HOUSE OF COMMONS LIBRARY

BRIEFING PAPER
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Revised Government spending plans for 2019/20

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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 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 normally 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. Following the December 2019 General Election, however, the Backbench Business Committee has not been formed in time to allow for bids and hence any debates. Instead there will be a single "roll-up" motion,[1] which cannot be amended, to agree all the Supplementary Estimates. The next Estimates day debates are expected to take place in July 2020.

Overall, in this year's Supplementary Estimates, the government proposes to increase Departmental Expenditure Limits for day-to-day spending by £18.671 billion (+5.3%) and reduce investment spending by £712.6 million (-1.0%),[2] compared to the Main Estimates. There are also changes to Annually Managed Expenditure[3] totals and the total cash sought to cover all of these costs.

Unusually, there has not been an official forecast of public spending for 2019-20 from the Office for Budget Responsibility (OBR) for some time.[4] This is because the usual autumn Budget did not take place, due to the timing of the General Election. Spending included in the Supplementary Estimates has already been agreed internally within government by HM Treasury, before being published and presented, and in the majority of cases will come from within the existing Treasury Reserve.[5] The overall impact on public spending forecasts, and other developments since last March, will not, however, be known until the Office for Budget Responsibility publishes its latest forecasts, alongside the spring Budget, on 11 March 2020.

Among notable changes proposed in the Supplementary Estimates are:

- £2 billion extra for **health** – an extra £1 billion for day to day spending and another £1.2 billion for capital investment;
- £1.4 billion to deliver an "ambitious" **industrial strategy**;
- Extra funding for **transport**: to cover costs associated with the collapse of Thomas Cook, unplanned VAT charges for Highways England and a £0.9 billion loan for Crossrail, offset against £1.7 billion of in year savings due to slippage on High Speed 2;

1 This also happened to the Main Estimates after previous General Elections, in 2010, 2015 and 2017.
2 Not all of this expenditure is voted by Parliament and included in a Supply and Appropriation Act – some has separate "standing authority" through other legislation.
3 i.e. more difficult to predict, or demand led, spending
4 The last one was published in March 2019, to coincide with the 2019 Spring Statement.
5 Money held back by Treasury, and although included in overall previous spending forecasts, not previously included in Estimates voted by Parliament.

- further funding for **EU exit costs** incurred or planned, particularly by HMRC, DEFRA, Home Office and DfT;
- **higher education**: £12.7 billion of estimated additional long-term costs of student loans- a result of both the annual revision to cost estimates and the uplifting of the salary repayment threshold;
- Savings of £2.1 billion on **housing and communities** capital spending and financial transactions, including £1 billion of savings on a budget set aside for flexibility for "market conditions", not now needed.

As well as these changes there are many switches of funding between budgets within Departmental spending limits, between day-to-day spending and capital spending, and between departments. Further details of the most notable ones are given in the annex to this briefing paper.

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1. 2019-20 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. This financial year has seen more uncertainty than most, with a change of Prime Minister, a General Election and the UK leaving the EU. 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?

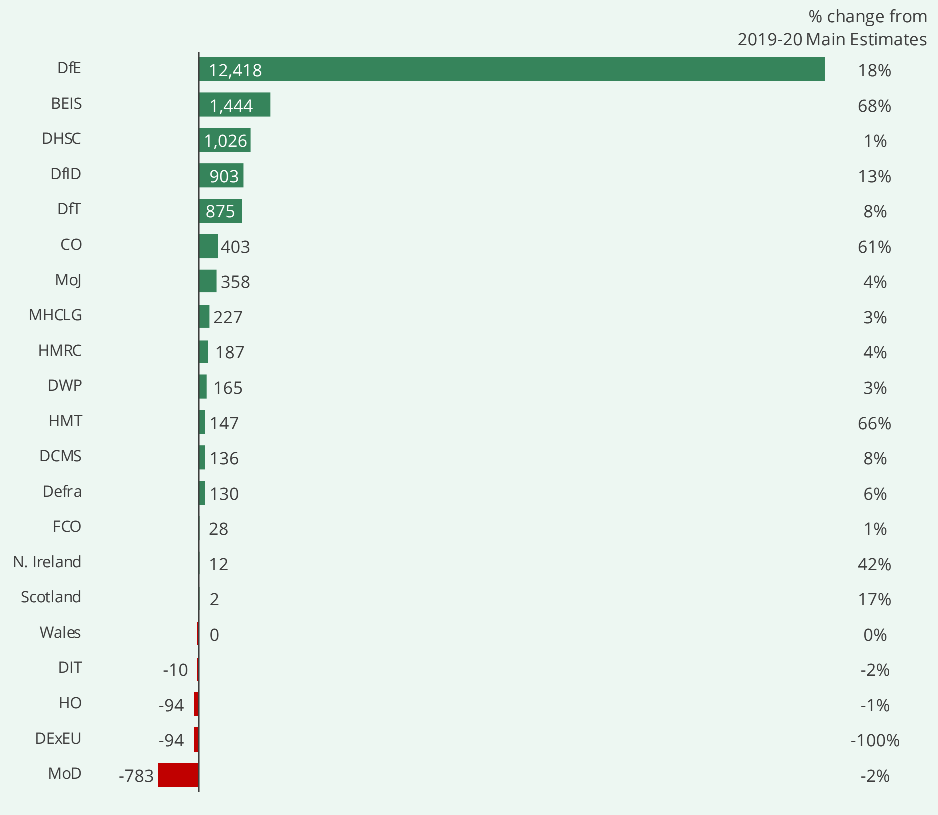
The 2019-20 Supplementary Estimates were published on 12 February 2020. Alongside these Estimates, each department has submitted an explanatory memorandum to the relevant Select Committee.[6]

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

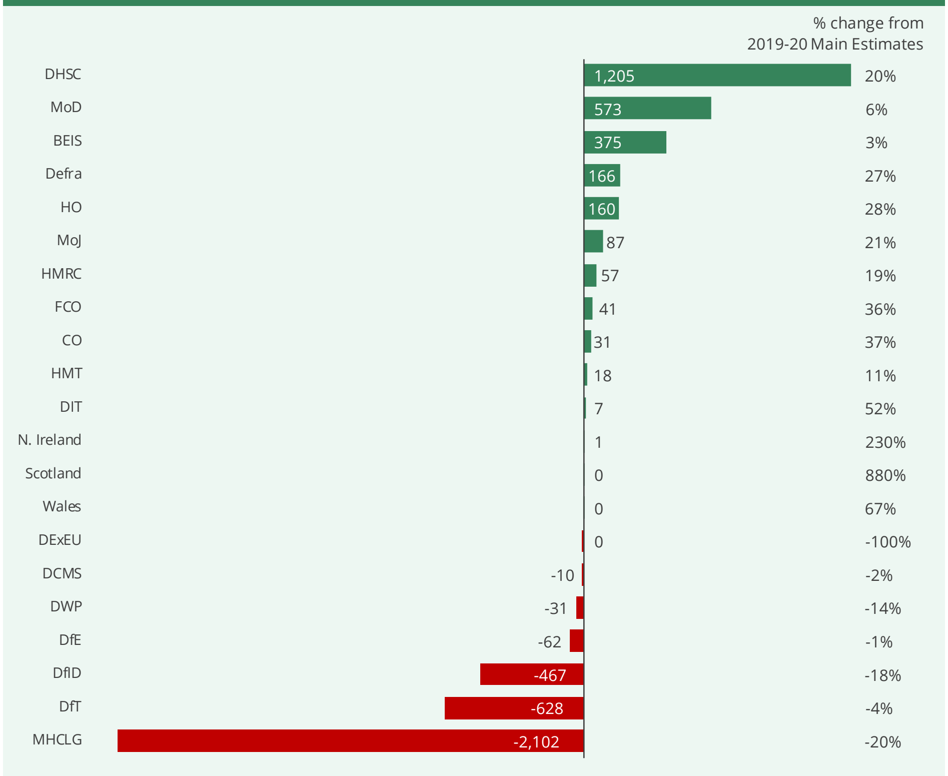
The charts below show the overall impact of the changes for the major departments, to both Resource DEL (day to day spending) and Capital DEL (investment spending). It is important to note that what may appear a large change in £ terms may be a small change in percentage terms, and vice versa. For this reason, while changes are shown in order of value the percentage change to the original budget is also shown alongside. For example, the £1,026 million increase in health spending amounts to only a 1% rise, whereas the £147 million rise in Treasury's budget is a 66% increase to its budget.

6 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.

