and Industrial Strategy

The Department for Business, Energy and Industrial Strategy plans to **reduce** its **Resource DEL** by **£503 million (-26%)** to £1,434.4 million.

The net reduction in Resource DEL is primarily a consequence of:

- Reductions arising from:
  - a forecast additional £475 million in coal pension scheme surpluses being surrendered to the Treasury;
  - a transfer of £238 million, much of which relates to nuclear decommissioning, from Resource DEL to the Capital DEL budget. Such transfers of funding are a routine occurrence for BEIS each year, as it becomes clearer how much of the nuclear decommissioning work planned can be considered capital. More funds are held in resource than are usually needed which are then transferred to cover the capital costs when they are known; and
  - £13 million carried forward to next year;
- Increases of:
  - £84.1 million for EU exit costs, funded from the Treasury Reserve. This covers staff related costs, towards programme and delivery support and the Nuclear Safeguards programme;
  - £18 million for the South Tees site, also from the Reserve;
  - A further £122 million from the Reserve, including £98 million for impairments (write downs in the value of assets), largely for technical reasons (change in tax status).

BEIS also plans a net increase in **Capital DEL** of **£727.4 million (+6.8%)** to £11,496.3 million, which includes:

- Increases arising from:
  - £481 million extra for the British Business Bank, as a result of reprofiling/additional loans;
  - £150 million for UK Research and Innovation, as a result of the transition from the previous legacy bodies;
  - £55.3 million extra for capital EU Exit costs covering delivery of EU Exit programmes, including UK Global Navigation Satellite System (UK GNSS), Horizon 2020, Nuclear Safeguards, and a Markets Surveillance database; and
  - £238 million form the Resource DEL budget, mainly for nuclear decommissioning (see above);
- Offset by reductions as a result of:
  - £137 million carried forward to next year; and
  - £75 million transferred to Cabinet Office under machinery of government changes.

Amounts drawn down for EU Exit costs by BEIS (resource and capital) are lower than previously announced in March[22] because funding is either being drawn down by another department (e.g. Cabinet Office in the case of the Business readiness campaign) or is no longer required this financial year.

BEIS also has a further budget, Resource AME (Annually Managed Expenditure). This reduces by an enormous **£93,861.5 million**, almost entirely because of a discount rate change,[23] which affects how future years' costs of nuclear decommissioning are recognised in today's BEIS balance sheet. This change does not reflect a reduction in actual future decommissioning costs.

Department for Digital, Culture, Media and Sport

The Department for Digital, Culture, Media and Sport (DCMS) proposes an **increase** to its **Resource DEL** of **£141 million (+8.4%),** to £1,821.0 million; and a reduction of **£137.4 million (-23.5%)** to its capital DEL, taking it to £447.7 million.

The major changes proposed are:

- A total additional £26.2 million for EU Exit planning. This is largely for administration costs to allow policy staff to work on trade, analytical and finance roles, with a small amount, £0.6 million, proposed for the capital budget;
- £37 million in additional Resource DEL funding for museums and galleries; £34 million through the Freedoms Scheme which allows institutions like the British Museum easier access to finance, and £3 million for Blythe House, an archive storage facility for the British and Science Museums;
- £26 million additional Resource DEL for sports, including £19.8 million additional funding for the 2022 Commonwealth Games in Birmingham;
- £39.2 million additional Resource DEL transferred from other departments, including £25.6 million from the Single Intelligence Agency for cyber security programmes; and
- A £48 million (20%) forecast underspend on the National Citizen's service budget is mainly being reallocated towards other programmes, with £2.6 million being returned to the Treasury.

The significant reduction in Capital DEL plans is largely driven by the return to HM Treasury of underspends in the broadcasting and media sectors, including:

- £69.3 million underspend on the 700MHz spectrum;

22 Provisional amounts for Brexit were announced in March, but were not actually drawn down in Main Estimates. In the intervening time, the amounts sought for 2018-19 have altered from original expectations

23 The long term discount rate is set by HM Treasury and is a way of recognising that a cost of £1 incurred in the future is not the same a cost of £1 incurred today, even if there were no inflation. These rates are frequently reviewed and because the overall costs of nuclear decommissioning are so huge a small variation in the discount rate has an enormous effect. Treasury, not BEIS bears the risks associated with this volatility- that is, it funds the costs of increases and benefits from decreases.

- £16 million underspend on Broadband Delivery UK; and
- £15.7 million underspend on National Productivity Investment Fund, with a further £35.7 million re-profiled for use in 2021-22.

Department for Education

Overall, an **increase of £11,506.6 million (+17.3%)** to Department for Education's **Resource DEL** is proposed, taking it to £77,976.7 million.

However, this is largely driven by the annual revision to the student loan impairment charge, accounting for a £11,734 million increase 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.

