UK Government

Scotland Office

and

Office of the Advocate General for Scotland

Annual Report and Accounts

1 April 2022 - 31 March 2023

Scotland Office
and
Office of the
Advocate General for Scotland

Annual Report and Accounts 2022-23
(For the year ended 31 March 2023)

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Foreword by the Secretary of State for Scotland

I am delighted to present the 2022-23 Annual Report and Accounts for the Scotland Office and the Office of the Advocate General for Scotland (OAG).

The past year has, thankfully, seen us move beyond the covid pandemic thanks largely to the UK's hugely successful vaccination programme. The UK Government's focus is now on ensuring that our economy and public services recover strongly. However, this has been made much more challenging by the continuing war in Ukraine which has been a major driver of the rise in the cost of living and, especially, the cost of energy.

To address this, the UK Government introduced an enormous programme of energy support for households and businesses and particularly for the most vulnerable in our society. This has been combined with economic policies designed to restore economic stability following the mistakes that both the Prime Minister and Chancellor have acknowledged were made during the Autumn. Our aim now is threefold - to bring inflation down, drive economic growth and reduce debt and I look forward to further progress on these aims in the coming year.

As well as working to restore economic stability, I am delighted that the Scotland Office has continued to champion the UK Government's ambitious levelling up agenda in Scotland. Over the last year further funding worth £264 million[1] has been announced, bringing the Levelling Up funding total for Scotland to £779 million since January 2020[2].

Along with these new UK Government funds, the Scotland Office has continued to work on the delivery of our existing City Region and Growth Deal Programme. These joint partnerships between the UK Government, Scottish Government and local partners are delivering more than £1.5 billion of UK Government investment into 12 deals that span the whole of Scotland.[3]

We are also working with the Scottish Government to deliver two exciting, new Freeports in Scotland: at Inverness and Cromarty and Forth, backed by up to £52 million of UK Government funding and with the full range of tax and customs breaks and benefits. Together with transport improvements flowing from the Union

Connectivity Review[4] and Powering Up Britain, the recently announced blueprint for the future of energy in the UK[5], I believe that these policies meet the needs and wishes of people and communities throughout Scotland.

[1] Glasgow Innovation Accelerator £33 million; Scottish Green Freeports £52 million; Levelling Up Fund Round 2 £177 million; further Community Ownership Fund awards £2 million;
[2] Including £212 million UK Shared Prosperity Fund; £19 million Community Renewal Fund; £82 million Strength in Places Fund; £20 million Multisport Grassroots Facilities funding; total Community Ownership Fund allocation of £12.3 million; Levelling Up Fund Round 1 £172 million.
[3] www.deliveringforscotland.gov.uk/levelling-up/city-region-deals/
[4] UK government publishes Union Connectivity Review: proposed transport investments for stronger and better-connected United Kingdom - GOV.UK
[5] https://www.gov.uk/government/publications/powering-up-britain

I also take very seriously my department's responsibility for the Scotland Act 1998 and the devolution settlement. So when the Scottish Government referred their draft bill to hold a second independence referendum to the Supreme Court, the UK Government contested this on the basis that it was outside the powers of the Scottish Parliament. The UK Government's longstanding position on this matter was confirmed in a unanimous Judgment[6] from the Supreme Court.

A function that I fulfil under the devolution settlement is to consider every Bill passed by the Scottish Parliament under Section 35 of the Scotland Act 1998. In January 2023 I exercised this function to prevent the Scottish Government's Gender Recognition Reform (Scotland) Bill from becoming law. My decision, based on careful consideration, was that this Bill would have significant adverse effects on reserved equalities legislation and that these adverse effects were sufficient to justify the use of Section 35. This provision is an inherent part of the Scotland Act and designed to deal with issues such as this. It remains open to the Scottish Government to amend the Bill and bring the Bill back for reconsideration should it choose to do so. The UK Government will defend our decision in light of the Judicial Review by the Scottish Government.

The year 2022 also saw us mourn the passing of Her Majesty Queen Elizabeth II. Her long reign which drew to a close on the 8 September 2022 at Balmoral, Aberdeenshire, demonstrated and reflected The Queen's lifelong and deep special relationship and affection for the people of Scotland. The Queen's reign was defined by devoted and selfless public service and she enjoyed the respect and devotion of her subjects the length and breadth of the United Kingdom. The people of Scotland look forward to this same enduring relationship with His Majesty, King Charles III.

In all our areas of responsibility, my Ministerial team, John Lamont MP and Lord Offord, and I, along with the whole of the Scotland Office, look forward to continuing to deliver for Scotland throughout the year ahead.

The Rt Hon. Alister Jack MP
Secretary of State for Scotland

[6] REFERENCE by the Lord Advocate of devolution issues under paragraph 34 of Schedule 6 to the Scotland Act 1998 (Expedited) - The Supreme Court

Foreword by the Advocate General for Scotland

I was appointed to the role of Advocate General during the pandemic. I was therefore pleased that during the period of this report the situation improved so markedly and officials and myself have been able to work from our offices in Edinburgh and London, and from home when appropriate. The facility for meeting in-person during this reporting year has provided opportunities for richer engagements whilst retaining flexibility for staff to work 'smartly'. That is a particular advantage for a department with a footprint in several geographical locations.

For enabling this transition to happen smoothly, I would like to praise the leadership of the OAG Director, Neil Taylor and his Senior Leadership Team. I would also like to thank them for their efforts in ensuring the department meets its key business goals to provide legal advice, drafting and litigation services to the UK Government in relation to Scotland.

As one of the three UK Government Law Officers I have relished my role working in partnership with the Attorney General and the Solicitor General for England & Wales. I look forward to that partnership continuing and to advising on the most important legal issues facing Government, including this country's collective response in supporting the people of Ukraine. I will also continue to support the UK Government on various pieces of legislation as they make their way through Parliament; participating in debates on various issues as a spokesperson for HM Government.

It has been another very busy year for my officials, who provide legal services to UK Government departments. OAG officials provide critical advice to the wider UK Government on Scots law and the Scottish devolution settlement. Legal advice and support has been provided on all Westminster Bills extending to Scotland, so as to ensure they operate smoothly within the framework of Scots law and the devolution settlement.

I also continue to enjoy support from my officials in respect of the scrutiny of bills passed by the Scottish Parliament. My statutory function under the Scotland Act 1998 to examine the legislative competence of those bills is an important feature of the devolution settlement and is given careful consideration. My office also worked closely with the Scotland Office and other departments to respond to the Lord Advocate's reference to the Supreme Court of a draft Bill on Scottish independence.

I am grateful for the work of all civil servants who helped prepare me for that reference and enabled the Supreme Court to provide a clear and definitive judgement on such an important legal issue.

In addition to that significant constitutional case, my Office continues to undertake a substantial amount of other litigation for UK Government departments in the Scottish courts and tribunals, principally but not confined to the Home Office, the Department for Work and Pensions and His Majesty's Revenue and Customs. Some of the statistics in relation to these cases are included later in this report but include many cases in the Court of Session and Supreme Court.

Another highlight of the year has been dialogue with my fellow Law Officers in Scotland, the Lord Advocate and the Solicitor General for Scotland. It was a particular pleasure to have hosted them in Queen Elizabeth House in Edinburgh and to repay them for their hosting me at the Crown Office given the many happy years I spent working there. I was also delighted to host a reception at Queen Elizabeth House in March 2023 for representatives of the legal community in Scotland including members of the judiciary, the profession and academia. I was particularly pleased that the Attorney General, Rt Hon Victoria Prentis KC MP was able to join me in hosting this event and to gain a first-hand insight into our rich Scots law tradition.

Earlier in the year I was also pleased to be able to contribute to the Annual Conference of the Government Legal Service for Scotland (GLSS) and to get an additional insight into the excellent legal work taking place across the wider GLSS. It has also been gratifying to have been able to speak at various external events to communicate the important role of the Law Officers as well as the UK Government's commitment to Scotland on various legal-policy issues. Highlights have included the opportunities to speak about the work of the legal profession in Scotland when speaking to the Prosecutor-General of Ukraine and Sir Howard Morrison KC who was appointed by the Attorney General as an independent adviser to the Prosecutor-General.

I look forward to continuing to deliver for Scotland and the Union throughout the important year ahead.

Stewart of Dirleton.

The Rt Hon, Lord Stewart of Dirleton KC
HM Advocate General for Scotland

Foreword by the Director of The Scotland Office

It is a great privilege to be presenting the 2022-23 Scotland Office and OAG Annual Report. I was appointed to the position of the Scotland Office Director and Accounting Officer for the Scotland Office and Office of the Advocate General, on a temporary basis, from the 22 March 2023, for a period of five months. The permanent Scotland Office Director, Laurence Rockey, has embarked on a period of Shared Paternity Leave. I would like to take this opportunity to pay tribute to Laurence's leadership over the last reporting year and for the achievements which he and his team have overseen.

I would particularly like to pay tribute to Laurence and officials across the Scotland Office in their professionalism and dedication in their support of Ministers, following the profoundly sad announcement of the death of Her Majesty Queen Elizabeth II, on the 8 September 2022 at Balmoral, Aberdeenshire. Colleagues across the Scotland Office supported The Secretary of State for Scotland in his official duties in the days that followed the death of Queen Elizabeth II, and in relation to The Queen's funeral and the Accession of the King. This allowed the Scotland Office to pay its own tribute to Queen Elizabeth II, whose lifelong affection for the people of Scotland was so deep and clear.

The last year has continued to present significant challenges and change, both within government, and on the world stage, as the conflict in Ukraine and the global economic crisis continues to impact. I have been hugely impressed with the resilience and flexibility shown by Scotland Office colleagues in balancing the response to these challenges with the work we're doing to deliver growth, prosperity and employment for Scotland and the whole of the UK as we respond to these challenges, and work towards a greener, fairer future for citizens across all of the UK.

The UK Government set out its agenda in this respect in two recent publications. The Energy Security Strategy aims for 95 percent of Britain's electricity to be low carbon by 2030, but does so in a way that ensures this transition is fair and that the UK's energy security is assured by making use of the oil and gas resources in the North Sea. This was accompanied by a range of supporting plans and strategies published at the end of 2022/23 under the banner of Powering Up Britain. Taken as a package, this will consolidate Britain's position as a global leader in green energy.

The focus of the Scotland Office and the UK Government as a whole is on building a prosperous and successful economy and restoring our public services across all of the UK. At the heart of this is the UK Government's City and Regional Growth Deal agenda, overseen and driven by the Scotland Office in Scotland. The collaborative working with local authorities, Scottish Government, and local industry, made possible by Scotland Office leadership and direct UK Government action, provides the true blueprint to improving lives and expanding opportunities across the whole United Kingdom.

The UK Government's flagship hub in Edinburgh, Queen Elizabeth House, has continued to play a pivotal role in UK Government's engagement in Scotland. Queen Elizabeth House has hosted a number of high-profile events, including: a visit by the

Chancellor in December 2022; a meeting of The Joint Expeditionary Force and a visit by the Defence Secretary, in November 2022 and; an event to celebrate the exceptional humanitarian support provided by Scottish charities for all those affected by the war in Ukraine.

In addition to our hub in Edinburgh, we are delighted that there is a second Scotland-based Government hub in Glasgow, which opened in Spring 2023, offering further opportunities to relocate staff to Scotland.
The Places for Growth agenda has so far seen over 1500 staff relocate to Scotland including Senior Civil Servants and an increased Ministerial presence. This remains a priority and a central focus of my role as Head of Place and my responsibility for the maximisation of the opportunities presented by the Places for Growth agenda.

The Scotland Office continued to enhance its collaboration across all three Territorial Offices: the Office of the Secretary of State for Wales, the Northern Ireland Office and the Scotland Office, to support its delivery of the shared Priority Outcomes on the economy drivers across the United Kingdom, and the cornerstone policy of strengthening and protecting the Union. The Scotland Office has continued to play a key role supporting the delivery of the cross-cutting Union Priority Outcome, alongside the Territorial Offices, Cabinet Office and the Department for Levelling-Up Housing and Communities. My role as the Senior Responsible Officer for the Union places the Union at the very heart of Government and maximises the networks and work the UK Government is doing across Whitehall to deliver for the people of Scotland.

I continue to be supported in this work as well as the broader performance management responsibilities of the Offices' Joint Management Board, by the Offices' Non- Executive Directors and would like to thank Tom Harris, Martin Dorchester and Stuart Patrick for all their work and support to the Senior Leadership Team, Ministers and colleagues across the Offices.

I look forward to being part of the Scotland Office team, helping to prepare the Office to deliver throughout the coming year, the UK Government's commitment to support citizens and businesses across Scotland in new and innovative ways as part of a successful and enduring United Kingdom.

Lyn McDonald
Director, The Scotland Office, (Temp.)
Accounting Officer, The Scotland Office and the
Office of the Advocate General for Scotland

Departmental Overview

Part 1: The Scotland Office

Queen Elizabeth House, the UK Government's headquarters in Edinburgh.

The Scotland Office supports the Secretary of State in promoting the best interests of Scotland within a strong and successful United Kingdom by fully and effectively representing Scottish interests at the heart of the UK Government. It does this by providing direct access to the UK Government for all the citizens of Scotland and UK businesses in Scotland. This allows citizens and businesses in Scotland to receive information about UK Government policies and services, to understand, access and benefit from UK Government policies and services, and to hold the UK Government accountable. The Office also plays an important constitutional role, as custodians of the devolution settlement in Scotland.

Scotland Office Vision and Mission Statement

The Scotland Office champions the interests of Scotland within the UK Government and represents the UK Government in Scotland. Led by the Secretary of State for Scotland our mission is to:

- Maintain the integrity of the Union;
- Promote the best interests of Scotland within a stronger and sustained United Kingdom;
- Act as custodians of the devolution settlement in Scotland; and
- Fully and effectively represent Scottish interests at the heart of the UK Government.

The Scotland Office's Vision and Mission Statements underpin all three of the Scotland Office's Priority Outcomes and Strategic Enablers.

We support the implementation of the UK Government's and the Prime Minister's priorities; and ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government within the Scotland Office.

The Prime Minister,The Rt Hon. Rishi Sunak MP (centre) and Secretary of State for Scotland, The Rt Hon. Alister Jack MP (right) with the Port of Cromarty Firth CEO Bob Buskie for the announcement of the Green Freeport in January 2023.

For 2022-23, the Scotland Office delivered against three Priority Outcomes agreed at Spending Review 2020 and set out in the 2022-23 Scotland Office Outcome Delivery Plan:

- Support economic growth in Scotland;
- Strengthen and sustain the Union and Scotland's role within it; and
- Increase the visibility of the UK Government's commitment to Scotland.

Office of the Secretary of State for Scotland Outcome Delivery Plan - GOV.UK

This report demonstrates how the Scotland Office has met those three Priority Outcomes in what remained a challenging period dominated by the ongoing conflict following Russia's invasion of Ukraine in February 2022.
The same Priority Outcomes were agreed as part of the Scotland Office's 2022-25 Spending Review settlement and will be reflected in the Scotland Office's 2023-24 Outcome Delivery Plan.

The department is also supporting the delivery of the following Priority Outcomes led by other departments:

Priority Outcome	Lead Department
Ensure the benefits of the Union are clear, visible and understood by all citizens.	The Department for Levelling Up Housing and Communities (DLUHC) with support from Scotland Office, Northern Ireland Office and Wales Office.

Strategic Enablers

To deliver our Priority Outcomes - and reinforce the ambitions of the Declaration on Government Reform - we use 4 key Strategic Enablers:

- Workforce, Skills and Location
- Innovation, Technology and Data
- Delivery, Evaluation and Collaboration
- Sustainability

How we work to support these Strategic Enablers is set out later in this report.

Scotland Office Performance Overview 2022-23

The Scotland Office's work throughout this year has been both constant and concrete, often against an external backdrop of challenge and complexity. The year in government saw a significant effort to get the economy back onto a healthy footing after COVID-19; mitigating the effects of the cost of living caused by rising energy prices and inflation; crucial investment made into communities and projects across Scotland and the devolution settlement placed under a high level of public scrutiny.

The Office has worked hard throughout the year to promote a co-ordinated approach across the UK, including working in partnership with the Scottish Government and a wide range of external partners. This effort was designed to protect individuals, businesses, lives and livelihoods coming out of the worst of the COVID-19 pandemic and economic shocks. The Office has also worked to deliver the Prime Minister's priorities for the UK, including halving inflation and growing the economy.

The City Region and Growth Deal Programme continued to deliver on our priorities with the Islands Growth Deal signed in January 2023. More broadly, the Scotland Office continued to work with the Scottish Government on wider delivery and has been busy reviewing progress with local partners across all the City Region and Growth Deals.

Another Departmental priority throughout 2022-2023 was the continued support for the successful transition of the North East from Oil and Gas to renewables, as part of an increased focus on developing Scotland's already significant contribution to the UK's future energy security. Prominent activities have included visits for Ministers to key innovation projects and a renewables round-table for industry leaders and representative bodies.

The Scotland Office has focused in particular on the department's local economic growth activity, exploring ways in which the UK Government can better evaluate its economic growth policies in Scotland specifically, and use this learning to develop a blueprint for future interventions. Progress has also been made to further ensure Scotland is considered in policy making across Government. This included specific policy analysis to develop evidence bases for action on key priorities in Scotland - energy security and

Construction of the new Govan-Partick Bridge across the Clyde is being supported by the UK Government through the Glasgow City Region Deal.

resilience and access to labour, for example This will build resilience in our capabilities and further enhance our reputation as a department which provides sound, evidence-led advice to ministers and other UK Government departments.

The Office continues to work with other UK Government departments on the implementation of the UK-EU Trade and Cooperation Agreement (the 'TCA') and the end of the transition period. The Office will continue to be active with stakeholders in Scotland on the changes and opportunities following the United Kingdom's withdrawal from the European Union. This includes the UK Internal Market Act 2020 and using the financial assistance powers for the benefit of all parts of the UK.

The Office has remained on track to deliver during the 2022-23 reporting year, on its Priority Outcomes and metrics agreed as part of the 2021 Spending Review settlement. The Scotland Office Spending Review settlement allocates funding going forward across 2022-25, which allows the department to continue its work on the three Priority Outcomes and provides for additional resources to support the work of Priority Outcome One and the Levelling-Up Mission.

The Office has approved metrics to report delivery against performance across the three Priority Outcomes agreed as part of the 2021 Spending Review settlement. These metrics are set out below alongside a narrative and data report on performance over the 2022-23 reporting year. The Outcome Delivery Plan framework was introduced across the UK Government in 2020-21 and UK Government departments have reported against this performance management framework since 2021-22.

The data, which is collated as part of the quarterly performance reports across UK Government departments, will establish trend data and a baseline for future analysis, both internally and across the Territorial Offices.

Some of the sources for performance reporting against Priority Outcome One are external publications and economic data which is subject to external deadlines for reporting.

In addition to the reporting of performance against the Outcome Delivery Plan outlined above, the Scotland Office also began reporting on the Office's Priority Projects during the 2022-23 reporting year. In order to provide regular snapshots of progress of delivery on key UK Government department's central delivery priorities and the government's manifesto commitments, the Cabinet Office collates monthly performance reports. These reports are reviewed by a central delivery Board and used to brief the Prime Minister and Cabinet Secretary.

The Scotland Office's Priority Projects which were signed off by the Scotland Office SLT and the Cabinet Office are as follows:

1. Stimulate growth in Scotland's economy and enable priority sectors to grow;
2. Delivering City and Growth Deals and Levelling-Up across all of Scotland;
3. Ensure the Scottish devolution settlement works effectively; and
4. Promote Scotland's position within the UK and maximise the visibility and impact of the UK Government's presence, policies and programmes in Scotland.

Priority Outcome One: Support economic growth in Scotland

Metrics and Performance Report

- Economic growth - Scotland - GDP per capita in Scotland (£)
- Economic growth - Scotland - Percentage of businesses that are innovation-active in Scotland
- Economic growth - Scotland - Value of exports from Scotland
- Economic growth - Scotland - Percentage of premises passed with a gigabit connection in Scotland
- Economic growth - Scotland - Fiscal deficit per capita in Scotland (£)

PUSofS for Scotland, John Lamont MP and Scottish Government Minister Ivan McKee MSP, on a joint visit to the Medicines Manufacturing Innovation Centre at the Advanced Manufacturing Innovation District Scotland in Renfrewshire, November 2022.

The Scotland Office worked with HMT to deliver additional investment in Scotland at the recent fiscal events. At the Spring Budget 2023 the Chancellor announced additional investments in Scotland to promote economic growth in different regions and sectors. This provides £8.6m for cultural festivals in Edinburgh and £1.5m to help fund repairs of the Cloddach Bridge in Moray. Over the last year, further UK Government Levelling Up funding for Scotland worth £264 million[7] has also been announced, bringing the total to £779 million since January 2020[8].

Furthermore, the 2021 Spending Review also provides the largest annual Devolved Administration block grants, in real terms, of any Spending Review settlement since devolution in 1998.

In 2024-25, this Budget and Spending Review provides £41.8 billion to the Scottish Government.This has been supplemented by additional funding from Barnett consequentials, with the Scottish Government receiving an additional £1.5bn at the Autumn Statement 2022 and £320m at the Spring Budget 2023.

Scottish unemployment figures at 3.0% are low at historic standards and payroll employment levels are above pre-pandemic levels. The latest experimental GDP statistics for February 2023, released on 26 April 2023, indicate that in monthly terms the level of GDP was back above the level of February 2020 by 1.3%.