Change in day-to-day spending from last year's Main Estimates, by department
Change in resource DEL, £ millions, 2019-20



Change in investment spending from last year's Main Estimates, by department
Change in capital DEL, £ millions, 2019-20



Overall, in this year's Supplementary Estimates, the government proposes to increase Departmental Expenditure Limits for day to day spending by £18.671 billion (+5.3%) and reduce investment spending by £712.6 million (-1.0%)[7], compared to the Main Estimates.

However, most of the extra money has either already been announced in the Chancellor's previous Budgets, or is taken from the Treasury Reserve.[8]

The Office for Budget Responsibility (OBR) has not reforecast total public expenditure for 2019-20 since March 2019. This is because the OBR must await a Budget or other formally designated "fiscal event" to produce such forecasts. The next forecast by the OBR is expected on 11 March when the Chancellor sets out his Budget.

A summary of the more significant proposed changes by major department is shown in **Annex A**.[9]

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

- Day to day **health** funding increases of £1,026 million or 1%, along with a further £1,205 million (+20%) for capital investment;
- Increases of £1,209 million resource and £159 million capital to deliver an "ambitious" **industrial strategy**;
- **transport**: an extra £875 million resource to cover additional costs including those associated with the collapse of Thomas Cook, VAT payable by Highways England, which was not previously budgeted for, and HS2 write downs. While in-year slippage of capital spending on High Speed Rail saves over £1,726 million this is partly offset by an additional £975 million in loans to the Greater London Authority for Crossrail;
- further funding for **EU exit costs** incurred or planned by a number of departments including Revenue and Customs (+£182 million), DEFRA (+£157 million), Home Office (£121 million), Transport (+£87 million), Cabinet Office (+£62 million), Health (+£43 million), Housing and Local government (+£30 million). There is also an additional provision by HM Treasury for £47 billion of EU settlement payments[10] ;
- **higher education**: £12,663 million of estimated additional costs of student loans – a result of a combination of the annual revision to estimated costs and the uplifting of the salary repayment threshold;
- **Housing and communities capital** and financial transactions savings of £1,806 million- savings and flexibility for "market conditions" not now needed;
- Routine end year adjustments between the **capital and resource** budgets for the Ministry of Defence (for Single Use Military Equipment) and for Department for International Development (for international aid). In both cases the exact attribution between resource and capital budgets is estimated at the start of the year and corrected for later in the year.

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7 Not all of this expenditure is voted by Parliament and included in a Supply and Appropriation Act – some has separate "standing authority" through other legislation.

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

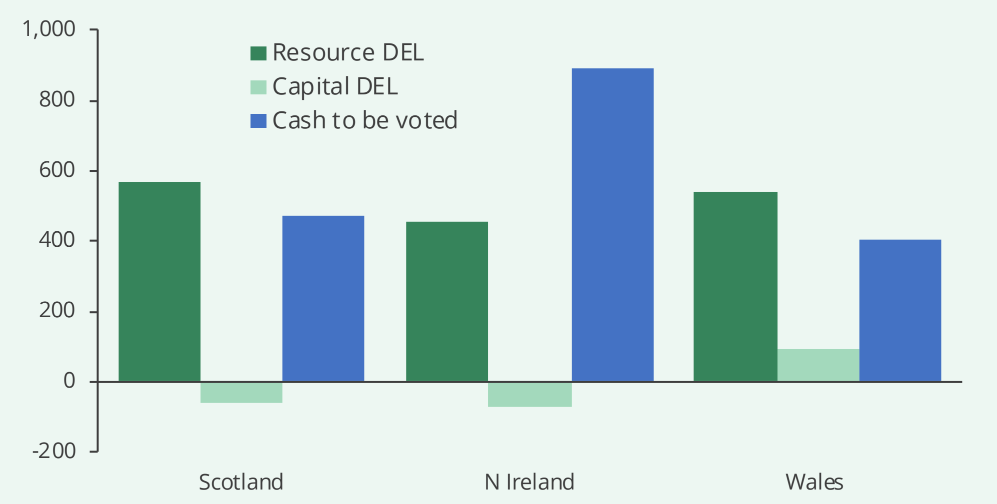
9 There any many hundreds of changes taking place and not all can be listed here or in the annex. Both the details given here and the longer list at Annex A are, to varying degrees, selective.

10 Payable under the European Union (Withdrawal Agreement) Act 2020. This spending by HM Treasury scores as Annually Managed Expenditure, as did the payments to the EU when the UK was a Member State.

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 Resource Departmental Expenditure Limits (DELs), largely reflecting the operation of the Barnett formula, but sometimes other changes too. Reductions in Capital DEL for Scotland and Northern Ireland reflect some negative Barnett consequentials, i.e. reduced funding in the rest of the UK. The changes to DELs 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.

Changes in funding for the devolved administrations
Resource DEL, capital DEL and cash to be voted, £ millions



1.3 Estimates day debates

This year, Supplementary Estimates were published on 12 February 2020.

Due to last year's General Election it is taking some time to re-establish select committees.

In the absence of a Backbench Business Committee and a Liaison Committee, there is no process available for the selection of topics for Estimates day debates in time for the voting of the Supplementary Estimates in early March. Accordingly, as after other recent General Elections, there will be no debates on the Estimates on this occasion.

The next Estimates day debates are expected to take place in July 2020, following publication of 2020-21 Main Estimates – the initial proposed budgets for that year.

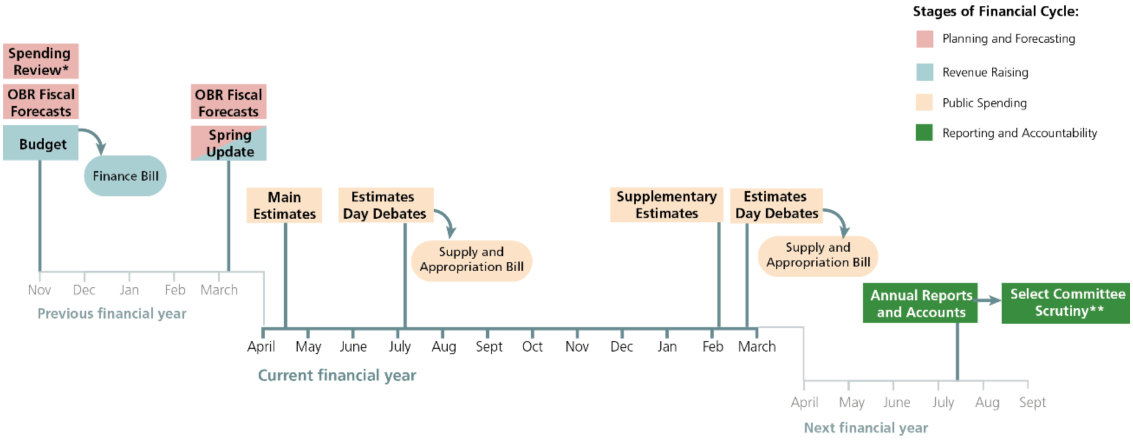
[11] Special arrangements apply for Northern Ireland at present.

1.4 Parliament's role

As there will be no Estimates day debates this time. Instead, all Estimates will be put to the House as a "roll-up motion" – they cannot be amended, although they can theoretically be rejected outright.

After that, all Estimates presented are, if approved, put into effect through the passage of a Supply and Appropriation Act.

Following Royal Assent departments may draw down any additional funds contained in the Supplementary Estimates.



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

1.5 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 memoranda, following a recommendation of the House's Procedure Committee. New guidance and mock-ups were introduced last year and these have now been further refined in the light of experience, and in consultation with government.[12]

Following publication of Estimates, the relevant committee will approve publication of the associated memorandum. Memoranda which have been published will appear on the relevant committee and Scrutiny Unit webpages of the Parliament website.

[12] 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. Devolved administrations do not routinely receive equivalent shares of funding where UK departments have been granted additional in year funds from Treasury's Reserve, but devolved administrations may make a claim on the Reserve should they feel it justified, which is for HM Treasury to consider.

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

In normal circumstances, when Estimates day debates are held, votes may take place on the floor of the House on those Estimates relevant to the Estimates day debates. But it is a long-standing convention that only the government may propose *additional* spending (the Crown Prerogative). 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, in practice, extremely rare.

Normally, the remainder of Estimates not selected for debate – the vast majority – are put together in a 'roll up' motion and voted without debate. As there are no Estimates day debates being held on this particular occasion, for this year's Supplementary Estimates, all Estimates will this time be included in the roll up motion.

The funds are formally authorised first by Supply Resolutions, and subsequently through a Supply and Appropriation Bill. There are two of these Bills 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.