If the student loan impairment changes rise is excluded, DFE's **Resource DEL** is actually set to fall by **£227.4 million** (or -0.3%)

This change comprises:

- £75 million carried forward into next year, under the Budget Exchange scheme. A further £80 million surplus is being given up altogether and will not be carried forward;
- An adjustment of £126 million, reducing the amount of spending by schools which will be voted and paid in grant this year. This arises because of the timing differences between grant payments (which are included in Estimates) and school spending (which is not)[24] .It does not represent a cut in school spending this year;
- £65 million is added to Resource DEL, transferred from capital DEL

Very little information is provided by DFE[25] on what is driving these changes and the movements between budgets within the Estimate. In percentage terms the changes are not great, but it is unclear whether they relate to forecasting changes or changes relating to Ministerial priorities.

DFE also proposes an **increase** in its **Capital DEL of £342.3 million** or **(+6.6%),** to £5,524.4 million.

This is made up of:

- The £400 million increase in school capital budgets already announced in the Chancellor's Autumn Budget to spend on equipment and facilities;
- Additional funds of £3 million from DCMS (for a broadband pilot) and £4.3 million from BEIS for the Salix Energy Efficiency Fund;

Less:

- A £65 million transfer to DFE's Resource DEL budget.

DFE's **Resource Annually Managed Expenditure** (covering more volatile spending driven by accounting forecasts) is set to rise by

[24] This discrepancy arises because of the decision to separate out academy spending in Estimates and accounts, to enable faster more accurate accounts prepared on differing fiscal years, while still enabling the government to control public spending on a financial year basis through Departmental Expenditure Limits.

[25] In DFE's Estimates memorandum, or DFE's Supplementary Estimate

£1,881.4 million (or -58.4%). This is almost entirely accounted for by revisions to estimates of movement in effective interest on student loans.

Department for Environment, Food and Rural Affairs

The Department for Environment, Food and Rural Affairs proposes an **increase of £243.9 million (+13.5%)** in its Resource DEL budget (taking it to £2,052.8 million) and an **increase of £127.2 million (+20.8%)** in its Capital DEL budget (taking it to £740.3 million). The department is one of the most affected by EU Exit and has a proposed additional budget of £310 million for Brexit preparations.

The main changes proposed for DEFRA's Resource DEL budget are:

- £281 million for EU exit funding, of which £240 million will be allocated to the administration budget;
- £15.7 million additional funding for tackling air quality, some of which was announced in the Chancellor's autumn Budget;
- £14 million additional funding for environmental recovery work following the Salisbury and Amesbury incidents;
- offset by a £75 million reduction due to a switch from Resource DEL to Capital DEL; this is largely within the Environment Agency, and reflects the budgeting practice of holding funds in the resource budget until there is greater certainty about the resource/capital split in flood and environmental improvement projects.

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

- £29 million additional funding for EU exit preparations;
- £21.9 million additional funding for flood protection, including £20 million announced in the Autumn Budget 2017, and £1.9 million for the Carlisle Flood Defences Scheme; and
- £75 million switched from the resource budget, as explained above.

Department for Exiting the European Union

The Department for Exiting the EU proposes a **reduction** in its **Resource DEL** of **£1.7 million (-1.8%),** taking it to £90.6 million.

This change consists entirely of a machinery of government funding transfer to the Cabinet Office, to help fund its Europe Unit.

Department of Health and Social Care

The Department of Health and Social Care (DHSC) proposes an **increase** of **£2,406 million (+1.9%)** in its **Resource DEL** budget, taking it to £125,924 million. Alongside this, a **decrease of £381 million (-6%)** in DHSC's **Capital DEL** budget is proposed, reducing it to £5,983.3 million.

The key changes include:

- £800 million extra Resource DEL funding for the Agenda for Change pay uplift (as announced in 2018);

- £600 million additional Resource DEL funding from HM Treasury to cover unforeseen one-off in-year pressures;
- £500 million of capital funds being transferred to day to day spending – a capital DEL to resource DEL transfer. This is the fifth successive year large transfers of this sort have happened at year end for health, despite it being against Treasury's own self-imposed rules;
- £410 million to cover the impact on costs of the change to the Personal Injury Discount Rate; and
- £21.1 million additional Resource DEL funding for EU exit preparations.

There are also changes to the separate budget, known as Resource Annually Managed Expenditure (or **Resource AME**), which covers more volatile spending such as provisions for accounting liabilities. This is set to increase by **£2,400 million (+22.8%)** – this change is nearly all due to an increase in the estimate for clinical negligence provisions.

Department for International Development

The Department for International Development proposes a **decrease** of **£154.3 million (-2.1%)** in its **Resource DEL** budget taking it to £7,325.2 million, alongside an **increase** to its **Capital DEL** budget of **£476.6 million** (+**18.0%),** taking it to £3,128.5 million.

The changes mean an overall increase in funding, with revisions to the estimated split of spending between current and capital.