[7] Glasgow Innovation Accelerator £33 million; Scottish Green Freeports £52 million; Levelling Up Fund Round 2 £177 million; further Community Ownership Fund awards £2 million;

[8] Including £212 million UK Shared Prosperity Fund; £19 million Community Renewal Fund; £82 million Strength in Places Fund; £20 million Multisport Grassroots Facilities funding; total Community Ownership Fund allocation of £12.3 million; Levelling Up Fund Round 1 £172 million.

- Economic growth - Scotland - GDP per capita in Scotland (£)

GDP Scotland Data is taken from the Scottish Government publication, 'GDP Quarterly National Accounts: 2022 Quarter 4 (October to December). The latest data for Q4 2022 shows a rise in GDP per capita of £34,222 on the previous Quarter. The previous Quarter shows GDP per capita of £33,485.00.

- Economic growth - Scotland - Value of exports from Scotland

Quarterly National Accounts Scotland (QNAS), Trade in Goods and Services. Total exports for Scotland, international and the rest of the UK as at December 2022 was £102.4m. This data can be found in the HMRC regional trade statistics: https://www.uktradeinfo.com/trade-data/regional/2022/

- Economic growth - Scotland - Percentage of premises passed with a gigabit connection in Scotland

Figures provided show total Gigabit coverage of Scotland; 'Project Gigabit' is intended to target the final 20% of premises deemed economically unviable. Latest figure 31 March 2023: 68.8%%, Broadband Coverage and Speed Test Statistics for Scotland

- Economic growth - Scotland - Percentage of businesses that are innovation-active in Scotland

For the years 2018-2020 the percentage of businesses that are innovation-active in Scotland is 39%. The percentage of innovation active businesses was highest in England at 46% in 2018-2020, compared to Wales where 44% of businesses in 2018-2020 were innovation active and 38% in Northern Ireland. The UK Innovation Survey 2021 is the latest available publication from May 2022: UK Innovation Survey 2021 Report

- Economic growth - Scotland - Fiscal deficit per capita in Scotland (£)

Revenue per head minus North Sea Revenue: -£4,962.00 in April 2022 in comparison to -£3,500.00 in April 2020.

Revenue per head, including geographic share North Sea revenue: -£4,330.00. in April 2022 in comparison to -£6,648.00 in April 2020.

Data taken from the Scottish Government publication, 'Government Expenditure Revenue in Scotland (GERS)'.

The latest data comes from the last publication from August 2022 for the last complete financial year, 2021-22. The data for the 2022-23 Financial Year will be available when the GERS report is published in August 2023.

Sustainable Development Goals Reporting

Part 1 – commits to support economic growth right across Scotland through empowering communities and levelling up, backed by the Plan for Jobs, Levelling Up Fund, UK Community Renewal Fund, UK Infrastructure Bank and City Region and Growth Deals, and to strengthen Scotland's key economic sectors such as green energy, food and drink, and fintech.

Part 2 – commits to build back greener on the foundations of Scotland's distinctive low carbon and renewable energy resources, building on Scotland's strengths in offshore wind capabilities, low carbon hydrogen, and building on the COP26 conference.

The Scotland Office works to promote the use of various UK Government funding streams and initiatives to support the delivery of green energy policy and economic growth for Scotland and ensure crucial funding is provided for viable Scottish projects. These include the Levelling Up Fund, Community Ownership Fund, Glasgow Innovation Accelerator, Green Freeports, and City Region & Growth Deals programme.

Priority Outcome Two: Strengthen and Sustain the Union and Scotland's Role Within It

Metrics and Performance Report

- Publicly available indicators for support for the Union

UK-wide funds, for example the Levelling Up Fund, the Shared Prosperity Fund or the Union Connectivity Review, provide an opportunity for the UK Government to be active across Scotland, and the UK Internal Market Act gives the UK Government the powers to spend money in support of its objectives. While delivery of these programmes will be the responsibility of other Departments, Scotland Office has an important role in ensuring these programmes have the greatest positive impact for communities across Scotland. To achieve this, the Scotland Office has a role in coordinating a strategy for the UK Government in Scotland as well as inputting into the design and delivery of programmes.

The department supports the delivery of a number of the UK Government's constitutional commitments, including supporting departments to ensure that UK Parliament legislation takes account of the Scottish devolution settlement, and that the legislative consent of the Scottish Parliament is sought where the Legislative Consent Motion (LCM) process is engaged.The Scotland Office manages an ongoing programme of Scotland Act Orders to ensure the effective functioning of the devolution settlement, continues to oversee the implementation of the Scotland Act 2016 and Ministerial responsibilities regarding the competence of Scottish Parliament legislation under the settlement. We also engage on departmental interests in regard to the Common Frameworks programme and the UK Internal Market to ensure that Scottish interests are represented.

Sustainable Development Goals Reporting

The Scotland Office supports BEIS in the development and implementation of all renewable energy policy that has relevance to Scotland, ensuring that Scotland's unique assets and potential are fully realised in this area. There are a number of areas where renewable energy policy is particularly relevant to Scotland which include the Government's Contracts for Difference policy which Scotland has benefited significantly from since the scheme's inception in 2015 with 34% of all successful projects located there. The fifth CfD allocation round opened to applications on 30 March this year and included a ring-fenced budget of £10 million per year for tidal stream technology, which considering almost 50% of the world's installed tidal stream capacity is in Scottish waters, represents an important investment from the UK Government in Scotland's energy sector.

Priority Outcome Three: Increase the visibility of the UK Government's Commitment to Scotland

- The increased provision of public information on the UK Government in Scotland, through media, digital channels, visits and events;
- An increased UK Government presence in Scotland, both Ministers and officials representing UKG departments in the Hubs in Edinburgh and Glasgow and elsewhere;
- Increased stakeholder outreach and accessibility, allowing better information and accessibility to UK policy decision-making;
- Tracking support for the Union through public domain research and polling.

There was considerable success in the work of the Scotland Office to highlight the UK Government's commitment to Scotland throughout the 2022-23 reporting year.
The Office worked with the Cabinet Office and other UK Government departments to deliver media activity, engagement and digital content.

The Office supported a wide variety of major policy activities including UK Government investment in Scotland through Levelling-Up funds and promoting support for the cost of living and energy bills available through UK Government schemes. Throughout the year, the Office has also been active in highlighting the positive work of the UK Government in many other areas, ranging from defence and broadband to support for culture and the arts.

Ministers were also active in the media throughout, giving press and broadcast interviews as well as commentary on a diverse range of issues - from the Budget to the health of the Scottish labour market and beyond. They have also contributed a number of opinion articles to the Scottish newspapers, explaining to the public the Scotland Office's position on issues.

An essential element of the Office's work this year has been the significant extension of the range and breadth of visits by Ministers and officials across Scotland. These visits allow organisations and sectors to discuss policy face-to-face with the UK Government at the highest level, raise issues and better understand innovative projects across the country. This year has seen visits to almost every part of Scotland, from the Borders to the Highlands and a number of island communities. The Office will build on this activity over the coming year.


The Scotland Office helped deliver a range of visits from UK Government Ministers throughout the year. Including The Chancellor, The Rt Hon. Jeremy Hunt MP's visit to Queen Elizabeth House to announce the 'Edinburgh Reforms' for the UK's financial sector, 9 December 2022 (left); and Michael Gove's visit to the Edinburgh office of the Association of Ukrainians in Great Britain, March 2022 (right).

Scotland Office Ministers took part in a wide range of visits and engagements across the whole of Scotland. Pictured: The Secretary of State for Scotland, The Rt Hon. Alister Jack MP visits The HALO Trust de-mining Charity in Dumfries (left), PUSofS for Scotland, John Lamont MP, visits Saxavord Space Port in Shetland, 10 November 2022 (centre), and PUSofS for Scotland, Lord Malcolm Offord visits, The VR Hive in Paisley (right).

Events and meetings are also an important element of the Office's strategy to raise the UK Government's visibility in Scotland. This year saw an increased use of Queen Elizabeth House to host roundtable meetings with representative organisations. It also acted as a base for other departments to widen their contact with Scottish stakeholders and as a platform for UK Government events, such as a meeting of the NATO Joint Expeditionary Force.

Queen Elizabeth House hosted high-profile events, including a meeting of the Joint Expeditionary Force in November 2022.

The Office also held several set-piece events throughout the year, including the annual Taste of Scotland showcase at Dover House and the UK Government stand at the Royal Highland Show in Edinburgh.

The Cabinet Office's Hub in Glasgow was established over this period to complement Queen Elizabeth House in Edinburgh. FCDO also plans to strengthen its joint-headquarters in East Kilbride with 500 extra staff by 2025. A number of departments are also expected to continue the process of relocating roles to Scotland.

Sustainable Development Goals Reporting

The Scotland Office ensures the visibility of the UK Government's significant investments it is making in the Scottish Renewable energy sector. Scotland Office Ministers have regular meetings and discussions with industry stakeholders to ensure their views and concerns are heard and that they are aware of key support the UK Government is providing. This UK Government investment and policy is also promoted by the department's Ministers through public speaking events where Ministers are given the opportunity to outline relevant Government policy and support.

Strategic Enablers

To deliver our priority outcomes, we prioritise work under four key enablers. These Strategic Enablers are defined as key activities or operations that build capacity and capability, facilitating the department to execute its strategy and deliver outcomes.

These are aligned with the 'Declaration on Government Reform' and the 'A Modern Civil Service' vision.

The strategic enablers are:

1. Workforce, Skills and Location
2. Innovation, Technology and Data
3. Delivery, Evaluation and Collaboration
4. Sustainability.

Queen Elizabeth House, UK Government Headquarters, Edinburgh.

2022-23 Strategic Enabler Performance

Workforce

Our People Strategy is designed to support the Office in retaining a motivated and engaged workforce who have the right skills and capabilities to deliver our priorities. Our plan commits us to investing in developing our existing workforce and filling future vacancies quickly and efficiently.

We have introduced robust governance of our People Strategy, with senior leader sponsorship to facilitate effective, tangible outcomes which creates a workplace where people feel empowered and valued, increases capability and builds a culture where difference is valued, inclusion is at our core and diversity in all its forms is our ambition.

In this year's Civil Service People Survey the Scotland Office Employee Engagement Score was 69%; 4% above the Civil Service average.

Skills

The Scotland Office is committed to developing our people as our most valuable resource; providing all with the opportunities and tools to thrive. There are 3 areas of our People Strategy which focus on developing the skills of our people:

- Learning and Development;
- Career Management;
- Leadership.

In the last year, we have provided cross-Office training to target development at the skills which will support delivery of our objectives, created tools to ensure all our people are focused on their own leadership potential and built on the success of our talent pathway by having a number of successful candidates on Civil Service-wide development programmes.

Our positive Learning and Development score in the People Survey was 54% with 66% stating that they were able to access the right learning and development opportunities when they needed to.

Location

The Scotland Office continues to embrace the opportunities presented by our presence in the UK Government's flagship headquarters in Scotland, at Queen Elizabeth House, Edinburgh, and the Office's historic office in Dover House, London.

In December 2022, the Scotland Office gained accreditation as a mature, Smarter Working organisation. Smarter Working is a Civil Service-wide programme to develop modern ways of working.

We are building on our accreditation as a Smarter Working organisation and working with the Government Property Agency to accelerate the modernisation of our London office to improve the working environment and facilitate greater Smarter Working.

Innovation

The Office works together to solve problems and identify how to work better. As a mature Smarter Working organisation, our organisational culture encourages a workforce which generates ideas and new ways of working and challenges conventional norms. Influencing the priorities and delivery of UK government departments and our delivery partners in Scotland means that new ideas and challenging existing processes are part and parcel of our people's skill set.

In the 2022 UK Government Civil Service People Survey - Scotland Office staff reported that:

– I believe I would be supported if I try a new idea, even if it may not work: 84%

– The people in my team are encouraged to come up with new and better ways of doing things: 84%

Technology

The Scotland Office uses the Cabinet Office IT system. We use our strong relationships with the Cabinet Office to ensure we are provided with optimal resources to deliver our objectives.

Data

The Scotland Office holds limited datasets - apart from staff data. We work with other UK government departments to strengthen and deepen UK Government research capabilities and data collection in regard to Scotland.

Delivery

Business Planning: The Scotland Office 2021 Spending Review Settlement allows the department to allocate and utilise the Spending Review settlement to effectively deliver the Priority Outcomes which are fully funded over the entire Spending Review period, 2022-25.

Evaluation

As we continue to embed the ODP performance management framework we are looking further at how we can best use the metrics to show us a complete picture of our performance. For the 2023-24 ODP we will continue to develop metrics which more closely align with the direct impact and work of the Scotland Office and which will support the JMB in assessing the performance and risk against delivery of the Office's Priority Outcomes. This is in addition to those metrics which will support continued and enhanced collaboration of the work on shared Priority Outcomes and Strategic Enablers across the Territorial Offices.

Collaboration

The Scotland Office strategy has at its centre, face-to-face engagement with key sectors and stakeholders. We continue to work with the other Territorial Offices; DLUHC and Cabinet Office.

The following narrative section outlines in detail the outcomes delivered by the Scotland Office during 2022-23 in each of the Priority Outcomes in the Scotland Office 2022-23 Outcome Delivery Plan. This is complemented with case studies as well as reports on policy deliverables for the Scotland Office with the delivery of the Legislative Consent Motion and Scotland Act Order Programmes - key aspects of the work of the department.

Priority Outcome One: Support economic growth in Scotland

Just as the UK Government protected Scotland's economy throughout the Covid pandemic, it has continued to do so in the face of further economic shocks. Russia's unlawful invasion of Ukraine has created an energy crisis impacting countries across Europe, and the UK Government has taken action to protect UK households and businesses from soaring energy prices. This is in addition to providing the Scottish Government - through Barnett Consequentials - with an extra £320m in the Spring Budget 2023, an extra £1.5bn in the Autumn Statement, on top of a record Block Grant settlement of £41bn per year for the Spending Review period.

PUSofS for Scotland, John Lamont MP, speaking at the Scottish North American Business Council in New York City as part of Tartan Week.

The Scotland Office uses its voice in Whitehall to promote UK Government policies and activities which generate economic growth, prosperity and employment in Scotland. The department has been proactively working to maximise the influence that can be had to encourage other Government departments to more effectively consider Scotland in its decision and policy making. This includes through a strategic approach to ministerial bilateral engagements which have been effective for making positive progress on policy areas with an impact in Scotland.

Prime Minister Rishi Sunak and Secretary of State for Scotland Alister Jack visit Inverness Helicopter Search & Rescue.

The Scotland Office has been supporting economic growth right across Scotland, empowering communities and levelling up. We have supported the many UK Government economic initiatives and funds focusing on this including; Levelling Up Fund, UK Shared Prosperity Fund, Community Ownership Fund, UK Community Renewal Fund, UK Infrastructure Bank, and City Region and Growth Deals. Officials and ministers from the Scotland Office have regular engagement with Business Representative Organisations, individual companies and business leaders from Scotland's key industrial sectors, to ensure that UK Government policy is understood and fit for purpose, and the support provided for businesses is accessible and effective. As part of this engagement, Lord Offord in his capacity as Parliamentary Under Secretary of State for Scotland co-chairs the bi-annual Scottish Business Growth Group alongside his ministerial counterpart from the Scottish Government.

Supporting Growth through Empowering Scottish Communities

City Region and Growth Deals

City Region and Growth Deals invest in projects that drive regional economic growth and create jobs. The UK Government has committed over £1.5 billion to the Deals covering every part of Scotland. City Region and Growth Deals are agreements between the UK Government, Scottish Government and local partners that invest in projects tailored to the needs and strengths of Scotland's regions.

There are twelve City Region and Growth Deals (10 in delivery and 2 to be signed) covering the whole of Scotland that include more than 130 locally-driven initiatives worth £4.8 billion in total with combined investment from partners. Over the past year the UK Government has signed the Full Deal for the Islands Growth Deal. It is anticipated that by the end of the financial year 2023/24 Full Deals will have been signed for the Argyll & Bute Growth Deal and the Falkirk Growth Deal.

Freeports for Scotland

On 13th January of this year, the UK and Scottish governments jointly confirmed that Inverness and Cromarty Firth and Firth of Forth were each successful in their bids to establish a new Freeport in Scotland. The Scotland Office has played a significant role in the development of the Freeports programme in Scotland. The Secretary of State for Scotland too played a key role in the decision making process for the two successful locations, and a visible role in supporting the locations, having visited the site of the Inverness and Cromarty Firth Freeport alongside the Prime Minister on the day of the announcement. The long-term strength and sustainability of Scotland's economy is crucial to ensure economic recovery from the COVID-19 pandemic and to tackle climate change.Freeports will help Scotland overcome these challenges and respond to the economic shocks of COVID-19 and the war in Ukraine by helping Scotland secure a globally competitive, entrepreneurial, inclusive and sustainable economy which makes a positive contribution internationally, and delivers high quality, fair work for everyone. This will particularly benefit the disadvantaged communities that are often located close to ports. We expect both Freeports to become operational in late 2023

Investment Zones for Scotland

A refocused Investment Zones policy was officially launched at the Spring Budget 2023. This programme will catalyse 12 high-potential knowledge-intensive growth

Investment in local communities has been at the centre of the Office's work this year. Pictured: The Rt Hon. Alister Jack MP, Secretary of State for Scotland, visits the Palace Theatre in Kilmarnock, a Levelling Up Fund Round 2 recipient (top left). PUSofS for Scotland, Lord Malcolm Offord, signs the Islands Growth Deal in Orkney (top right). PUSofS, John Lamont MP visits GoFibre in Coldstream (bottom).

clusters across the UK, including 4 across Scotland, Wales and Northern Ireland. Each Investment Zone will drive the growth of one of our key future sectors, through support of up to £80m over 5 years. Scotland Office officials are working across the UK Government and Scottish Government to ensure that the programme works for Scotland and makes the most of Scottish sectoral strengths. It is expected that separate guidance, setting out the policy offer from a Scotland, Wales and Northern Ireland perspective will be published later this year.

Levelling-Up

Levelling Up is at the heart of the Government's agenda. It is a programme to tackle geographical inequalities within the UK, including a focus on delivering across Scotland's regions. It is about strengthening community and local leadership, restoring pride in place, and improving quality of life in ways that are not just about the economy.

(Left) PUSofS for Scotland, John Lamont MP visits the Edinburgh Festival Fringe. (Right) The Old Forge Community Benefit Society in Knoydart, the UK's remotest pub. Two examples of the many projects being supported by the UK Government.

The Scotland Office has promoted the opportunities and successes of the different UK Government Funds in order to maximise the economic growth in Scotland and promote the work of the UK Government. The UK Government has announced £177 million for 10 more Levelling Up Fund projects including a new ferry for Fair Isle, the regeneration of the Palace Theatre in Kilmarnock, and a new Green Transport Hub in Dundee. A further £1.9 million has been awarded to 9 more Community Ownership Fund projects spanning Scotland: from a new community hub in Dornie, to the regeneration of Forres Town Hall, and new facilities for Falkirk Rugby Football Club. At the same time, the Glasgow Innovation Accelerator has set out 11 projects sharing £33 million to boost the relationship between research and industry in the region - including quantum technology, advanced manufacturing, life sciences and sustainability.

The Department for Culture Media and Sport also confirmed that by 2025 a further £18.1 million will be invested via the Scottish Football Association in grassroots multisport facilities across Scotland. This builds on the £1.9 million already awarded to 17 facilities from Buckie to Annan.

Building Back Greener

Scotland provided nearly a quarter of renewable electricity generation in the UK in 2020 and will play a critical part in the UK's plan for achieving net zero with a large amount of the UK's planned renewable capacity located here.

To drive towards our targets, this government has made several key announcements with regards to our net zero ambitions, including publication of the Skidmore review and the Powering Up Britain blueprint for the future of energy. These plans give us a path for how the UK can meet its net zero target in the most economically efficient way, helping to ensure the transition is pro-growth and pro-business, boosting investment, jobs, and UK competitiveness.

Scotland will be at the heart of our plans to power up Britain, as we support its development of new home-grown technologies of the future. The UK Government has launched Track-2 of the Carbon Capture Utilisation and Storage (CCUS) cluster sequencing process, and the Acorn project in Aberdeenshire has been confirmed as one of the two projects best-placed to deliver this. The carbon capture sector is a priority for the UK Government and we are progressing at pace and investing up to £20 billion over the next 20 years to help decarbonise our industries.

The British Energy Security Strategy (April 2022) increased our ambition for offshore wind to an ambition of up to 50GW with up to 5GW to be from floating wind. There is significant appetite to develop offshore wind in the UK and Scotland, as evidenced by the high levels of interest in Crown Estate Scotland's ScotWind leasing round. Crown Estate Scotland's ScotWind leasing round resulted in 20 new projects totalling around 28 GW, around 18GW of which is floating wind. DESNZ is launching the Floating Offshore Wind Manufacturing Investment Scheme (FLOWMIS). The scheme will provide up to £160 million to kick start investment in port infrastructure projects needed to deliver our floating offshore wind ambitions. This will give investors the confidence to back this emerging sector, which will make a vital contribution to the UK's energy security and net zero.

