

# Scotland Office and Office of the Advocate General

## Supplementary Estimate 2021-22: Estimates memorandum

### 1 Overview

#### 1.1 Objectives

The key purpose of the Scotland Office 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 constitutional 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 Scotland Office is also responsible, through its estimate, for the 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 the Scotland Office 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**")- purchase of capital items e.g. IT equipment for the Office;
- Resource Annually Managed Expenditure Limit ("**Resource AME**")- to cover potential future dilapidations.

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 Scotland Office (SO) 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 2021- 22)		Difference (+/-) compared to original budget this year. (Main estimate 2021-22)		Difference (+/-) compared to to outturn last year 2020-21)	
		£ m	%	£m	%
SO & OAG: Resource DEL	£12.125m	+£0.917	8%	-£1.127	9%
SO & OAG: Capital DEL	£0.050m	+£0.000	0%	-£0.335m	670%

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

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

#### Reserve Claims

- **£0.755m** - to cover cross government costs (RDEL admin); and
- **£0.090m** - to cover increased depreciation costs (RDEL programme);

#### Budget Transfers

- **£0.072m** - from the Ministry of Justice to cover an increase in staff costs (RDEL admin);

#### Internal Budget Transfers

- **£Nil impact** - an increase of £0.012m in non-cash costs offset by a decrease of £0.012m in administration (RDEL admin);

## 2.3 Spending trends

SO and OAG £ million	2016/17	2017/18	2018/19	2019/20	2020-21	2021/22
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
Admin costs	9.8	9.1	9.6	10.7	12.9	11.6
Other costs^	0.7	13.4	0.2	0.2	0.4	0.5
Total Resource DEL	10.5	22.5	9.8	10.9	13.3	12.1
Capital DEL	0.0	0.1	0.0	0.3	0.8	0.1
Less depreciation and impairments	*	*	*	*	*	0.2
Total DEL	10.5	22.6	9.8	11.2	14.0	12.0

\*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 fall by 11% in 2021-22 compared to last year's final budget. The decrease reflects the completion of the transition to the UK Government Hub in Edinburgh and to a new IT platform.

Spending total Amounts sought this year (Supplementary Estimates)	Compared to original 2020-21 budget (Main Estimates)		Difference (+/-) compared to to outturn last year 2020-21)		
	£ m	%	£m	%	
Administration costs	£11.567m	+0.827m	8%	1.325m	-11%

The Office continues to work with the other Territorial Offices to identify synergies and to strengthen our resilience. We continue to fully utilise our existing shared services and are consolidating the bringing together of the finance teams between the Scotland and Wales Offices.

### 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: Main Estimate 2021-22(1)		Comparison: Supplementary Estimate 2020-21	
Budget Type	Supplementary Estimates 21-22 (£m)	Change (£m)	% change	Change (£m)	% change
Scottish Consolidated Fund: Non-Budget expenditure	32,769.003	1,113.084	3%	-2,054.898	-6%

[1] The change in the cash grant payable to the Scottish Consolidated Fund compared to Main Estimates 2021-22 just shows the change on top of the contingencies fund advance.

#### 3.2 Key drivers of changes in levels of cash to be paid over since last year

The level of UK Government funding for the Scottish Government was initially determined at Spending Review 2020. The Statement of Funding Policy document published at the same time sets out how the Barnett formula was applied, as exceptions were made for Covid-19 and replacement EU funding.

On top of their Spending Review 2020 settlement, the UK Government has provided the Scottish Government with an additional £4.7bn in Barnett consequentials in 21-22. This includes £1.2bn of Barnett funding the Scottish Government chose to carry forward from 20-21 in to 21-22, as well as £670m being confirmed at Supplementary Estimates 21-22.

#### 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 cash payable is derived is shown below.

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

<b>3.3 (a) Cash grant payable to the Scottish consolidated fund 2021-22</b>		
<b>£ million</b>	<b>sub total</b>	
Scottish Government block grant (DEL)	37,005.466	^
UK Government funded AME	6,767.292	^
Expenditure funded by Scottish taxes	12,484.575	^
Expenditure financed by Borrowing	569.000	^
Drawdown from the Scotland Reserve	608.381	^
Non-Domestic Rates	2,090.000	^
<b>subtotal (TOTAL MANAGED EXPENDITURE)</b>	<b>59,524.714</b>	
<b>add:</b>		
<i>Repayments of principal to National loans fund of pre 1999 loans to former Scottish Water authorities</i>	58.430	
<i>Police loan charges</i>	3.804	
<i>movement in creditors/debtors</i>	100.000	
<b>subtotal</b>	<b>162.234</b>	
<b>less:</b>		
<i>Non domestic rates income</i>	2,090.000	
<i>Contributions from the National Insurance Fund</i>	2,446.456	
<b>subtotal</b>	<b>4,536.456</b>	
<b>less Fiscal Framework transactions (Scotland Act 2016):</b>		
<i>Taxes collected by Scottish Government</i>	923.424	^
<i>Repayment of principal of loans for Capital Borrowing</i>	-59.815	^
<i>Repayment of principal of loans Resource Borrowing</i>	-20.579	^
<i>Scottish Income Tax</i>	12,263.000	^
<i>Reconciliation adjustment for Scottish Income Tax</i>	-621.455	^
<i>Capital Borrowing</i>	250.000	^
<i>Resource Borrowing</i>	319.000	^

