

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

Main Estimate 2019-20: 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 Offices will play an important role in the Government's 12 negotiating objectives for EU exit, with an overriding goal of 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 of in the UK's preparations for exiting 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 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.

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 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 compare with last year:

Spending total Amounts sought this year		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£ m	%	£m	%
OSSS & OAG: Resource DEL	£10.2m	-£0.1 m	1%	-£0.8m	7%
OSSS & OAG: Capital DEL	£0.05 m	+£0.0m	0%	+£0.0m	0%

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 is:

- 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.

2.3 Spending trends

OSSS & OAG £ million	2015/16	2016/17	2017/18	2018/19	2019/20
	Outturn	Outturn	Outturn	Final Plans	Plans
Admin costs	8.7	9.8	9.3	9.7	9.8
Other costs	13.8	0.5	14.2	0.4	0.4
Total Resource DEL	22.5	10.3	23.6	10.1	10.2
Capital DEL	0.2	0.0	0.0	0.1	0.1
Less depreciation and impairments	*	*	*	*	*
Total DEL	22.7	10.3	23.6	10.1	10.3

*less than £0.01m

totals may not sum due to roundings

2.4 Administration costs and efficiency plans

Administration costs are set to rise by 1% in 2019-20 compared to last year's final budget.

Spending total Amounts sought this year		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£ m	%	£m	%
Administration costs	£9.8m	0.1	1%	0.8	8%

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. 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 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

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		Compared to final budget last year. (Supplementary Estimates)		Compared to original budget last year (Main Estimates)	
		£ m	%	£m	%
Scottish Consolidated Fund: Non- budget expenditure	£19,390.1m	+£1,513.5 m	8%	+2,065.7M	11%

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

Additional funding is provided in 2019-20 for the Scottish Consolidated fund as a result of:

- Decisions by the UK Government to spend more than last year on certain activities, where the Scottish government receives its share of this change in respect of devolved functions, through the Barnett formula;
- Additional funding for functions which have been newly devolved in 2018-19 and 2019-20;
- The implementation of Network Rails Control Period 6 funding settlement.

Offset by:

- Reduced UK centrally provided funding following the devolution of certain taxes to the Scottish Government resulting in Block Grant Adjustments. The principal taxes that are now devolved are Landfill Tax, Stamp Duty Land Tax and Income Tax.

3.3 Cash grant payable to Scottish Consolidated Fund

The Office of the Secretary of State for Scotland 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 and the Office of the Advocate General Estimate under the heading “non- budget expenditure”. 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 table below shows the stages in the calculation.

Calculation of Cash Grant Payable to Scottish Consolidated Fund 2019-20	
£ million	2019-20 Main Estimate
Scottish Block Grant	21,935.8
UK Government Funded AME	5,184.2
Expenditure financed by Scottish taxes	12,416.7
Expenditure financed by Capital Borrowing	450.0
Non Domestic Rates	2,853.0
Total Managed Expenditure	42,839.6
add:	
Repayments of principal to National Loans Fund of pre 1999 loans to former Scottish Water Authorities	46.7
Police Loan Charges	3.6
Movement in Creditors / Debtors	100.0
	150.3
less:	
Non Domestic Rates Income	2,853.0
National Insurance Fund Payments towards Scottish National Health Service	2,213.5
	5,066.5
less: Fiscal Framework transactions (Scotland Act 2016)	
Taxes collected by Scottish Government	747.0
Repayment of principle of loans	-14.3
Scottish Income Tax	11,684.0
Capital Borrowing	450.0
	12,866.7
Cash to accruals adjustments	
Depreciation (SG Funded)	872.9

Depreciation (UK Funded AME)	0.0
Impairments (SG Funded)	272.5
Impairments (UK Funded AME)	100.0
Resource to cash adjustments for NHS and Teachers Pensions (UK Funded AME)	4,603.8
Payments relating to release of provisions	-100.0
Other cash to accruals adjustments (UK Funded AME - Student Loans)	-82.5
	5,666.6
Cash Grant payable to Scottish Consolidated Fund by Scotland Office	19,390.1

Note

All items forming this calculation refer to expenditure incurred by/income received by the Scottish Government

In addition, HMRC collects Scottish Income Tax (£12,115 million in 2018-19) 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).