Tidal stream is a home-grown industry of considerable promise, and the UK remains the world leader in tidal stream generation technologies, with almost half of the world's deployment of this cutting-edge approach situated in UK waters. The Government announced on 7 July 2022 that over 40MW of new tidal stream power has been secured in Scotland and Wales via the flagship Contracts for Difference scheme. This is a world-leading deployment, and the first time that tidal stream power has been procured at this scale.

Scotland Office Ministers have played a key role in engaging with the Green Technology sector across Scotland. A recent example of this was the Secretary of State for Scotland hosting a roundtable discussion at Queen Elizabeth House that was attended by a host of green energy organisations operating in Scotland. Their work has helped to influence relevant UK Government departments, including DLUHC and DESNZ, to ensure that Scotland's vast opportunities in renewable energy are at the forefront of UKG energy transition policy activity.

The North Sea Transition Deal is also vitally important as we continue to support our North Sea oil and gas industry while our lower carbon energy technology and capacity develops. The transition to non-fossil forms of energy cannot happen overnight as recognised by the independent Climate Change Committee. While we are working to drive down demand for fossil fuels, there will continue to be UK demand for oil and gas. The Deal will support the transition by harnessing the industry's existing capabilities, infrastructure and private investment potential to exploit new and emerging technologies such as hydrogen production, Carbon Capture Usage and Storage, offshore wind and decommissioning.

As part of the North Sea Transition Deal, Government, including the Scotland Office, is committed to the delivery of the Energy Transition Zone in Aberdeenshire, which will be the catalyst for supporting energy transition in the North East region, building on the strengths of oil and gas and securing delivery of an integrated energy cluster delivering net zero. DLUHC and DESNZ are currently working with ETZ Ltd to agree on a spending profile that meets the project's needs and delivers its ambitious proposals. Scotland Office has engaged with stakeholders throughout the process to ensure that funding is allocated appropriately to ETZ ltd to enable this programme.

The Scotland Office is conducting an investigation into Scotland's existing and potential contributions to the UKs energy security and net zero targets, with the aim to produce specific recommendations as to how Scotland's unique landscape can be best capitalised on to reach energy security. The findings of this investigation will be used to inform our cross government engagement and increase our influence both across Whitehall, with the Scottish Government, and externally.

A visit to the Port of Cromarty Firth by the Prime Minister, The Rt Hon. Rishi Sunak MP and the Secretary of State for Scotland, The Rt Hon. Alister Jack MP to announce Scotland's two Green Freeports in January 2023.

Well-Connected Communities

For its communities and businesses to thrive, it is essential that Scotland has the infrastructure that its people need to travel and to work effectively. The Scotland Office has worked with other UK Government departments to ensure that meaningful impact is made in Scotland. Including in the following areas:

Fair Isle Ferry

As part of the UK Government's flagship Levelling Up Fund, a new roll-on, roll-off ferry was announced for Fair Isle in the Shetland Islands. This £27 million investment is a lifeline for the island. It will support residents, visitors and supply chains, without its replacement the community will become further isolated.

Borders Railway

It was announced as part of the Borderlands Growth Deal which was signed on March 18 2021 that up to £10m of funding would be made available. This would be comprised of £5m from the UK Government (Department for Transport) and £5m from the Scottish Government, to develop a shared understanding of the benefits and challenges of options to extend the Edinburgh – Tweedbank Borders Railway to Carlisle. DfT and Transport Scotland have agreed an approach with Borderlands Partners who are now developing a fully costed plan for the feasibility work.

Cloddach Bridge

As part of the Spring Budget, the Chancellor announced up to £1.5m in match-funding (subject to a successful business case) to help restore Moray's Cloddach Bridge. Restoration of the bridge will help strengthen connectivity and transport links for rural committees situated across the Elgin and surrounding area.

Digital connectivity

The Scottish economy has gained hugely from the UK Government's ambitious investment in data connectivity, and over the coming years Scotland will continue to benefit as the UK Government rolls out its £5bn 'Project Gigabit' to ensure residential and commercial properties in all areas of the country can benefit from vastly increased broadband speeds.

The UK Government has invested a total of £49m into the Scottish Government's 'Reaching 100%' programme. In addition to this the Shared Rural Network (SRN) is a world-leading £1 billion UK Government deal that will see public and private investment in a network of new and existing phone masts. This will lead to increases in coverage across all four nations. The Scotland Office and its Ministerial team has conducted thorough engagement on the subject of rural connectivity, visiting suppliers responsible for and residents in receipt of these services in rural communities. This has helped ensure problems and opportunities have been identified and explored to inform bilateral cooperation with DCMS strategy in this policy area.

Union Connectivity Review

In 2021, the Prime Minister asked Sir Peter Hendy CBE to undertake an independent review into transport connectivity between Scotland, Wales, Northern Ireland, and England. The Scotland Office worked in partnership with the Department for Transport on this review, including developing the Terms of Reference, stakeholder engagement plans and identifying projects that could be within the remit of the review.

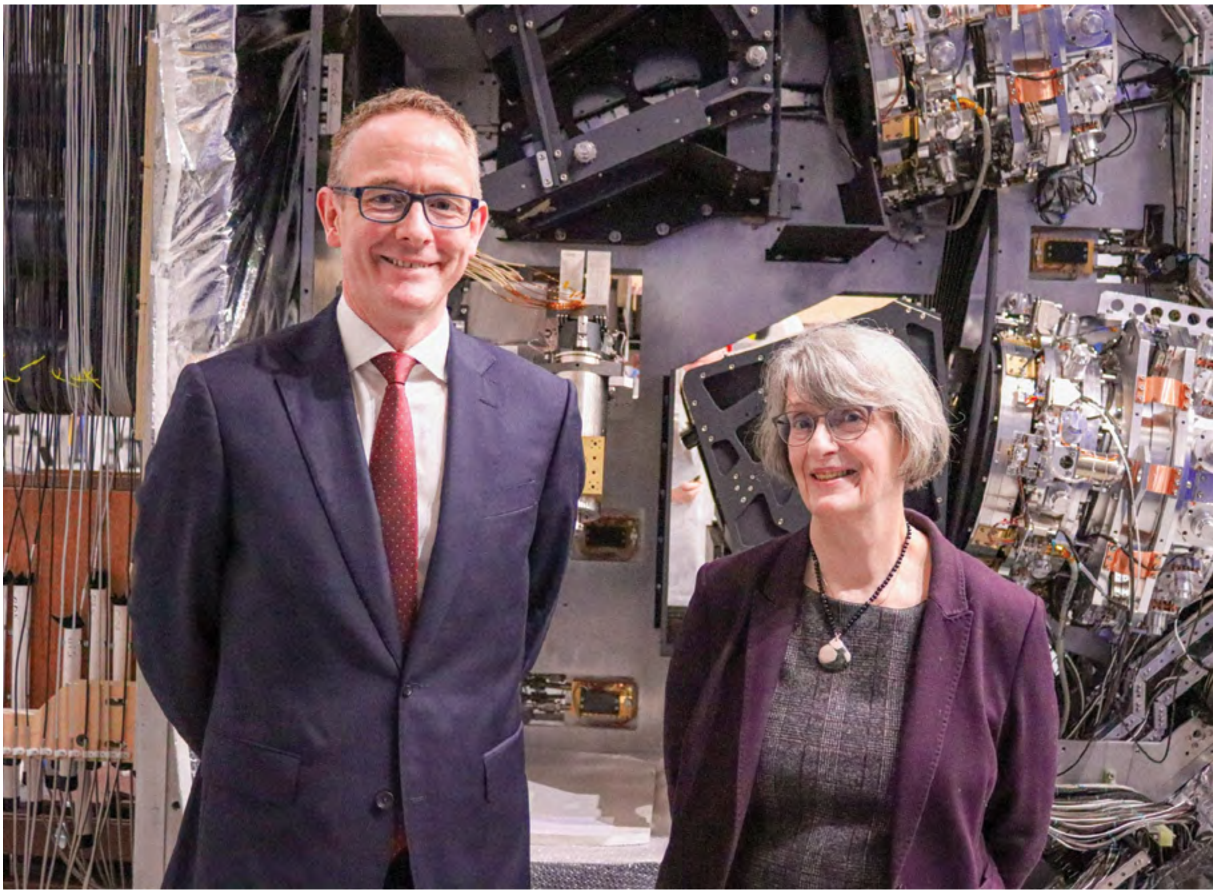
Scotland Office Ministers also wrote to all Local Authorities in Scotland to ensure their participation in the review, and also co-chaired with Baroness Vere, Parliamentary Secretary of State at the Department for Trade, a roundtable with relevant Scottish stakeholders. Now the Union Connectivity Review has concluded, Scotland Office officials will continue to work with DfT officials on the UK Government response to the review, due to be published in 2023.

Research and Innovation in Scotland

The UK is internationally recognised for our leadership in research, the excellence of our scientific institutions, and the innovation in our economy. In Scotland, we can proudly claim to have given the world amazing technological advances from the steam engine to the internet. Today, the UK is by far the top destination in Europe for venture capital, with Scotland a key hub for financial services, attracting inward investors to our talented and diverse workforce as well as our cutting-edge technologies and services.

The Scotland Office is working with other UK Government departments to maximise the impact of innovation spending in Scotland. This includes, but is not restricted to the following areas of interest: the Catapult Network, which has six sites in Scotland; Innovate UK/UKRI investments in Scotland; the Innovation Accelerator in the Glasgow City Region; the development of Spaceports across Scotland; the Quantum Computing Application Cluster in the Central Belt; and Artificial Intelligence.

Another priority for the UK Government is Life Sciences, and in November 2022 the Minister for Scotland, John Lamont, attended the opening of the Medicines Manufacturing Innovation Centre (MMIC) in Renfrewshire with the Minister for Industry and Investment Security.



PUSofS for Scotland, John Lamont MP at the UK Astronomy Technology Centre in Edinburgh, which has played a significant role in the development of the James Webb telescope.

The MMIC is a unique collaboration between CPI, itself a leading independent technology innovation centre and a founding member of the UK Government's High Value Manufacturing Catapult in Glasgow, with 24 partner organisations from the pharmaceuticals sector, government, business, and academia and brings together world-leading science and technology expertise under one roof to help accelerate state-of-the-art solutions to some of the biggest challenges in medicines development and manufacturing.

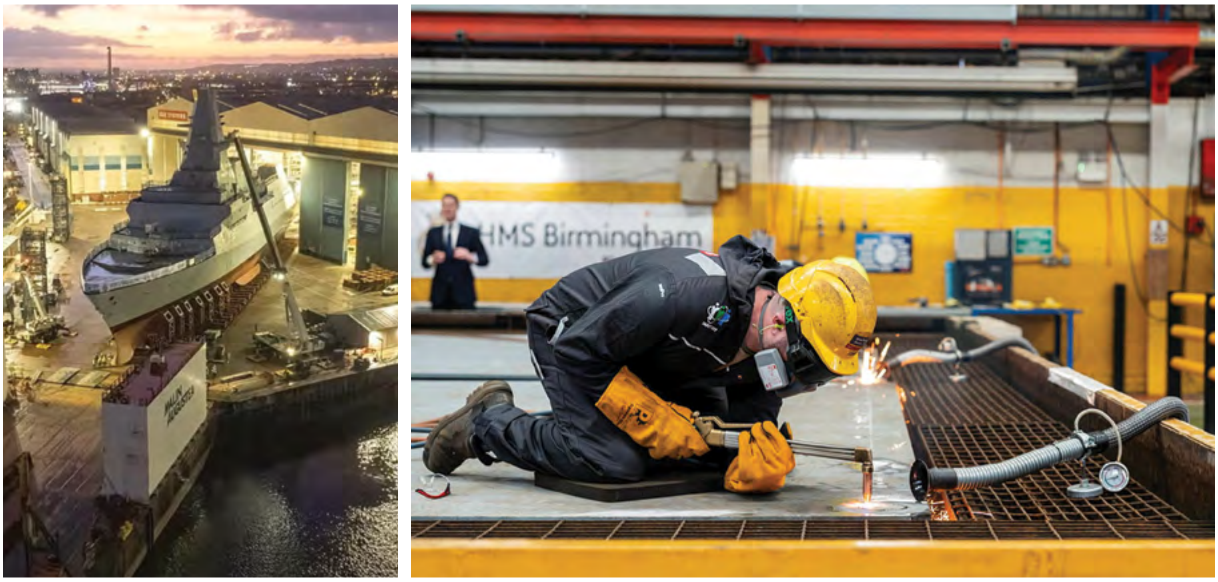
Scotland at the Core of a Prosperous United Kingdom

The Importance of the Defence Sector in Scotland

The latest available figures show that MOD spent £2.01 billion with Scottish industry in 2021/22, supporting around 12,700 jobs. This is equivalent to £370 per person in Scotland. For the whole UK, the figure was £20.5 billion, working out at an average of £310 per person. RAF Lossiemouth, His Majesty's Naval Base Clyde and other key sites are an integral part of what keeps the UK and our allies safe.

Shipbuilding in Scotland

Scotland plays a crucial role in defence shipbuilding with both Type 26 and Type 31 being built in Scotland. This is enabled by the strength of the local maritime infrastructure, skills, training and academic resources, which create expertise in both naval and civil shipbuilding and engineering. The Scotland Office works closely with the defence industry and the Armed Forces in Scotland. Ministers regularly visit key



Shipbuilding is a key sector in Scotland, with MoD activity supporting an estimated 7700 jobs.

sites to highlight the importance of defence to Scotland and to listen to concerns and new ideas. The Scotland Office has also supported the National Shipbuilding Office to establish a footprint in Edinburgh, which reflects the importance of shipbuilding in Scotland. This was announced in the National Shipbuilding Strategy Refresh, published in March 2022. Refresh to the National Shipbuilding Strategy - GOV.UK

Protecting the UK Internal Market

Trade between Scotland, Wales, England and Northern Ireland (Intra-UK trade) is vital to the Scottish, Welsh, English, and Northern Ireland economies. It is especially significant in Scotland and Wales; Scotland imports about three times as much final goods and services (by value) from other parts of the UK as it does from all international trading partners combined. The UK Internal Market Act continues to ensure that businesses across the UK can continue to trade seamlessly with each other.

Championing Scotland's International Reach & Global Trade

Scotland produces two of the UK's largest food and drink exports - Scotch whisky and salmon. It also makes more small satellites than any other country in Europe, and is home to the UK's second-largest finance services hub. The Scotland Office works closely with the Department for Business and Trade to ensure the opportunities being created through new Free Trade Agreements, such as those with Australia and New Zealand, which are due to come into force in 2023, and the support services provided to businesses in Scotland are understood, including UK Export Finance in Scotland; Opportunities for Exports; High Potential Opportunities; the Office for Investment; and the Global Entrepreneurs Programme.

Working with the FCDO and the Department of Business and Trade, Scotland Office Ministers have continued an ambitious programme of overseas visits to support Scottish exports and inward investment. Recent visits to France, Iceland, Spain and the USA have promoted industries such as renewable energy, defence, and food and drink. Further visits are planned for 2023/24 which will include Sweden, Poland, Ireland and Vietnam. The Vietnam visit in particular will focus on supporting trade opportunities through the CPTPP agreement in the Asia Pacific Region.

Promoting Scotland Internationally was a key theme throughout the year, supporting Scotland's interests abroad. Pictured: PUSofS John Lamont MP visits a Whisky shop in Madrid (left). Scotland Office Minister, John Lamont MP took part in the National Tartan Week parade in New York (right).

The Scotland Office, in partnership with the Foreign and Commonwealth Office and the then Department for International Trade, submitted evidence to the Scottish Affairs Committee to support its inquiry into Promoting Scotland Internationally. The report showcased the vast scale of the UK Government's international engagement that takes place with direct benefit to Scotland, with Scottish interests protected and promoted with regards to foreign policy, security, defence, international trade, investment, culture, education, and the arts - as well as vital consular assistance

The Scottish Government also has extensive powers which it can use to support a successful Scottish economy and work together with the UK Government for a more prosperous future.The Scotland Office encourages collaborative working as well as action by both of Scotland's Governments within their respective competences to the benefit of all citizens and businesses resident in Scotland.

Engaging with Our Most Remote Communities

In September 2022, the inaugural Islands Forum was held in Orkney. Established as part of the UK Government's Levelling Up White Paper, the forum aims to empower island communities to communicate directly with government, inform future policy, and collaborate on shared challenges and opportunities. Held at the Orkney Research and Innovation Campus in the town of Stromness, the forum was chaired by the Chancellor of the Duchy of Lancaster and Minister for Intergovernmental Relations at the time, Nadhim Zahawi, supported by Levelling Up Minister Dehenna Davison, Net Zero Minister Chris Skidmore and Scotland Office Minister Offord. All of the devolved governments were present, along with representatives from island communities across the UK. The focus of the forum was net zero - recognising islands are test beds for net zero innovations, but face significant barriers to transitioning. Representatives from Ofgem also hosted a fringe session focusing on the renewable energy sector's experiences of the regulatory environment.

Supporting Scotland's Seafood Industry

The Scottish Seafood Industry Action Group (SSIAG) is chaired by Scotland Office Minister John Lamont and includes bodies representing fishermen, processors and aquaculture, as well the Scottish Government. The purpose of the group is to act as

A visit to Scottish Sea Farms on Shetland by PUSofS for Scotland, John Lamont MP.

a forum for stakeholders to raise any cross-cutting ongoing and future challenges that emerge across the industry, flagging these for resolution with all parts of the UK Government, the Scottish Government and across the Scottish seafood industry.

In November 2022, Scotland Office officials worked with SSIAG members to gather evidence on how energy costs were affecting businesses and ensure this was taken into consideration in the design of future UK government energy support schemes. The evidence provided helped to ensure that the "processing and preserving of fish, crustaceans and molluscs" was included on the Energy and Trade Intensive Industries Scheme, and is a clear demonstration of what can be achieved when government and industry work together.

Further work is ongoing around access to labour issues within the industry, with a view to making a submission to the Migration Advisory Committee's call for evidence in its review of the Shortage Occupation List.

Priority Outcome 2: Strengthen and sustain the Union and Scotland's role within it

In addition to the important policy and engagement work detailed throughout this report to represent Scotland's interests within the UK, the Scotland Office also continues to work to strengthen and sustain the devolution settlement. This ensures the devolution settlement works smoothly for the benefit of people in Scotland. We work closely with the Scottish Government on this and other shared priorities.

Intergovernmental Relations

The Scotland Office continues to play a key role in leading, facilitating and supporting engagement between the UK Government and the Scottish Government, including through the new intergovernmental relations machinery set out in the Review of Intergovernmental Relations. The UK Government's quarterly and annual reports on intergovernmental relations set out the breadth of engagement between the UK Government and the devolved governments, including engagement led and supported by the Scotland Office. Intergovernmental engagement has covered a wide range of issues, such as the Islands Forum, the Scottish Seafood Industry, and City Region and Growth Deals. The Scotland Office looks forward to continuing to work constructively with the Scottish Government to deliver on the issues that really matter for people in Scotland, especially in light of the rise in the cost of living and the pressures households are facing.

Scotland Act Order Programme

Scotland Act Orders are pieces of secondary legislation made under the Scotland Act 1998. They are used to implement, update or adjust Scotland's devolution settlement. There are a whole range of powers in the Scotland Act 1998 which can range from the very significant to those which are technical amendments to UK reserved legislation in consequence of an Act of the Scottish Parliament.

The Scotland Act Order Programme is vital in maintaining the effective functioning of the devolution settlement. Scotland Act Orders are coordinated by the Scotland Office and overseen by Scotland Office Ministers in the UK Parliament. The Scotland Act Order Programme can only be delivered with the agreement of both the UK and Scottish Governments and so the programme is strongly reliant on close, clear and frequent communication.

Progress this year has continued. The UK Government has worked closely with the Scottish Government on the implementation of its replacement benefit, Adult Disability Payment, which was rolled-out nationally, across Scotland, on 29 August 2022.

Officials across the UK and Scottish Governments continue to work in collaboration to maintain and update the Scottish devolution settlement. Between 1 April 2022 and 31 March 2023, 2 Scotland Act Orders were laid in UK Parliament by the Scotland Office:

- The Transport (Scotland) Act 2019 (Consequential Provisions and Modifications) Order 2023

- The Scotland Act 2016 (Commencement No. 5) (Amendment) Regulations 2023 Scotland Act 2016

The Scotland Office remains committed to delivering the Smith Commission Agreement and implementing the Scotland Act 2016 in full. We continue to work closely with the Scottish Government and are making significant progress transferring the powers devolved to the Scottish Parliament. The Joint Ministerial Working Group for Welfare was established in February 2015 to provide a forum for discussion and decision-making to ensure the implementation of welfare and employment-related aspects of the Scotland Act 2016. Meetings are held biannually, with the latest meeting held on 25 January 2023. The Scotland Office has worked hard to support the devolution of welfare powers under the Scotland Act 2016, and to support collaborative working between the Scottish Government and DWP, in the interests of all citizens living in Scotland. The Scotland Office will publish the Seventh Annual Report on the implementation of the Scotland Act 2016, in May 2023, to provide an update on another year of progress in transferring powers devolved under the Scotland Act 2016 to the Scottish Parliament and Scottish Government:

Sixth Annual Report on the implementation of Scotland Act 2016 - GOV.UK

Maintaining and Upholding the Devolution Settlement

The success of devolution in delivering government closer to the citizen on issues such as health and education, while retaining the strength and solidarity of the United Kingdom, continues to underpin the Union. The Scotland Office facilitates and encourages that collaborative spirit through its work on the UK Government's legislative programme. We work closely with other UK Government departments to ensure that the devolution settlement is respected and that UK Government policies work for Scotland. The Scotland Office upholds the Sewel Convention and connects the UK and Scottish Governments in seeking Legislative Consent Motions (LCMs) from the Scottish Parliament. In the past year alone we have helped secure LCMs for 4 pieces of primary legislation intersecting with the devolution settlement for Scotland. In addition, LCMs have been secured for 2 Private Members' Bills over the past year.