<i>Funding deposited in the Scotland Reserve (2020-21 outturn)</i>	426.140	^
<b>subtotal</b>	<b>13,479.715</b>	
<b><i>less: cash to accruals adjustments</i></b>		
<i>depreciation (SG funded)</i>	932.486	
<i>depreciation (UK funded AME)</i>	11.018	
<i>Impairments (SG funded)</i>	1,585.803	
<i>Impairments (UK funded AME)</i>	16.180	
<i>Resource to cash adjustments for NHS &amp; teachers' pensions (UK funded AME)</i>	6,173.921	
<i>Payments related to release of provisions</i>	-100.000	
<i>Other cash to accruals adjustments (UK funded AME-student loans)</i>	282.366	
<b>subtotal</b>	<b>8,901.774</b>	
<b>CASH GRANT PAYABLE TO SCOTTISH GOVERNMENT CONSOLIDATED FUND</b>	<b>32,769.003</b>	
<b>PAYOVER OF INCOME TAX</b>	<b>11,641.545</b>	
<b>TOTAL CASH REQUIREMENT</b>	<b>44,410.548</b>	

^ see 3.3 (b) control totals table

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

<b>1. Scottish Government DEL Control Total</b>		
<b>£ millions</b>	2021-22	
<b>Total Resource DEL of which:</b>	<b>31,443.470</b>	(c)
RDEL excluding depreciation	37,839.208	(c)
Block Grant Adjustment (BGA) [1]	-8,914.026	(c)
depreciation and impairments ring fence	932.486	(c)
student loans ring fence in DEL	1,585.803	(c)
<b>Total Capital DEL of which:</b>	<b>5,561.996</b>	(d)
General CDEL	5,326.302	(d)
Ring fenced financial transactions	235.694	(d)
<b>Total Scottish Government block grant allocation</b>	<b>37,005.466</b>	
<b>2. Scottish Government Annually Managed Expenditure funded by the UK Government</b>		
<b>£ millions</b>		
Student Loans (CAME)	512.800	(a)
Student Loans (RAME)	-172.391	(a)
NHS Pensions (Scotland) - [Net resource requirement] (RAME)	4,114.400	(a)
Teachers Pensions (Scotland) - [Net resource requirement] (RAME)	1,912.359	(a)
NHS Impairments (RAME)	53.000	(a)
Impairments / Revaluations (RAME)	-36.820	(a)
Depreciation (RAME)	11.018	(a)
Provisions (RAME)	154.979	(a)
Pension Liabilities (RAME)	217.120	(a)
Corporation Tax (RAME)	0.827	(a)
<b>Subtotal</b>	<b>6,767.292</b>	
<b>3. Self-financed Annually Managed Expenditure</b>		
<b>£ millions</b>		
Drawdown from the Scotland Reserve	608.381	(a)
Scottish Income Tax	12,263.000	(a)

Reconciliation adjustment for Scottish Income Tax	-621.455	(a)
Devolved Taxes	923.424	(a)
Borrowing	569.000	(a)
Less Loan Repayments	-80.394	(a)
<b>Subtotal</b>	<b>13,661.956</b>	
<b>TOTAL UKG and SG funded AME</b>	<b>20,429.248</b>	
[1] Block Grant Adjustment includes the sum of tax and welfare Block Grant Adjustments		

a - see 3.3 (a) cash grant table

c - see 3.3 (c) funding changes table

d - see 3.3 (d) funding changes table



### 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 the Budget (and previously at the Spring Budget and Autumn Statement).

In December 2021, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2021>

#### 3.4a 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 affecting the Scottish Government’s block grant funding in 2021-22 is set out in the accompanying Excel workbook (3.4a and 3.4b); this includes changes since the last Block Grant Transparency publication.

### 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.

<b>3.5 Scottish Government DEL Funding 2017-18 to 2021-22</b>					
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>£m[1]</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn [4]</b>	<b>Plans</b>
Scottish Government Resource DEL (pre Block Grant Adjustments)	27,484.7	28,770.9	29,639.5	39,955.1	37,839.2
<i>Tax Block Grant Adjustment</i>	-12,539.0	-12,430.0	-12,193.1	-12,056.6	-12,223.3
<i>Welfare Block Grant Adjustment</i>	0.0	157.3	289.6	3,181.6	3,309.3
<b>Scottish Government Resource DEL (post Block Grant Adjustment)</b>	<b>14,945.7</b>	<b>16,498.2</b>	<b>17,736.0</b>	<b>31,080.1</b>	<b>28,925.2</b>
<b>Scottish Government Capital DEL</b>	<b>3,625.3</b>	<b>3,873.6</b>	<b>4,260.5</b>	<b>5,224.0</b>	<b>5,562.0</b>
<b>Scottish Government Resource DEL plus Capital DEL [2]</b>	<b>18,571.0</b>	<b>20,371.8</b>	<b>21,996.5</b>	<b>36,304.0</b>	<b>34,487.2</b>
<i>less depreciation &amp; impairments</i>	-769.2	-1,513.6	-1,018.6	-1,104.1	-2,518.3
<b>Total Scottish Government DEL[3]</b>	<b>17,801.8</b>	<b>18,858.2</b>	<b>20,977.9</b>	<b>35,199.9</b>	<b>31,968.9</b>

1. Totals may not sum due to rounding.

2. Including depreciation and impairments.

3. Total DEL = Resource + capital – (depreciation & impairments).

4. As set out in the Written Ministerial Statement of the 24 March 2021, 2020-21 funding has been revised down since Supplementary Estimates 2020-21 to reflect the carry forward of funding from 2020-21 into 2021-22. This funding is included in 2021-22 plans.

#### 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.

A handwritten signature in black ink, appearing to read 'Laurence Rockey', is positioned over a light grey grid background.

Laurence Rockey  
Accounting Officer  
Director of the Office of the Secretary of State Scotland  
18 February 2022

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.