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 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). At the end of 2018, the Treasury published the second edition of its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2018>

The Scottish Government have received £2,390.2m in Barnett Consequentials for 2019-20 (£1,611.2m RDEL, £444.9m CDEL, £334.1m CDEL (Financial Transactions)). The 2019-20 Main Estimate includes Barnett Consequentials of £485.1m arising from Reserve claims by UK Government Departments that would normally have been dealt with at Supplementary.

In order to assist Members’ understanding of how ‘Barnett Consequentials’ have impacted upon the Scottish Government’s budget for 2019-20, the table below details all Consequentials made available to the Scottish Government.

Department/Programme	Measure	RDEL/ CDEL	2019-20 £m
Budget 2016			
Business, Innovation and Skills	Royal College of Arts	Capital	1.2
Business Rates	Permanently double SBRR from 2017-18	Resource	65.2
Business Rates	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	73.0
Business Rates	Increasing the standard multiplier threshold from 2017-18	Resource	10.7
Education	Making all schools academies by 2022	Resource	4.2
Education	National Funding Formula	Resource	5.0
Education	Northern Powerhouse	Resource	1.8
Education	Mentoring for 25,000 disadvantaged students	Resource	0.3
Education	Longer school day	Resource	28.1
Education	Expanding breakfast clubs	Resource	1.0
Education	Doubling the primary school sports premium	Resource	15.8
Environment, Food and Rural Affairs	Flood package: maintenance funding	Resource	3.9
Environment, Food and Rural Affairs	Floods: Partnership Support Fund	Capital	2.5
Environment, Food and Rural Affairs	Floods: Six year programme top-up	Capital	2.2
Transport	M62 smart motorway	Capital	9.5
	<i>Sub Total Resource</i>		<i>209.1</i>
	<i>Sub Total Capital</i>		<i>15.3</i>
Autumn Statement 2016			
Business, Energy and Industrial Strategy	Northern Power House: Investment Fund	Financial Transactions	0.4
Business, Energy and Industrial Strategy	Midlands Engine: Investment Fund	Financial Transactions	1.7
Business, Energy and Industrial Strategy	Mayfield Review of Management	Resource	0.3

Business, Energy and Industrial Strategy	Invest in University Tech Transfers	Capital	2.5
Business, Energy and Industrial Strategy	QR funding	Capital	7.0
Business Rates	Rural Rate Relief	Resource	0.5
Business Rates	Fibre relief	Resource	1.0
Communities & Local Government	Accelerated build-out	Capital	54.9
Communities & Local Government	Affordable housing grants	Capital	35.5
Communities & Local Government	“Help-to-Build”, including “Roads for Homes”	Capital	78.5
Culture, Media & Sport	Royal Society of Arts School Pilots	Resource	0.0
Culture, Media & Sport	Rugby League World Cup 2021	Capital	0.2
Culture, Media & Sport	Rugby League World Cup 2021	Resource	0.4
Culture, Media & Sport	World Road Cycling	Capital	0.5
Culture, Media & Sport	World Road Cycling	Resource	0.1
Education	Grammar Schools	Capital	4.9
Transport	Strategic roads – pinchpoints	Capital	4.4
Transport	Local roads and local transport	Capital	30.9
Transport	ULEVs - support for electric buses and taxis (E & W)	Capital	2.7
Transport	Digital signalling	Capital	13.9
Justice	Prison staffing and wider reforms to the justice system	Resource	15.4
	<i>Sub Total Resource</i>		<i>17.7</i>
	<i>Sub Total Capital</i>		<i>236.0</i>
	<i>Sub Total Financial Transactions</i>		<i>2.1</i>
<u>Spring Budget 2017</u>			
Business Rates	Business Rates - Mitigating Impact of SBRR	Resource	2.1
Business Rates	Business Rates - Discretionary Relief Fund	Resource	3.4
Education	16-19 Education: Sainsbury Review	Resource	9.4