Within the headline changes to totals, the main changes proposed are:

- Additional funding of £230 million from Treasury to reflect the continuing commitment by government to Official Development Assistance (ODA) being at least 0.7% of gross national income (GNI), as estimates of GNI change;
- Net transfers to DFID, from other departments (Home Office and Department of Health and Social Care), of unused ODA funding totalling £82.8 million;
- Movements between different budgets, and between resource and capital elements of budgets. The most notable of these are:
  - An extra £321 million for "policy priorities, international organisations and humanitarian" support, including through a multilateral capital payment to the World Bank's International Development Association (amount unspecified). £53 million extra funding will also go DFID's own self-financing corporation, CDC Group plc[26];
  - An extra £102 million for regional programmes; and
  - A reduction of £165 million for central programmes, including some of the £200 million crisis reserve budget,

[26] CDC Group is a development finance institution owned by the UK government. The Department for International Development is responsible for CDC, with shareholder duties managed by the Shareholder Executive. The extra £53 million is treated as Capital Annually Managed Expenditure, i.e. is not within DFID's Departmental Expenditure Limits.

which is only used if needed. Despite this reduction, some funds have already been allocated so far this year from the crisis reserve budget for Congo, Yemen, Afghanistan and Sudan.

Department for International Trade

The Department for International Trade proposes an **increase of £67.6 million (+19.1%)** in its **Resource DEL** budget, taking it to £421.7 million, and an increase of **£15.8 million (+451.1%)** in its **Capital DEL** budget, taking it to £19.3 million.

The key changes include:

- Preparation for EU exit: a £66.9 million increase to the Resource DEL budget and a £10.0 million increase to the Capital DEL budget;
- Additional funding of £2.8 million for Estates which increases the Capital DEL budget.

Department for Transport

The Department for Transport proposes an **increase of £764.3 million (+20.3%)** in its **Resource DEL** budget to £4,525.2 million, and an increase of **£430.7 million (+5.3%)** in its **Capital DEL** budget to £8,500.6 million.

Over a £1 billion of net extra funding is being provided by Treasury to DfT, some of which has already been announced in the autumn Budget, but has yet to be authorised by Parliament. Extra receipts of £121 million from Network Rail, the use of DFT's previously unallocated surplus of £184 million, and a switch from Capital to Resource DEL (which goes against Treasury's normal rules) of £238 million provide additional sources of funding. Some capital underspends are also being carried forward to future years, under the Treasury's budget exchange scheme.

Significant changes to DFT's DEL budgets include:

- Lower than expected income from Passenger Rail Services causing net expenditure to increase by £370.5 million: £150 million of this reduction is because of the earlier than anticipated end of the Virgin Trains East Coast franchise.
- Crossrail capital cost increases of £532.0 million, of which £465 million is being provided by Treasury;
- High Speed 2 increased funding cover of £202.5 million (resource) and £533 million (capital) for a possible VAT liability (currently subject to HMRC review) and is funded by Treasury,
- A reprofiling of capital spending on High speed rail, leading to a budget reduction of £773 million, some of which is being carried forward to future years;
- EU exit contingency planning funding (for day -to- day spending) of £41.6 million and £39 million (capital), from Treasury;
- Additional Non-cash costs of £100 million for HS2 inventory;

- Local Authority transport additional funding of £469.0 million primarily for local roads maintenance, £420 million of which comes from the new money announced in the Budget;
- A decrease in capital spending under the "other railways" line of £117.8 million, due to reprofiling into future years on various schemes

There are also changes to DFT's separate Annually Managed Expenditure budgets – moving money from **Resource AME** budget (which **reduces by £432 million**) to **Capital AME** (which **increases by £795.5 million)**. This is made up of an internal switch in Network Rail's non-cash budgets and an increase in estimated provision for liabilities for High Speed Rail.

Department for Work and Pensions

Much of DWP's spending, including all spending on benefits and pensions, falls within the budget total known as Resource Annually Managed Expenditure (AME). The **increase** in budget sought for this expenditure is **£974 million, (+0.5%** above the original budget sought for the year), taking the total to £184,281.2 million.

It is normal at DWP's supplementary estimates to both revise the central forecast and to include, in addition, a **margin** for forecast error which was not there within the Main Estimate. This means that *actual* increases in the central spending forecast are lower than the increases sought in the Supplementary Estimate, which add in a margin. In some cases, a decrease in forecast even leads, with the addition of a margin, to a small *increase* in the Supplementary Estimate.

Compared to DWP's original budget, in its Main Estimate, the budget for

- Spending on pensions and pensioner benefits is up by £446 million or 0.4%. £218 million of this is a forecast margin. Both state pension and pension credit have encountered slightly higher increases in claimant numbers than expected;
- Spending on disability and carer benefits is down by 1.6% or £437 million. £343 million of this is a forecast margin, so the central forecast is down by even more. The decrease is driven by lower than previously expected spending on Personal Independence Payments and Carer's Allowance, reflecting updated caseload and average awards forecast and removal of an adjustment for outstanding claims, as well as fewer reassessments of Disability Living Allowance than expected and a transfer of competence for Carer's Allowance in Scotland to the Scottish Government from September 2018;
- Spending on incapacity benefits is up by 4.7% or £684 million, including a £267 million forecast margin. Increased funding is partly because a higher proportion than expected of incapacity cases are on Employment and Support Allowance rather than Universal Credit;
- Spending on Universal Credit and its previous equivalent DWP benefits is up by 6.1% or £1,270 million. This includes a forecast

margin of £455 million. Partly this reflects Universal Credit replacing tax credits, which were paid by HMRC; partly it reflects factors such as revisions to the forecast pace of new claimants coming on to UC and the greater uncertainty inherent in forecasting for a new system. Within the total forecast spending on Jobseekers' Allowance is down, reflecting higher migration to UC and lower unemployment;

