

# Main Estimates memorandum (2020–21): Office of the Secretary of State for Scotland and the Office of the Advocate General

## 1 Overview

### *1.1 Objectives*

The key purpose of the Office of the Secretary of State for Scotland and the Office of the Advocate General remains to support the Secretary of State for Scotland and Advocate General in promoting the best interests of Scotland within the United Kingdom. We act as custodians of constitution arrangements and in particular the devolution settlement. Moreover, we represent distinct Scottish interests within Government and support the rest of the Government on Scottish matters as well as representing the UK Government's policies and achievements in Scotland.

The Government has set out the huge challenge we are facing as we tackle coronavirus. Like other departments, the Office of the Secretary of State for Scotland has adjusted its priorities to work on measures to tackle this and we are working closely with the devolved administrations.

The UK has now left the EU and the Offices continue to play an important role in making the UK outside the EU work best. This involves working closely with departments across the UK Government, the Scottish Government and organisations and individuals across Scotland to ensure Scotland's interests are effectively represented and taken account as the UK exits the EU.

The Office of the Secretary of the State for Scotland is also responsible, through its estimate, for payover of cash to the Scottish Consolidated fund in support of spending by the Scottish Government.

### *1.2 Spending controls*

The Office Estimate is broken down into a number of discrete elements, for which Parliament's approval is sought separately. The spending totals which Parliament votes are:

For Office of the Secretary of State for Scotland itself:

- Resource Departmental Expenditure Limit ("**Resource DEL**") – day to day running costs of the Office
- Capital Departmental Expenditure Limit ("**Capital DEL**") – investment in infrastructure of the office

- Resource Annually Managed Expenditure (“**Resource AME**”) – less predictable day to day spending and expenditure from demand funding: in OSSS’s case, expenditure primarily for provisions

For the Scottish Government:

- **Non-budget** expenditure – cash payments to the Scottish Consolidated Fund. This includes cash payments to support spending by the Scottish Government and Parliament, including pay over of cash in relation to the block grant and Scottish Income Tax receipts collected by HMRC.

In addition, Parliament votes a net cash requirement, designed to cover both the cash required to cover Office of the Secretary of State for Scotland’s own spending, and the cash grant to the Scottish Consolidated Fund.

## 2 Spending Detail: Office of the Secretary of State for Scotland and the Office of the Advocate General

### 2.1 Comparison of spending totals sought

The table below shows how the totals sought for the Office of the Secretary of State for Scotland and the Office of the Advocate General compare with last year:

| Spending Total: amounts sought this year |                          | Comparison: Supplementary Estimate 2019–20 |          | Comparison: Main Estimate 2019–20 |          |
|--|--------------------------|--|----------|-----------------------------------|----------|
| Budget Type                              | Main Estimate 20–21 (£m) | Change (£m)                                | % change | Change (£m)                       | % change |
| OSSS RDEL                                | 10.655                   | -1.316                                     | -11%     | 0.422                             | 4%       |
| OSSS CDEL                                | 0.050                    | -0.440                                     | -90%     | 0.000                             | 0%       |

Note: RDEL in 2019-20 includes the additional costs incurred in the departments move to the UK Government Hub in Edinburgh and CDEL in 2019-20 includes the additional costs of the IT transition as a result of the move to the Hub.

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

The main causes of the changes in Office of the Secretary of State for Scotland and the Office of the Advocate General's Resource DEL are:

- The main estimate does not include the funding for VAT of staff salaries which did not form part of the Spending Review Settlement, but is expected to be the subject of a bid at Supplementary Estimates; and
- The Supplementary Estimate provision for 2019–20 is inflated since the provision included additional funding relating to the Departments IT Transition and move the UK Government Hub in Edinburgh.