Education	110 Free Schools	Resource	1.8
Education	110 Free Schools	Capital	2.6
Education	Schools Maintenance	Capital	10.6
Education	School Buses	Resource	0.3
Health	Social Care	Resource	33.0
Health	Social Transformation Programme Funding	Capital	10.7
Health	Employee Mental Health	Resource	0.3
Home Office	Tackling Domestic Violence and Abuse	Resource	0.9
	<i>Sub Total Resource</i>		51.3
	<i>Sub Total Capital</i>		23.9
<u>Autumn Budget 2017</u>			
Business Rates	Move from RPI to CPI in 2018-19	Resource	51.1
Business, Energy and Industrial Strategy	Growth Hubs and Diffusion Pilot	Resource	1.6
Communities & Local Government	Help to Buy Equity Loan	Financial Transactions	274.1
Communities & Local Government	Home Building Fund for SMEs	Financial Transactions	51.1
Communities & Local Government	Estate Regen	Financial Transactions	6.8
Communities & Local Government	National Housing Fund (Strategic Infrastructure inc. Remediation)	Capital	17.6
Communities & Local Government	National Housing Fund (Small/Stuck Sites infra and remediation)	Capital	29.3
Communities & Local Government	National Housing Fund (HCA Land Assembly)	Capital	18.1
Communities & Local Government	Voluntary Right to Buy Pilot	Resource	6.8
Communities & Local Government	Grenfell	Resource	1.0
Communities & Local Government	Private Rented Access Scheme	Resource	0.9
Communities & Local Government	Office for Data Analytics	Resource	0.0
Culture, Media & Sport	DCMS: Jodrell Bank Observatory	Capital	0.2
Culture, Media & Sport	Efficiency Savings	Resource	-6.9

Education	Industrial Strategy - Skills	Resource	7.3
Education	Teacher Development Premium	Resource	1.4
Education	Efficiency Savings	Resource	-4.2
Environment, Food and Rural Affairs	Compliance Funding	Resource	1.3
Environment, Food and Rural Affairs	Clean Air Fund	Resource	5.4
Environment, Food and Rural Affairs	Waste Crime Enforcement	Resource	0.5
Health	Health Resource	Resource	88.1
Health	Health Capital	Capital	69.2
Transport	Clean Air Fund	Capital	5.4
Transport	Compliance Funding	Capital	5.9
Transport	Nexus Rolling Stock Replacement (from NPIF)	Capital	2.1
Transport	Midlands Connect: Motorway Hub	Capital	0.1
Transport	Regional Transport Infrastructure Fund (from NPIF)	Capital	17.6
Work & Pensions	Relationship Support	Resource	0.6
	<i>Sub Total Resource</i>		<i>154.9</i>
	<i>Sub Total Capital</i>		<i>165.5</i>
	<i>Sub Total Financial Transactions</i>		<i>332.0</i>
<u>Budget 2018</u>			
Business Rates	Retail Discount	Resource	42.9
Business, Energy and Industrial Strategy	Improving management by supporting peer to peer networks	Resource	2.0
Business, Energy and Industrial Strategy	Knowledge Transfer Partnerships	Capital	0.1
Business, Energy and Industrial Strategy	Small Business Leadership Programme - Conf Enterprise Package	Resource	1.1
Business Rates	Revision to AB 17 package	Resource	16.2
Culture, Media & Sport	Coventry City of Culture	Capital	0.8
Culture, Media & Sport	Digital Skills Bootcamps	Resource	0.3