Cases before the Courts

In this reporting year the Office worked with colleagues in the Office of the Advocate General in relation to the reference to the Supreme Court made by the Scottish Government's Lord Advocate: 'REFERENCE by the Lord Advocate of devolution issues under paragraph 34 of Schedule 6 to the Scotland Act 1998'. In this case the court agreed with the UK Government's position, that the Scottish Government's proposed Scottish Independence Referendum Bill did relate to reserved matters and was consequently outside the competence of the Scottish Parliament.

In this reporting period the department also supported the Secretary of State in his consideration of the Gender Recognition Reform (Scotland) Bill under section 35 of the Scotland Act 1998.

As a result of his consideration the Secretary of State made the decision to make an order preventing the Gender Recognition Reform (Scotland) Bill from proceeding to Royal Assent on the basis that he believed the bill would have adverse effects on the operation of the law as it related to reserved matters. This is the first time that power in the Scotland Act 1998 has been exercised [note in April 2023 the Scottish Government announced their intention to bring forward a legal challenge to the Order. The UK Government will defend our decision in light of the Judicial Review by the Scottish Government.

Priority Outcome 3: Increase the visibility of the UK Government's commitment to Scotland

The Places for Growth agenda has continued to move Civil Service roles outside of London and across the whole of the UK, to ensure that the UK Government can truly represent the whole of the UK in its decisions and policy making. The Scotland Office has worked with others to make sure that Scottish locations get their full share of these new roles and we are now starting to see the benefits of the increased collaboration as civil servants return to the office. The Cabinet Office announced a second headquarters in Glasgow, along with the joint headquarters for the Foreign Commonwealth and Development Office in East Kilbride introducing a further commitment of 500 extra roles to be placed there by 2025.

In addition, and as a visible and tangible sign of the UK Government's enduring commitment to Scotland and the Union, the flagship UK Government Hub in Scotland, Queen Elizabeth House in Edinburgh, which opened to staff on 1 September 2020, is now fully operational. The Offices are now better able to harness the benefits of greater collaboration and, as Scotland and the UK recover from COVID-19 and the economic crisis, a clearer focus on promoting growth, prosperity and employment across Scotland. Twelve UK Government departments are represented in Queen Elizabeth House, encouraging cross departmental collaboration and increasing the visibility of the work of the UK Government in Scotland.

The Head of Place role undertaken by the Scotland Office Director, is a key component of the Places for Growth agenda. The Head of Place role illustrates an opportunity to ensure our policy interventions and operational delivery across Scotland is as integrated as possible. This strand of work will look to build upon the increased presence and visibility of UK Government Civil Servants in Scotland and the particular policy hub opportunities that Queen Elizabeth House in Edinburgh and Atlantic Square in Glasgow, represents.

A reception hosted by the Scotland Office Director, Laurence Rockey at Queen Elizabeth House, Edinburgh, celebrating the role of EVOC and Scottish charities for their humanitarian support in Ukraine.

The Scotland Office, often working in partnership with others, promotes and highlights the role of the UK Government and the support it provides to businesses and people across Scotland. The Scotland Office Communications Team uses traditional media, social media activity and visits, events and direct engagement in this work. This year we fully embraced a return to face to face engagement, while continuing to take advantage of virtual technology when appropriate. Scotland Office Ministers met with people, businesses and organisations from across Scotland, making visits from Invergordon to Thornhill, Abderdeen to Ayrshire.

The Communications Division manages the website deliveringforscotland.gov.uk, which provides information about UK Government services and policies in Scotland, and runs the Twitter accounts @ukgovscotland and @ScotSecofState as well as Facebook/ Instagram and LinkedIn profiles. The digital channels host a wide range of public information from the Office as well as content from other government departments. These channels have a significant annual reach to audiences across Scotland and the wider UK. The Division also works closely with counterparts across Whitehall to deliver visits, campaigns, and press relations.

Part 2: Office of the Advocate General for Scotland

Delivery of Objectives in 2022-23

The Office of the Advocate General (OAG) set the following strategic objectives for 2022-23:

Objective 1. Providing Advice on Policy and Legislation.

- OAG will advise UK Government departments on the implications of their policies for Scotland and work with them to ensure UK legislation works for Scotland and the wider United Kingdom.

- OAG will review Scottish Parliament legislation in support of the Advocate General's statutory function under section 33 of the Scotland Act and engage with UK Government departments and the Scottish Government to ensure implications of Scottish legislation are understood and competence issues are addressed.

Objective 2. Protecting the UK Government's Interests in the Courts.

- OAG will continue to provide an excellent service in the conduct of litigation in the Scottish courts and tribunals and in the UK Supreme Court for departments such as the Home Office, Department for Work and Pensions and HM Revenue and Customs. We will support the Advocate General in discharging his statutory functions under the Scotland Act.

Objective 3. Strengthening and Sustaining the Union.

- OAG will work to support Scotland's continuing place within the UK, including working to support the delivery of a strengthened Scottish Parliament within the United Kingdom.

Objective 4. Helping to Ensure that Devolution Works.

- OAG will work to ensure that the UK Government operates effectively for Scotland in reserved areas and facilitate cooperation between Scotland's two Governments.

Objective 5. Supporting Ministers.

- OAG will work to ensure that UK Government Ministers achieve their objectives in Scotland, and in particular, support the Advocate General for Scotland and Scotland Office.

The activity which OAG undertook in 2022-23 to meet each of these objectives is summarised below.

Objective 1: Providing Advice on Policy and Legislation

As in previous years, a significant proportion of OAG's work in 2022-23 related to the provision of Scots legal advice on the full range of UK Government activities in Scotland. This involved work across a number of UK Government departments and the provision of legal support on a range of different topics, including through the provision of training on devolution and Scots law.

The UK Government's legislative programme was again the subject of significant advice and support from OAG. OAG instructed Parliamentary Counsel to OAG in the drafting of provisions for Scotland in Bills before the UK Parliament; drafted subordinate legislation on behalf of UK Departments; and provided legal advice to UK Government departments on Bills and subordinate legislation. Support for Scotland Office and other departments on issues of legislative consent remain a central part of our work.

In 2022-23, OAG was involved in instructing or advising on a wide range of UK Bills which have been consulted on in draft or introduced to Parliament, including:

- Product Security and Telecommunications Infrastructure Act 2022
- Energy Prices Act 2022
- Health and Social Care Levy (Repeal) Act 2022
- Social Security (Special Rules of End of Life) Act 2022
- Elections Act 2022
- Nationality and Borders Act 2022
- Judicial Review and Courts Act 2022
- British Sign Language Act 2022
- Health and Care Act 2022
- Building Safety Act 2022
- Marriage and Civil Partnership (Minimum Age) Act 2022
- Subsidy Control Act 2022
- Animal Welfare (Sentience) Act 2022
- Dissolution and Calling of Parliament Act 2022
- UK Infrastructure Bank Act 2023
- Trade (Australia and New Zealand) Act 2023
- Seafarers Wages Act 2023
- Social Security (Additional Payments) Act 2023
- Genetic Technology (Precision Breeding) Act 2023
- Economic Crime and Corporate Transparency Bill
- Data Protection and Digital Information (No. 2) Bill
- Electronic Trade Documents Bill
- Energy Bill
- Financial Services and Markets Bill
- Illegal Migration Bill
- Levelling Up and Regeneration Bill
- National Security Bill
- Northern Ireland Troubles (Legacy and Reconciliation) Bill
- Online Safety Bill
- Procurement Bill
- Retained EU Law Bill
- Strikes (Minimum Service Levels) Bill

Objective 2: Protecting the UK Government's Interests in the Courts

This year has seen a return to pre-pandemic practices with all substantive hearings in the Outer and Inner House of the Court of Session being heard in-person. Procedural hearings are still taking place on a hybrid basis, with all parties having the ability to seek an in-person hearing on cause shown.

The number of immigration litigations is also returning to pre-pandemic levels now that the Home Office have been able to reinstate removals from the United Kingdom. We are receiving new Petitions and/or Statutory Appeals on a weekly basis, and Court hearings are taking place regularly.

Other types of cases that have taken place this year include the Lord Advocate's Reference to the Supreme Court for a decision on the question of whether a Bill providing for a Second Independence Referendum would be within the legislative competence of the Scottish Parliament. The Advocate General successfully responded to the Reference, with the Supreme Court finding that the Bill would be outwith the legislative competence of the Scottish Parliament because it relates to reserved matters.

In the Petition for Judicial Review raised by Sunbeam Fishing Limited, the Advocate General represented the Secretary of State for the Environment Food and Rural Affairs. In that case, the Petitioner sought a declarator that the Secretary of State's determination in relation to the allocation of a fishing quota for sand eels for 2022 was unlawful. The Court found in favour of the Advocate General and refused the Petition. The following table shows all the OAG cases which were heard in the Court of Session and in The Supreme Court, along with the result in each case (successful in green and unsuccessful in red).

OAG Major Litigation Cases and Outcomes - 1 April 2022 to 31 March 2023

Case Name	Court	Date of Judgment	Outcome
Vermilion Holdings v HMRC	Supreme Court	awaited	Judgment awaited.
Ventgrove Ltd -v- Kuehne + Nagel Ltd	Inner House, CoS	awaited	N/A. HMRC were invited to intervene by court. Not party to case.
Mariwan Qadir Hassan	Court of Session Inner House	19 April 2022	SSHD successful
Fatuma Mirembe	Court of Session Outer House	6 May 2022	SSHD successful
Petition of Christina McHugh for Judicial Review of a decision by the First Tier Tribunal (Criminal Injuries Compensation) to refuse the Petitioner's appeal and for declarator	Court of Session Outer House (OH)	18 May 2022	Petition refused in favour of the Secretary of State for Justice

Case Name	Court	Date of Judgment	Outcome
Petition of Stuart Roger for Judicial Review of a decision by the First Tier Tribunal (Criminal Injuries Compensation) to refuse the Petitioner's appeal and for declarator	Court of Session OH	18 May 2022	Petition refused in favour of the Secretary of State for Justice
Hoang Huy Phan 2	Court of Session Outer House	15 July 2022	SSHD unsuccessful
Bong Nguyen	Court of Session Inner House	17 August 2022	SSHD successful
Greenpeace Limited v AGS (representing the Secretary of State for Business, Energy and Industrial Strategy) and the Oil and Gas Authority	UK Supreme Court	25 August 2022	Application for permission to appeal to the Supreme Court refused in favour of AGS and others
Ghulam Sughra	Court of Session Outer House	15 September 2022	SSHD unsuccessful
Hatem Johnson	Court of Session Outer House	27 September 2022	SSHD unsuccessful
Thuong Kham Nguyen	Court of Session Outer House	30 September 2022	SSHD successful
Khan Trung Tran 2	Court of Session Outer House	4 October 2022	SSHD unsuccessful
Isatou Ayee Koroma Ndow No.2	Court of Session Inner House	4 October 2022	SSHD successful
DCM (Optical Holdings) Ltd v Commissioners for HMRC	UK Supreme Court	12 October 2022	HMRC win
NHS Lothian v HMRC	Supreme Court	19 October 2022	HMRC win
A Reference by the Lord Advocate in relation to whether the question for a referendum on Scottish independence contained in the proposed bill relates to reserved matters	UK Supreme Court	23 November 2022	Supreme Court found against AGS on the preliminary issue and in favour of AGS on the substantive issue, that the provision in the proposed bill does relate to reserved matters, in favour of the AGS
Mohamed Fidaa Al Nouri and Mohamed Tawfiq Al Nouri 2	Court of Session Outer House	2 December 2022	SSHD unsuccessful

Case Name	Court	Date of Judgment	Outcome
Lucrecia Kaombo Mupahu	Court of Session Inner House	1 February 2023	SSHD successful
AC	Court of Session Outer House	2 February 2023	SSHD successful
Wayne Lindsey	Court of Session Outer House	9 February 2023	SSHD successful
Mohammed Camara	Court of Session Outer House	14 February 2023	SSHD successful
Petition of Sunbeam Fishing Limited for Judicial Review of a decision taken by the Secretary of State for Environment, Food and Rural Affairs	Court of Session OH	28 February 2023	Petition refused, in favour of AGS as representing the Secretary of State for Environment, Food and Rural Affairs
X v Y, The Lord Advocate and the AGS	Court of Session OH	2 March 2023	Case dismissed as against AGS at legal debate, in favour of AGS
Fatima Asghar and Zulfiqar Ali	Court of Session Inner House	14 March 2023	SSHD successful
David Moulsdale t/a Moulsdale Properties v HMRC	Supreme Court	22 March 2023	HMRC win
AK	Court of Session Outer House	31 March 2023	SSHD unsuccessful

This Office has also represented the UK Government in a statutory appeal in the Court of Session brought by Greenpeace challenging the decision of the UK Government and the Oil and Gas Authority to grant consent to exploit the Vorlich oil field in the North Sea. The Inner House of the Court of Session refused both the appeal and the application for permission to appeal to the Supreme Court, and the Supreme Court subsequently refused permission to appeal after Greenpeace applied directly to them. The appeal has therefore been brought to a successful conclusion on behalf of the Advocate General, with Greenpeace paying towards the expenses of the Advocate General's Office.

A breakdown of all of the cases in which the Advocate General has either appeared personally or been represented in since devolution can be found at:
Involvement in Cases - GOV.UK

The lifting of the suspension of winding up petitions and the return to some in-person hearings in courts and tribunals across the country has seen the work of the HMRC division with a more familiar pre-pandemic look. Cases in the Supreme Court have been a regular fixture in the last 12 months, with 4 cases being heard. 3 judgments have been issued in favour of His Majesty's Commissioners, with one awaited.

Much of the work of the division is done in tandem not just with HMRC colleagues across the country but also with other agencies, assisting them with important functions which benefit many. With our colleagues in HMRC we are involved in litigation involving offshore manning companies, large scale anti-avoidance schemes and IR35 cases, in which we collaborate in cases being litigated in different parts of the UK tribunal jurisdiction, ensuring a strategic and country wide joined up approach. Litigation advice has been provided across a range of courts and tribunals, often in complex and dynamic contexts; for example appeals against refusal to restore goods seized for non-payment of duty, against the backdrop of the Northern Ireland Protocol.

The division continues to work closely with colleagues in the Crown Office and the Civil Recovery Unit to assist with their investigations. The last 12 months have seen an upturn in the number of Account Freezing Order cases in which we have worked on behalf of HMRC with the Civil Recovery Unit to protect proceeds of crime funds from dissipation and then obtain a positive outcome for such funds being paid to HMRC for tax due and/or to the Scottish Consolidated Fund as appropriate.

We work closely with colleagues across the country to ensure a consistent approach to work to collect national minimum wage on behalf of underpaid workers in Scotland.

Objective 3: Strengthening and Sustaining the Union

OAG undertook a variety of work in 2022-23 to support Scotland's continuing place within the UK which included, but was not confined to, the work required to respond to the Lord Advocate's reference to the Supreme Court of a draft Bill for a second referendum on Scottish independence.

OAG provided legal support to the Scotland Office and other Whitehall departments relating to policies in support of Scotland's continuing place within the UK. Much of this advisory and legislation-related work is described in more detail under Objectives 1 and 4 in this Chapter.

Objective 4: Helping to Ensure that Devolution Works

OAG's legislative, advisory and litigation work was critical to meeting this objective in 2022-23. OAG's day to day work advising UK Government departments to help ensure their policies and legislation take proper account of Scots law and the devolution settlement helped ensure that all of the primary Westminster legislation mentioned above operates effectively within the UK constitutional framework.

Additionally, OAG played a leading role, in close conjunction with the Scotland Office, in continuing to advise on Orders needed under the Scotland Act 1998. This has included 5 Orders made under section 104 of the Scotland Act to make provision which is necessary or expedient in consequence of Acts of the Scottish Parliament (ASPs). For example, an Order was made in consequence of the Transport (Scotland) Act 2019 to support operation and enforcement of low emission zone schemes, and to confer enforcement powers on the Competition and Markets Authority in relation to bus services improvement partnership schemes and ticketing schemes.

Work on implementation of the Scotland Act 2016 also continued. In particular OAG continues to work with the Department of Work and Pensions and the Scottish Government to ensure that new devolved social security benefits interact appropriately with the reserved social security system and other passported benefits. In 2022-23, this included the roll-out of Adult Disability Payment.

Along with the Scotland Office, Wales Office and DLUHC Constitution Group, OAG continues to be part of the UK Governance Group (UKGG) established following the 2015 General Election. Whilst this has not changed Ministerial responsibilities, the creation of the UKGG has united at the centre of Government those Offices with responsibility for devolution and wider constitutional matters.

OAG has played a central role in the UKGG's efforts to build devolution capacity across Whitehall, leading training and building awareness and understanding of devolution at official level.

Objective 5: Supporting Ministers

The Advocate General works with the Attorney General and the Solicitor General for England and Wales to provide formal advice on the most difficult and sensitive legal questions facing Government. OAG supports the Advocate General in performing that role. It is a long-standing convention followed by successive governments that UK HMG does not disclose whether the Law Officers have given advice on any particular matter, or the content of such advice. Accordingly, no details of this significant aspect of OAG's work can be disclosed in this report.

OAG also assisted the Advocate General in relation to Parliamentary and Cabinet Committee business. In 2022-23, the Advocate General was a member of the Parliamentary Business and Legislation Committee which manages the UK Government's legislative programme.

Under section 33 of the Scotland Act 1998, the Advocate General may refer to the Supreme Court the question of whether a Bill of the Scottish Parliament, or any provision of such a Bill, is outside the legislative competence of the Scottish Parliament.

OAG advised and supported the Advocate General in relation to this statutory function, which is one of the fundamental checks and balances of devolution. OAG assessed and provided advice on the legislative competence of the 10 Bills of the Scottish Parliament that completed their passage in the course of 2022-23.

Under section 35 of the Scotland Act 1998, the Secretary of State has powers to prevent a Scottish Parliament Bill proceeding to Royal Assent on policy grounds based on an assessment of its impact on reserved matters. OAG worked closely with the Government Equalities Office to ensure the Secretary of State's officials had the information required for him to make a decision in relation to the Gender Recognition Reform (Scotland) Bill. An Order preventing the Bill from proceeding to Royal Assent was drafted by OAG (in conjunction with GEO) to implement the Secretary of State's decision. Although this power of the Secretary of State has been part of the devolution settlement since its inception in 1999, this was the first time such an Order has been made.

Throughout 2022-23, the Advocate General has provided support on numerous pieces of Government legislation in the House of Lords. Amongst other Bills, these have included: the Nationality and Borders Bill, the Levelling Up and Regeneration Bill, and the Online Safety Bill.

Part 3: Sustainable Development

This sustainable development report has been prepared in accordance with 2022–23 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at:

https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-repor ting-guidance-2022-to-2023

The Scotland Office is committed to minimising the impact we have on our environment and supporting the wider UK Government's Net-Zero commitment. Our approach encourages sustainable decision-making and establishes greener ways of working; increases inclusive staff engagement and communication of our ambitions; supports our building owners to meet Government targets and ensures people are making good choices; reduces waste, promotes recycling and sustainable repurposing of equipment, and greener procurement. Our ambition is to lead the way in sustainability within the UK Government, working with, and challenging, our colleagues and other departments.

Greening Government Commitments

The Greening Government Commitments (GGCs) launched on 1 April 2011 require UK Government departments to take action to significantly reduce environmental impact. These commitments can be found at:

Greening Government Commitments 2021 to 2025 - GOV.UK

The Scotland Office has worked closely with DEFRA to identify the areas of the Government Greening Commitments that we can capture from the new baseline year of 2017 to 2018, and to report future performance against. They are set out in this table:

	2017-18	2022-23
Air Travel (CO2e tonnes)	326.51	117.51
Air Miles	511,846	294,938
Rail Travel (CO2e tonnes)	62.94	24.05
Rail Miles	854,276	421,058
Heating* (CO2e tonnes)	Not available	21.76
Electricity* (CO2e tonnes)	Not available	13.16
Waste* (CO2e tonnes)	Not available	44.26
Total CO2e Emissions (Tonnes)	389.45	220.74
Water Consumption* (Cubic Metres)	Not available	94.54
Paper (Reams)	838	50

* Information only available for Dover House, London. HMRC reports for Queen Elizabeth House, Edinburgh.

The Scotland Office and Office of the Advocate General for Scotland (OAG) are based in the modern UK Government Headquarters, Queen Elizabeth House, in Edinburgh that embraces the very latest in sustainable features and practices. The Scotland Office and OAG London Headquarters are based at Dover House, part of the Whitehall Campus, where an extensive 'Net-Zero Programme' is in place to upgrade buildings to meet environmental standards.

The Offices do not own and are not the sole occupants of either of their Headquarters in London or Edinburgh. Both buildings are shared with other UK Government departments. It is not possible to identify the individual responsibility of each organisation to the overall sustainability of each building. Shared occupations are not accounted for, due to the difficulties of extrapolating reliable sustainability data from service charges. The Scotland Office and OAG do not report on environmental protection and social responsibility as the work and remit of the Offices does not cover this area of policy.