- Spending on housing benefit is up by 0.5% or £106 million. All of this, and more, stems from a forecast margin of £403 million being added that is larger than a forecast reduction in spend. So actual housing benefit forecast is down – specifically, Housing Benefit outside the welfare cap is lower because of both lower unemployment and lower average awards than previously forecast.

Alongside these changes, DWP plans a **decrease of £105.9 million (-1.7%)** to its **Resource DEL** budget (covering the administration of DWP and other, day- to- day, spending), taking it to £6,043.6 million. Notable among changes are:

- A reduction in spending on estates costs through the People and Locations programme, which is reducing estates expenditure through rationalising demand, shared usage with other departments and commercial negotiation with landlords. This is saving around £120 million a year compared to last year;
- An increase in spending of around £100 million on staff, resulting from reviewing benefit claims and the rollout of Universal Credit.

DWP also plans to **increase** its smaller **Capital DEL** budget by **£120.7 million (+47.4%),** to £375.4 million reflecting latest assumptions in activity and the winding up of the People and Locations Plan.

Foreign and Commonwealth Office

The Foreign and Commonwealth Office proposes an **increase of £78.8 million (+3.4%)** in its **Resource DEL,** taking it to £2,429.8 million.

Notable changes to FCO's Resource DEL include additional funding from Treasury's Reserve of:

- £35.2 million for EU Exit costs;
- £51.2 million for the consular premium- a transfer from the from a levy on passports;
- £41.4 million for international subscriptions;
- £70 million extra for depreciation and impairments (mainly because of exchange rate volatility);
- £11 million for differential inflation costs; and
- £9 million for the BBC World Service for local initiatives to counter disinformation and encourage civil society engagement.

£20 million for seismic and maintenance work is being returned to FCO from the Treasury, as part of the proceeds of the Bangkok embassy sale last year.

£30 million of funding for Global Britain, of an original £75 million earmarked at Main Estimate, is being returned to Treasury. This results in a net budget of £45 million now being allocated for Global Britain in 2018-19.

A further £34 million of peacekeeping funding is also being returned to Treasury for payment by Treasury as part of the UK's net contribution to the EU.

There are also transfers out totalling £61.9 million to a number of departments, primarily for Conflict, Stability and Security Fund (CSSF) work. A net £9 million is transferred to capital, for CSSF and IT.

FCO also plans to **increase** its **Capital DEL by £54 million (+53%).**

£34 million of this is money being returned to FCO from the Treasury, as part of the proceeds of the Bangkok embassy sale last year. A further £21 million of in-year receipts from the Bangkok sale is being used to fund capital expenditure directly (net in year impact on the in-year Capital DEL budget is zero).

FCO says it has a core capital budget of £98 million a year, largely spent on security and technology, but depends on asset sales (in particular the sale of the Bangkok embassy compound for £426 million last year) to fund investment in the FCO estate. FCO has flexibility from HM Treasury to draw down past sale proceeds to reinvest in later years.

£9 million of funding is being transferred from FCO's Resource DEL (see above) to better match requirements for CSSF and IT.

£12 million is being transferred in from DFID to FCO for work on the overseas estate.

Home Office

The Home Office proposes an **increase of £352.6 million** (+ **3.4%**) in its Resource DEL budget, taking it to £10.861.4 million and an increase of **£254.8 million (+ 57.8%)** in its **Capital DEL** budget.

The major changes proposed within the Resource DEL budget are:

- £200 million increase for the Youth Endowment Fund, providing long-term investment to prevent youth involvement in violent crime;
- £53 million increase from the Treasury Reserve for asylum support;
- A net £257 million additional funding from Treasury for EU exit costs (after a transfer of £3.7 million to the National Crime Agency is deducted); and
- The above increases are offset by a £136 million switch from Resource DEL to Capital DEL.

The major changes proposed within the Home Office Capital DEL budget, which mainly affect the central Home Office functions plus Crime, Policing and Fire groups within the department, are:

- £136 million increase, funded from the resource budget;

- £94 million additional funding from Treasury for EU exit preparations;
- £25 million in total from transfers from other government departments.

Further detail is not readily available: the Home Office estimates memorandum is still awaited.

HM Revenue and Customs

HM Revenue and Customs proposes an **increase** of **£335.5 million (+9%)** in its **Resource DEL** budget taking it to £4,074.8 million and a **£126.1 million (+50.5%) increase** in its **Capital DEL** budget to £375.9 million.

