

Office of the Secretary of State for Scotland and Office of the Advocate General (Scotland Office)

Supplementary Estimate 2020-21: Estimates memorandum

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 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 and Office of the Advocate General itself:

- Resource Departmental Expenditure Limit ("**Resource DEL**")- day to day running costs of the Office; and
- Capital Departmental Expenditure Limit ("**Capital DEL**")- investment in infrastructure of the office.
- Resource Annually Managed Expenditure Limit ("**Resource AME**")- to cover provision for exiting property lease.

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 payover of the Scottish rate of income tax.

In addition, Parliament votes on a net cash requirement, designed to cover both the cash required to cover the Offices own DEL spending, and the cash grant to the Scottish Consolidated Fund.

2 Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General (OAG)

2.1 Comparison of spending totals sought

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

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget this year. (Main estimate 2020-21)		Difference (+/-) compared to to outturn last year 2019-20)	
		£ m	%	£m	%
OSSS & OAG: Resource DEL	£13,816m	+£3.161	23%	£2.864	21%
OSSS & OAG: Capital DEL	£0.834m	+£0.784	1568%	£0.491	59%

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:

Reserve Claims

- **£610,000** - to cover the additional administration cost of VAT on seconded staff from other government departments (RDEL admin);
- **£572,000** - to cover Hub cross government costs (RDEL admin);
- **£1,080,000** - to cover Hub transition costs (RDEL admin);
- **£1,067,000** - to cover IT Transition costs (£784,000) CDEL (£283,000 RDEL admin);

- **£852,000** - to cover the utilisation of the onerous lease provision (RDEL admin).

Budget Transfers

- **£242,000** - to the Cabinet Office to cover the transfer of responsibility for special adviser staff costs (RDEL admin);
- **£14,000**- from the Cabinet Office to cover the transfer of Covid campaigns funding (RDEL programme);
- **£100,000** - from the Cabinet Office to cover the transfer of EU Transition and campaigns funding (RDEL programme).

Internal Budget Transfers

- **£Nil impact** - an increase of £2,000,000 in administration costs offset by an increase of £2,000,000 in receipts cover (RDEL admin);
- **£Nil impact** - an increase of £15,000 in non-cash costs offset by an decrease of £15,000 in administration (RDEL admin);

Return of Funding to HM Treasury

- **£108,000** - return of excess programme funding.

2.3 Spending trends

OSSS & OAG	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£ million						
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
Admin costs	8.7	9.8	9.1	9.6	10.7	13.3
Other costs [^]	13.8	0.7	13.4	0.2	0.2	0.5
Total Resource DEL	22.5	10.5	22.5	9.8	10.9	13.8
Capital DEL	0.2	0.0	0.1	0.0	0.3	0.8
Less depreciation and impairments	*	*	*	*	*	*
Total DEL	22.7	10.5	22.6	9.8	11.2	14.6

*less than £0.01m

[^] includes UK Government Parliamentary election costs

totals may not sum due to rounding

2.4 Administration costs and efficiency plans

Administration costs are set to rise by 31% in 2020-21 compared to last year's final budget. The increase reflects the additional costs of the department's transition to the UK Government Hub in Edinburgh and a change to a new IT platform.

Spending total Amounts sought this year (Supplementary Estimates)		Compared to original 2019-20 budget (Main Estimates)		Difference (+/-) compared to to outturn last year 2019-20)	
		£ m	%	£m	%
Administration costs	£13.3m	3.1	31%	2.6	20%

To help make efficiencies the Office of the Secretary of State for Scotland and the Office of the Advocate General, together with the 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 and the offices are currently undertaking a review of how resilience and efficiencies can be obtained by sharing corporate service functions. Other services are provided by the Ministry of Justice under Service Level Agreements.

In order to make best use of public assets the Office of the Secretary of State for Scotland and Office of the Advocate General have recently moved into the UK Government hub in Edinburgh and Dover House in London is now part of the Whitehall campus.

3 Payments to Scottish Consolidated Fund

3.1 Comparison of cash to be paid over

The table and graphic below show 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 2020-21	
Budget Type	Supplementary Estimates 20- 21 (£m)	Change (£m)	% change	Change (£m)	% change

Scottish Consolidated Fund: Non-Budget expenditure	34,823.901	15,433.8	78%	6,418.483	33%
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3.2 Key drivers of changes in levels of cash to be paid over since last year

The level of UK Government 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.

Cash grant payable to the Scottish Consolidated Fund has increased by £6.4bn, due to an £8.4bn increase in the Scottish block grant partly offset by an increase in cash to accruals adjustments.

3.3 Cash grant payable to Scottish Consolidated Fund

The Scotland Office Estimate allows for the payment of a cash grant to the Scottish Consolidated Fund. This expenditure is shown in Section D of the Scotland Office Estimate under the heading “non-budget expenditure”. All expenditure by the Scottish Government is charged to the Scottish Consolidated Fund. A summary of how the amount of how the amount of cash payable is derived is shown below.

More detail of how the item “Scottish block grant” is calculated, including Barnett consequentials since the Spending Review, is given in Excel Annex A, which forms part of this memorandum.