Once new committees are formed, following the 2019 General Election, they will conduct any scrutiny of the Supplementary Estimates – through correspondence or otherwise. On this occasion any such scrutiny is likely to be after the funds have already been put before, and likely approved, by the House.

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.

Annex A: Notable changes included in the 2019-20 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 £402.6 million (+60.7%)** in its **Resource DEL,** taking it to £1,065.4 million. Notable changes to the Cabinet Office's Resource DEL budget include:

- An increase to cover the costs of the December 2019 UK Parliamentary General Election in England, Wales and Scotland (+£164.0 million);
- Closure of the Department for Exiting the European Union (DExEU) and the transfer of costs and staff into the Cabinet Office (+£93.8 million);
- Funding from Treasury, from its Reserve, for costs relating to EU exit totalling £61.0 million, consisting of:
  - An increase of £53.0 million on the 'Get Ready' communication campaign;
  - An increase of £18.1 million for no-deal preparations;
  - An increase of £4.0 million for a cross-government Brexit helpline; and
  - Increases being offset by outgoing budgetary transfers to other government departments of £14.1 million
- Funding for inquires including Grenfell Tower (£30.4 million) and Infected Blood (£16.9 million);

offset by outgoing budgetary transfers to other government departments of £14.1 million.

Cabinet Office also plans to **increase its Capital DEL budget by £30.7 million (+36.5**%) taking it to £114.8 million. Notable changes to the Cabinet Office's Capital DEL budget include:

- funding transferred in from other departments totalling £16.6 million;
- an increase in funding for the Geospatial Commission to fund the Public Sector Mapping Agreement (£8.5 million); and
- an increase in funding to cover building costs for the Grenfell Inquiry team (£4.5 million).

Department for Business, Energy and Industrial Strategy

The Department for Business, Energy and Industrial Strategy (BEIS) proposes an **increase of £1,443.6 million (+68.4%)** to its **Resource DEL.**

Notable changes within the total include:

- £1,201 million to "deliver an ambitious industrial strategy" - funded from the Treasury's Reserve;
- £179 million to cover a delay in nuclear decommissioning income;
- £22 million for the South Tees site company, as agreed in the 2017 Autumn Budget;
- £14 million for EU Exit costs, of which £10 million is for the Business Readiness fund;
- A transfer of £70.2 million to capital budgets;
- A number of other smaller changes

BEIS is also planning to change its ambit (the coverage of its spending) to include "the efficient management and discharge of specific costs falling to the Department and its partner organisations relating to personal injury claims against Thomas Cook", as previously announced to the House on 5 November 2019.

BEIS' **Capital DEL is set to increase by £374.6 million (+3.3%)**, including

- £521.6 million extra for the British Business Bank, to provide a funding buffer at year end;
- £159.3 million extra in contingency funding from the Treasury's Reserve for delivering an "ambitious industrial strategy";
- A transfer of £70.2 million from capital budgets.

offset by savings of:

- £115 million of Green Investment Bank underspends;
- £96.6 million of savings on science and research;

- £160 million of repayable launch investments income.

BEIS' Resource Annually Managed Expenditure budget is set to rise by **£12,100 million, or 409.5**%. This is largely as a result of two big changes:

- An additional £6,599 million arising from accounting revaluations of the fair value of Contracts for Difference. Although ultimately there should be net liability to government, the matching receipts from energy suppliers which enable this to happen are regarded as future taxation and cannot be recognised as yet, hence there is an extra cost recognised. This may increase or reduce again in the future as valuations alter; and
- An additional £4,129 million estimated additional cost in provision for nuclear decommissioning liabilities, resulting from extra work, revised inflation assumptions and the effect of discount rates. Again, this is likely to be revised each year

BEIS' Capital Annually Managed Expenditure budget is set to rise **by £901.8 million.** This is primarily the result of inclusion of £800 million for a working capital loan to the Post Office, the maximum increase in the facility that could take place in 2019-20.

Department for Digital, Culture, Media and Sport

The Department for Digital, Culture, Media and Sport (DCMS) proposes an increase of **£135.8 million (+7.7%)** in its **Resource DEL budget**, taking it to £1,906 million. Notable changes to DCMS's Resource DEL include additional funding from the Treasury Reserve of £96.4 million, incorporating:

- £35 million for the Museums Freedoms scheme, which allows institutions to borrow money and spend previously generated reserves;
- £20.5 million for the Commonwealth Games in Birmingham 2022 (£28.7 million in total, of which £8.2 million is to be made available in future years);
- £19.8 million for the Listed Places of Worship grant scheme to cover VAT incurred making repairs; and
- £16.1 million for the Tampon tax.

Other additions to the Resource DEL budget include:

- £23.9 million switched from the Capital DEL budget, made up of £34.3 million from the 700MHz clearance programme, but offset by resource to capital switches by Arts Council England (-£5.5 million) and other smaller changes;
- £19.8 million in transfers from other government departments, largely from Cabinet Office for National Cyber programmes and the Department for International Trade for the GREAT tourism campaign;

- £12.5 million in additional funding to cover the treatment of leases under the new accounting regime IFRS16, of which DCMS is an early adopter; and
- the above changes are offset by a return to HM Treasury of £16.8 million in unspent funding for the Life Chances Fund.

DCMS also plans a **decrease of £9.9 million (-1.5%)** in its **Capital DEL**, taking it to £645.6 million.

The most significant change is additional funding of £151.5 million for lease capitalisation, required under the new accounting standard for leases (IFRS16) and mainly relating to the Victoria and Albert Museum.

An additional £32 million funding from the Treasury Reserve includes:

- £20.4 million for the Museum Freedoms scheme;
- £5.5 million for the Museums Loan programme; and
- £2.8 million for charitable services funded by fines levied on the banking industry.

This is offset by:

- £100 million being returned to HM Treasury (including £45.9 million from Rural Gigabit Connectivity, £35 million from 5G infrastructure and £13.6 million from the National Productivity and Investment Fund);
- £66.5 million being re-profiled to future years, including Local Full Fibre Networks (£51.4 million) and Superfast broadband (£13.3 million); and
- £23.9 million switched to the Resource DEL budget (as outlined above) and a net £3 million transferred to other government departments.

Department for Education

The Department for Education proposes **an increase of £12,418 million** to its Resource DEL increasing it to £80,941 million (+18.1%).

As in previous years, this increase (and more) relates entirely to a revaluation of the student loan book, including for the first time, the impact of raising the income threshold above which loans start to be repaid from £21,000 to £25,000.

Other than this change, there is a net reduction in DFE’s Resource DEL planned of £343.8 million. This includes:

- An increase of £209.7 million in grants for schools (+0.4%), some of which is for pay and pension increases;
- A reduction in support to the Education and Skills Funding Agency of £337.7 million, as a result of lower levels of apprenticeship starts than originally anticipated and lower unit cost increases than expected; and
- A reduction of £237.6 million in DFE’s centrally held budgets including a £147 million reduction in the schools protection

budget; lower recruitment to teacher training than expected and savings on Teaching School designation, Teaching School Council regional delivery activity, Home Learning Environment and Multi-Academy Trust Development funding.

DFE also proposes a **reduction of £61.7 million (-1.2%**) to its capital DEL budget, bringing it to £4,912.3 million. This includes:

- An increase of £21.3 for further education, of which
  - £22 million is for the previously unfunded Insolvency Regime, to support FE colleges in financial distress; and
  - £10 million is for the purchase of the site of Kensington and Chelsea college (part of a package to secure and improve FE provision in the community around Grenfell Tower);
  - Offset by smaller reductions in the FE budget
- A £73.8 million reduction in the Capital Improvement fund for schools (the initial budget was an estimate before bids were in).

DFE's budget for **Resource Annually Managed Expenditure** is also set to **reduce, by £2,698 million**, mainly as a result of revised, increased, forecast income from student loan interest.

The **Capital Annually Managed Expenditure** budget, representing net loans to students is set to **increase, by £981 million**, as a result of revised forecasts of the payments of student loans, less loan capital repaid.

Department for Environment, Food and Rural Affairs

The Department for Environment, Food and Rural Affairs (Defra) proposes an increase of **£130.4 million (+6%)** in its **Resource DEL,** taking it to £2,287.8 million.

Notable changes to Defra's Resource DEL include additional funding from the Treasury's Reserve of £204.8 million, including:

- £155.1 million for EU Exit work;
- £20.1 million to cover a pension shortfall relating to Environment Agency staff transferred to Defra, following the consolidation of corporate services functions across Defra's arms-length bodies;
- £13 million for the air quality plan for roadside nitrogen oxide levels; and
- £6.7 million for Flood Risk Management.