The key changes proposed to the DELs include:

- Preparation for EU exit – increases of £191.6 million Resource DEL and £67.4 million Capital DEL, funded by Treasury. This additional funding has been made available to pay for extra staff and changes to IT systems;
- Customs Declaration Service (CDS) – an increase £47 million of Capital DEL to invest in the CDS to ensure that it is effective as the UK leaves the EU;
- £48 million from Treasury to cover in year commitments, previously unfunded policies and previously announced increases in the Budget; and
- Depreciation – an extra £50 million for depreciation of assets – this is a non-cash cost.

HMRC's total **Resource AME** budget (which includes benefits, tax credits and tax reliefs) is set to increase by **£946.3 million (+2.4%)** to £40,705.8 million. Key changes to the AME budget include:

- a forecast increase in costs of tax reliefs and allowances of £770 million (+20%);
- a forecast increase in Child Benefit costs of £423.8 million (4%) due to accounting changes;
- a forecast decrease to costs of Lifetime ISA payments of £167.4 million (-35%); and
- a forecast decrease in costs of tax free childcare of £101.8 million (-41%).

HM Treasury

HM Treasury proposes an increase of **£89.3 million (+51.8%)** in its **Resource DEL** budget taking it to £261.8 million, and a **decrease of £42.8 million (-19.1%)** in its Capital DEL budget, taking it to £181.2 million.

The key changes proposed to Treasury's DEL budgets include:

- Preparation for EU exit – an increase in Resource DEL of £24.8 million. This additional funding, alongside savings from within the existing budget re-prioritised from elsewhere within core HM

Treasury, will fund additional staff, legal costs, consultancy costs, analytical work and work by the Office for Budget Responsibility;

- Oil and Gas decommissioning – an increase in Resource DEL of £43.3 million;
- Other increases to Resource DEL of: £6.6 million for legal costs of Bank Mellat case (Iranian bank); £3.6 million for OSCAR II (the new government spending database); and
- A Capital DEL decrease of £40 million in relation to reprofiling of spend under the Charging Infrastructure Investment Fund (CIIF).

HM Treasury's **Resource AME** (Annually Managed Expenditure) budget, which covers investments, financial assistance and loans is set to **increase** by **£11,605.8 million** – this large increase is nearly all due to a reduction in the forecast value of assets bought by the Bank of England under quantitative easing.

The **Capital AME** budget is due to **decrease** by **£2,093.3 million** – changes include £2.4 billion more than previously forecast from RBS share sales and £0.9 billion more from loan repayments to UKAR, offset by a £1.2 billion increase from a capital injection for the Bank of England.

Ministry of Defence

The Ministry of Defence proposes an **increase** of **£50.4 million (+0.1%)** in its **Resource DEL** budget, taking it to £36,757.9 million; and an **increase of £1,639.7 million (+18.7%)** in its Capital DEL budget, taking it to £10,400.7 million.

These changes reflect two common practices in MoD's Supplementary Estimates:

- claims on the Treasury Reserve for ongoing military operations and peacekeeping, including missions in Afghanistan, the Wider Gulf, and counter-Daesh; and
- switches from the Resource DEL to Capital DEL for Single Use Military Equipment (SUME), reflecting the latest MoD usage forecast.

The major changes proposed are:

- £325 million extra from the Treasury Reserve for Operations and Peacekeeping;
- £200 million additional funding announced in the Budget 2018 for key capabilities such as "cyber, anti-submarine warfare and nuclear deterrent";
- £13 million for EU Exit preparation;
- £66 million in LIBOR fines from the finance sector, used to support the Armed forces community (under a routine arrangement);
- £400 million additional funding from Treasury's Reserve for depreciation and impairments to cover a technical issue of reclassifying "Limited and Permanent Use of Raw Material Consumables"; and

- The above changes are offset by £1,000 million, which results from an annual switch from Resource DEL to Capital DEL for Single use Military Equipment (SUME), a routine-type switch, reflecting updated information;

Within the Capital DEL budget, major changes proposed are:

- £1,000 million transfer of funds from Resource DEL for SUME (see above);
- £600 million additional funding from HM Treasury for the Dreadnought submarine programme; and
- £40 million from the Treasury Reserve for Operations and Peacekeeping.

Ministry of Housing, Communities and Local Government

The Ministry of Housing, Communities and Local Government (MHCLG) proposes an overall **increase of £252.1 million (+3.5%)** in its **Resource DEL** budgets.

This is made up of a:

- £282 million decrease (-10%) in the MHCLG **Housing and Communities** Resource DEL budget to £2,535.5 million; and
- £534.2 million increase (+12.4%) in the MHCLG **Local Government** Resource DEL budget to £4,838 million.

The key changes to the Resource DEL Housing and Communities budget include lower than forecast spending of

- £130 million on the Voluntary Right to Buy pilot;
- £97 million in the Community Housing Fund.