The Scotland Office also continues to work with the UK Government's 'Places for Growth' initiative to relocate other UK Government Departments from existing sub-optimal estate to Government Hubs.

Carbon Reduction Commitment

The Scotland Office and OAG have put in place a number of measures necessary to adapt to future climate change. Where the Scotland Office draws on services supplied by the Government Property Agency under contract to them, the Office's contribution to UK Government commitments on environmental impact and sustainability are met within those wider frameworks.

The Offices are committed to reducing their environmental impact by:

- Encouraging the use of video conferencing and dial-in facilities rather than travelling to meetings
- Using recycled paper and other stationery;
- Using public transport rather than cars when travelling to meetings; and
- Ensuring that our printers and photocopiers are all energy efficient models which reduce paper wastage.

Part 4: Financial Review for the Scotland Office and the Office of the Advocate General

In 2022-23 the Scotland Office spent £42.4 billion within Parliamentary Supply Estimates (Supplementary Estimate). The Scotland Office's own running cost outturn was £12.7 million and the payment to the Scottish Consolidated Fund totalled £42.4 billion.

Financial Performance

Parliament votes funds to departments on two occasions during the year by means of a Main Estimate at the start of the year and a single Supplementary Estimate in February.

The Scottish Government also borrowed a further £347 million from the National Loan Fund in 2022-23.

Movements in Estimate Provision During 2022-23

At the start of the year the department was voted £39.8bn in its Main Estimate. By the final Single Supplementary Estimate, this had increased by £3.052 billion due to an increase in the payment to the Scottish Consolidated Fund.

Explanation of Variances between Estimate and Net Resource Outturn

Department - Resource (Administration Costs)

Resource Spending in Departmental Expenditure Limits (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Scotland Office and Office of the Advocate General	12,402	12,922	520	4%

The underspend of £520k against the Supply Estimate is mainly attributable to unavoidable delays in recruiting new staff throughout the year and unused contingency funds.

Boundary Commission for Scotland - Resource (Programme Costs)

Resource Spending in Departmental Expenditure Limits (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Boundary Commission for Scotland	284	412	128	31%

The Boundary Commission for Scotland's underspend is made up of lower than expected staff costs and commissioners' fees, as well as lower administrative costs, travel and subsistence and review costs.

Grant payable to the Scottish Consolidated Fund and Scottish Rate of Income Tax (Non-Budget Costs)

Resource Spending in Departmental Expenditure Limit (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Grant payable to the Scottish Consolidated Fund	28,532,513	29,085,035	552,522	2%
Scottish Rate of Income Tax	13,819,685	13,819,685	-	0%

Grant payable to the Scottish Consolidated Fund

The sum of £552.5 million as described as an underspend in the grant payable to the Scottish Consolidated Fund indicates the amount of actual cash that the Scottish Government did not draw down in 2022-23. It is the responsibility of the Scotland Office to transfer funding from the Consolidated Fund to the Scottish Consolidated Fund monthly ensuring that the Scottish Government does not draw down funding in advance of need.

The Scotland Office paid across all amounts to the Scottish Consolidated Fund as requested by the Scottish Government. Information on the Scottish Government's actual expenditure in resource terms can be found in the Scottish Government's consolidated accounts and the accounts of its arm length bodies. The Scotland Office is responsible for ensuring that funds are transferred appropriately and that transfers are recorded correctly in our accounts. It is for the Scottish Parliament to determine how the funds are spent and for the Scottish Government to account for the expenditure.

Scottish Rate of Income Tax

The Scottish Rate of Income Tax (SRIT), identification of Scottish taxpayers and administering the tax are all matters for the UK Government and His Majesty's Revenue and Customs (HMRC). Receipts from SRIT are collected by HMRC and paid to the Scottish Government, equal to the block grant reduction. Receipts from SRIT will be added to the Scottish block grant.

Scotland Office and the Office of the Advocate General – Capital

Capital Spending in Departmental Expenditure Limit (CDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Scotland Office and Office of the Advocate General	35	45	10	22%

The outturn of capital expenditure incurred was at a lower level than initially expected resulting in a small underspend against the modest budget.

Summary of Key Terms in Government Budgeting

Departmental Resource budget covers the costs of the consumption of resources e.g. pay costs.

Capital budgets cover expenditure on new fixed assets e.g. Plant and machinery and equipment.

Departmental Resource and Capital budgets are divided into:-

Departmental Expenditure Limit (DEL) budgets are for expenditure which is within the department's control. Limits are set in the Spending Review and Departments may not exceed the limits set.

Annually Managed Expenditure (AME) budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

The total Departmental Resource budget is the total of the resource DEL and resource AME budget. The total of the Departmental Capital budget is the total of the Capital DEL and AME budget.

Within the Resource budget there are separate administration controls set in the Spending Review:-.

Administration Budgets cover the costs of all central government administrations e.g. staff salaries and travel and subsistence costs.

Programme Budgets cover the costs of support activities that are directly associated with front line activities.

The Scotland Office and Office of the Advocate General does not have any AME budget. More information on the budgeting framework can be found at https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2022-to-2023

Statement of Financial Position

The net liabilities at 31st March 2023 are £2.466m (2021-22 £1.614m). The significant balances on the Statement of Financial Position are:

- Property, plant and equipment £0.359m. (This principally compromises of IT, equipment, furniture and fittings);
- Right of Use Assets of £5.6m. The Department adopted IFRS 16 “Leases” from the 1st April 2022. Under IFRS 16, the majority of leases, treated as operating leases until 31st March 2022, have now been recognised on the balance sheet as right of use assets and lease liabilities. As a result, we recognised £6.1m on the 1st April 2022. The asset has been depreciated leaving a net book value of £5.6 at the 31st March 2023. The lease contracts comprise leased buildings.
- Financial assets and liabilities are £2,192m (2021-22 £2,126m) The financial assets and liabilities are loans issued from the National Loans Fund (NLF) to the Scottish Government.

In 2022-23, two new loans totalling £347m were issued to the Scottish Government from the NLF under the Scotland Act*. The NLF interest and capital payments are balanced by corresponding amounts in receivables and payables.

* Under Chapter 4 of the Scotland Act 2012 (c11) and Scotland Act 2016 (c11) Part 2 s20 (8) the Scottish Government can borrow up to £3 billion for capital expenditure.

Reconciliation of Resource Expenditure between Estimate, Accounts and Budgets

	2022-23 £000	2021-22 £000
Net Resource Outturn (Estimates)	42,364,884	43,132,370
Adjustments to remove non budget items	(42,352,198)	(43,120,822)
Total Resource Budget Outturn	£12,686	11,548
Of which		
Departmental Expenditure Limit (DEL)	12,686	11,548
Adjustments include		
Non Budget items*	42,352,198	43,120,822
Net Operating Costs (Accounts)	42,364,884	43,132,370

*Non Budget items are the Grant Payable to the Scottish Consolidated Fund and Payover of Scottish Rates of Income Tax to the Consolidated Fund. See Statement of Outturn against Parliamentary Supply SOPS1

Lyn McDonald
Director, The Scotland Office, (Temp.)
Accounting Officer, The Scotland Office and the Office of the Advocate General for Scotland

7 July 2023

Chapter 2: The Accountability Report

Director’s Report

Scotland Office and Office of the Advocate General, Ministers and Directors

The Ministers and officials of the Scotland Office and Office of the Advocate General (OAG) who were members of the Joint Management Board at various times during 2022-23 are shown below:

Membership and Business of the Joint Management Board 2022-23

Ministerial
Chair – SofS Scotland, **Rt Hon. Alister Jack MP**
Lord Offord – PUSofS for Scotland
Iain Stewart MP - PUSofS for Scotland (2 June 2020 - 8 September 2022)
John Lamont MP - PUSofS for Scotland (from 27 October 2022)
Lord Stewart - Advocate General for Scotland

Non-Executive Director
Tom Harris - Lead NED
Ross Finnie - NED and Chair of ARAC (until August 2022)
Stuart Patrick - NED and Chair of ARAC (from March 2023)
Martin Dorchester - NED

Senior Officials
Laurence Rockey - Director, SO (period of Shared Paternity Leave from March to August 2023)
Lyn McDonald - Director, SO (Temp. from March to August 2023)
Neil Taylor, Director, OAG

The Scotland Office and OAG Directors were supported by the Scotland Office Deputy Director for Policy and the Deputy Directors for Corporate Services, Governance and Finance and the OAG Head of Litigation, who attends all meetings of the Joint Management Board. Other Deputy Directors and officials attend meetings of the Board, as appropriate, in line with the agenda and the business tabled for discussion at that meeting of the Board.

Further information about the Non-Executive Directors is given later in this chapter.

Our Corporate Performance

Underpinning the Offices' core objectives is a commitment to continue to run the Office effectively, efficiently and economically, delivering on a number of key internal performance targets.

Performance Targets

In 2022-23, the three main indicators, adopted by the department, aimed at ensuring the provision of high quality and efficient services in dealings with the public, were as follows:

Target	Indicator	Performance in 2022-23
We will respond to ministerial correspondence within 20 working days of receipt or we will send an interim reply explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 20 working days.	The Scotland Office received 1126 pieces of correspondence and replied to 1048 pieces (93%) within the target time in 2022-23. In comparison to 1350 pieces of correspondence and replied to 1209 (89.5%) within the target time in 2021-22. OAG did not receive any pieces of correspondence in 2022-23 and there were no pieces of correspondence received by OAG in 2021-22.
We will reply to all Freedom of Information (FOI) requests within 20 working days of receipt or, if an extension is permitted under the FOI Act, and it is necessary to use it, we will reply within 20 working days explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 20 working days.	The Scotland Office received 175 FoI requests 173* (99%) of which were replied to within the 20day target, either substantively or explaining the reason for an extension in 2022-23. This is in comparison to the Office receiving 107 FoI requests in 2021-22 - all of which were replied to within the 20day target (100%), either substantively or explaining the reason for an extension. OAG received 45 FoI requests in 2022-23 – 43 were replied to within the 20-day target (95.6%), either substantively or explaining the reason for an extension. This is in comparison to OAG receiving 25 FOI requests in 2021-22 and replied to 23 within 20 working days (92%).
We will ensure that accounts are paid promptly. We will pay 80% of accounts within five days of receipt of a valid invoice.	Percentage of payments made within target time.	The Scotland Office paid 99.1% of invoices within five days in 2022-23. OAG paid 99.3% of invoices within five days in 2022-23. This is in comparison to the Scotland Office paying 98.8% of invoices within five days and OAG paying 99.3% of invoices within five days in 2021-22.

* An extension of 20 days to the deadline was made for two FoI responses and both were responded to on time within the new deadline.

The Scotland Office also responded to two separate email campaigns not included in the statistics above. One campaign generated 12,213 identical emails and the Scotland Office responded to the campaign organiser by letter. The second campaign generated 46 emails containing the names of 4,600 petition signatories and the Scotland Office responded to the campaign organiser by letter.

Parliamentary Questions

The following table shows the total number of ordinary written Parliamentary Questions received by both Offices and the percentage answered within five sitting days in the Commons, and ten sitting days in the Lords; and the total number of named day Parliamentary Questions received and the percentage answered on that named day. In total, 95 out of 95 (100%) of written Parliamentary Questions tabled to the department were answered on time in 2022-23.

This is in comparison to, in total, 82 out of 82 (100%) of written Parliamentary Questions tabled to the department were answered on time in 2021-22.

Ministers have also answered oral questions on many occasions in both Houses.The Scotland Office responded to Oral Questions in the House of Commons on 7 occasions during the reporting year 2022-23, on:

- 18 May 2022
- 29 June 2022
- 12 October 2022
- 16 November 2022
- 11 January 2023
- 22 February 2023
- 29 March 2023

	1 April 2022 to 31 March 2023		
	Total Received	No. within Target	% within Target
Commons Ordinary Written PQs	66	66	100%
Commons Named Day PQs	29	29	100%
Lords Ordinary Written PQs	0	0	100%
Total	95	95	100%

Freedom of Information Act 2000

Under the Act, public authorities are required to respond to written requests for information within 20 working days. Information released and considered to be in the wider public interest is placed on both Offices' websites. Information on the former Scottish Office files relating to reserved functions is held by the Scottish Government on behalf of the UK Government and subject to the UK Act in certain circumstances. Information supplied by the UK Government to the Scottish Government in confidence and recorded on Scottish Government files is also subject to the Freedom of Information Act 2000 (not the Freedom of Information (Scotland) Act 2002). The Scotland Office has an agreement with the Scottish Government on the handling of requests for such information.

Information Management Assurance

Reliable and accurate information is crucial to proper decision making in the Scotland Office and OAG, but if it is not properly safeguarded it represents a risk to both government and individual members of the public. Information assurance provides a set of procedures which facilitates the management of risks to the availability, integrity and confidentiality of information. Both Offices comply with government standards on information assurance and assess risk in this area on a regular basis.

Assurance is provided by a report presented to both the Offices' SLT monthly meetings and periodic reports to the Offices' Audit and Risk Assurance Committee and periodic reviews by the Government Internal Audit Agency.

In general, the risk carried by the Offices in this area is very low since neither the Office handles significant quantities of personal or security information. Specific requirements are placed on OAG when handling personal tax information in the course of litigation for HMRC, and which is handled in accordance with data protection and UKGDPR.

The Offices have followed best practice and comply with central government data protection requirements and data protection legislation. The Offices fully comply with the General Data Protection Regulations (UKGDPR). This work continues to be supported by the Offices' Information Managers Working Group (IMs), represented by staff from across the department in data processing-related roles. This year we have focused on improving and enhancing the resilience and retaining corporate knowledge in the IM Working Group.

The IMs continue to support the Offices on the implementation and relevance of the Offices' Records Management Policy and processes, ensuring these reflect best practice and manage effectively the information the department holds and for which it has responsibility.

The Information Managers Working Group continues to embed and implement the set of standards on the use of information on Google IT platform. Following onboarding six new Information Managers in May, the working group will complete internal team audits against this set of standards for the summer recess 2023. Any recommendations resulting from these team audits will form part of a management action plan and the work plan for the IM Working Group going forward.

In order to ensure that the Offices continue to fully comply with all central government guidance and requirements concerning working remotely, the Offices are linked into central UK Government networks, such as the Data Protection Officers Network meetings.

The DPO Network meetings agree to any updates to policy on information management during this time, such as secure online communication methods, and issue communications for all Government departments on risks to information security that are emerging in order to allow for a collective response and consistent treatment.

During the 2022-23 reporting year, there have been no reported data protection breaches under the Offices' Data Protection Policy and the General Data Protection Policy [GDPR] that have been referred to the Information Commissioner's Office.

During the 2021-22 reporting year, there was one reported data protection breach under the Offices' Data Protection Policy. This case was been reported to the Information Commissioner's Office (ICO) and disclosed in the 2021-22 Scotland Office and OAG Annual Report. At the time, the Offices took all appropriate measures and mitigating actions under the Offices' Data Protection Policy and the General Data Protection Regulations (GDPR) in relation to this data protection breach. To prevent similar data protection breach occurrences happening again the Offices took forward the following actions:

- Highlighting the importance of double checking information within the Offices' data protection training for staff. This will aid in imbedding data protection awareness in daily tasks;
- Any new measures that are implemented across the Offices to be communicated consistently with all staff and reflected in any on-going training;
- Data Protection Training: The Offices have made this a mandatory requirement for all staff to complete annual data protection training and for this to be captured on a central log to monitor compliance and evidence this compliance;
- Formalise reporting of Information Management issues at senior level across the Offices by incorporating an OAG update at the monthly Scotland Office Corporate SLT meetings.
- The DPO continued to monitor this incident to ensure, if necessary, that any additional appropriate action is taken if further information comes to light which impacts the data subjects. This was not required.

Anti-Fraud and Whistleblowing

The Offices have robust arrangements in place for the prevention and detection of fraud and are committed to the highest possible standards of openness, honesty, and accountability. Our arrangements follow the principles outlined in Managing Public Money and the Civil Service Employee Model Whistleblowing Policy.

The Offices' Whistleblowing Policy and processes underwent their annual review at the Audit and Risk Assurance Committee meeting on the 28 March 2023.

There were no whistleblowing instances recorded either in the Scotland Office or OAG in 2022-23.

Health and Safety

The Offices recognise their obligations under Health and Safety at Work legislation for ensuring, so far as is reasonably practicable, the development of an effective health and safety regime.

There were no adverse health and safety issues reported during 2022-23.

Scottish Government Funding

Responsibility for fiscal and macroeconomic policy across the United Kingdom is reserved, with the Scottish Government's block grant determined within the UK Government's framework of public expenditure control. The financial relationship is set out in the Statement of Funding Policy.

Changes to the Scottish Government's block grant are determined by means of a population based formula, the Barnett formula. All spending by the Scottish Government is charged to the Scottish Consolidated Fund.

The UK Parliament votes the necessary cash provision to the Secretary of State for Scotland, who, in turn, makes payments into the Scottish Consolidated Fund as set out in the Scotland Act 1998. Details of the cash grant paid in 2022-23 (together with data for 2021-22 and 2020-21) can be found in Chapter 4 of this report. Alongside this grant, the Scottish Government's funding in 2022-23 also includes business rates revenues.

The Scottish Government makes its own spending decisions on devolved programmes within its overall budget totals, subject to approval by the Scottish Parliament.

The total cash paid in 2022-23 was **£42,352,198,000**.

Efficient Use of Resources

The bulk of the costs of the Scotland Office and OAG relate to staffing and associated expenditure linked to advisory and support functions for Ministers and other UK Government departments. Programme expenditure, excluding the block grant, is small and relates to the Boundary Commission for Scotland.

We are committed to achieving efficiency and effectiveness in all areas of our activities. Throughout 2022-23 the Offices have sought ways of making more efficient use of resources and reducing costs.

Shared Services with Other Government Bodies

The department receives some corporate services from other larger government bodies. These services are provided to the department by the Ministry of Justice, Cabinet Office and the Scottish Government in areas such as payroll and human resources, IT provision and facilities management. The Boundary Commission for Scotland receives almost all its corporate services from the Scottish Government. The department is in regular contact with the officials in the Ministry of Justice and the Scottish Government responsible for service provision, to ensure that specific needs are understood and quality of service is maintained. The Ministry of Justice's services are regulated by a portfolio of service level agreements with the Territorial Offices. The department reimburses the Scottish Government and Cabinet Office for the cost of the services they supply.

For the procurement of goods and services the department generally uses framework contracts negotiated by the Crown Commercial Service, the Ministry of Justice, Cabinet Office and the Scottish Government. Wherever appropriate the department works with the Northern Ireland Office and the Office of the Secretary of State for Wales to share expertise and provide cover for one another. Most significantly the

Scotland Office and Office of the Secretary of State for Wales have created a shared service function and joined the working of their financial support functions. The Northern Ireland Office; Scotland Office and OAG; and Office of the Secretary of State for Wales use a shared Parliamentary Clerk service which enables them to have a greater resilience in this essential function and to draw upon expertise they could not otherwise build up.

Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Scotland Office and the Office of the Advocate General (OAG) to prepare, for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. *The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scotland Office and OAG and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.*

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular:

- To observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- To make judgements and estimates on a reasonable basis;
- To state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- To prepare the accounts on a going concern basis.

HM Treasury has appointed the Director of the Scotland Office as Accounting Officer of the Scotland Office and OAG. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Scotland Office and OAG, are set out in Managing Public Money published by the HM Treasury.

The Scotland Office and OAG Accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with generic Accounts Directions issued to departments by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2021-22: £nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the department's auditors are unaware, and that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that the department's auditors are aware of that information.

I hereby confirm that the annual report and accounts as a whole are fair, balanced and understandable, and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Lyn McDonald
Director, The Scotland Office, (Temp.)
Accounting Officer, The Scotland Office and the
Office of the Advocate General for Scotland

7 July 2023

Governance Statement (including commentary on compliance with the Government’s Corporate Governance Code and Annual Report of the Audit and Risk Assurance Committee)

Introduction

This Governance Statement covers the whole of the period from 1 April 2022 up until the approval of the Financial Statements. I sought assurance from Ministers, the Audit and Risk Assurance Committee, Internal Audit and senior staff in both the Scotland Office and the Office of the Advocate General for Scotland (OAG), and I am confident that I can in turn provide assurance to Parliament and others that robust systems of governance which meet best practice have been in place in the Offices and assurance on the stewardship of public resources for the whole of the year 2022-23.

Corporate Governance Structures and Statement of Compliance with the Corporate Governance Code for Central Government Departments

The departmental board model is a key element of the fabric of corporate governance for both the Scotland Office and OAG. The Joint Management Board (“JMB” or “The Board”) supports the department and Ministers in achieving their aims by encouraging effective planning, managing performance regularly and raising delivery capability. The Board also helps to foster a culture of openness and good governance by providing a clear oversight structure.

The JMB complies with the Corporate Governance Code for Central Government Departments and the Offices’ governance frameworks support the delivery of those objectives. The only departure from the Corporate Governance Code is that, unlike other central Government departments, the governance framework does not include a Nominations Committee. The responsibilities of which would include: ensuring that there are satisfactory systems for identifying and developing leadership and high potential; scrutinising the incentive structure; and succession planning for the Board and the senior leadership of the department. These responsibilities are delegated to the JMB, the Scotland Office and OAG Senior Leadership Teams, the Offices’ Accounting Officer and the Lead Non-Executive Director (NED).