There is also a net transfer in of £11.3 million from other government departments.

These increases are offset by a switch from DEFRA's Resource to Capital DELs of £85.6 million. This largely relates to budgets of the central department (£40 million) and the Environment Agency (£37 million), reflecting the uncertainty at the start of the year of the proportion of spending which is resource and the proportion which is capital within some flood and environmental improvement projects.

Defra also proposes an increase in **Capital DEL** of **£165.5 million (+26.8%)**, taking it to £783.3 million. This includes additional funding from the Treasury's Reserve of £76.7 million, including:

- £20 million for flood regeneration and growth schemes;
- £18 million for new flood defence schemes, including the Carlisle flood defences;
- £15 million to fund bridging payments made to eligible farmers and landowners with outstanding claims under the Environmental and Countryside Stewardship schemes (once processed these funds will be sought from the EU); and
- £12 million for flood repairs.

As well as the £85.6 million transferred from DEFRA's Resource DEL budget, there is an additional net transfer in of £3.2 million from other government departments.

Department for Exiting the European Union

The Department for Exiting the European Union (DEXEU) was closed on 31 January 2020 and its functions absorbed into the Cabinet Office. The entirety of DEXEU's previously approved budgets for 2019-20 will be transferred by means of a Supplementary Estimate to the Cabinet Office as follows:

- £93.8 million of Resource DEL;
- £0.08 million of Capital DEL; and
- £0.5 million of Resource Annually Managed Expenditure.

This means DEXEU's spending for 2019-20 to date will be included in the Cabinet Office's end year accounts.

Department of Health and Social Care

The Department of Health and Social Care (DHSC) proposes an **increase of £1,026.4 million (+0.8%)** in its **Resource DEL,** taking it to £134,627.8 million.

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

- £365 million to cover changes in the Personal Injury Discount Rate (PIDR);
- £328 million for a baseline addition made as part of the 2019 Spending Round
- £92 million to cover in-year pressures not covered by initial budgets;
- £42 million in additional funding for EU Exit preparedness;

- Routine increases totaling £41 million for:
  - The 2018-19 Immigration Health Surcharge (£39 million)
  - LIBOR grants (£2 million)
- A further increase of £158.1 million arises from transfers of budgets from other government departments for various purposes.

DHSC also plans to **increase** in its **Capital DEL by £1,204.7 million (+20.3%),** taking it to £7,125.1 million**.** This includes additional funding from Treasury's Reserve of £1,200 million to formalise various announcements previously made by the Government which add:

- £1,000 million to boost NHS Capital spending;
- £100 million to upgrade facilities and equipment; and
- £100 million for cancer screening overhaul to improve diagnosis.

Department for International Development

The Department for International Development (DFID) proposes an **increase of £903.2 million (+12.6%)** to its **Resource DEL,** increasing planned spending from **£7,176.5 million to £8,079.7 million**.

Notable changes within the total include:

- £430 million additional budget allocated from HM Treasury to provide DFID the flexibility to meet its 0.7% of GNI target on Overseas Development Assistance (ODA) expenditure;
- £405 million transfer from Capital DEL to Resource DEL (a routine end year switch reflecting the likely actual balance between capital and resource spending);
- £60 million transfer from the cross-government Prosperity Fund; and
- £8 million of net inward transfers to/from other government departments.

DFID's **Capital DEL is set to decrease by £467.2 million (-18.5%)**. Planned spending is due to decrease from £2,527 million to £2,059.6 million. Significant reductions include:

- £405 million transferred from Capital DEL to Resource DEL, as mentioned above;
- £58 million transferred from Capital DEL to Capital AME to reflect capital injections to CDC, a development-focused finance institution wholly owned by DFID; and
- £4 million of net outward transfers to other government departments

DFID's Capital Annually Managed Expenditure is set to increase by **£58 million** from £897 million to **£955 million (+6.4%)** due to a proposed increased capital injection into the CDC.

Department for International Trade

The Department for International Trade (DIT) proposes a decrease **of £9.5 million (-2%)** to its **Resource DEL.** The final budget is therefore set to decrease from **£488.3 million** to **£478.8 million**.

Notable reductions within the total include:

- £9.3 million budget exchange following revisions to the cost profile of the Dubai Expo;
- £3.7 million of savings surrendered to HM Treasury, partially due to the delayed delivery of the Trade Negotiation Facility as a result of the deferred EU Exit; and
- £10.5 million transferred from Resource DEL to Capital DEL.

This is partially offset by:

- £9.7 million of net additional funding for the GREAT Campaign; and
- £4.2 million additional funding from the Treasury Reserve for costs associated with supporting businesses to prepare for EU Exit.

DIT's **Capital DEL is set to increase by £7.5 million (+52%),** from **£14.4 million** to **£21.8 million**. This is driven by the £10.5 million transferred from Resource DEL to Capital DEL, and partially offset by a £2.9 million surrendered to the Treasury due to delayed delivery of the Trade Negotiation Facility.

Department for Transport

The Department for Transport (DfT) proposes an **increase of £874.7 million (+8.2%)** in its **Resource DEL,** taking it to £11,584 million. Notable changes to DfT's Resource DEL include additional funding from Treasury's Reserve of:

- £411.1 million for Highways England predominately driven by a decision by HMRC that Highways England could not reclaim VAT and the uplift for Operation Brock (the series of measures implemented around the M20 to provide resilience in the event of delays around the Channel Tunnel);
- £196.1 million for funding of other arm's length bodies predominately driven by costs incurred refunding Air Travel Organiser's Licence (ATOL) protected customers for holidays paid for but not taken and repatriation of ATOL customers stranded abroad;
- £122.9 million for Aviation, Maritime, Security and Safety predominately driven by £108 million incurred following the collapse of Thomas Cook, including the repatriation of non-ATOL customers stranded abroad and other insolvency related costs;
- £98.3m in central administration costs driven by an additional £100m non-cash costs for the write-down of land and property

assets acquired as part of the High Speed Two project, off-set by some small adjustments.

DfT also plans to **decrease** its **Capital DEL by £627.8 million (-4.1%)** taking it to £14,694.0 million**.** This includes additional funding from Treasury's Reserve of:

- £974.9 million for Crossrail, in-line with the agreed £1.3 billion loan to the Greater London Authorities for Crossrail;
- £202.9 million as part of DfT's obligation to purchase a fleet of trains originally procured by British Rail;
- £44.4 million for Aviation, Maritime, Security and Safety for upgrades to ports infrastructure and the net borrowing requirement of the Trust Ports;
- £43.5 million on Other Railways for the re-profiling of Digital Signalling costs;
- £105.0 million of National Productivity Investment Fund spending on the Digital Rail programme;

Offset by decreases of

- £530.3 million on High Speed Rail. This has been mainly driven by £433 million lower than expected expenditure relating to the purchase of land and property for the High Speed Two (HS2) project, and the £75 million of the 19-20 HS2 Contingency budget not being required; and
- £1,196.2 million on High Speed Two Limited which has been driven by a lower rate of spend in 2019-20 due to slower and more complex early works, slower mobilisation of the Main Works Civil Contracts, and surrendering budget contingency.

DfT also proposes **an increase of £5.9 million** in **Resource AME.** The key drivers for this movement are:

- A decrease of £54.6 million for Highways England due to an "adverse HMRC decision";
- An increase of £16.8 million in provisions for liabilities as a result of the collapse of Thomas Cook;
- An increase of £11.1 million in the provision for the decommissioning of the Royal Sovereign Lighthouse; and
- An increase of £40.9 million in relation to Network Rail.

DfT also proposes **an increase of £855.9 million** in **Capital AME,** which is predominately driven by the £850.2 million higher provision for liabilities needed for HS2 Land and Property within 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 **£1,873.8 million, (+1.0%** above the original budget sought for the year), taking the total to £191,802.0 million.

It is normal at DWP's Supplementary Estimate to revise both the central forecast and to add, in addition, a **margin** for forecast error which was not there within the Main Estimate. This means that *actual* increases in the Supplementary Estimate are higher than the increase in the central forecast, as the Estimate also incorporates this margin for the first time in the year.

