



Scotland Office and Office of the Advocate General **2018-19 Main Estimates Memorandum**

Introduction

The Scotland Office Main Estimate for 2018-19 seeks the necessary resources and cash to support the functions of the Scotland Office and Office of the Advocate General. These are continuing functions from previous years and no new functions have been added since the 2017-18 Supplementary Estimate.

The main purpose of this Memorandum is to provide the Scottish Affairs Committee with an overview of the Scotland Office 2018-19 Main Estimate, which starts the supply procedure. This memorandum has been agreed with HM Treasury.

The Estimate seeks approval to a net resource requirement of £28,334,162,000 and a net cash requirement of £29,448,827,000 and for 2018-19 the Scotland Office Departmental Expenditure (DEL) limit, net of depreciation and impairments, will be £9,500,000.

The Memorandum is split into sections covering:

- (1) Summary of the Scotland Office plans for 2018-19;
- (2) An overview of the Office's Administration Costs;
- (3) An Overview of DEL and AME totals;
- (4) Details of the grant paid to the Scottish Consolidated Fund;
- (5) Details of Barnett consequentials for 2018-19;
- (6) Control Totals for the Scottish Government including breakdown by main programme of AME spending
- (7) Reconciliation of the 2015 Spending round settlement for Scottish Government and current Control Totals
- (8) Details of the Scottish Block 2015-16 to 2019-20

Section 1: Summary of Scotland Office Plans for 2017-18

Provision for 2018-19 was determined in the 2015 spending round (SR2015). This SR2015 settlement maintains the Scotland Office allocation from 2016-17 to 2019-20 at the same level as the 2015-16 budget in real terms (the budget will rise each year for inflation). This is in line with the targets set for the other Territorial Offices (Wales Office and Northern Ireland Office).

To help make efficiencies the Scotland Office, together with Wales Office 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 Scotland Office 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.

Section 2: Overview of the Office's Administration Costs

The key purpose of the Scotland Office remains to support the Secretary of State for Scotland 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 Scotland Office 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.

This Estimate provides for the administration costs of the Scotland Office, including the salaries of the Secretary of State and his Minister(s) and payments to the Scottish Consolidated Fund.

Section 3: Overview of Scotland Office totals for 2018-19

Resource and Capital DEL

£m nominal	2018-19
RDEL	9.480
<i>of which:</i>	
<i>RDEL excluding depreciation</i>	<i>9.450</i>
<i>depreciation ring fence in RDEL</i>	<i>0.030</i>
Administration Budget*	9.050

UNCLASSIFIED

<i>of which:</i>	
<i>non-ringfenced RDEL administration budget</i>	9.050
<i>depreciation ringfence administration budget</i>	0.000
Capital	0.050

* This is part of the RDEL control total and not an addition to it.

There have been no subsequent changes to Control Totals for Scotland Office since the 2015 Spending Round settlement.

Section 4: Cash grant payable to the Scottish Consolidated Fund

The Estimate also allows for the payment of a cash grant to the Scottish Consolidated Fund. All expenditure by the Scottish Government is charged to the Scottish Consolidated Fund. This expenditure is shown in Section D and E of the of Scotland Office Estimate. The table below reconciles the spending aggregates of the Scottish Government with the cash grant payable to the Scottish Consolidated Fund.

Calculation of Cash Grant Payable to Scottish Consolidated Fund 2018-19

£ million	2018-19 Main Estimate
Scottish Block Grant	19,392.186
UK Government Funded AME	4,930.021
Expenditure financed by Scottish taxes	12,801.927
Expenditure financed by Capital Borrowing	450.000
Non Domestic Rates	2,636.000
Total Managed Expenditure	40,210.134
add:	
Repayments of principal to National Loans Fund of pre-1999 loans to former Scottish Water Authorities	46.653
Police Loan Charges relating to pre-1999 loans	5.404
Movement in Creditors / Debtors	100.000
	<u>152.057</u>
less:	
Non Domestic Rates Income	2,636.000
National Insurance Fund Payments towards Scottish National Health Service	2,107.480
	<u>4,743.480</u>
less: Fiscal Framework transactions (Scotland Act 2016)	
Taxes collected by Scottish Government	694.000
Repayment of principal of loans	-7.073
Scottish Income Tax	12,115.000

UNCLASSIFIED

Capital Borrowing	450.000
	13,251.927
Less: Cash to accruals adjustments	
Depreciation (SG Funded)	853.991
Depreciation (UK Funded AME)	0.000
Impairments (SG Funded)	251.215
Impairments (UK Funded AME)	100.000
Resource to cash adjustments for NHS and Teachers Pensions (UK Funded AME)	3,879.860
Payments relating to release of provisions	-100.000
Other cash to accruals adjustments (UK Funded AME - Student Loans)	57.350
	5,042.416
Cash Grant payable to Scottish Consolidated Fund by Scotland Office	17,324.368

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) and this is paid over to the Scottish Consolidated Fund via the Scotland Office Supply Estimate.