The Audit and Risk Assurance Committee (ARAC) have considered the Accounting Officer’s Corporate Governance Statement. The ARAC was satisfied that this drew appropriately on the various sources of assurance available to the Accounting Officer, that it described accurately the processes of corporate governance within the Offices and that it properly addressed the relevant issues.

The management of the Scotland Office and OAG is overseen by the JMB, chaired by the Secretary of State for Scotland. The JMB follows the enhanced departmental board model with membership deriving from both the Scotland Office and OAG at Ministerial and official level and Non-Executive Directors. Details of the membership and the JMB’s sub-committees, including the Audit and Risk Assurance Committee and the OAG sub-committee, can be found later on in this chapter. In line with central Government guidance, the Board is at the apex of the Offices’ corporate governance.

The Board has chosen for its sub-committees to carry out some of its activities. There are four sub-committees that support the work of the Board in this way: the Senior Leadership Teams for the Scotland Office and OAG; the Scotland Office and OAG Audit and Risk Assurance Committee and the OAG JMB sub-committee. The ARAC reviews the comprehensiveness of assurances and integrity of financial statements, and ensures that governance arrangements are sufficiently scrutinised.

The Board has had a change in its composition in the 2022-23 reporting year. Iain Stewart MP left government on 8 September 2022 and John Lamont MP was appointed as Parliamentary Under Secretary of State for Scotland on 27 October 2022.

The visibility of the Non-Executive Board Members has continued to increase across the UK Government, and will continue to do so. The Scotland Office and OAG Lead NED continued as a member of the UK Government Lead Non-Executive Network. The network will continue to meet on a monthly basis to discuss how to deliver the Government's cross-cutting priorities. The Non-Executive Directors attend periodic conferences which bring together NEDs from across the UK Government to discuss how they can provide independent, expert advice, and challenge to support Ministers in delivering their departmental objectives. The Director of OAG, the Senior Leadership Team members and the Scotland Office Director have frequent engagement with the Non-Executive Board Members both as a group and on a one-to-one basis.

The Non-Executive Board Members and the Lead Non-Executive Board Member in particular have also had frequent engagement with their peers from Boards of other UK Government Departments, providing me with additional reassurance of the governance arrangements and oversight of the Offices.

The Lead NED provides a report to each meeting of the Board detailing the work and activity of the NED team since the last meeting of the Board.

This is accompanied by written reports to the Board on: finance; risk management: a strategic risk summary dashboard which highlights all risks to delivery of the Scotland Office Priority Outcomes, and their scoring that appear on the Risk Register; performance management; and corporate projects.

The minutes of the ARAC are also presented to the Board at its meeting with a summary of matters discussed at the last meeting of the Committee. This supports and validates the risk management and finance reports submitted to the Board separately and provides the external and independent assessment of the issues by the ARAC, raised in the officials' reports. This is an additional level of assurance provided by ARAC, to the information and data received by the Board. The Directors of both the Scotland Office and OAG also provide reports to each meeting of the Board outlining the work of the departments since the Board last met.

The Board reviews progress against its business plan - the Scotland Office Outcome Delivery Plan 2022-25 - at each meeting, as well as discussing an issue of policy or strategy in depth which is linked to the reporting elements of the business plan or risk register. This is supported by an appraisal of the report on the previous quarter's performance against the Scotland Office Outcome Delivery Plan which the Board signs off ahead of this going to the Cabinet Secretary.

The Board commissions papers related to this approach and has a template for Board papers to ensure that officials are asking the right questions of Board Members and being specific in what they need the Board to discuss and provide a steer on. These papers are cleared at Deputy Director level and presented at meetings of the Board by the lead official. There have been no Ministerial directions during the 2022-23 reporting year.

The Board therefore receives the necessary level of reporting on a range of issues and policy areas, from its sub-committees, with an additional level of assurance being provided by the ARAC, with its representation of internal and external audit and the NED team.

This delivers good quality data used by the Offices' JMB to make an assessment and challenge of the Offices' performance and progress of the trajectory of delivery against their business plans and the assessment and mitigation of the risks posed to that objective being achieved successfully.

This is enhanced and supported by the Board reviewing and approving the quarterly Outcome Delivery Plan (ODP) Reports which report progress against the delivery of the agreed metrics in the Scotland Office's Priority Outcomes in its ODP as part of each Spending Review round. These quarterly ODP Reports track and update the Board on progress against agreed delivery milestones over each reporting year in the Spending Review Round. The quarterly ODP Reports also allows the Board to identify and challenge delivery against these trajectories and to challenge the assumptions made by management on the theory of change which underpins each of the delivery plans for the three Priority Outcomes. This reporting mechanism also allows for the Board to receive reports from the Cabinet Office on their assessment of performance which provides an element of independent scrutiny and oversight for the Board.

The Scotland Office also began reporting on the Office's Priority Projects during the 2022-23 reporting year:

- Stimulate growth in Scotland's economy and enable priority sectors to grow;
- Delivering City and Growth Deals and Levelling Up across all of Scotland;
- Ensure the Scottish devolution settlement works effectively; and
- Promote Scotland's position within the UK and maximise the visibility and impact of the UK Government's presence, policies and programmes in Scotland.

This provides a regular snapshot of progress of delivery on key UK Government department's central delivery priorities and the government's manifesto commitments. The Cabinet Office collates monthly performance reports which are reviewed by a central delivery Board and used to brief the Prime Minister and Cabinet Secretary.

Our NEDs engagement with their network across UK Government departments has provided more opportunities for the Scotland Office to have influence and engage with departments when dealing with issues affecting Scotland at an earlier stage. The Lead Non-Executive Director is a member of the UK Government Union NED Network. This network is overseen by DLUHC and has representatives from every Whitehall department at NED level. The network is tasked with supporting the UK Government's Union policy at Board level and exploring devolution capability issues across Whitehall that NEDs can take back and discuss at departmental Board level.

The JMB formally met on 2 separate occasions during the 2022-23 reporting year, and the Non-Executive Board members continued to provide advice on a number of occasions outside of meetings, most notably on the Offices' 2022 Civil Service People Survey results; the Scotland Office People Strategy; stakeholder engagement; communication strategies; the Offices' Business Plans and performance and risk management.

In addition to the formal corporate governance structure, I am in regular contact with the Director of OAG to ensure that I can fulfil my responsibilities as Accounting Officer in respect of this Office.

I took on the role of Director for the Scotland Office and Accounting Officer for the Scotland Office and OAG, on a temporary basis from the 22 March 2023, for a period of five months. I continue to be supported in this work, as well as the broader performance management responsibilities of the Offices' Joint Management Board, by the Offices' Non- Executive Directors, the Members of both the Scotland Office and OAG Senior Leadership Team and Senior Governance Team. It is through their assurances, briefings and the work of the Offices' Audit and Risk Assurance Committee, that I am in a position to provide the appropriate and necessary assurances and sign off on the Offices' 2022-23 Annual Report and Accounts. The papers that are tabled for the JMB and ARAC meetings underpin and reference the ongoing effective governance framework and allow me to cross reference reports from both internal and external function leads. All these assurances from Executive and Non-Executive functions of the Offices, are from those who were in post throughout the period of the 2022-23 reporting year. In addition to this ongoing engagement, I was able to undertake a handover period with my predecessor, Laurence Rockey, who was in post until 22 March 2023 and undertook a detailed and broad induction process with all areas of the organisation. I therefore was in post for the 2022-23 financial year-end and the planning for the 2023-24 financial year.

The Scotland Office is responsible for one Arms-Length Body, the Boundary Commission for Scotland (BCS). The BCS has its own governance structure and produces its own annual report. Its funding falls within the ambit of the Scotland Office and OAG vote, and as the Accounting Officer, I am responsible to Parliament for its stewardship of public resources. The OAG is not responsible for any Arms-Length Bodies.

Various means are available to provide me with assurances about the BCS management of public resources. The reporting arrangement between the BCS and the Scotland Office has been embedded, and the ARAC in their Effectiveness Evaluation Review Report for 2022-23 confirmed that this level of oversight by the Committee was sufficient. Officials from the Scotland Office and the BCS meet quarterly with a formal report on the activity of the BCS being presented to the ARAC twice a year. This report includes: membership changes; current and recent BCS boundary reports and reviews; and a financial management report. The discussion around the BCS report is detailed in the Committee minutes which are tabled for the Board at their meetings.The Chair of the ARAC provides additional assurance to me in this regard having established an oversight role at Board level on the link between the BCS and Scotland Office and the effectiveness of their governance arrangements. The GIAA also undertook an internal audit of the compliance with functional standards relating to the Scotland office management of its relationship with its Arms-length Body, the BCS as part of the Offices' 2022-23 Internal Audit Plan. This provided additional and external assurances to me as the Accounting Officer as well as the Audit and Risk Assurance Committee.

Membership and Business of the Joint Management Board and Audit and Risk Assurance Committee, 2022-23

Role	Number of Board meetings attended (Total of 2 in 2022/23)	Number of ARAC meetings attended (Total of 4 in 2022/23)
Ministerial		
Chair – SofS Scotland, **Rt Hon. Alister Jack MP**	2 (out of a possible 2)	N/A
Lord Offord – PUSofS for Scotland	2 (out of a possible 2)	N/A
Iain Stewart MP - PUSofS for Scotland (2 June 2020 until 8 September 2022)	0 (out of a possible 0)	N/A
John Lamont MP - PUSofS for Scotland (from 27 October 2022)	1 (out of a possible 2)	N/A
Lord Stewart - Advocate General for Scotland	2 (out of a possible 2)	N/A
Non-Executive Director		
Tom Harris - Lead NED	2 (out of a possible 2)	N/A
Ross Finnie - NED and Chair of ARAC (until August 2022)	0 (out of a possible 0)	1 (out of a possible 1)
Stuart Patrick - NED	2 (out of a possible 2)	1 (out of a possible 1)
Martin Dorchester - NED	2 (out of a possible 2)	N/A
Dermot Grenham - ARAC Member	N/A	4 (out of a possible 4)
Rachel Grant - ARAC Member	N/A	4 (out of a possible 4)
Senior Officials		
Laurence Rockey - Director, Scotland Office	2 (out of a possible 2)	2 (out of a possible 3)
Lyn McDonald - Director (Temp.) Scotland Office	0 (out of a possible 0)	1 (out of a possible 1)
Neil Taylor, Director, OAG	2 (out of a possible 2)	4 (out of a possible 4)

The Scotland Office and OAG Directors were supported by the Scotland Office Deputy Director for Policy and the Deputy Directors for Corporate Services and the OAG Legal Secretary who attends all meetings of the JMB. Other Scotland Office and OAG Deputy Directors and officials attend meetings of the Board, as appropriate, in line with the agenda and the business tabled for discussion at that meeting of the Board.

In 2022-23, there were:

- 2 formal JMB meetings;
- 12 monthly Corporate Meetings of the Scotland Office Senior Leadership Team;
- 5 meetings of the OAG Governance Group [approximately 6 times per annum, at about 6 weekly intervals: 25 April 2022; 13 June 2022; 12 September 2022; 8
- December 2022; and 8 March 2023];
- 4 meetings of the Audit and Risk Assurance Committee; and
- 2 meetings of the JMB OAG sub-committee.

The Joint Management Board and the Senior Leadership Teams of both Offices considered a number of key issues during the year. These included:

- Business Plans and Risk and Performance Management
- Communications Capability and Stakeholder Engagement
- UK Government Departmental Devolution Capability
- Union Strategy
- People Survey Response and Organisational Cultural Change
- Corporate Projects - including

Register of Public Interest of Board members

The Offices maintain a register of Board members' interests, which contains details of company directorships and other significant interests held by Board members. A copy is published on GOV.UK and is updated on a quarterly basis ahead of each meeting of the Board, where any conflicts of interest with Board Members and the business under discussion is declared at the outset and members excused from the agenda item concerned. The Scotland Office and OAG Directors and Secretary of State for Scotland, also review any potential conflicts of interest and the work of Board members, on a case by case basis.

Transparency returns for Scotland Office Ministers and Special Advisers are published by Scotland Office on WWW.GOV.UK and Scotland Office - Special Advisers Quarterly Transparency Return: October - December 2022 - GOV.UK

The Scotland Office's processes for registering outside interests and employment apply to all Executive and Non-Executive Members of the Board and Committees and to all Senior Civil Servants working in the department. For those staff below the Senior Civil Service grades the declaration and management of interests is in line with MoJ and Scottish Government policies and the requirements of the Civil Service Management Code.

In addition to the requirements set out above for the Register of Interests, and in line with the current Declaration of Interest Policy for Special Advisers, all Special Advisers have declared any relevant interest or confirmed they do not consider they have any relevant interests. The Scotland Office Accounting Officer has considered these returns and there are no relevant interests to be published.

House of Commons

The Register of Members' Financial Interests can be found on the UK Parliament website: House of Commons - UK Parliament

House of Lords

The Register of Lords' Interests can be found on the UK Parliament website: House of Lords - UK Parliament

In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers. These rules apply to Civil Servants at SCS1/2 or equivalent grades, including special advisers of equivalent standing. The meetings of the Offices' ARAC include a standing agenda item for declarations of business appointments and none have been made in the 2022-23 reporting year.

Tom Harris - Lead Non-Executive Director
Appointed: 14 October 2021 (first term).
Position/Interest: – Non-Executive Director of HS2 Ltd (June 2020 to present) – Member of the independent Advisory Board for the West Coast Partnership (April 2020 - present) – Senior counsel to Message Matters Ltd (public affairs company) – Associate director of Cogitamus Ltd (public affairs company)

Ross Finnie - Non-Executive Director [until August 2022]
Appointed: 15 September 2020 (first term). Resigned from the Board in August 2022.
Position/Interest: – None to declare from the 1 April 2022 to resignation from the Board in August 2022.

Stuart Patrick - Non-Executive Director
Appointed: 15 September 2020 (first term)
Position/Interest: Directorships held in private/public limited companies: – Chief Executive, Glasgow Chamber of Commerce – British Chambers of Commerce (Board Member) – Clyde Gateway Limited (Board Member) – City of Glasgow College (Board Member) Positions of authority held in charities/ voluntary bodies: – The Enterprise Foundation (Director) – Four Acres Charitable Trust (Chair)

Martin Dorchester - Non-Executive Director
Appointed: 15 September 2020 (first term)
Position/Interest: – Chief Executive of Includem. Positions of authority held in charities/ voluntary bodies in fields: – Coalition of Care and Support Providers (CCPS) (Vice Convener) Connections with voluntary, or other bodies: – Children in Scotland Strategic Forum (Member) – Scottish Leaders Forum (Member)

Joint Management Board Sub-Committees

The Joint Management Board has four sub-committees:

- Scotland Office Senior Leadership Team;
- Office of the Advocate General Senior Management Team;
- Audit and Risk Assurance Committee; and
- Office of the Advocate General sub-committee.

The greater part of the work of the Joint Management Board is delegated to the Offices' two Senior Leadership Teams. The two Senior Leadership Teams are responsible for the monitoring of the performance, resources and expenditure of the respective Offices, and for decision making about management matters specific to each Office. They both meet monthly. They are chaired by the Director of the respective Office and are comprised of their respective senior civil servants.

The remit of the Audit and Risk Assurance Committee is to advise the Accounting Officer and provide assurance on the way that the Offices are being managed. The Audit and Risk Assurance Committee operates in accordance with the Treasury's Audit Committee Handbook and meets at least quarterly, and in the 2022-23 reporting year the Audit and Risk Assurance Committee met on 4 separate occasions. A separate report by the Chair of the Audit and Risk Assurance Committee on the Committee's work in 2022-23 is annexed to this Governance Statement.

Officials of the National Audit Office, Ernst and Young LLP who undertake the Offices' external audit function under contract from NAO and Government Internal Audit Agency (GIAA) attend the Audit and Risk Assurance Committee. The GIAA provides internal audit services to the SO and the Office of the Advocate General.

Office of the Advocate General JMB sub-committee

The OAG JMB sub-committee has met twice during 2022-23. Stuart Patrick, Non-Executive Director and ARAC Chair and Rachel Grant, Member of the ARAC, are the Non-Executive Members of the JMB OAG Sub-committee.The OAG Director, Neil Taylor, Chaired both meetings of the OAG JMB sub-committee.The meetings discussed the following areas of the work of OAG:

26 October 2022:

- Introduction to OAG – the Government Legal Service for Scotland and the OAG unique staffing model; 2022 OAG Civil Service People Survey; OAG Senior Away Day in June and recent OAG All Staff meeting; and relationship with the Scotland Office;
- Work of OAG – constitutional cases; and
- Pressures and challenges: possible future topics: Treasury spending exercise; Scottish Government HR/GLSS shared services; 2022 Civil Service People Survey; ways of working/implementing change; and smarter working.

6 March 2023:

- OAG Director update (including staffing);
- 2022 Civil Service OAG People Survey results - reflections from the Non-Executive Members;
- Budget exercise with HM Treasury; and
- Gender Recognition Reform legal case work.

Risk Management

As the Accounting Officer, I have overall responsibility for the effective management of risk within the Scotland Office and OAG. The Scotland Office has a Risk Management Framework, which was developed in consultation with Internal Audit and has been the subject of periodic review by the Scotland Office SLT, including an annual review by the ARAC. This framework satisfies the requirements of the Management of Risk in Government published by the Cabinet Office. The Offices' Risk Management Framework includes a methodology for recording and managing risks and implementation of a risk management policy. The framework for managing risk within the Offices is intended to ensure a consistent approach in risk identification and management.

The Offices have continued to focus and work on the following aspects of risk management over the last year:

- Leadership;
- Embedding risk management and business planning in the culture and practice of the Offices; and
- Increasing capability.

The Offices' risk policy and processes are proportionate to the size of the organisations. The Office's Senior Leadership Team reviews the corporate risk register at their monthly meetings, deep-diving into risks relevant at that time with risk reports submitted to the Board.

This has built on the discussions and importance of risk within the Offices. Further work will be done in the next reporting year to fully embed the culture of discussion on risk and performance management of delivery against the Scotland Office's Outcome Delivery Plan, throughout all levels of the organisations at team level, and to formally agree at Board level, the setting of the risk appetite and tolerance for risk across the Offices.

During the 2022-23 reporting year, the Offices identified and mitigated risks related to the delivery of the Offices' Priority Outcomes. This was in addition to managing other significant and competing priorities and risks to their delivery.

The Scotland Office considers the following to be the key principal risks to delivery of our priority outcomes and key mitigating actions. It should be noted that some of the mitigating actions will assist in mitigating more than one key risk.

External Influences

Key Risks:

- Union Strategy Implementation - failure to ensure that Scotland Office priorities are delivered through the UKG Strategy.
- UK Government Departments do not maintain the required level of devolution capability and Scotland specific expertise needed to keep Scotland at the centre of UK Government policy and decision making.
- The Office is unable to respond effectively to immediate or emerging priorities or critical events, and at the same time, continue to deliver business as usual and maintain delivery of its business plan and Priority Outcomes.

Key mitigations include:

- Linking into cross government networks and working with DLUHC, the Cabinet Office, No.10 and the other Territorial Offices, to deliver on cross UK Government policies that benefit people across the UK;
- Quarterly meetings established between the Department for Levelling-up, Housing and Local Communities and UKG Non Executive Directors (NEDs) who lead on the Union. These should support the Union SRO meetings at official level and Scotland Office doing some thinking about how the Territorial Offices' (TOs) NEDs can support this work.

Workforce Strategy

Key Risk:

- The Office does not have the resources in terms of workforce to deliver the Scotland Office Priority Objectives.
- Scotland Office are not sufficiently prepared to fully support all health and wellbeing needs of colleagues.
- Our current structure is not designed to deliver our current and future priorities.

Mitigating Actions:

- The Scotland Office will continue to implement a People Strategy. The People Strategy work strands all have a budget allocated.
- The People Strategy is underpinned by deliverable actions to ensure improvements are achieved across the key areas: leadership; diversity; talent management; learning and development; well-being and fairness.
- The outcome will be a skilled and highly motivated workforce, able to flexibly pivot to deliver business as usual and emerging challenges and priorities, whilst feeling valued and able to progress their own personal development and careers.
- Targeted use of funding available for wellbeing.
- Organisational changes to support our delivery in a changing landscape are being discussed across the Office.

Likelihood and Probability of Risk Occurring:

The assessment of the likelihood and probability of these risks occurring is currently assessed in the Scotland Office Risk Register as a medium risk. The assessment being that the impact of this risk would have vary depending on which aspect of this risk was being assessed, from a significant detrimental effect on achievement of the objective in the longer term to significant short term damage, and important to outcome of long term objective, with a likelihood of occurrence varying from at: 51-80% - Probable to 21-50% - Possible.

This is based on the following evidence:

- Increased knowledge and awareness across the department.
- Colleagues have avenues of support. Line Managers are better able to identify issues and offer guidance. Strong departmental focus on health and well-being.
- People Group developing and advocating colleague-led wellbeing activities.
- Additional Deputy Director support and Senior Leadership Team oversight. Increased resilience.
- Additional finance expertise.

Financial Environment

Key Risks

- Our resources are insufficient to deliver on current and future priorities.
- The Office does not achieve a balanced budget at year end and is impacted by higher than forecast MoJ and Scottish Government staff Pay Awards.
- The Office does not have enough funding to meet the current resourcing model and deliver its Priority Outcomes or immediate and emerging priorities and challenges.