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

- Spending on pensions and pensioner benefits is up by £460 million or 0.4%. £398 million of this is a forecast margin. There is higher take up than previously expected in pension credit, thought to be the result of the BBC's announcement that from summer 2020 only over 75s claiming pension credit will be able to claim a free tv licence;
- Spending on disability and carer benefits is down by £49 million, or -0.2% even after adding a new margin of £703 million. There have been fewer Disability Living Allowance reassessments to PIP than previously expected;
- Spending on incapacity benefits is up by £490 million or 3.8%, all of which is accounted for by the addition of a £499 million forecast margin;
- Spending on Universal Credit and its previous equivalent DWP benefits is up by £4,788 million or 19.6%. This includes a forecast margin of £906 million. This increase is largely a result of a higher than previously expected share of Employment and Support Allowance payments that are non-contributory (the contributory element is not included here as it is not being replaced by UC);
- Spending on Housing Benefit is up by 2.9% or £506 million. £349 million of this is a margin. Some of this is because of slower than expected moves of Housing Benefit claimants to Universal Credit.

Alongside these changes, DWP plans an increase to its **Resource DEL** budget (covering the administration of DWP and other, day- to- day, spending), of **2.8% or £165.5 million** taking it to £5,905 million. £100 million of this is being added to fund EU Exit "resilience".

DWP also plans to **reduce** its smaller **Capital DEL** budget by **£31.4 million (-13.9%)**, partly as a result of DWP being able to bring forward some work on digital investment originally planned for 2019-20 into last year (2018-19).

Foreign and Commonwealth Office

The Foreign and Commonwealth Office (FCO) proposes an **increase of £28.3 million (+1.1%)** to its **Resource DEL,** from **£2,616.7 million** to **£2,655 million.**

Notable changes within the total include:

- £53.4 million for the Consular Premium, taken up from the Treasury Reserve;
- £40.6 million claim on the Emergency Disaster Relief Fund to support the FCO respond to emergencies such as the collapse of Thomas Cook and the Coronavirus;
- £23.5 million to protect the FCO against overseas inflation;
- £22.5 million take up of the Bangkok Embassy sale;
- £9 million to counter disinformation and encourage civil society engagement through the BBC World Service; and
- £2.9 million of additional funding for EU Exit preparations.

Partially offset by:

- £34 million returned to the Treasury, which is paid directly to the Treasury as part of the UK’s net EU contribution;
- £30 million of non-Overseas Development Assistance ‘Global Britain’ funding surrendered to HM Treasury;
- £17.4 million Conflict, Security and Stability (CSSF) funding transferred from Resource DEL to Capital DEL;
- £10 million of Prosperity Funding returned to the Treasury; and
- £5 million resource funding re-profiled into 2020-21.

The FCO also plan a number of budget transfers with other government departments. Net outward transfers amount to **£134.6 million**. Notable transfers included:

- £6 million from the Ministry of Defence for the NATO Conference;
- £56 million to DFID of Prosperity Fund funding; and
- £84.6 million of CSSF funding transferred to various other government departments, including £35.9 million to DFID

The FCO’s **Capital DEL is set to increase by £40.7 million (+36%)**, from **£111.8** to **£152.5 million**. This includes:

- £24 million drawdown on the proceeds of the Bangkok Embassy sale for capital investment in the FCO’s estate
- £17.4 million of CSSF funding transferred from Resource DEL to Capital DEL; and
- £1.2 million of additional funding for Gibraltar EU Exit preparations.

This is partially offset by £4.5 million of ATLAS funding, a programme to replace the FCO's finance and HR information system, transferred from Capital DEL to Resource DEL.

The FCO’s **Resource Annually Managed Expenditure** budget is set to more than double from £100 million to £202 million in the Supplementary Estimate. This is driven by non-cash expenditure such as impairments, provisions and foreign exchange volatility.

Home Office

The Home Office (HO) proposes a **decrease** of **£93.5 million (-0.8%)** in its **Resource DEL** budget, taking it to £11,422.2 million. Notable changes to Home Office's resource funding include additional funding from the Treasury Reserve of:

- £76.6 million for EU Exit preparations;
- £44 million as part of the recruitment campaign for 20,000 new police officers that launched in October 2019;
- £10 million to cover pressures on Asylum Support and Policing; and
- Unspecified additional funding to address Modern Slavery, Asylum Support and Official Development Assistance.

These increases are offset by a £209.5 million transfer to the Department of Health and Social Care, as part of the annual re-allocation of the Immigration Health Surcharge, and a 'switch' from Resource DEL to Capital DEL of £106 million that was due to a reclassification of funds for 'Major Law Enforcement' (MLE).

Home Office also plans an **increase** of **£160.1 million (27.6%)** in its **Capital DEL** budget, taking it to £739.8 million. The main reason for this change includes the reclassification of £106 million of funding as Capital DEL (as outlined above), and an additional £45 million from Treasury for EU Exit no deal preparations.

Within the department there have been some significant re-allocations of funding, largely related to the transfer of Major Law Enforcement and Windrush funding between directorates, and the establishing of the Serious Organised Crime Group which was created at the beginning of the year.

HM Revenue and Customs

HM Revenue and Customs (HMRC) proposes an **increase of £187.5 million (+4.8%)** in its **Resource DEL,** taking it to £4,370.5 million.

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

- £125.6 million of administration costs relating to EU Exit; and
- £60.9 million relating to pension contribution costs and other commitments.

HMRC also plans to **increase** its **Capital DEL by £57.0 million (+18.6%)** taking it to £363.7 million predominately relating to an increase in capital EU exit costs of £57.0 million**.**

HMRC's total Resource AME, which includes benefits, tax credit and tax reliefs, is set to increase by £3,400.4 million (+8.0%) to £46,100.7 million, largely for an annual accounting adjustment required to correct the way this spending is recorded each year at year end.

Notable changes to voted Resource AME include:

- A reduction in forecast spend on Child Benefit of £117.8 million;
- A reduction in forecast spend on Lifetime ISAs of £67.4 million to reflect Office for Budget Responsibility approved forecasts;
- Increase in payments of rates to local authorities of £12.0 million to compensate for organisations moving out of London as a result of EU exit; and
- Increase in Payments in Lieu of Tax Relief of £13.4 million made up of increases in forecast spend on Stakeholder Pensions (£7.6 million), Gift Aid Relief on Micro Donations (£6.0 million), offset by a decrease in spending on training (-£0.2 million).

Notable changes to non-voted Resource AME include:

- A reduction in forecast spending on personal tax credit of £3,570.2 million due to continued transition of individuals from Personal Tax Credits to Universal Credit; and
- An increase in other reliefs and allowances of £7,114.5 million which has been driven by tax reliefs on Large Companies Research and Development Relief (£3,435m), Small Companies Research and Development Relief (£3,406m), and Film Tax Relief (£75.3m).

HM Treasury

HM Treasury proposes an **increase of £147.3 million (+68.8%)** in its **Resource DEL,** taking it to £368.9 million. Notable changes to HM Treasury's Resource DEL include additional funding from Treasury's Reserve of £145.8 million for core Treasury costs. These core costs include:

- Oil and Gas decommissioning – an increase of £53.9 million;
- Additional administration costs – an increase of £20.2 million; and
- Additional Brexit related spending – an increase of £12.3 million.

HM Treasury also plans to **increase** its **Capital DEL by £18.3 million (+10.7%)**, taking it to £190.3 million**.** This is predominately made up of an additional increase in funding for the Asian Infrastructure Investment Bank of £13.3 million.

HM Treasury proposes an **increase of £61,099 million** in its **Resource AME**, taking it to £61,175.0 million from minus £75.2 million. The changes comprise:

- EU withdrawal settlement – an increase of £47,000 million in ensure cover for liabilities that could crystallise as cash payments after 31 March 2021;
- Assistance to financial institutions driven by two main transactions: RBS' dividend and special dividend of £1,051 million; and a change in the forecast fair-value of assets brought

by the Bank of England under quantitative easing – an increase of £13,949 million;

- UK Asset Resolution Limited top-of PPI customer remediation provision (£140.5 million) and an onerous lease charge (£13.2 million), offset by a loan impairment (£27.9 million) – an overall net increase of £125 million;
- Net increased spending on compensation costs relating to the Financial Services Compensation Scheme of £40 million. Total increased costs of £80 million include £5 million management costs and are offset by £40 million in increased levies and other recoveries;
- Core Treasury costs relating to certain police and firefighter pension liabilities – an increase of £21.6 million; and
- Lower than anticipated interest repayments from a bilateral loan to Ireland – a decrease of £22 million.

HM Treasury also proposes **an increase of £56.5 million** in **Capital AME,** related to a decrease in forecasted sales and repayments relating to UK Asset Resolution.