Environment, Food and Rural Affairs	Air Quality - Implementation Fund	Resource	0.4
Environment, Food and Rural Affairs	Food Waste Fund	Resource	1.5
Environment, Food and Rural Affairs	Landfill Site Clearance	Resource	0.5
Environment, Food and Rural Affairs	Urban Tree Planting	Resource	0.1
Environment, Food and Rural Affairs	Urban Tree Planting	Capital	0.3
Environment, Food and Rural Affairs	Plastics and Waste Innovation Funding	Capital	1.0
Education	Apprenticeships - Reducing co-investment charge for SMEs	Resource	2.0
Education	Children's Social Care	Resource	3.9
Education	Regional pilot of on-the-job training for young people	Resource	0.3
Education	National Retraining Scheme	Resource	0.4
Education	National Retraining Scheme	Capital	0.6
Education	Regional Skills for the Self-Employed	Resource	0.5
Transport	East West Rail development funding	Resource	1.8
Transport	Air Quality - Implementation Fund	Capital	0.6
Transport	Birmingham Future Mobility City	Resource	0.2
Transport	Birmingham Future Mobility City	Capital	0.5
Transport	Northern Powerhouse Rail Development Funding	Resource	3.4
Health & Social care	NHS Settlement	Resource	550.0
Housing, Communities & Local Government	Development Corporations	Resource	0.2
Housing, Communities & Local Government	High Streets	Capital	0.0
Housing, Communities & Local Government	High Streets	Resource	1.3
Housing, Communities & Local Government	Strategic Housing	Resource	0.4
Housing, Communities & Local Government	Neighbourhood forums	Resource	0.3
Housing, Communities & Local Government	Social Care (2019-20)	Resource	63.4
Housing, Communities & Local Government	Heritage High Streets	Capital	0.3
Housing, Communities & Local Government	Heritage High Streets	Resource	0.1

	<i>Sub Total Resource</i>		<i>693.1</i>
	<i>Sub Total Capital</i>		<i>4.3</i>
<u>Main Estimates 2019-20</u>			
Business Rates	Changes to Forecast	Resource	49.0
DHSC	NHS	Resource	3.8
Home Office	Police	Resource	8.3
Justice	Reserve Claim	Resource	122.3
Various	Pensions Pressures	Resource	269.9
Home Office	Counter Terrorism Policing	Resource	14.8
Home Office	Knife Crime	Resource	7.4
ONS	2021 Census	Resource	9.6
	<i>Sub Total Resource</i>		<i>485.1</i>
Total Barnett Consequentials Since 2015 Spending Review			
	Total Resource		1611.2
	Total Capital		444.9
	Total Financial Transactions		334.1

3.5 Control Totals for the Scottish Government including breakdown by main programme of AME spending

Resource and capital DEL for Scottish Government:

£m nominal	2019-20
Resource DEL (RDEL)	17,444.9
<i>of which:</i>	
<i>RDEL excluding depreciation*</i>	<i>16,299.2</i>
<i>depreciation & impairments ring fence in RDEL</i>	<i>907.8</i>
<i>student loans ring fence in RDEL</i>	<i>238.0</i>
Capital DEL (CDEL)	4,490.9
<i>of which:</i>	
<i>General CDEL</i>	<i>3,971.8</i>
<i>Ring-fenced Financial Transactions</i>	<i>519.0</i>

* includes block grant deduction of £12,195 million

In addition, the Scottish Government are forecasting Annually Managed Expenditure of £ 20,918 million in the following areas:

Annually Managed Expenditure (AME)	
Programme	2019-20 £m
UK Government Funded AME	
Student Loans	397.5
NHS Pensions (Scotland)	3,011.8
Teachers Pensions (Scotland)	1,674.5
NHS Impairments	100.0
Other	0.4
<i>Sub total</i>	<i>5,184.2</i>
Scottish Government AME	
Non Domestic Rates	2,853.0
Scottish Land & Buildings Transaction Tax	643.0
Scottish Landfill Tax	104.0
Scottish Income Tax	11,684.0
Scottish Government Borrowing	450.0
<i>Sub total</i>	<i>15,734.0</i>
TOTAL	20,918.2

3.6 Reconciliation of the 2015 Spending Review settlement for the Scottish Government and current Control Totals for 2019-20

The Treasury's Block Grant Transparency document details all changes made to the Control Totals of the Scottish Government between SR 2015 and the end of 2018, and how they are calculated. This covers all years which were considered during the 2015 Spending Review (2016-17, 2017-18, 2018-19 and 2019-20).