In both these cases the money will be surrendered to Treasury

The key changes to the Resource DEL Local Government budget include:

- £240 million of new funding (announced in the Chancellor's budget) for Adult Social Care winter pressures.
- £172 million increase in budget for Business Rate reliefs.
- £166 million of budget transferred from Capital DEL in relation to the Local Government Finance Settlement: £150 million for Adult Social Care and £16 million for the Rural Services Delivery Grant.

MHCLG's **Capital DEL** budget is set to **decrease by £1,298.3 million (-13.8%)** to £8,118.2 million. Much of this is carried forward to future years under the Treasury's budget exchange scheme.

Despite the budget reductions, MHCLG's capital DEL spend is still expected to be £1.5 billion or 22% higher than last year.

The key changes to the Capital DEL budget include:

- £487 million less needed in capital grants primarily for housing, due to forecast underspends. £295 million of funding is transferred into future years for the Small Sites Fund and the Housing Infrastructure Fund; and £166 million transferred to Local

Government DEL to cover an increase in the Local Government Financial Settlement for 2018-19;

- The Home Building Fund budget is also expected to underspend by £257 million, with this amount carried forward to future years;
- Demand for the Help to Buy Equity Loan is forecast to be £214 million lower than expected (5% of the total original budget) (amount surrendered and not carried forward);
- £330 million of further capital funding (unspent budgets and overachieved income) is being surrendered; and
- There is an internal transfer from the Affordable Homes Programme of £315 million to the budget for Cladding Remediation. This amount will be repaid to the Affordable Housing programme in future years.

Ministry of Justice

The Ministry of Justice (MoJ) proposes an **increase of £1,184.5 million (+17.1%)** in **Resource DEL**, taking the budget to £8,107.0 million; and a **decrease of £15.6 million (-2.9%)** in its **Capital DEL** budget, taking it to £516.5 million.

The significant increase in Resource DEL is composed of a combination of funding which already agreed by Treasury and previously announced (but which was not in the Main Estimate); and further funding, recently agreed with Treasury.

Previously agreed increases to resource DEL funding include:

- A £150 million in-year switch from capital to resource DEL;
- £142 million brought forward under the Treasury's "Budget Exchange" from 2017-18;
- £104 million additional funding announced at the 2016 Autumn Statement, largely for HM Courts and Tribunal Service reform;
- £35 million additional funding announced at the 2018 Budget to improve the prison and court estates and parole board capability; and
- £17.3 million for EU Exit planning.

On top of the above, the following new additions are proposed:

- £308 million for Probate fee shortfall, as previously planned increases in fees could not be implemented before the last general election;
- £152 million for HM Prison and Probation Service for staff, maintenance and facilities management;
- £136 million for increased demand-led Legal Aid Authority expenditure;
- £60 million for Employment Tribunal Fees following lower than expected income and a Supreme Court Judgement against the department; and
- £73 million in additional funding for various departmental pressures, such as judicial costs and technology improvements.

The major changes driving the proposed reduction in the Capital DEL budget are:

- A £150 million reduction, with funds being switched to Resource DEL;
- offset by £80 million additional funding relating to "property disposal contingent risks", presumably to cover costs of the sale of older prisons;
- £40 million from Treasury's Reserve to cover capital pressures, mainly for prison safety and security;
- £17 million announced at Budget 2018 to reduce prison violence and improve the prisons and court estate.

These significant changes to the MoJ's Resource budget reflect unforeseen pressures and follow the 2015 Spending Review settlement, which anticipated real terms reductions of 15%. MoJ has made Reserve Claims in every year of the current Spending Review period, and the £150 million switch from Capital to Resource DEL this year follows a similar transfer of £235 million in the 2017-18 Supplementary Estimate. These have been allowed despite these switches going against Treasury's own self-imposed rules.

The MoJ also proposes an i**ncrease** of **£402 million** or **154%** in its separate Resource AME (Annually Managed Expenditure) budget. This consists of £202 million for property impairments and £200 million extra provision for the Judicial Pension Scheme, for which there are two significant ongoing litigations that may affect the pension liability.

Northern Ireland

The Northern Ireland Office Estimate routinely includes both funding for the Northern Ireland Office[27] and cash funding for the Northern Ireland Consolidated Fund (shown as *Non-Budget* expenditure). Cash funding authorised by the House of Commons for the Northern Ireland Consolidated Fund is used to support Northern Ireland government expenditure.

The Supplementary Estimate seeks an **increase** of **£484.5 million** (+3.1%) in the amount sought for payment in the **Northern Ireland Consolidated Fund.** This is made up of an **increase** in **Resource DEL** of **£411 million (+3.8%)** and a **reduction** in **Capital DEL of £72 million** (-4.6%), and a number of adjustments reflecting the differences between the total of Resource and Capital DEL and the actual cash needed in year to support spending at those levels by the Northern Ireland government.