Ministry of Defence

The Ministry of Defence (MoD) proposes a decrease of **£783 million (-2%)** in its **Resource DEL** budget, taking it to £37,422 million. The MoD also plans to increase its **Capital DEL** budget by **£573 million (5.9%)**, taking it to £10,354 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.

Within the Resource DEL budget there is additional funding from the Treasury Reserve of £231.7 million, including:

- £125 million for ongoing operations and peacekeeping;
- £30 million for Babcock pensions; and
- £29.9 million for various service charities funded through fines levied on the banking industry for manipulation of the LIBOR rate.

However, this increase is offset by:

- £700 million reduction in funding due to reduced depreciation;
- £263 million Resource to Capital switch for SUME; and
- £51 million in net transfers to other government departments, including £52.2 million to the Security and Intelligence Agencies (SIA), mainly for CYBER, and various other smaller movements.

Within the Capital DEL budget additional funding includes:

- £300 million 'budget uplift', bringing forward expenditure from 2020-21, agreed as part of Spending Round 2019 in order to reduce the equivalent pressure next year;
- £263 million switched from Resource to Capital for SUME;
- £13.5 million from the Treasury Reserve for operations and peacekeeping; and
- A net transfer out of £4.2 million to other government departments, again mainly to the Security and Intelligence Agencies for CYBER.

Ministry of Housing, Communities and Local Government

The Ministry of Housing, Communities and Local Government (MHCLG) proposes an overall **increase of £226.8 million** (+2.9%) in its **Resource DEL** budgets. This is made up of:

- **An increase of £246.4 million** (+9.5%) in the MHCLG **Housing and Communities** Resource DEL budget to £2,847.0 million; and
- **A decrease of £19.7 million** (-0.4%) in the MHCLG **Local Government** Resource DEL budget to £5,186.1 million**.**

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

- £217.2 million to cover the budgeting changes required for the introduction of International Financial Reporting Standard 9 covering how Financial Instruments are accounted for;
- £43.2 million in the acquisition of More Land in the Right Places;
- £29.4 million in respect of Brexit preparations;

offset by

- a decrease of £90.1 million in the Voluntary Right to Buy Pilot as a result of lower than expected sale claims in 2019-20

MHCLG plans to **decrease** its **Housing and Communities Capital DEL by £2,101.7 million (-19.7%)** to £8,584.4 million. This has been driven by:

- a reduction of £1,067.0 million in "Departmental Unallocated Provision" – an overall contingency which is no longer required;
- A surrender of £410.2 million surplus budget for the Help to Buy Scheme due to lower demand than anticipated;
- A surrender of £337.3 million relating to Market Diversification and Guarantees, not needed because MHCLG was able to self-fund to a greater extent than expected;
- Carrying forward £93.0 million for More Land in the Right Places and £85.0 million for Infrastructure Housing budget from 2019-20 into 2020-21, under the "budget exchange" arrangements;

- An increase of £71.0 million for remediation of which £41.0 million relates to unexpected slippage in spend last year in the Social Sector Cladding Remediation budget and £25.0 million for the Private Sector Cladding Remediation Fund.

These adjustments also include switches of capital to Resource DEL of £42.0 million, and transfers between Housing and Communities (HC) Resource DEL, HC Capital DEL, Local Government (LG) Resource DEL and LG Capital DEL.

MHCLG also proposes an **increase in Resource AME of £632.4 million** (+3%) to £19,685.5 million. The main drivers are:

- A net increase of £410.3 million for business rate retentions;
- An increase of £127.2 million to cover potential losses on the financial transactions' portfolio; and
- An increase of £66.2 million for costs associated with the ownership of Grenfell Tower.

Ministry of Justice

The Ministry of Justice (MoJ) proposes an increase of **£357.7 million (4.4%)** in its **Resource DEL**, taking it to £8,409.4 million. Of this, £187.8 million reflects funding agreed some time ago by Treasury for budget pressures faced by the department, including:

- £111 million unspent funds carried forward from prior years; and
- £64 million for court reform agreed in the 2016 Autumn Statement.

Additional funding of £163.9 million proposed in the Supplementary Estimate also includes:

- £122 million to cover the shortfall in probate fee income;
- £30 million to maintain prison operating capacity;
- £10 million brought forward from next year for improved security in prisons; and
- £6 million in net transfers from other government departments, including £4.5 million from Home Office for the controlling and coercive behaviour programme; £2.6 million from MHCLG for an offender pilot programme, and £3.3 million transferred to the Welsh Assembly for HMP Berwyn.

The MoJ also plans an increase in **Capital DEL** of **£87.4 million (20.9%)**. This includes previously agreed funding of £63 million made up of:

- £54 million brought forward under the budget exchange arrangements from previous years; and
- £9 million for the new prison build at Glen Parva.
- New funding includes:

- £22 million ringfenced funding for 'property disposal contingent risks', relating to the sale of prison sites; and
- £2.4 million in net transfers from other government departments, including £1.3 million from Cabinet Office for CYBER.

Northern Ireland

The Northern Ireland Office's Supplementary Estimate seeks authorisation for:

- **the cash grant to the Government of Northern Ireland**. The cash grant (shown in the Estimates as 'Non-Budget' expenditure) provides funding for the Northern Ireland Consolidated Fund - the main source of funding for Northern Ireland Government expenditure; and
- **funds for the Northern Ireland Office** (this is a UK ministerial department responsible for the smooth working of the devolution settlement and relations between the UK and NI Governments).

Northern Ireland Government grant

The Supplementary Estimate seeks an increase of **£890.1 million (+5.6%**) in the amount sought for payment in the Northern Ireland Consolidated Fund, which would increase it from **£15,998.1** to **£16,888.2 million**.

The cash grant is based on a calculation worked out by taking the spending power (the Departmental Expenditure Limits allowed for the NI Government by the UK Treasury) plus Annually Managed Expenditure (this is expenditure such as welfare payments that is deemed more difficult to control than DEL), less non-cash items such as depreciation, and adjusted for timing differences.

Changes in DEL budgets

The Northern Ireland Government' DEL will increase from **£13,038.2** million to **£13,428.9 million (+3%).** This is made up of an **increase to the Resource DEL by £458.9 million (+4%)**, and a **reduction in Capital DEL by £68.2 million (-4%).**

Notable additional amounts for Northern Ireland include:

- £139 million of Resource DEL and £17.5 of Capital DEL carried forward from previous years, under the budget exchange scheme;
- £56.2 million of Fresh start funding, of which £13.4 is Capital DEL funding for education and housing;
- £30 million in New Decade, New Approach Resource DEL; and
- £18 million in additional Resource DEL for EU Exit funding and £3.1 million in additional Resource DEL funding for the EU Exit Operational Contingency Fund.

The DEL changes also reflect Barnett Consequentials – funding arising from UK spending decisions, corresponding to that provided for UK government departments; and additional funding from the Treasury Reserve. Since the Main Estimate, there have been £40.1 million of additional Resource Barnett Consequentials and a reduction of £12.7 million in Capital DEL. A breakdown of these changes is shown in the table below[13]:

Northern Ireland's Barnett Consequentials from the 2019-20 Supplementary Estimates			
Programme/Department	*Measure*	*Resource £millions*	*Capital £millions*
Business, Energy and Industrial Strategy	In-year reductions		-1.7
Health	Immigration Surcharge	1.3	
	Baseline issues	13.77	
	Trusts		39.3
Home Office	Police Officers	1.4	0.03
Housing, Communities & Local Government	Various	-1.1	
Culture, Media & Sport	Various	1.2	-2.5
Education	In-year reductions	-11.57	
	Academies	1.5	
	Various other	0.3	
Environment, Food and Rural Affairs	Various	0.5	0.02
Justice and Crown Prosecution Service	Court reform	1.8	
	Probate fees	3.8	
	Various other	2	0.3
Work and Pensions	In-year reductions	-0.1	
Transport	In-year reductions	-1.8	-62
	HS2 VAT	2.2	10.6
	Class 365s		3
	Rail Risk Share	6.5	
Other	EU Exit and business readiness	14.43	0.4

[13] House of Commons Scrutiny Unit analysis of Northern Ireland Office Supplementary Estimate Memorandum 2019-20. May not sum due to rounding.

	EU Exit Operational Contingency Fund	4	

The Northern Ireland Office

Northern Ireland Office itself plans **a £11.9 million (+42%)** increase in its Resource DEL and a **£0.5 million (+230%)** increase to its Capital DEL. Resource DEL now stands at **£40.6 million** and Capital DEL **at £0.83 million.** Notable increases planned at the Supplementary Estimate include:

- £4.6 million in Resource DEL to cover the cost of delivering the 2019 General Election;
- £3.5 million in Resource DEL to reflect the broader and more complex role undertaken since its establishment;
- £1.9 million in Resource DEL from the Treasury's Reserve to cover additional resource pressures due to the absence of a NI Executive;
- £1.8 million in Resource DEL to cover EU Exit preparations and operational contingency planning; and
- £0.5 million in Capital DEL to cover costs such as new premises for the Northern Ireland Human Rights Commission.