### 2.3 Spending trends

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

| £m                        | 2016–17<br>Outturn | 2017–18<br>Outturn | 2018–19<br>Outturn | 2019–20<br>Plans | 2020–21<br>Plans |
|---------------------------|--------------------|--------------------|--------------------|------------------|------------------|
| <b>Total Resource DEL</b> | 10.3               | 23.5               | 10.1               | 12.0             | 10.6             |
| o/w admin                 | 9.8                | 9.3                | 9.7                | 11.6             | 10.2             |
| o/w other costs           | 0.5                | 14.2               | 0.4                | 0.4              | 0.4              |
| <b>Total Capital DEL</b>  | 0.0                | 0.0                | 0.1                | 0.5              | 0.1              |

|                               |             |             |             |             |             |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| o/w depreciation/impairments* | *           | *           | *           | *           | *           |
| <b>Total DEL</b>              | <b>10.3</b> | <b>23.5</b> | <b>10.2</b> | <b>12.5</b> | <b>10.7</b> |

\*less than 1dp

## 2.4 Administration costs

Administration costs are set to rise by 4% in 2020–21 compared to last year’s Main Estimates figure.

| Spending Total: amounts sought this year |                          | Comparison: Supplementary Estimate 2019–20 |          | Comparison: Main Estimate 2019–20 |          |
|--|--------------------------|--|----------|-----------------------------------|----------|
| Budget Type                              | Main Estimate 20–21 (£m) | Change (£m)                                | % change | Change (£m)                       | % change |
| Administration costs                     | 10.187                   | -0.926                                     | -8%      | 0.384                             | 4%       |

To help make efficiencies the Office of the Secretary of State for Scotland and the Office of the Advocate General, together with Office of the Secretary of State for Wales and Northern Ireland Office, are assessing where services can be shared across the three territorial offices and with other government bodies. The three offices have a single parliamentary clerk. In order to make best use of public assets the Office of the Secretary of State for Scotland and Office of the Advocate General let space in their Edinburgh building to other government bodies and Dover House in London is part of the Whitehall campus.

### 3 Payments to Scottish Consolidated Fund (detailed tables available in supplementary workbook)

#### 3.1 Comparison of cash grant payable to Scottish Consolidated Fund

The table below shows how the cash funding provided for the Scottish Consolidated Fund compares with last year:

| Spending Total: amounts sought this year           |                          | Comparison: Supplementary Estimate 2019–20 |          | Comparison: Main Estimate 2019–20 |          |
|--|--------------------------|--|----------|-----------------------------------|----------|
| Budget Type  | Main Estimate 20–21 (£m) | Change (£m)                                | % change | Change (£m)                       | % change |
| Scottish Consolidated Fund: Non–budget expenditure | 28,405.4                 | 8,540.7                                    | 43%      | 9,015.3                           | 46%      |

*Changes are detailed in section 3.2*

#### 3.2 Key drivers in change of cash provision since last year

Additional funding to the Scottish Consolidated Fund in 2020–21 is a result of:

- The level of UK centrally provided funding was determined at Spending Review 2015 (SR15) and Spending Round 2019 (SR19). Since the outcome of SR15 and SR19, funding has increased following Barnett consequentials and non–Barnett allocations from UK Government budgets and estimates rounds. The increases are shown in the accompanying excel tables, 3.4a, 3.4b and 3.4c.
- The UK Government’s funding for the response to Covid–19 and the subsequent Barnett consequentials for the Scottish Government have driven a large proportion of this increase. This is a c.£4.2bn increase to the Scottish Government’s funding in 2020–21. This includes over £1.2bn Barnett consequentials in relation to small business grants and over £1bn for business rates relief. Other additions include Barnett consequentials from the UK Government Budget 2020 (£640m) and funding as a result of the UK Government’s commitment to maintain farm support for the duration of the parliament (£448m). Some of the key drivers of Barnett consequentials from Budget 2020 include; £97.1m in relation to the Building Safety Fund; £66.4m for DSHC capital funding; and £62.0m for NHS Nurse recruitment, training and retention.
- In April 2020, c.£3bn of welfare benefits were devolved to the Scottish Government which has driven a large proportion of the increase. This includes Personal Independence Payments, Disability Living Allowance, Attendance Allowance, Severe Disablement Allowance and Industrial Injuries Disablement Benefit.

- In addition, UK centrally provided funding is adjusted to reflect the devolution of certain tax raising powers to the Scottish Government as set out in the Scottish Government's fiscal framework. This includes Non-savings Non-dividends Income Tax, Stamp Duty Land Tax, Landfill Tax, Proceeds of Crime, and Fines, Forfeitures and Fixed Penalties. The first income tax reconciliation has been applied to the Scottish Government's block grant for 2017-18 outturn, this has a net c.-£204m impact in 2020-21.