Mitigating Actions:

- Internal Audit on Budget Management - acting on recommendations
- Act on outcomes from the Ministerial and SLT strategy away-day held in March 2023 to agree on departmental strategic priorities with Ministers and to monitor performance against delivery with the Joint Management Board on a quarterly basis.
- Continually prioritise to ensure our resources are allocated to the right priorities at the right time, whilst ensuring the well-being of staff.
- Discussions with HMT over higher than forecast MoJ and Scottish Government Pay Awards.

Likelihood and Probability of Risk Occurring:

The assessment of the likelihood and probability of these risks occurring is currently assessed in the Scotland Office Risk Register as a very low risk with assessment being that the impact of this risk would have minor and containable impact on achievement of objective with likelihood of occurrence being set at <5% - very unlikely

This is based on the following evidence:

- Planned resourcing discussions with Finance Lead and Deputy Directors. Agreement secured during SR discussions to fund pressures as part of supplementary estimate process.
- Good Spending Review Settlement, aligned with bid.
- Regular meetings with HM Treasury
- Clear Ministerial priorities

Stakeholders

Key Risk:

- External Comms: Not getting our messages out in the right way either through media or by influencing the right stakeholders at the right level at the right time .
- External Comms: Not succeeding in driving appropriate comms and engagement behaviours in other departments
- We do not influence or get input from the right stakeholders at the right level at the right time and do not succeed in persuading other UK Government Departments to recognise the need to engage with stakeholders on Scotland, Scottish issues or policy delivery.

Mitigating Actions:

- Regular evaluation of activity to assess impact and agree necessary adjustments.
- Promote the work of the UK Government in Scotland, supported by effective communication campaigns and messaging on social media channels.
- Encourage departments to use Scotland Office expertise to help land announcements effectively in Scotland and treat the Scotland Office Communications Team as an internal partner in planning.
- Provide training, support and insight for communications specialists in other departments to improve understanding of devolution, the Union, and of Scotland.
- Continually refresh and review our engagement approach to ensure we are meeting the right people and organisations.
- Union leads to help improve understanding and capability in a Union context.
- Ambitious programme of engagement actively being planned for the year ahead

Likelihood and Probability of Risk Occurring:

The assessment of the likelihood and probability of these risks occurring is currently assessed in the Scotland Office Risk Register as a medium risk with assessment being that the impact of this risk would have significant short term damage, and important to outcome of long term objective with the likelihood of occurrence being set at: 21-50% - Possible.

This is based on the following evidence:

- Regularly review and update overall comms and stakeholder engagement strategy and processes, including ongoing work to update our agreed key contacts, Ensure a robust programme of activity is in place for engagement but also on wider communications in terms of campaigns and media work.
- Work with other departments to ensure they are engaging with the right audiences and using our expertise and advice.
- Ambitious programme of engagement actively being planned.

Going forward into 2023-24, the key area of focus of the work of the Scotland Office during this period will be to ensure that the level of devolution capability is sufficiently high across the UK Government. The Scotland Office continues to support this work through effective communication campaigns and underpinning this work with a clear business plan in addition to a robust and effective governance framework.

The Assurance Framework for both Offices was also updated and reviewed throughout the year. The Scotland Office SLT reviewed this twice during 2022-23. The ARAC reviewed this twice in the 2022-23 reporting year as part of the Committee's Annual Work Plan. The Committee provided assurance to the Accounting Officer on the levels of assurance that are in place for key systems within the Offices. The Offices' Assurance Framework will also be used as a tool to support the identification of systems of control that have either too much or too little levels of assurance in place and which would benefit from being included on the GIAA Internal Audit Plan. This will allow for further investigation and identification of possible solutions to increase the levels of assurance.

Sources of Assurance

Review of Effectiveness

As Accounting Officer I have a number of sources of assurance, some internal, and some external to the Offices. In this statement, I have already described the assurance that was provided to me during the year by the regular contact I have had with the Director of the Office of the Advocate General, and with the Scotland Office Deputy Directors, both through the regular meetings of the Scotland Office Senior Leadership Team and through the close and routine contact with all of them which is greatly facilitated by the small size of the two Offices.

The most important external source of assurance is provided by the Non-Executive Directors and the Audit and Risk Assurance Committee. The Chair of the Audit and Risk Assurance Committee's report on its work in 2022-23 is in Annex B to this Chapter.

Internal Audit services are provided to the Scotland Office and the Office of the Advocate General by the GIAA. Our auditors in the GIAA and in the National Audit Office also provide audit services to the Northern Ireland Office and the Wales Office and their analysis is therefore informed by their knowledge of our closest comparators in Government.

During 2022-23 Internal Audit reports were produced on the following subjects and made available to the Audit and Risk Assurance Committee:

- **Quarter 1:** People Strategy - *Substantial opinion*;
- **Quarter 2:** Budget Management - *Moderate opinion*; and
- **Quarter 3:** Management of the Scotland Office ALB, the Boundary Commission for Scotland - *Moderate opinion*;

Internal Audit uses a four level system for rating levels of assurance provided by its audits. Our Internal Auditors undertook 3 individual audit assignments during the year which all received Substantial or Moderate assurance ratings, these are the highest two ratings available.

Overall, the GIAA was able to give a Moderate Annual Assurance Opinion, which means: although their work has identified some areas of weakness in control, these have not been pervasive; there is no evidence of a deterioration compared with the last three years of internal audit by the GIAA; and there is no evidence of a deterioration in the Offices' framework of risk, control and governance. This means that the Offices' overall risk, control and governance framework is adequate to enable the achievement of objectives and that the key risks are being effectively managed. In conclusion, the Offices' framework of governance, risk management and control is adequate and effective.

External audit is provided by the National Audit Office on behalf of the Comptroller and Auditor General. This is the fifth reporting year in which NAO has contracted out auditing services to Ernst and Young LLP.

The objective is to ensure continuity of approach to the audits – with the NAO retaining oversight of auditing practice and the final audit report.

Government Functional Standards

The Scotland Office has reviewed its compliance with applicable Government Functional Standards. This review has shown that we are compliant with the minimum requirements.

The Comptroller and Auditor General's certificate and report on these accounts is at Page 99. I am very grateful to his staff for the advice they have given to the Offices and to the Audit and Risk Assurance Committee throughout the year. In addition to these departmental accounts the National Audit Office also audited the National Loans Fund accounts 2022-23.

Propriety and Assurance

In the Scotland Office, the Office of the Advocate General, and the Boundary Commission for Scotland, during 2022-23, there were no known:

- Significant lapses of physical security
- Lapses of personnel security
- Instances of unrecorded spending or income
- Breaches of delegations on spending
- Breaches of propriety or regularity with regard to spending or the receipt of income
- Unauthorised use or disposal of assets

For the period of 2022-23 I can report, in the light of the assurances I have received, that there were no significant weaknesses in the systems of internal controls operated by the Offices, or the Boundary Commission for Scotland, which affected the achievement of their policies, aims and objectives.

Lyn McDonald
Director, The Scotland Office, (Temp.)
Accounting Officer, The Scotland Office and the
Office of the Advocate General for Scotland

7 July 2023

Annex A: The Scotland Office and Office of the Advocate General Lead Non-Executive Board Member's Report

Composition

The 2022-23 reporting year saw changes in the Scotland Office Ministerial and Non-Executive Director team and this was reflected in the membership of the Scotland Office ("the Office") and the Office of the Advocate General (OAG) Joint Management Board ("the Board" or "the JMB"). Iain Stewart MP left government on the 8 September 2022 and John Lamont MP was appointed as Parliamentary Under Secretary of State for Scotland on 27 October 2022.

There were 4 meetings of the ARAC and 2 meetings of the Offices' Joint Management Board during the reporting year.

Quality

The logistics of meetings and communications were well managed with effective support from the Board Secretariat, with meetings of the JMB and its sub-committees, as well as a number of meetings between senior leadership teams and Board members. The Secretary of State as Chair encouraged contribution and challenge from all Board Members and from individuals invited to present papers to the Board. The Lead NED also attended a strategy session with the Scotland Office SLT and Ministers to discuss the strategy for delivery of the Scotland Office Outcome Delivery Plan.

Departmental Involvement of Non-Executive Directors (NEDs)

The major focus in the current year for NEDs continued to be supporting officials in relation to putting Scotland at the centre of UK Government work and enhance devolution capability across the UK Government.

Non-Executive Directors added significant value and input into the operational and corporate elements of the Offices' governance. The NEDs supported the process to secure the best possible outcome for the Offices' from the Civil Service 2025, Efficiencies and Savings Exercise by providing advice on the Offices' approach and submissions to HM Treasury. This was a regular item of discussion at the NED and Offices' Directors' monthly meetings. The NEDs also provided handling advice on the impact of machinery of government changes in September 2022; advice on handling of the Offices' response to the Autumn Statement 2022 which confirmed the Offices' 2021 Spending Review Settlement; and the Offices' submission for the Spring Budget, 15 March 2023. The NEDs provided advice and challenge on the Offices' handling of all these financial events which helped to secure the best possible funding settlement for the ongoing successful delivery of the Offices' business plans up until 2025.

The Offices' NEDs have continued to support the Scotland Office and OAG outside formal Board meetings, to encourage continued focus on priorities including: the development of the Scotland Office Outcome Delivery Plan; work force planning; resourcing and resilience; the Scotland Office Communications Strategy; and the targeting of key messages at the right stakeholder groups and the nature of the measurement of success in targeting the right audiences with the UK Government's messages. The NEDs are also supporting and mentoring the following policy areas and workstreams:

- Tom Harris - Scotland Office and OAG Lead NED and lead NED on the Union on the cross-UK Government NED Union and Levelling-up NED network;
- Martin Dorchester: Corporate Champion; People Strategy; Whistleblowing; and third sector champion.
- Stuart Patrick: ARAC Chair; Member of the OAG JMB sub-board; lead NED on Net-Zero and regional infrastructure; and member of the cross-UK Government NED Net-Zero Network.

As Lead NED, Tom Harris attended meetings of the UK Government Lead NED Network meetings. These cross-UK Government meetings of Lead Non-Executive Directors discussed Government priorities and proposals for review and reform of the way in which Non-Executive Directors should be appointed and be operating within Departments. During the 2022-23 reporting year Tom Harris, as Lead NED, met with Michael Jary, the UK Government's Lead NED and the Territorial Offices's Lead NEDs to discuss specific issues relating to the Territorial Offices which could be supported and addressed at cross-Whitehall NED network meetings.

The outcomes of these discussions were shared with the Scotland Office and OAG SLTs and other Non-Executive Directors.

In addition, Tom Harris, as the Scotland Office Lead NED on the Union, attends the UK Government Union NED Network. This is chaired by the DLUHC and its remit is to champion the UK Government's policy on the Union at Board level in every Whitehall department. This network supports the work of the Union Senior Responsible Officers' Network. Senior level UK Government officials who are tasked with responsibility for the Union in their departments, meet to discuss devolution capability and areas of shared interest from their departmental policy perspective, in order to reflect the devolution settlements across the whole of the UK in the work that their department is taking forward.

In order to enhance the work of the NEDs across the Offices in 2022-23, the JMB Secretariat worked with the NEDs to develop a NED Engagement Action Plan. This used as the framework the central guidance - the Cabinet Office Corporate Governance Code on the roles and responsibilities of NEDs on UK Government Boards to frame an action plan which targeted each of the NEDs skill sets to support the work of the Offices. This covered the following areas:

- Internal Engagement across both the Scotland Office and OAG
- Whitehall Networks and Portfolios
- Stakeholder Strategy
- Key Policy Areas/Major Projects where NEDs could be assigned to support teams and produce reports for Ministers.

The NED Engagement Action Plan was signed off by the JMB on the 15 December 2022. The Board approved the paper and the recommendation of the formalised process for Ministers and officials to work with the NEDs. SLT are now taking forward the action plan and the monthly Corporate SLT meetings review progress.

This will help shape and form the work being done in the Scotland Office to develop further the role of the NEDs in the Offices' to ensure their expertise and value can be fully utilised to support Ministers and the Executive in their work. NEDs have continued to participate in All-Staff Away Days and Ministerial Strategy Planning Sessions to agree priorities and strategy for delivery, and the mentoring of individuals and work streams across both Offices has continued. There are plans for the allocation of additional mentoring relationships in train, necessitated by the changes in personnel within the SLTs and Scotland Office Divisions and a revised approach to the strategy for policy delivery.

Conclusion

The JMB continues to be an effective forum and decision-making body. The Scotland Office and Office of the Advocate General have sought to enable the NEDs to remain engaged in the work of each Office and to contribute their expertise and experience, notwithstanding the changes in personnel at both SLT and NED level.

Plans for the ongoing development of the role of NEDs are being implemented with the NED Engagement Action Plan, with a view to ensuring that skills and expertise of the Non-Executive Directors continue to be fully utilised.

Tom Harris
Lead Non-Executive Director
The Scotland Office and Office of the Advocate General

Annex B: Annual Report of the Audit and Risk Assurance Committee

The Scotland Office and Office of the Advocate General, Audit and Risk Assurance Committee

Report for the year 2022-23 from the Chair of the Committee

Introduction

This annual report of the Audit and Risk Assurance Committee (“the Committee” or “ARAC”) covers the 2022-23 annual accounting cycle. The report is produced to support the Joint Management Board (“the JMB”) and the Accounting Officer to have confidence that the JMB has effective corporate governance, risk management and financial management policies and procedures in place. The report also supports the completion of the annual governance statement.

The report has been prepared in accordance with the guidance given to Audit and Risk Assurance Committees by HM Treasury. This report provides a brief summary of the main activities of the Committee and the main issues it has addressed.

The Committee is satisfied that the systems in place in the Offices over 2022-23 in relation to governance, risk and financial management were in general appropriate and fit for purpose.

Membership, Attendance and Reporting

From April 2022 to August 2022 the Committee was Chaired by Ross Finnie, a Non-Executive Member of the Committee. Ross Finnie resigned from the position as a Non-Executive Director of the Scotland Office and OAG (the Offices’) JMB and as Chair of the ARAC. The Committee remained quorate with two external Committee Members, Rachel Grant and Dermot Grenham. Dermot Grenham became interim ARAC Chair from August 2022 to March 2023. Stuart Patrick, one of the Offices’ Non-Executive Directors, joined the Committee as Chair at its meeting on the 28 March 2023.

Routinely in attendance at each meeting are: the Accounting Officer and Director of the Scotland Office; Director of the Office of the Advocate General; the Scotland Office, OAG and Wales Office Head of Finance and other senior members of the Offices. At all times during the year, the Committee considers it has had the appropriate balance of skills and experience to undertake its role with at least one member with recent and relevant financial experience.

Following the completion of the Territorial Offices Shared Services Review of Corporate Services across the three Territorial Offices, Stage 2 of the merging of the Wales Office and Scotland Office Finance Teams was completed during 2022-23.This has enhanced and strengthened the finance function of both Offices.

The Committee reports its work to the JMB through updates provided at meetings of the JMB by the ARAC Chair and the Accounting Officer. These update reports form part of the Non-Executive Directors’ update reports to the JMB. This is in addition to the minutes of the previous meeting of the ARAC tabled on the JMB agenda. The Chair in his newly adopted role, will be reviewing the effectiveness of this reporting mechanism.

Main Issues

The ARAC met 4 times from 1 April 2022 - 31 March 2023 to carry out its main business. The Committee's Terms of Reference and Annual Work Plan were reviewed by the Committee on an annual basis, and at each meeting of the Committee respectively, and approved by the Accounting Officer.

The Committee's regular business included the following items:

- A review of the Offices' financial performance;
- The Head of Internal Audit's update report, including reports of completed internal audit reviews and progress on management actions from internal audit reviews;
- Updates on external audit progress and issues;
- Risk reports and key risks reported on for each Office;
- Reviews of key risks; and
- Updates as required on propriety issues.

During the 2022-23 reporting year, the Scotland Office and OAG identified and mitigated risks related to the core delivery of the Scotland Office's Priority Outcomes.[9] This was in addition to managing other significant and competing priorities and risks to their delivery. The Scotland Office continues to operate in a challenging political context, with the Scottish Government's continued call to secure a second Scottish independence referendum.

The mitigating actions which the Committee reviewed or provided, included:

- Resourcing levels were met and sustained;
- The Offices put forward the best possible business cases to HM Treasury to secure the budget required, as part of the Spending Review, Supplementary Estimate and Budget events, to deliver on the Priority Outcomes in their business plans;
- Appropriate and effective governance arrangements are in place to allow the Offices' Senior Leadership Teams and the JMB to discharge their leadership and executive functions.
- Effective risk management policies and processes are in place to mitigate risks to delivery of the Offices' business plans and to report to the JMB at each meeting of the Board on the work of the Committee.
- The provision of appropriate levels of assurance to the JMB and Accounting Officer on key systems of control which underpin the effective operation of the Offices.

The Committee added significant value and input into the process to secure the best possible outcome for the Offices' from the Civil Service 2025 Efficiencies and Savings Exercise, by providing advice on the Offices' approach and submission to HM Treasury; handling advice on the impact of machinery of government changes in September 2022; advice on handling of the Offices' response to the Autumn Statement 2022 - which

[9] – Support economic growth in Scotland;
– Strengthen and sustain the Union and Scotland's role within it; and
— Increase the visibility of the UK Government's commitment to Scotland.

confirmed the Offices' 2021 Spending Review Settlement; and input into the nature of the Offices' submission for the Spring Budget, 15 March 2023. The Committee's input into all these financial events, helped to secure the best possible funding settlement for the ongoing successful delivery of the Offices' business plans up until 2025.

Going forward into 2023-24, the Scotland Office considers the following to be the principal risks to delivery of the department's Priority Outcomes:

- External influences;
- Workforce strategy;
- Financial environment; and
- Stakeholder management, including across the UK Government.

External Influences

The key external influences on delivering the Scotland Office's Priority Outcomes include the effects of global economic pressures (including inflation) on the delivery of regional and local growth programmes. The Scotland Office encourages UK Government departments to engage positively with the Scottish Government in line with the principles and structures agreed in the Intergovernmental Relations Review.

Opportunities and Threats

Delivery of the Scotland Office priorities will support many opportunities for Scotland within the UK. However, there are two main categories of threat to delivering these opportunities. First, 'external' threats. The two main external threats are:

- Volatility in the global economy, including as a result of Russia's invasion of Ukraine. The risk of inflation and supply-side pressures makes this a medium to high risk; and
- A resurgence of a COVID pandemic preventing or delaying delivery of the Government's programme. The successful roll-out of COVID-19 vaccines and easing of restrictions makes this a low to medium risk.

The second threat is 'internal', with the UK Government failing to work successfully with partners in Scotland to make the most of the many opportunities arising from delivering our priorities. The Scotland Office is focused on working to minimise these threats and maximise the opportunities.

Annual Report and Accounts and External Audit

The Committee undertook a review of the draft Annual Report and Accounts with a particular focus on key judgements, accounting policies and the Governance Statement. The Committee discussed the findings of this review with those charged with governance in the Scotland Office and OAG. The Committee was satisfied with the explanations it received with regard to the financial statements and the Governance Statement with reference to the identification and management of risk. The Committee also had sight of the draft opinion of the External Auditors and noted their intention to issue an unqualified report.

External Audit has continued to be provided by the National Audit Office (NAO) during the year and sub-contracted to Ernst and Young LLP (EY).

The Committee considers the services provided by both NAO and Ernst and Young LLP to be of a high standard and provides an appropriate level of assurance to the Accounting Officer. Both NAO and Ernst and Young LLP attended all meetings of the Committee and provided helpful contributions to the work of the Committee. The Committee has reviewed all reports provided by External Audit and has followed up all recommendations made.

Internal Audit

The internal audit service was provided during the year by the Government Internal Audit Agency (GIAA). GIAA attended all meetings of the Committee and provided helpful contributions to many aspects of the Committee's business.

In line with the GIAA Internal Audit plan for 2022-23, GIAA conducted three internal audits and all reports were reviewed by the Committee, which also followed up recommendations made and agreed to by management in action plans.

During 2022-23 Internal Audit reports were produced on the following subjects and made available to the Committee:

- **Quarter 1:** People Strategy - Substantial opinion;
- **Quarter 2:** Budget Management - Moderate opinion; and
- **Quarter 3:** Management of the Scotland Office Arms-Length Body, the Boundary Commission for Scotland - Moderate opinion;

The Committee reviewed the Head of Internal Audit's Annual Report and noted the overall evaluation for 2022-23 of a rating indicating a Moderate Annual Assurance Opinion, which means although their work has identified some areas of weakness in control, these have not been pervasive and there is no evidence of a deterioration compared with the last three-years of internal audit by the GIAA.This means that the Offices' overall risk, control and governance framework is adequate to enable the achievement of objectives and that the key risks are being effectively managed. In conclusion, the Offices' framework of governance, risk management and control is adequate and effective.

The Committee considers the quality of internal audit reports prepared by GIAA to be of a high standard and is satisfied that the delivery of the GIAA three-year Internal Audit Plan gives assurance that key controls are generally operating effectively.

GIAA has revised its approach to minimum sized internal audit plans for smaller sized customers. This would mean that UK Government departments would be required under this new approach to operate under a three-year baseline plan of a minimum of 60 days of internal audit coverage per annum. However, following feedback, the GIAA have recognised that some smaller departments and other bodies only undertake relatively narrow functions or receive services from elsewhere in government.