The DEL changes reflect Barnett consequentials- funding arising from UK spending decisions, corresponding to that provided for UK government departments; and additional funding from the Treasury Reserve. Notable additional amounts for Northern Ireland include:

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

- +£52.7m from Fresh start funding (fraud and error, paramilitary activity, shared education and housing and shared future), of which £10.9 million is capital;
- +£43.4 million resource and £30.3 million capital in Barnett consequentials from the Chancellor's autumn Budget;
- +£26.2 million, arising from the Agenda for change NHS pay award, and a further £20 million (resource) and £3.7 million capital) arising from health (both Barnett consequentials);
- +£22.6 million resource, and £3.7 million capital arising from additional funding given to Ministry of Justice (Barnett consequential);
- +£14.5 million resource and £0.7 million capital for EU exit;
- +£2.1 million capital, arising from UK spending on Crossrail (Barnett consequential);
- +£3.0 million arising from rail fares (Barnett consequential);
- +£1.7 million arising from floods spending (Barnett consequential);
- +£5.4 million Apprenticeship levy;
- +£2 million Belfast regeneration;
- +£34.3 million for student loans; and
- +£60 million, carried over from prior years; and £138 million transferred from capital to resource spending.

Northern Ireland Office itself plans a **£3 million (+13.4%) increase** in its **Resource DEL**, of which £1 million is to cover additional administrative pressures and £1 million is to fund Brexit preparations ; £0.5 million for recall petition and Parliamentary by-election costs; and £0.4 million is for the Independent Reporting Commission.

Scotland

The Scotland Office Estimate routinely includes both funding for the Scotland Office;[28] 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). Cash funding authorised by the House of Commons for the Scottish Consolidated Fund is used to support Scottish government expenditure.

The Supplementary Estimate seeks an **increase** of **£552.2 million (+1.9%)** in the amount sought for payment in the **Scotland Consolidated Fund.** This is made up of an increase in **Resource DEL** of **£1,215 million (+7.8%)** and an increase in **capital DEL of £119 million (+3.0%)** and a number of adjustments reflecting the differences between the total of Resource and Capital DEL and the actual cash needed in year to support spending at those levels by the Scottish government. There is a net drawdown from the Scotland

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

Reserve of £63 million (£250 million drawn down, and £186 million deposited).

The DEL changes reflect Barnett consequentials- funding arising from UK spending decisions, corresponding to that provided for UK government departments; and additional funding from the Treasury Reserve. Notable additional amounts for Scotland include:

- +£37.4 million for EU exit (£35.6 resource, £1.6 capital);
- Barnett consequentials including from the Chancellor's budget (£107.7 million resource and £90 million capital); Agenda for change (£78 million resource); other health £58.5 million resource (£11 million capital); Justice (£67.3 million resource, £11 million capital); Crossrail (£6.3 million capital), other transport (£8.8 million resource, £39 million capital); flooding (£6.9 million capital);
- +£3.5 million for the HALO urban regeneration project in Kilmarnock;
- +£3.2 million for policing the US president's visit;
- +£550 million to cover the costs of student loan impairments;
- +£15 million for the Glasgow City Deal and a reprofiled +£15 million for the Edinburgh city deal (may already have been announced);
- Reprofiling of business rates (Resource £21.4 million);
- +£22 million (resource) to reflect additional costs associated with the personal injury discount rate;
- +£10.6 million resource arising from the Apprenticeship levy;
- +£79 million resource for the fiscal Framework;
- Less an £87 million reprofiling of financial transaction spending, carried forward to 2020-21

Scotland Office itself plans a **£0.6 million (+6.1%) increase** in its **Resource DEL**, of which £0.336 million is to cover additional staffing costs associated with Brexit and £0.24 million for additional VAT liabilities.

Wales

The Wales Office Estimate routinely includes both funding for the Wales Office;[29] and funding for the Welsh Consolidated Fund (shown as (*Non-Budget* expenditure). Cash funding authorised by the House of Commons for the Welsh Consolidated Fund is used to fund Welsh government expenditure.

The Supplementary Estimate seeks an **increase** of £**607 million (+4.2%)** in the amount sought for payment in the Welsh Consolidated Fund. This is made up of an increase in **Resource DEL** of **£548 million (+3.9%)** and an increase of **£144 million** in **Capital DEL (+7.5%).**

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

The DEL changes reflect Barnett consequentials, transfers from UK departments arising from UK spending decisions, and additional funding from the Treasury Reserve. Notable additional amounts for Wales include:

- £21.4 million for EU Exit (£20.6 million, £0.8 million capital);
- Barnett consequentials including £114.4 million for the Chancellor's budget (£62.4 million resource, £52 million capital); £47.3 million for the Agenda for change pay award; £42.1 million for other health (£35.4 resource and £6.7 million capital); £5.3 for transport rail income;
- £30 million resource to reflect additional costs associated with the personal injury discount rate;
- £8.7 million resource for teachers' pay;
- £3.8 million resource for West Wales relating to EU structural funds;
- £3.9 million capital arising from Crossrail;
- £2.3 million arising from flooding spend;
- £6.2 million arising from the Apprenticeship levy;
- £4.4 million arising from the immigration surcharge; and
- £3.4 million arising from justice funding for offender learning.