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

| £m <sup>1,2</sup>  | 2016–17<br>plans | 2017–18<br>plans | 2018–19<br>plans | 2019–20<br>plans | 2020–21<br>plans |
|--|------------------|------------------|------------------|------------------|------------------|
| Scottish Government Resource (pre block grant adjustments) | 26,877.4         | 27,485.7         | 28,926.1         | 29,916.3         | 34,579.1         |
| <i>less tax Block Grant Adjustment</i>                     | <i>-5,500.0</i>  | <i>-12,540.0</i> | <i>-12,431.0</i> | <i>-12,193.1</i> | <i>-12,223.0</i> |
| <i>plus welfare Block Grant Adjustment</i>                 | <i>0.0</i>       | <i>0.0</i>       | <i>0.0</i>       | <i>289.6</i>     | <i>3,198.8</i>   |
| <b>Scottish Government Resource<sup>6</sup></b>            | <b>21,377.4</b>  | <b>14,945.7</b>  | <b>16,495.1</b>  | <b>18,012.8</b>  | <b>25,554.8</b>  |
| <b>Scottish Government Capital</b>                         | <b>3,247.9</b>   | <b>3,625.3</b>   | <b>3,871.9</b>   | <b>4,431.7</b>   | <b>5,498.2</b>   |
| <b>Total Scottish Government DEL<sup>3</sup></b>           | <b>24,625.3</b>  | <b>18,571.0</b>  | <b>20,367.0</b>  | <b>22,444.5</b>  | <b>31,053.0</b>  |
| <i>less depreciation &amp; impairments</i>                 | <i>-779.0</i>    | <i>-769.2</i>    | <i>-1,513.2</i>  | <i>-1,145.7</i>  | <i>-1,145.7</i>  |
| <b>Total Scottish Government DEL<sup>456</sup></b>         | <b>23,846.3</b>  | <b>17,801.8</b>  | <b>18,853.8</b>  | <b>21,298.8</b>  | <b>29,907.3</b>  |

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

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

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

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

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

<sup>6</sup> Includes Block Grant Adjustments to reflect the devolution of taxes (Stamp Duty Land Tax, Landfill Tax, Income Tax and Proceeds of Crime) and welfare powers (Carer's Allowance) under the Scottish Government's Fiscal Framework

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

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

The Office of the Secretary of State for Scotland's Estimate allows for the payment of a cash grant to the Scottish Consolidated Fund. This expenditure is shown in Section C of the Office of the Secretary of State for Scotland Estimate under the heading "non-budget spending". All expenditure by the Scottish Government is charged to the Scottish Consolidated Fund.

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

The Scottish Government's spending has been reclassified from PSCE in RDEL to PSCE in AME and from PSGI in CDEL to PSGI in AME. This reflects the Scottish Government's borrowing powers, Reserve facility and the fact that around a third of Scottish Government expenditure is financed by locally raised revenue. This budgeting treatment only affects the way Scottish Government spending is reported. All previous spending controls, including through the block grant and borrowing and reserve limits, remain unchanged, and the spending power of the Scottish Government is not affected. The Scottish Government block grant remains in the government's measure of RDEL excluding depreciation and CDEL.

In addition, HMRC collects Scottish Income Tax (£11,424 million in 2020-21) on behalf of the Scottish Government and this is also paid over to the Scottish Consolidated Fund via the Office of the Secretary of State for Scotland Supply Estimate (subhead D).

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

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

#### **3.4 (c) Funding changes: Barnett consequentials, non-Barnett changes and current control totals compared against SR settlements**

At fiscal events and Spending Reviews, devolved administrations receive additional funding through the Barnett formula to reflect changes in UK Government spending on devolved policy areas. These adjustments are known as Barnett consequentials, and are applied to devolved administrations' funding at Estimates Rounds. In addition, sometimes devolved administrations receive additional funding outside the Barnett arrangements – for example City Deals.

HM Treasury's Block Grant Transparency publication provides a detailed breakdown of all changes applied to the devolved administrations' budgets since Spending Review 2015. A

summary of changes effecting the Scottish Government's block grant funding in 2020-21 is set out in the accompanying Excel workbook, including changes since the last Block Grant Transparency publication.