Section 5: Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving Barnett consequentials 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 2017, the Treasury published its Block Grant Transparency document.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>

This shows that since the 2015 Spending Review, the Scottish Government have received £1,065.4m in Barnett Consequentials for 2018-19 (£499.9m RDEL, £292.2m CDEL, £273.4m CDEL) (Financial Transactions). There have been no further Barnett Consequentials added to the Scottish Government budget since that publication.

In order to assist the Committee's understanding of how 'Barnett Consequentials' have impacted upon the Scottish Government's budget for 2018-19, the table below details all Consequentials made available to the Scottish Government.

UNCLASSIFIED

Department/Programme	Measure	RDEL/ CDEL	2018-19 £m
<u>Budget 2016</u>			
BIS	Royal College of Arts	Capital	1.379
Business Rates - Additional DEL support by DCLG	Permanently double SBRR from 2017-18 (reduced income)	Resource	31.619
Business Rates - Additional DEL support by DCLG	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	35.411
Business Rates - Additional DEL support by DCLG	Increasing the standard multiplier threshold from 2017-18	Resource	5.221
Business Rates - Reduced income to Exchequer	Permanently double SBRR from 2017-18 (reduced income)	Resource	31.619
Business Rates - Reduced income to Exchequer	Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	35.411
Business Rates - Reduced income to Exchequer	Increasing the standard multiplier threshold from 2017-18	Resource	5.221
Education	Making all schools academies by 2022	Resource	10.835
Education	National Funding Formula	Resource	5.221
Education	Northern Powerhouse	Resource	2.118
Education	Mentoring for 25,000 disadvantaged students	Resource	0.296
Education	Longer school day	Resource	19.946
Education	Expanding breakfast clubs	Resource	0.985
Education	Doubling the primary school sports premium	Resource	15.760
Floods (DEFRA & DfT)	Flood package: maintenance funding	Resource	3.940
Floods (DEFRA & DfT)	Partnership Support Fund	Capital	1.478
Floods (DEFRA & DfT)	Six-year programme top-up	Capital	1.970
Transport	M62 smart motorway	Capital	6.403
	<i>Sub Total Resource</i>		<i>203.600</i>
	<i>Sub Total Capital</i>		<i>11.229</i>
<u>Autumn Statement 2016</u>			
BEIS	Mayfield Review of Management	Resource	0.491
BEIS	Invest in University Tech Transfers	Capital	2.453
Business Rates	Rural Rate Relief	Resource	0.491

UNCLASSIFIED

UNCLASSIFIED

Business Rates	Fibre relief	Resource	0.589
DCLG	Right to Buy - extended pilot	Resource	4.905
DCMS	Wentworth Woodhouse	Resource	0.628
DCMS	Royal Society of Arts School Pilots	Resource	0.029
DCMS	Rugby League World Cup 2021	Capital	0.196
DCMS	Rugby League World Cup 2021	Resource	0.294
DCMS	World Road Cycling	Capital	0.491
DCMS	World Road Cycling	Resource	0.203
Education	Grammar Schools	Capital	4.905
Housing (DCLG)	Accelerated build-out (Conference)	Capital	52.484
Housing (DCLG)	Affordable housing grants	Capital	43.164
Housing (DCLG)	"Help-to-Build", including "Roads for Homes"	Capital	24.525
Industrial Strategy (BEIS)	Northern Power House: Investment Fund	Financial Transactions	0.392
Industrial Strategy (BEIS)	Midlands Engine: Investment Fund	Financial Transactions	1.676
MOJ	Prison staffing and wider reforms to the justice system	Resource	20.045
Research and development (BEIS)	QR funding	Capital	4.295
Transport	Midlands Rail Hub	Resource	0.294
Transport	Strategic roads – pinch points	Capital	7.848
Transport	Local roads and local transport	Capital	31.883
Transport	Development funding for M25	Capital	1.275
Transport	ULEVs - support for electric buses and taxis (E & W)	Capital	2.691
Transport	Digital signalling	Capital	4.640
Transport	Development funding for Oxford-Cambridge + M25	Capital	2.158
Transport	Oxford-Cambridge rail pressure (Network Rail)	Capital	9.280
	<i>Sub Total Resource</i>		<i>27.968</i>
	<i>Sub Total Capital</i>		<i>192.287</i>
	<i>Sub Total Financial Transactions</i>		<i>2.068</i>