Scotland

The Scotland Office Supplementary Estimate seeks authorisation for:

- **the cash grant to the Government of Scotland**. The cash grant (shown in the Estimates as 'Non-Budget' expenditure) provides funding for the Scottish Consolidated Fund - a main source of funding for Scottish Government expenditure. The cash grant has been reduced to reflect the fact that taxes such as stamp duty, landfill tax and income tax are now devolved to Scotland (these adjustments are referred to as block grant adjustments);
- **pay-over of Scottish rate of income tax to the Government of Scotland**. Income tax (on non-savings, non-dividend income) is a fully devolved tax for Scotland and is determined by Scottish Government policy. However, HMRC continues to collect it on behalf of Scotland. (Scotland collects its own stamp duty and landfill tax so these do not show up in the Main Estimate, unlike income tax); and
- **funds for the Scotland Office** (this is a UK ministerial department responsible for relations between the UK and the Scottish Government).

Scottish Government grant and pay-over of income tax

The Supplementary Estimate seeks a cash grant for the Scottish Government of **£19,864.7 million** for 2019-20**, an increase of £474.7**

million (+2.5%) above the amount sought at the Main Estimate, **£19,390.1 million**. The cash grant is based on a calculation worked out by taking the spending power (the Departmental Expenditure Limits allowed for the Scottish Government by the UK Treasury) plus Annually Managed Expenditure (this is expenditure that is deemed more difficult to control than DEL), less non-cash items such as depreciation, and adjusted for timing differences.

Changes in DEL Budget

The Scottish Government total DEL budget sought at the Supplementary Estimate **is £22,444.4 million**, an **increase of £508.6 million (+2.3%)**. Changes to the Departmental Expenditure Limit (DEL) budget, which affect the cash grant, consist of **increases in Resource DEL of £567.9 million (+3.3%)** and a decrease **in Capital DEL of £59.3 million - 1.3%).**

Deductions have been made to the Departmental Expenditure Limit (DEL) budget to take account of the fact that the grant no longer includes Scotland's share of devolved taxes. These deductions are referred to as block grant adjustments and calculated by estimating income from devolved taxes, had the Scottish government retained taxes in line with the rest of the UK.

In the case of income tax, while the tax is devolved, HMRC continues to collect the funds on the Scottish government's behalf. The actual amount of tax revenue expected is forecast by the Scottish Fiscal Commission and based on Scottish Government tax policies.

The DEL changes also reflect Barnett Consequentials- funding arising from UK spending decisions, corresponding to that provided for UK government departments; and additional funding from the Treasury Reserve. The Supplementary Estimate included the following Barnett Consequentials for the Scottish Government in 2019-20:[14]

- £110.7m Resource DEL; and
- £55.4m Capital DEL.

This is broken down as follows:

Scotland's Barnett Consequentials from the 2019-20 Supplementary Estimates

Programme/Department	*Measure*	*Resource £millions*	*Capital £millions*
Business, Energy and Industrial Strategy	Various	0.1	-3.5
Health	Immigration Surcharge	3.8	
	Baseline issues	40.8	

[14] The 2019-20 Main Estimate included Barnett Consequentials of £485.1m arising from Reserve claims by UK Government Departments that would normally have been dealt with through the Supplementary estimate.

	Trusts		116.6
Home Office	Police Officers	4	0.1
Housing, Communities and Local Government	In-year reductions and various other	-3.3	
Culture, Media & Sport	Various	3.6	-7.5
Education	In-year reductions	-34.3	
	Academies	4.5	
	Other various	1	
Environment, Food and Rural Affairs	Air Quality Plan	1.3	
Justice and Crown Prosecution Service	Court reform	5.9	
	Probate fees	11.2	
	Various other	5.4	0.8
Transport	In-year reductions	-5.4	-183.2
	HS2 VAT	6.6	31.4
	Class 365s		8.7
	Rail Risk Share	19.2	
	Crossrail		90.8
Other	EU Exit and business readiness	42.8	1.2
	EU EXIT Operational Contingency Fund	3.4	

Further notable increases have been set out below:

- £80 million in Common Agricultural Policy convergence funding (Resource DEL);
- £78.5 million carried in Ministry of Justice consequentials carried forward (£67.4 million Resource DEL and £11.1 million Capital DEL);
- £69.5 million in Health consequentials carried forward (£58.5 million Resource DEL and £11 million Capital DEL);
- £52 million in Fiscal Framework administration costs (Resource DEL);
- £40 million transfer from HM Treasury in respect of budgeting changes for Network Rail (Resource DEL); and
- £19.2 million for the EU Exit Operational Contingency Fund (£15.4 million Resource DEL and £4.8 million Capital DEL).

Scotland Office spending

The Scotland Office itself plans a **£1.7 million (+17%) increase** in its **Resource DEL** and a **£0.4 million (+880%)** increase to its **Capital DEL. Resource DEL** is therefore expected to be **£11.9 million** and **Capital DEL £0.5 million.** Significant changes planned at the Supplementary Estimate include:

- £1 million Resource DEL to cover Hub costs;
- £0.6 million Resource DEL to cover the additional administration cost of VAT on seconded staff from other government departments;
- £0.4 million Capital DEL to cover IT transition costs; and
- £0.2 million Resource DEL to cover increased pay costs.

Wales

The Wales Office Supplementary Estimate seeks authorisation for:

- **the cash grant to the Government of Wales**. The cash grant (shown in the Estimates as 'Non-Budget' expenditure) provides funding for the Welsh Consolidated Fund – a main source of funding for Welsh Government expenditure; and
- **funds for the Wales Office** (the UK ministerial department responsible for relations between the UK and Welsh Governments).

Welsh Government grant

The cash grant proposed for the Welsh Government is **£15,907.6 million** at the 2019-20 Supplementary Estimate, **£405 million (+2.6%) higher** than the amount sought at the Main Estimate of **£15,502.3 million.**

The cash grant is based on a calculation worked out by taking the spending power (the Departmental Expenditure Limits allowed for the Wales Government by the UK Treasury) plus Annually Managed Expenditure (this is expenditure that is deemed more difficult to control than DEL), less non-cash items such as depreciation, and adjusted for timing differences.

Deductions have been made to the Departmental Expenditure Limit (DEL) budget to take account of the fact that the grant no longer includes Wales's share of devolved taxes. These deductions are referred to as block grant adjustments and calculated by estimating income from devolved taxes, had the Welsh government maintained all taxes in line with the rest of the UK.

Changes in DEL budget

The Welsh Government total DEL budget sought at the Supplementary Estimate **is £2,239.4 million**, an increase **of £634.2 million** . Changes to the Departmental Expenditure Limit (DEL) budget, which affect the cash grant, consist of **increases in Resource DEL of £542.2 million (+4.3%)** and an increase **in Capital DEL of £92.0 million (+4.3%).**

Deductions have been made to the Departmental Expenditure Limit (DEL) budget to take account of the fact that the grant no longer includes Wales' share of devolved taxes. These deductions are referred to as block grant adjustments and calculated by estimating income from devolved taxes, had the Welsh government retained taxes in line with the rest of the UK.

The DEL changes also reflect Barnett Consequentials – funding arising from UK spending decisions, corresponding to that provided for UK government departments; and additional funding from the Treasury Reserve. The Supplementary Estimate included the following Barnett Consequentials for the Welsh Government in 2019-20:

- Additional £141.1m Resource DEL; and
- A reduction of £17.8m Capital DEL.