3.3a Cash grant payable to the Scottish Consolidated Fund 2020-21	
	£ million
Scottish block grant (DEL)	39,433.9
UK government funded AME	6,146.0
Expenditure funded by Scottish taxes	11,983.8
Expenditure financed by Borrowing	507.0
Expenditure financed by Scotland Reserve	287.1
Non-Domestic Rates	1,868.0
subtotal (TOTAL MANAGED EXPENDITURE)	60,225.8
add:	

<i>Repayments of principal to National loans fund of pre- 1999 loans to former Scottish Water authorities</i>	46.7
<i>Police loan charges</i>	3.8
<i>movement in creditors/debtors</i>	-300.0
subtotal	-249.5
less:	
<i>Non-domestic rates income</i>	-1,868.0
<i>National insurance fund payments towards Scottish National Health Service</i>	-2,217.2
subtotal	-4,085.2
less: Fiscal Framework transactions (Scotland Act 2016)	
<i>Taxes collected by Scottish government</i>	-612.0
<i>Repayment of principal of loans</i>	51.9
<i>Scottish income tax</i>	-12,365.0
<i>Reconciliation adjustment for Scottish Income Tax</i>	941.3
<i>Capital borrowing</i>	-300.0
<i>Resource borrowing</i>	-207.0
<i>Funding deposited in the Scotland Reserve (2019-20 outturn)</i>	-320.9
subtotal	-12,811.6
less: cash to accruals adjustments	
<i>depreciation (SG funded)</i>	-689.3
<i>depreciation (UK funded AME)</i>	-11.5
<i>Impairments (SG funded)</i>	-1,808.7
<i>Impairments (UK funded AME)</i>	-116.5
<i>Resource to cash adjustments for NHS & teachers' pensions (UK funded AME)</i>	-5,156.4
<i>Payments related to release of provisions</i>	0.0
<i>Other cash to accruals adjustments (UK funded AME-student loans)</i>	-473.1
subtotal	-8,255.5
CASH GRANT PAYABLE TO SCOTTISH CONSOLIDATED FUND	34,823.9

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 Scotland Office Supply Estimate (subhead D).

Total Payments to the Scottish Consolidated Fund are therefore £46,248 million.

3.3b Control totals for the Scottish Government including breakdown of main programme of AME spending

1. Scottish Government DEL Control Total	
£ millions	2020-21
Total Resource DEL* of which:	33,706.795
RDEL excluding depreciation and BGA	40,083.725
Block Grant Adjustment (BGA)	-8,874.984
depreciation and impairments ring fence	912.250
student loans ring fence in DEL	1,585.803
Total Capital DEL of which:	5,727.120
General CDEL	5,073.390
Ring fenced financial transactions	653.730
Total Scottish block grant allocation	39,433.914
2. Scottish Government Annually Managed Expenditure funded by the UK Government	
£ millions	2020-21
Student loans	527.0
NHS pensions (Scotland)	-206.4
Teachers pensions (Scotland)	3,446.5
NHS impairments	1,789.6
other	589.3
Subtotal	6,146.0
3. Self-financed Annually Managed Expenditure	
£ millions	2020-21
Non-domestic rates	1,808.74
Repayment of loans	-51.94
Taxes collected by Scottish Government	612
Scottish income tax	12,365.0
Reconciliation adjustment for Scottish Income Tax	-941.3
Scottish government borrowing	507
Expenditure financed by Scotland Reserve	287.1
Subtotal	14,586.6
TOTAL UKG and Scottish funded AME	20,732.6

3.4 Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving “Barnett consequentials” (Scotland’s population share) of these adjustments.

The majority of these budgetary adjustments take place at major fiscal events such as at Budget (and previously at Spring Budget and Autumn Statement).

In July 2020, the Treasury published the second edition of its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-july-2020>

The 2020-21 Supplementary Estimate included the following Barnett Consequentials for the Scottish Government:

- Resource DEL = £7,762.8m
- Capital DEL (general) = £236.8m
- Capital DEL (Financial Transactions) = £41.5m

In order to assist Members' understanding of how 'Barnett Consequentials' have impacted upon the Scottish Government's budget for 2020-21, the attached spreadsheet 3.4a details all Consequentials made available to the Scottish Government.

3.5 Trends: Scottish Government spending 2016-17 to 2020-21

The table below shows trends in Scotland's DEL funding from the UK government over five years.

Scottish Government DEL Funding 2016-17 to 2020-21					
	2016-17	2017-18	2018-19	2019-20	2020-21
£m[1]	Outturn	Outturn	Outturn	Outturn	Plans
Scottish Government Resource DEL (pre-Block Grant Adjustments)	26,877.4	27,485.7	28,926.1	28,620.0	42,581.8
<i>Tax Block Grant Adjustment</i>	-5,500.0	-12,540.0	-12,431.0	-12,193.1	-12,056.6
<i>Welfare Block Grant Adjustment</i>	0.0	0.0	0.0	289.6	3,181.6
Scottish Government Resource DEL	21,377.4	14,945.7	16,495.1	16,716.5	33,706.8
Scottish Government Capital DEL	3,247.9	3,625.3	3,871.9	4,260.0	5,727.1
Scottish Government Resource DEL plus Capital DEL [2]	24,625.3	18,571.0	20,366.9	20,976.5	39,433.9
<i>less depreciation & impairments</i>	-779.0	-769.2	-1,513.2	-1,014.8	-2,498.1
Total Scottish Government DEL [3]	23,846.3	17,801.8	18,853.7	19,961.8	36,935.9
[1] Totals may not sum due to rounding					
[2] Including depreciation and impairments					
[3] Total DEL = Resource + capital – (depreciation & impairments)					

4. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.



Laurence Rockey
Accounting Officer
Director of the Office of the Secretary of State Scotland
18 February 2021

NOTE: in addition, ANNEX A forms part of this memorandum and the Accounting Officer's approval and is provided as an accompanying document in excel.