Wales Office itself plans a **£0.3 million (+5.7%) increase** in its resource DEL (entirely for EU Exit costs) and a **£0.3 million (+5.2%) increase** in its **Capital DEL**.

Other departments

Competition and Markets Authority (CMA)

The Competition and Market Authority's Resource DEL is set to rise by £21.9 million (+30.9%), of which £10 million is for Brexit preparations; £6 million associated with property costs, including an office move; and the rest includes additional funds for legal costs which are not allowed to be covered from fine income.

CMA's Capital DEL is set to rise by £15.7 million (+212%), to cover costs of the office move from Victoria to Canary Wharf, and £0.9 million extra for Brexit preparations.

Crown Prosecution Service

The Crown Prosecution Service's Resource DEL is set to fall by £9.5 million (-1.8%). Most of this – savings in the costs of the estate – is carried forward into 2019-20 to deal with additional spending pressures forecast next year. £0.5 million transfers to the Attorney General's office to cover IT costs.

Food Standards Agency

The Food Standard's Agency's Resource DEL is set to rise by £7.8 million (+9.7%), made up of:

- an extra £11 million from the Treasury's reserve for Brexit costs, in particular to help to deliver an effective imports and exports regime for food, and to strengthen the UK's resilience to threats such as food incidents and food crime;

- offset by two reductions of £1.6 million each – a transfer to capital for IT projects, and a carry forward to next year of underspends.

FSA's Capital DEL is set to rise by £4.5 million (+117.7%): £3 million of this is further capital funding for Brexit preparation; £1.6 million comprises the transfer from resource DEL mentioned above.

National Archives

The National Archives' Resource DEL is set to rise by £2.1 million (+6.5%). This includes £1.2 million from the Reserve for EU exit work.

National Crime Agency

The National Crime Agency's Resource DEL is set to rise by £18 million (+4%). This includes:

- £2.7 million for Brexit preparation costs;
- £7.7 million from Cabinet Office for National Cyber Security Programme, to increase capability including from hostile state actors;
- £3.2 million from Foreign and Commonwealth Office and DFID, from the Conflict, Stability and Security (CSSF) Programme to fund overseas work to provide improved intelligence and combat crime in the UK;
- An additional £ 6 million for depreciation costs;
- Less £2 million transferred to capital DEL.

NCA's Capital DEL is set to rise by £4.4 million (+4.4%), including:

- £1 million for Brexit preparation, from Home Office;
- £1 million for CSSF work (see above); and
- £2 million transferred from Resource DEL.

National Savings and Investments

NS and I is reducing its Resource DEL by £2.6 million (-2.0%), due to project replanning, as it no longer needs the funds this year.

Ofsted

Ofsted's Resource DEL is set to reduce by £5.4 million. This includes

- £2.4 million extra from DFE, to cover a shortfall in Ofsted's fees caused by delays, outside of Ofsted's control, in the statutory process for increasing fees
- £1 million carried forward to next year
- £6.4 million transferred to capital DEL

Ofsted's Capital DEL is set to rise by £6.4 million to pay for investment in IT and digital systems, funded by the transfer from Resource DEL.

Ofqual

Ofqual's Resource DEL is set to rise by around £1 million, funded by DFE, to provide support for reforms to vocational and technical qualifications.

Parliamentary and Health Services Ombudsman

The Parliamentary and Health Services Ombudsman's Resource DEL is set to increase by £1.3 million. £1.1 million of this is to cover a one-off shortfall on an onerous lease (sublet space on a lease about to expire on PHSO's London offices does not cover full costs after a staff move to Manchester). £0.2 million is to correct an error after the Ombudsman's salary costs were omitted from the Main Estimate.

Security and Intelligence Agency

A decrease of £25.2 million (-1.0%) in Resource DEL is proposed, mainly due to transfers to other department for the National cyber security programme.

A decrease of £36.5 million (-5.7%) in Capital DEL is proposed, notably due to revised estimates of research spending.

Serious Fraud Office

The Serious Fraud Office's Resource DEL is set to rise by £ 7 million (+13.3%). £5 million of this is provided from the Reserve to cover additional costs of cases above £2.5 million; £2 million is to cover cost awards against the SFO that have been settled or part settled in year.

Statistics Board

The Statistics Board's Resource DEL is set to fall by £3.7 million (-1.3%). In fact, £5.6 million is transferred to capital DEL, while £2 million is added for Brexit preparations funding.

The Statistics Board's Capital DEL is set to rise by £5.6 million (+41.9%), funded by a reduction in resource DEL. This reflects a more accurate balance of funding between resource and capital to support the Board's work.

Treasury Solicitor (inc Procurator General and Attorney General's Office)

The Procurator General and Treasury's Solicitor's Resource DEL is set to fall by £1.1m (-8.6%), made up of a £1.5 million transfer to its Capital DEL (which increases by this amount, +35.7%) and an extra £0.4 million from the Crown Prosecution Service for IT services.

UK Supreme Court

An increase of £0.3 million in Resource DEL (+6.4%) is proposed for unspecified unforeseen and exceptional items.

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