Spring Budget 2017

UNCLASSIFIED

UNCLASSIFIED

Business Rates	Business Rates - Mitigating Impact of SBRR (Lost revenue to Exchequer)	Resource	0.883
Business Rates	Business Rates - Mitigating Impact of SBRR (additional LG DEL)	Resource	0.883
Business Rates	Business Rates - Discretionary Relief Fund (Lost revenue to Exchequer)	Resource	4.169
Business Rates	Business Rates - Discretionary Relief Fund (additional LG DEL)	Resource	4.169
Education	16-19 Education: Sainsbury Review	Resource	4.905
Education	110 Free Schools	Resource	1.668
Education	110 Free Schools	Capital	0.687
Education	Schools Maintenance	Capital	10.595
Education	School Buses	Resource	0.216
Health	Social Care	Resource	66.079
Health	Social Transformation Programme Funding	Capital	10.738
Midlands Engine (DWP)	Work Coaches	Resource	0.540
Midlands Engine (Health)	Employee Mental Health	Resource	0.343
Midlands Engine (Education)	Midlands Skills Challenge (English Language Training)	Resource	0.098
International Women's Day (Education)	Tackling Domestic Violence and Abuse	Resource	0.928
International Women's Day (Home Office)	Returnships	Resource	0.304
	<i>Sub Total Resource</i>		<i>85.185</i>
	<i>Sub Total Capital</i>		<i>22.019</i>
<u>Autumn Budget 2017</u>			
Air Quality (DEFRA)	Compliance Funding	Resource	1.271
Air Quality (DEFRA)	Clean Air Fund	Resource	4.401
Air Quality (DfT)	Compliance Funding	Capital	4.401
Air Quality (DfT)	Clean Air Fund	Capital	4.890
BEIS	Growth Hubs and Diffusion Pilot	Resource	1.643
Business Rates	RPI to CPI in 2018-19 (change in CG receipts)	Resource	8.342
Business Rates	RPI to CPI in 2018-19 (change to LG DEL)	Resource	14.210
Business Rates	Continue 1k discount for Pubs (change in CG receipts)	Resource	1.017
Business Rates	Continue 1k discount for Pubs (change to LG DEL)	Resource	1.721
DCLG	Office for Data Analytics	Resource	0.034

UNCLASSIFIED

UNCLASSIFIED

DCLG	Grenfell	Resource	0.910
DCMS	Jodrell Bank Observatory	Capital	0.049
DEFRA	Waste Crime Enforcement	Resource	0.489
Education	Industrial Strategy - Skills	Resource	4.328
Education	Teacher Development Premium	Resource	0.782
Efficiency Review	Savings - DCMS	Resource	-4.010
Efficiency Review	Savings - DfE	Resource	-10.758
Health	Health - Resource	Resource	156.578
Health	Health Capital	Capital	34.621
Housing	National Housing Fund (Small/Stuck Sites infra and remediation) - NPIF	Capital	22.494
Housing	Help to Buy Equity Loan	Financial Transactions	236.285
Housing	Home Building Fund for SMEs	Financial Transactions	30.122
Housing	Estate Regeneration	Financial Transactions	4.890
Housing	Private Rented Access Scheme	Resource	0.978
Housing	Manufacturing Zones	Resource	0.049
Transport	Midlands Connect: Rail Hub	Resource	0.185
Transport	Midlands Connect: Motorway Hub	Capital	0.196
Transport	Cambridge South Station	Resource	0.463
Transport	Pembroke Dock Railway	Resource	0.019
Work & Pensions	Relationship Support - Maintain Funding	Resource	0.489
	<i>Sub Total Resource</i>		183.142
	<i>Sub Total Capital</i>		66.651
	<i>Sub Total Financial Transactions</i>		271.297
Total Barnett Consequentials Since 2015 Spending Review		Resource	499.894
		Capital	292.186
		Financial Transactions	273.365

UNCLASSIFIED

Section 6: Control Totals for the Scottish Government including breakdown by main programme of AME spending

Resource and capital DEL for Scottish Government

£m nominal	2018-19
RDEL	15,493
<i>of which:</i>	
<i>RDEL excluding depreciation*</i>	14,388
<i>depreciation ring fence in RDEL</i>	854
<i>student loans ring fence in RDEL</i>	251
CDEL	3,899
<i>Of which:</i>	
<i>General CDEL</i>	3,411
<i>Ring-fenced Financial Transactions</i>	488

*includes block grant adjustment for tax devolution of £12,473 million

In addition, the Scottish Government are forecasting Annually Managed Expenditure of 20,825 million in the following areas:

Programme	2018-19 £m
UK Government Funded AME	
Student Loans	428
NHS Pensions (Scotland)	2,905
Teachers Pensions (Scotland)	1,496
NHS Impairments	100
Other	0
<i>Sub total</i>	4,930
Scottish Government AME	
Expenditure financed by Non Domestic Rates	2,636
Expenditure financed by Scottish Land & Buildings Transaction Tax	588
Expenditure financed by Scottish Landfill Tax	106
Expenditure financed by Scottish Income Tax	12,115
Expenditure financed by Scottish Government Borrowing	450
<i>Sub total</i>	15,895
TOTAL	20,825

Section 7: Reconciliation of the 2015 Spending Review settlement for the Scottish Government and current Control Totals for 2018-19

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 2017. This covers all years falling under the remit of the 2015 Spending Review.

However, to assist the Committee's understanding of the movements in the Scottish Government budget for 2018-19 since the 2015 Spending Review, the table below details all changes to the Scottish Government budget since the 2015 SR settlement

Changes to Scottish Government Control Totals for 2018-19 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	26,347.702	854.391	250.815	3,027.139	214.523
Barnett Consequentials: Budget 2016	203.600			11.229	
Barnett Consequentials: Autumn Statement 2016	27.968			192.287	2.068
Barnett Consequentials: Spring Budget 2017	85.185			22.019	
Barnett Consequentials: Autumn Budget 2017	183.142			66.651	271.297
Aberdeen City Deal				17.975	
Block Grant Adjustment: Fiscal Framework	- 12,472.000				

UNCLASSIFIED

Block Grant Adjustment: Coastal Communities Fund & Crown Estate	-1.500				
Budget Transfer from BEIS : Research & Development				4.780	
Budget Transfer from DfT: Dundee Airport PSO	0.938				
Budget Transfer from DWP: Fit for Work	0.524				
Budget Transfer from Home Office: Immigration Health Surcharge	12.573				
Budget Transfer from Home Office: marriage/civil partnership	0.085				
Edinburgh City Deal				20.000	
Inverness City Deal	3.182			7.711	
Machinery of Government Transfer from BEIS: Consumer Protection	1.389				
Machinery of Government Transfer from DWP: Discretionary Housing Payments	20.000				
Machinery of Government Transfer from DWP: Employment Service	13.323				
Machinery of Government Transfer from Food Standards Agency	3.190				
Transfer of Research & Development Spending from Resource to Capital	-41.614			41.614	
Total at Main Estimates 2018-19	14,387.687	854.391	250.815	3,411.405	487.888

Section 8: Spending by Scotland Office & Scottish Government 2015-16 to 2019-20

UNCLASSIFIED

UNCLASSIFIED

	2015-16	2016-17	2017-18	2018-19	2019-20
	outturn £'000	plans £'000	plans £'000	plans £'000	plans £'000
Scotland Office Resource(3)					
Scotland Office Administration Costs	8,731	9,793	9,326	9,050	9,240
Scotland Office – other	13,782	485	14,244	430	430
Scotland Office Resource(3)	22,513	10,278	23,570	9,480	9,670
Scotland Office Capital					
Scotland Office	225	50	100	50	50
Scotland Office Resource + Capital DEL(3)	22,738	10,328	23,670	9,530	9,720
<i>less depreciation & impairments</i>	<i>-29</i>	<i>-60</i>	<i>-65</i>	<i>-30</i>	<i>-30</i>
Scotland Office DEL (4)	22,709	10,268	23,605	9,500	9,690
Scottish Government					
Scottish Government Resource (Before Block Grant Adjustment)	26,934,335	26,874,496	27,934,249	27,966,393	28,046,533
<i>less Block Grant Adjustment</i>	<i>-600,000</i>	<i>-5,500,000</i>	<i>12,540,000</i>	<i>12,473,500</i>	<i>-12,794,500</i>
Scottish Government Resource (6)	26,334,335	21,374,496	15,394,249	15,492,893	15,252,033
Scottish Government Capital	3,163,543	3,246,158	3,634,248	3,899,293	4,242,211
Scottish Government DEL(3)	29,497,878	24,620,654	19,028,497	19,392,186	19,494,244
<i>less depreciation & impairments</i>	<i>-771,459</i>	<i>-778,679</i>	<i>-906,744</i>	<i>-1,105,206</i>	<i>-1,145,340</i>
Scottish Government DEL(4) (6)	28,726,419	23,841,975	18,121,753	18,286,980	18,348,904

UNCLASSIFIED

Notes

- (1) Totals may not sum due to rounding.
- (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.