The table below details all changes to the Scottish Government budget for 2019-20 since the 2015 SR settlement, including changes since the above document was published.

Changes to Scottish Government Control Totals for 2019-20 since 2015 Spending Review					
	Resource DEL	Depreciation & impairments ring- fence	Student loans ring- fence	General Capital DEL	Financial Transactions Capital
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
SR 2015 Settlement	26,468.3	907.4	238.0	3,186.6	184.9
Barnett Consequentials: Budget 2016	209.1			15.3	
Barnett Consequentials: Autumn Statement 2016	17.7			236.0	2.1
Barnett Consequentials: Spring Budget 2017	51.3			23.9	
Barnett Consequentials: Autumn Budget 2017	154.9			165.5	332.0
Barnett Consequentials: Autumn Budget 2018	693.1			4.3	
Barnett Consequentials Main Estimates 2019-20	485.1				
Aberdeen City Deal					
Block Grant Adjustment: Fiscal Framework	-12,193.1			21.4	

Block Grant Adjustment: Coastal Communities Fund & Crown Estate	-1.5				
Budget Transfer from BEIS: National Productivity Investment Fund R&D				7.4	
Budget Transfer from Cabinet Office: Cyber Security	1.3				
Budget Transfer from DWP: Single Gateway Project	0.5				
Budget Transfer from Home Office: Immigration Health Surcharge	25.5				
Budget Cover Transfer from BEIS: GovTech				0.3	
Budget Cover Transfer from Cabinet Office: Cyber Security				0.2	
Budget Transfer from BEIS : Research & Development				4.7	
Carers Allowance	289.6				
Edinburgh City Deal				35.0	
Inverness City Deal	3.8			8.2	
Machinery of Government Transfer from BEIS: Consumer Protection	1.4				
Machinery of Government Transfer from DEFRA: Forestry	2.7	0.4		1.7	
Machinery of Government Transfer from DWP - Sure Start Maternity Funding	2.1				
Machinery of Government Transfer from DWP: Discretionary Housing Payments	19.5				
Machinery of Government Transfer from DWP: Employment Service	13.7				
Machinery of Government Transfer from Food Standards Agency	3.1				
Network Rail	40.0			201.0	
Reserve Claim - Financial Services	3.9				

Reserve Claim - Funding for EU Exit	48.8			5.9	
Stirling City Deal				3.0	
Tay Cities Deal				10.0	
Transfer of Research & Development Spending from Resource to Capital	-41.6			41.6	
Total at Main Estimates 2018-19	16,299.2	907.8	238.0	3,971.8	519.0

3.7 Trends: Scottish Government spending 2015-16 to 2019-20

	2016-17	2017-18	2018-19	2019-20
	Outturn £m	Outturn £m	Final plans £m	Plans £m
Scottish Government				
Scottish Government Resource (Before Block Grant Adjustment)	26,877.4	27,485.7	29,142.4	29,639.5
<i>less Block Grant Adjustment</i>	-5,500.0	-12,540.0	-12,431.0	-12,194.6
Scottish Government Resource (6)	21,377.4	14,945.7	16,711.4	17,444.9
Scottish Government Capital	3,247.9	3,625.3	4,020.0	4,490.9
Scottish Government DEL(3)	24,625.3	18,571.0	20,731.4	21,935.8
<i>less depreciation & impairments</i>	-779.0	-769.2	-1,655.9	-1,145.7
Scottish Government DEL(4) (6)	23,846.3	17,801.8	19,075.5	20,790.1

Notes

(1) Totals may not sum due to roundings.

(2) Includes Budgetary Changes as a result of Clear Line of Sight

(3) Including depreciation & impairments

(4) Resource + capital - depreciation & impairments

(5) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation & impairments. Therefore, the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference being depreciation & impairments.

(6) Includes Block Grant Adjustments to reflect the devolution of SDLT, Landfill Tax, Income Tax and Air Passenger Duty under the Scottish Fiscal Framework