This is broken down as follows:

Wales' Barnett Consequentials from the 2019-20 Supplementary Estimates			
Programme/Department	*Measure*	*Resource £millions*	*Capital £millions*
Business Rates	Business Rate consequentials	51.1	-
Business, Energy and Industrial Strategy	In-year reductions	-0.1	-2.1
Cabinet Office	Centre for Public Service Leadership	0.4	
Health	Immigration Surcharge	2.3	
	Baseline issues	24.7	
	Re-profile of DHSC Barnett	35.4	6.7
	Trusts		70.7
Home Office	Police Officers		
Housing, Communities and Local Government	In-year reductions and various other	-1.3	
Culture, Media & Sport	Various	2.2	-4.5
Education	In-year reductions	-20.8	
	Academies	2.7	
	Apprenticeships	5.6	
	Various other	1.1	
	Air Quality Plan	0.765	

Environment, Food and Rural Affairs	Flood risk and resilience	0.4	2.7
Justice and Crown Prosecution Service	Court reform		
	Probate fees		
	Various other		
Transport	In-year reductions	-2.9	-98.7
	Rail Risk Share	11.7	
	Class 365s		5.3
	Flooding		1.5
Other	EU Exit and business readiness	25.9	0.7
	EU Exit Operational Contingency Fund	1.8	

Further notable changes have been set out below:

- £125 million Resource DEL budget drawdown;
- £21.1 million budget transfers from other government departments (£16.2 million Resource DEL and £4.9 million Capital DEL);
- £14.8 million Teachers' Pay Funding (Resource DEL);
- £13.3 million Welsh Government EU Exit Operational Contingency Fund (£12 million Resource DEL and £1.3 million Capital DEL);
- £3.8 million EU Structural Fund (Resource DEL); and
- £2 million Coastal Communities Fund (Resource DEL).

Notable transfers between Resource DEL and Capital DEL include £49.3 million R&D funding and £33.8 million Land Transaction Tax for the Core Valley Lines, from resource to capital.

Wales Office spending

The Wales Office itself plans a **£0.02 million (-0.03%)** reduction in its Resource DEL and a £0.02 million (+67%) increase to its Capital DEL when compared with the Main Estimate. Planned Resource DEL now stands at £5.1 million and Capital DEL at £0.1 million. This change is explained by a planned £0.02 million switch from Resource DEL to Capital DEL.

Other departments

Charity Commission

The Charity Commission proposes an increase of £0.45 million (+1.6%) to its Resource DEL to fund increased amortisation costs.

Its Capital DEL is set to rise by £1 million (+83%) to support the commission's IT roadmap programme.

Competition and Markets Authority

The Competition and Markets Authority is seeking an increase of £2.5 million (+2.7%) to its Resource DEL and £2.5 million to its capital DEL (+14.5%) to cover costs associated with its move to the Cabot in Canary Wharf, including fitting out of the building.

Crown Prosecution Service (CPS)

The CPS is seeking an increase of £16.7 million (+3.3%) in its resource DEL. This is to support:

- increases in the CPS Graduated Fee Scheme, used to calculate fees when using the criminal bar, from September 2019;
- the building of additional prosecutorial capacity to cope with increased demand expected from the recruitment of 20,000 new police officers; and
- improved performance in meeting CPS' statutory disclosure obligations encompassing advising law enforcement agencies on the scope of investigation, pursuing all reasonable lines of enquiry and dealing with the growth in digital evidence

Food Standards Agency

The Food Standards Agency is proposing a £1.9 million (-2.0%) reduction in its Resource DEL. This comprises:

- £3 million extra for EU exit (no deal preparation) costs,
- less £3 million transferred to capital for Research and Development and IT investment,
- and a further reduction of £1.9 million, carried forward into next year.

At the same time, an increase of £3 million (+56%) is proposed to FSA's capital DEL, for research and development and IT investment, funded by transfers from the Resource DEL budget.

Government Actuary's Department (GAD)

There is a token increase sought to enable GAD to make a small internal transfer between budgets in order to increase by £0.035m the amount set aside for the depreciation of its assets.

National Archives

The National Archives is seeking an additional £0.7 million (Resource DEL, +1.8%) and £1.3 million (capital DEL +68.4%) to cover additional costs of estates, depreciation and software development.

National Crime Agency

The National Crime Agency is seeking an increase of £45.9 million (+10.3%) to its Resource DEL and £16.4 million (+32.8%) to its Capital DEL. These increases will allow for:

- £24.8 million to improve the UK's strategic capability in relation to finances of a criminal nature or used for criminal purposes, with funding provided by various government departments;
- £10.3 million, to fund overseas work to provide improved intelligence and combat crime in the UK, funded from the Conflict, Stability and Security Programme and the Integrated Activity Funds (both managed by FCO);
- £8.5 million to cover the costs of the UK Protected Persons Service, (funded transferred from Home Office);
- £8.2 million to cover increased pension costs;
- £6.3 million for additional depreciation;
- £2.9 million for cyber security in relation to hostile states, from the Cabinet Office's National Cyber security programme; and
- £0.9 million for EU Exit Borders staff increases and £0.2 million capital for assets to ensure robust security following the UK's departure from the EU.

Ofqual (Office of Qualifications and Examinations Regulation)

Ofqual plans an increase to its Resource DEL of £1.3 million or 7.4%. This is to cover additional costs associated with the reform of GCSEs and A levels, for vocational and technical qualifications reform, and for the National Reference Test.

ORR (Office of Rail and Road)

The Office of Rail and Road proposes a token increase of £1,000 to its Resource DEL to allow it to adjust the levels of income and the gross expenditure this supports by £0.3 million (+0.8%). The increased expenditure relates to pension costs and additional work in relation to regulation and safety.

Ofsted (Office of Standards in Education, Children's Services and Skills)

Ofsted plans an increase to its Resource DEL of £5.3 million or +4.1%. Of this, £6.1 million is provided by DFE, to compensate for delays in the consultation and legislative process, outside of Ofsted's control, to increase statutory fees that had been agreed in the 2015 Spending Review. This is partly offset by a planned transfer of £0.6 million from Ofsted's Resource DEL, increasing Ofsted's Capital DEL by 17.1%, primarily for investment in IT and digital related systems.

Ofwat (Water Services Regulation Authority)

A token £1,000 increase is proposed to Ofwat's Resource DEL to recognise reduced expenditure, offset by matching reduced income, of £1.1 million, or -3%.

Parliamentary and Health Services Ombudsman (Office of the Parliamentary Ombudsman for Administration and the Health Service Commissioner for England)

The Ombudsman propose an increase of £0.55 million in its Resource DEL (+2%). This will cover:

- £0.35 million for restructure and IT costs
- £0.2 million for Ombudsman's salary and on costs (this was omitted from the original budget at Main Estimate)

An increase of £1.47 million in capital DEL is also proposed (+210%). This is to invest in new IT infrastructure and replace the case management system as part of year two of a business plan.

Security and Intelligence Agencies

The Security and Intelligence Agencies propose an increase in Resource DEL of £27.2 million (+1%), and a decrease in capital DEL of £41.4 million (-6%)

This comprises:

- Additional EU exit funding of £1.9 million (resource) and £8.2 million (capital)
- Transfers of funding out to other government departments (£8.2 million resource and £19 million capital)
- An additional £3 million resource DEL funding
- Net transfers of £30.5 million from capital to resource

Serious Fraud Office

The Serious Fraud Office proposes an increase of £13.1 million (+25%)to its Resource DEL. Of the £13.1million increase, £8.1 million is attributed to cases which will cost above £2.5 million for the year. The remainder of £5 million is to make a payment on account in relation to a management receivership case.

Statistics Board

The UK Statistics Board plans an increase of £29.4 million (+10%) to cover:

- additional costs associated with its Census and data collection transformation programme; and
- funded by a transfer of resource from Department for international Trade, improved trade and investment statistics.

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

The Treasury Solicitor proposes a reduction of £2.2 million to its Resource DEL (-13%) , and a£2.6 million increase to its capital DEL (+96%) reflecting:

- a £2.6 million transfer from resource to capital to fund the refit of the government Legal Department at 102 Petty France
- offset by a £0.4 million transfer from the Crown Prosecution Service for IT services for the Attorney General's Office

UK Export Finance (Export Credit Guarantees Department)

The Export Credits Guarantee Department trading under the name of UK Export Finance (UKEF) proposes **a reduction of £0.4 million**

(-29.6%) to its Resource DEL, from **£1.3 million** to **£0.9 million.** This is a result of a budget transfer to the Department for International Trade.

UKEF plan **no change** to their **£0.3 million capital budget** and their **£125 million Resource Annually Managed Expenditure budget.**

UKEF plan to decrease their **Capital Annually Managed Expenditure (Capital AME)** by **£100 million (-10.6%)**, from **£936.8 million** to **£836.8 million.** Capital AME represents lending activity, and the reduction reflects that some Direct Lending deals either did not materialise or have been moved to the next financial year. Any deals that are expected to have a probability of materialising of less than 25% have been excluded from the Estimate.

UK Supreme Court

The UK Supreme Court proposes an increase in its Resource DEL of £0.6 million (+10.0%) to cover unforeseen costs relating to the running of the court, including the prorogation of Parliament case.

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