This means that some of the core audits on the GIAA's minimum audit plan are not applicable or relevant, or in some instances other sources of assurance are available to the Accounting Officer meaning that providing internal audit coverage of them would not be proportionate or appropriate.

The Committee agreed to this assessment of reliability of assurance and will review the Offices' three-year internal audit plan at meetings of the Committee to ensure the relevance of the assurances and systems of control being tested throughout the reporting year.

At the Committee meeting on the 28 March 2023, the Committee approved the GIAA three-year Scotland Office and OAG Internal Audit Plan, with a particular focus on the systems of control to be audited in 2023-24. The plan provides for coverage of three key risk areas per year with 35 days of audit coverage per annum. The Offices' three-year Internal Audit Plan is approved and signed off by the Head of Internal Audit at the GIAA to demonstrate that the audit plan provides sufficient assurances on key systems of control over this timeframe, whilst implementing a proportionate response for smaller organisations to the GIAA's minimum sized audit plans.

When required, the Committee meets with internal and external audit without the presence of management, to allow any issues or concerns to be raised directly with the Committee. By the nature of this engagement, this takes place as and when this is needed. However as a minimum, on an annual basis, there is a meeting with the ARAC Members, internal and external audit ahead of the meeting of the Committee in June that reviews the NAO and Ernst and Young LLP External Audit Report and Scotland Office and OAG Draft Annual Report and Accounts. The Terms of Reference provide for the Chair and members of the Committee, to have a right of free and confidential access to the Accounting Officer and, in extremis, the Secretary of State, and for the heads of external and internal audit to have free and confidential access to the Chair of the Committee.

All recommendations made by the GIAA in their internal audit reports, are captured in a management progress implementation report which is presented to the Scotland Office Senior Leadership Team at their monthly meetings to track progress. This report is also presented to each quarterly meeting of the ARAC in order for the Committee to have oversight of implementation of GIAA recommendations throughout the reporting year.

In the 2022-23 reporting year, the GIAA made a total of 11 recommendations to management over the three internal audits. Out of these recommendations 9 are currently outstanding - with recommendations due for Implementation in April and by the end of August 2023. The overdue recommendation from 2021/22 is a low priority finding with regard to information assurance training for staff covering both SO and OAG. This is now due to be completed and the recommendation cleared by 31 August 2023.

Corporate Governance Statement

The Committee considered the Accounting Officer's Corporate Governance Statement in draft and provided advice on its form and content. It is satisfied that the statement accurately reflects the various sources of assurance available to the Accounting Officer, that it described accurately the processes of corporate governance within the Offices and that it properly addressed the relevant issues.

Assurance to Accounting Officer

The Committee can never give absolute assurance to the Accounting Officer. However, taking into account the scrutiny which the Committee has exercised during the year and the assurances received from both internal and external audit, the Committee is of the opinion that the control environment is effective and supports the Governance Statement and the integrity of the Annual Report and Accounts.

The Committee also considers that an effective system of risk management has been in operation throughout the year and all key risks have been actively addressed by the Offices.

Most of the assurances relied upon by the Accounting Officer are obtained directly from the senior staff within the Offices, but with important support from the Committee Members, as well as internal and external audit.

Annual Effectiveness Review

As part of the requirements of the HMT ARAC Handbook, departments are expected each year to conduct an annual appraisal of their Audit Committees. The HMT ARAC Handbook and the NAO have produced guidance to support departments in delivering this annual appraisal.

Following a discussion with the Scotland Office and OAG ARAC Chair, it was agreed to create a tailored and proportionate approach for the ARAC annual effectiveness appraisal. This is to take into account that the Committee Chair resigned part way through the reporting year, with the new Committee Chair being appointed from March 2023. This resulted in a collective ARAC assessment appraisal based on the 2017 NAO's Effectiveness Evaluation Checklist which was approved by the ARAC Chair. In addition, 360 degree appraisals of the ARAC Members will be conducted in September 2023.

Committee Members were asked to complete checklists based on the core good practice principles set out in the 2017 National Audit Office's Effectiveness Evaluation Checklist:

- Membership, Independence, Objectivity and Understanding;
- Skills;
- The Role and Scope of the Audit and Risk Assurance Committee; and
- Communication and Reporting.

Committee Members were asked for a view on whether the Committee meets the required standard for good practice, and to provide any relevant comments for further improvements they consider appropriate to its work to enhance its effectiveness.

The Committee concluded that, based on its responses to the Effectiveness Evaluation Checklist, it was operating effectively and discharging its responsibilities to provide assurance to the Accounting Officer and the Offices' Joint Management Board. The ARAC Annual Effectiveness Review Report forms part of the ARAC Chair's Annual Report to the JMB.

Recommendations

The ARAC Effectiveness Evaluation Report made 6 recommendations. These will be tabled for discussion and adopted at the June meeting of the Committee and progress monitored throughout the reporting year by the Committee.

- The recommendations related to:
- Membership, Independence, Objectivity and Understanding
- The Role and Scope of the Committee; and
- Communication and Reporting.

When implementing these recommendations in the report, the Committee will be looking to: officially record its oversight of the Scotland Offices' Arms-Length Body, The Boundary Commission for Scotland; ensure the Joint Management Board can officially approve the work of the Offices' ARAC by approving the Committee's Annual Workplan; review this as part of the review into the nature of the ARAC Chair's Report to the Board; officially capture

the Committee's oversight of counter-fraud and cyber-security risk work; and look at how the Committee can communicate its work and that of its Members to the wider Scotland Office and OAG.

Executive Response

Management welcomed the ARAC Effectiveness Evaluation Review Report and its overarching conclusion that the Committee is operating effectively and discharging its responsibilities to provide assurances to the Accounting Officer and Joint Management Board. Management will fully support effective implementation of all the report's recommendations.

Future Work

The Committee will continue to operate in accordance with its Terms of Reference and its main business will continue to be similar to previous years, and aligned with the ARAC Annual Work Plan, which is approved at the start of the year and subsequently at each meeting of the Committee.

A structured approach to the interactions between Ministers, officials and independent Non-Executive Board Members has been developed to ensure that all key issues are addressed in the right forum and in a timely manner.

Stuart Patrick
Chair, Audit and Risk Assurance Committee and Non-Executive Director
Scotland Office and Office of the Advocate General

Remuneration and Staff Report

Remuneration Report

The Remuneration and Staff Report summarises the remuneration of Ministers, Executive Board Members, Non-Executive Board Members (NEBMs) and staff; it also provides details of actual costs and contractual arrangements.

The Remuneration and staff report has been prepared in accordance with the requirements of the financial reporting manual as issued by HM Treasury. Some of the tables in this report have been subject to audit by the external auditor, the Comptroller & Auditor General, appointed under the Government Resources and Accounts Act 2000. Where tables are subject to audit, this is clearly stated.

Remuneration Policy

The remuneration of senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament (MPs) and their allowances; on Peer's allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of Departmental services;
- The funds available to departments as set out in the Government's Departmental Expenditure Limits;
- The Government's inflation target; and
- Evidence we receive about wider economic considerations and the affordability of our recommendations.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at:
www.gov.uk/government/organisations/review-body-on-senior-salaries

Board Members and Senior Civil Servants Remuneration

The office is not a direct employer. All staff are either employed by the Scottish Government, Ministry of Justice or on loan from other Government Bodies. The salaries of Senior Civil servants are determined in line with the Cabinet Office Senior Civil Service (SCS) reward policy.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk

Ministers' salaries and pension entitlements

This section and the related tables have been subject to audit.

The salaries, taxable benefits in kind and pension entitlements of Ministers are shown in the following tables. Salary figures include all allowances payable by the Office, whereas full-year equivalents are calculated net of allowances, bonuses and ex gratia Payments.

In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP £81,932 (from 1 April 2020) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister received benefits in Kind in 2022-23 or 2021-22.

Remuneration (salary, and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000)(1)		Total (to nearest £1,000)(1)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Rt Hon Alister Jack MP Secretary of State for Scotland	67,505	67,505	19,000	17,000	87,000	85,000
JR Lamont MP Parliamentary Under Secretary of State for Scotland (from 28 October 2022) (2)	9,624	n/a	2,000	n/a	12,000	n/a
Iain Stewart MP Parliamentary Under Secretary of State for Scotland (to 8 September 2022) (3)	15,351	22,375	2,000	6,000	17,000	28,000
Lord Offord Parliamentary Under Secretary of State for Scotland (4)	n/a	n/a	n/a	n/a	n/a	n/a
David Duguid MP Parliamentary Under Secretary of State for Scotland (to 27 October 2022) (4)	8,015	n/a	n/a	n/a	8,000	n/a
The Rt Hon The Lord Stewart of Dirleton KC, Advocate General for Scotland (5)	131,138	131,138	27,000	24,000	158,000	155,000

Notes to the table:

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2. Full year equivalent £22,375.
3. Includes severance payment of £5,593. Full year equivalent £22,375
4. Up until the 20th of September 2022 David Duguid was an unpaid minister . The salary in the table above is for the period 20 September 2022 to the 27 October 2022 and includes a compensation payment of £5,593. Full year equivalent £22,375.
5. This includes the House of Lords Office Holders Allowance of £36,366

Pension Benefits

Ministers	Accrued Pension at age 65 as at 31 March 2023	Real increase in pension at age 65	CETV at 31 March 2023	CETV at 31 March 2022	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Alister Jack MP Secretary of State for Scotland	0-5	0-2.5	56	31	13
JR Lamont MP Parliamentary Under Secretary of State for Scotland (from 28 October 2022) (2)	0-5	0-2.5	2	Nil	1
Iain Stewart MP Parliamentary Under Secretary of State for Scotland (to 8 September 2022) (2)	0-5	0-2.5	20	17	1
Lord Offord Parliamentary Under Secretary of State for Scotland	n/a	n/a	n/a	n/a	n/a
David Duguid MP Parliamentary Under Secretary of State for Scotland (to 27 October 2022)	n/a	n/a	n/a	n/a	n/a
The Rt Hon The Lord Stewart of Dirleton KC, Advocate General for Scotland	0-5	0-2.5	70	38	17

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at:
http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in the accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Board Members' salary and pension entitlements

This section and the related tables have been subject to audit.

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Office and thus recorded in these accounts.

Salary figures include all allowances payable by the Department, whereas full year equivalents are calculated net of allowances, bonuses and ex-gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2022-23 relate to performance in 2021-22 and the comparative bonuses reported for 2021-22 relate to performance in 2020-21.

The SO and OAG Directors were supported by the Deputy Director for Policy and the Legal Secretary to the Advocate General, who attended all meetings of the SO and OAG Joint Management Board.

The salaries, bonuses, taxable benefits in kind and pension entitlements for Senior Managers are shown in the following tables:

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)(2)		Pension benefits (to nearest £1000)(1)		Total (£'000)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Laurence Rockey Office of the Secretary of State for Scotland Director and Accounting Officer (to 21 March 2023) (2)	105-110	100-105	nil	nil	11,000	11,000	41,000	40,000	155-160	150-155
Lyn McDonald Office of the Secretary of State for Scotland (Temporary) Director and Accounting Officer (from 22 March 2023) (3)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Neil Taylor Office of the Advocate General Director	105-110	100-105	nil	nil	nil	23,400	1,000	24,000	105-110	125-130

Following confirmation from HMRC that payments to Directors to cover travel and accommodation costs under dual workplace arrangements constitute a taxable benefit in kind, the remuneration disclosures reflect these costs.

Notes to the table:

1. the value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases due to a transfer of pension rights.
2. The Scotland Office Director is Scotland based but is required to be in London for a period each week. His travel costs and accommodation are taxable benefits.
3. Lyn Macdonald on loan from the Cabinet Office. Her salary costs for the period 22nd March 2023 to 31st of March 2023 are covered by them. FYE equivalent £105-110k.

Non–Executive Director's

The chairperson of the Scotland Office and OAG Audit and Risk Assurance Committee and Lead Non-Executive Director of the Scotland Office and OAG Joint Management Board each received a fee of £300 for each meeting attended. The remaining Scotland Office and OAG Non- Executive Directors receive a fee of £200 for each meeting of the Joint Management Board or Audit and Risk Assurance Committee attended.

Remuneration	Salary (£000)		Total (£000)	
	2022-23	2021-22	2022-23	2021-22
Tom Harris Lead Non-Executive Director	0-5	0-5	0-5	0-5
Ross Finnie Chair of the Audit and Risk Assurance Committee and Non-Executive Director (to August 2022)	0-5	5-10	0-5	5-10
Stuart Patrick Non-Executive Director (1)	Nil	0-5	Nil	0-5
Martin Dorchester Non-Executive Director	0-5	0-5	0-5	0-5

Stuart Patrick waived his salary in 2022-23.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2023	Real increase in pension and related lump sum at pension age at 31 March 2023	CETV at 31 March 2023	CETV at 31 March 2022	Real increase/ decrease in CETV
	£'000	£'000	£'000	£'000	£'000
Laurence Rockey Office of the Secretary of State for Scotland Director and Accounting Officer (to 21 March 2023)	15-20	0-2.5	180	150	14
Lyn McDonald Office of the Secretary of State for Scotland (Temporary) Director and Accounting Officer (from 22 March 2023)	Nil	Nil	Nil	Nil	Nil
Neil Taylor Office of the Advocate General Director	40-45 plus a lump sum of 75-80	0-2.5 plus lump sum of 0	769	701	-13*

* Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase Legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%.

In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha.

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements.

They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair Pay Disclosure

This section has been subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid Director in the department in the financial year 2022-23 was £115-120k (2021-22, £115-120k). This was 2.2 times (2021-22, 2.3 times) the median remuneration of the workforce, which was £52.2k (2021-22, £49.9k). The salary component of the median was £52.2k. The decrease in pay multiple is due to in year vacancies.

In 2022-23, no employees (2021-22, nil) received remuneration in excess of the highest paid Director. Remuneration ranged from £22.1k to £115.3k (2021-22, £21.0k to £114.6k).

There was no percentage change in the highest paid Director's salary and allowance. There was no percentage change in performance pay and bonuses paid to the highest paid Director.

The implementation of the Department's pay award in 2022-23 increased average staff remuneration and reduced the ratio between the highest paid Director's remuneration and the staff lower quartile and upper quartile. Staff median pay increased at a lower rate than the banded remuneration of the highest paid Director, leading to an increase in the median pay ratio.

For employees of the entity taken as a whole, the average percentage change from the previous financial year of salary and allowances was 0% and the percentage change in performance pay and bonuses payable was 29.62%

The ratio between the highest paid Director's remuneration and the pay and benefits of the employee on the 25th percentile and 75th percentile of pay and benefits of the entity's employees for the financial year are shown in the table below.

The lower quartile remuneration (representing the 25th percentile of the linear distribution) was £36.4k (the salary component of this was £36.4k) and the upper quartile remuneration (representing the 75th percentile of the linear distribution) was £63.2k (the salary component of this was £63.2k). The total pay and benefits for the median, lower and upper quartiles is the same of the salary component.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2022-23	2021-22
Band of highest paid board member's total remuneration (£000)	115–120	115-120
Median remuneration (£000)	52.2	49.9
Ratio	2.2	2.3
25th percentile remuneration (£000)	36.4	34.3
Ratio	3.2	3.3
75th percentile remuneration (£000)	63.2	62.2
Ratio	1.8	1.8

Compensation for loss of office

This section has been subject to audit.

No staff left the Office under Voluntary Exit terms in 2022-23 or 2021-22.

Ministers

This section has been subject to audit.

Minister Iain Stewart MP and Minister David Duguid MP left office on the 8th of September 2022 and the 27th of October 2022. They both received a severance payment of £5,593 in accordance with section 4 of the Ministerial and other Pensions and Salaries Act 1991. There were no severance payments made in 2021-22.

Staff Report

Staff Costs

This section and the related tables below have been subject to audit.

The Scotland Office and OAG do not directly employ staff. Instead, staff are seconded or loaned by other Civil Service bodies, mainly the Scottish Government and the Ministry of Justice (MoJ). The Offices seek staff on secondment to provide the skills and experience needed to fulfil the Offices' functions. Both the Scottish Government and the MoJ recruit staff in accordance with the Civil Service Commissioners' recruitment principles.

Legal staff in OAG are part of the Government Legal Service for Scotland (GLSS) and are seconded to the UK Government from employment with Scottish Ministers.

The recruitment of all legal staff is undertaken by the GLSS, a professional community of lawyers in government from various legal offices. OAG is also supported by a small number of administrative staff.

The SO and OAG expenditure on staff during 2022-23 is shown in the following table:

	2022-23					2021-22
	£000					
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries	-	7,679	232	-	**7,911**	**7,680**
Social security costs	-	788	29	-	**817**	**788**
Other pension costs	-	1,798	-	-	**1,798**	**1,828**
Total	**-**	**10,265**	**261**	**-**	**10,526**	**10,296**

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers. Therefore special adviser costs are now reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective Departments of their appointing Minister.

The staff costs comprise of:

	Charged to Admin Budgets	Charged to Programme Budgets	Charged to Admin Budgets	Charged to Programme Budgets
	2022-23		2021-22	
	£000		£000	
Core Department	10,320	-	10,088	-
Other Designated Bodies	-	206	-	208

Staff Numbers

This section and the related tables have been subject to audit

The average number of full-time equivalent persons employed during the year was as follows:

	2022-23					2021-22
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Scotland Office	-	78	3	4	**85**	**85**
Office of the Advocate General	-	49	1	-	**50**	**55**
Boundary Commission	-	3	-	-	**3**	**3**
Total	**-**	**130**	**4**	**4**	**138**	**143**

The department had 4 special advisers in post at the 31 March 2023.

Staffing Levels

The actual number of staff in post at 31 March 2023 in the Scotland Office totalled 87, of which 35% were based in Edinburgh and 65% in London. OAG had 51 staff in post on 31 March 2023, 89% of which were based in Edinburgh and 11% in London.

The department had a staff complement of 74 (SO) and 49 (OAG) , totalling 123 staff at the beginning of the 2022-23 financial year reporting period. However, as the table below shows, the full complement was not achieved in any given month although there was an average of 90% in staffing levels across the year.

Month	Apr -22	May -22	Jun -22	Jul -22	Aug -22	Sep -22	Oct -22	Nov -22	Dec -22	Jan -23	Feb -23	Mar -23
Vacancy Rate %	15%	16%	15%	12%	11%	12%	9%	8%	7%	7%	5%	3%

The annual turnover of staff is estimated at around 28% SO (26 leavers vs 94 complement) and 27% OAG (14 leavers vs 51 complement), Total Department SO/OAG combined 28% (40 leavers vs 145 complement)

Reporting of Civil Service and other compensation schemes - exit Packages (subject to audit)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of the departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill Health retirement costs are met by the pension scheme and are not included in the table.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a Special Adviser's appointment automatically ends when their appointing Minister leaves office. Special Advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a Special Adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts.

The SO and OAG incurred no exit package costs during 2022-23 or 2021-22.

Senior Civil Service

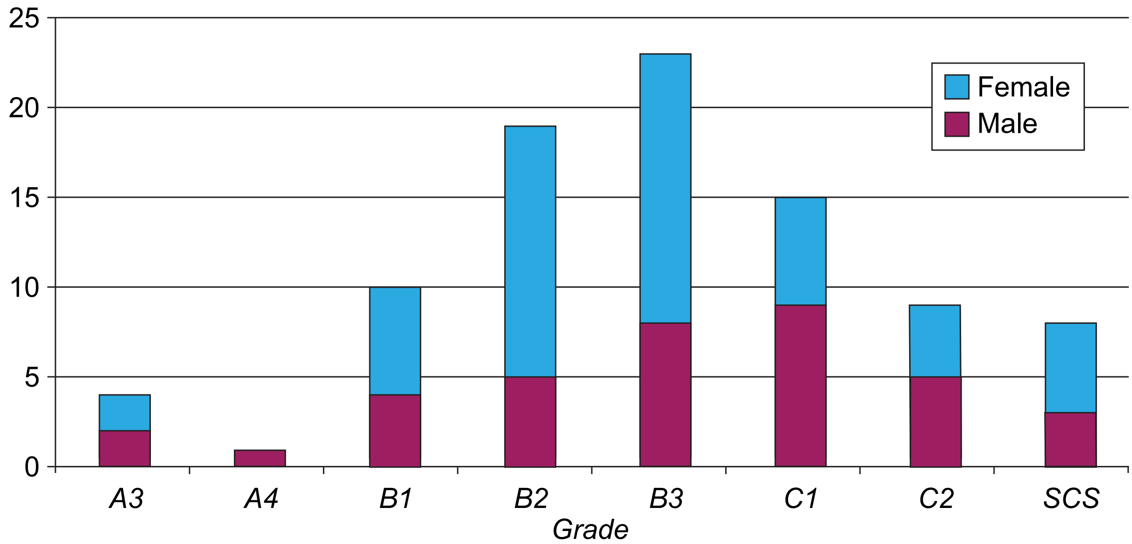
At 31 March 2023 there were six senior civil service posts in the SO and five posts in the OAG.

	2022-23		2021-22	
	Pay Band 1	Pay Band 2	Pay Band 1	Pay Band 2
SO	5	1	5	1
OAG	4	1	4	1

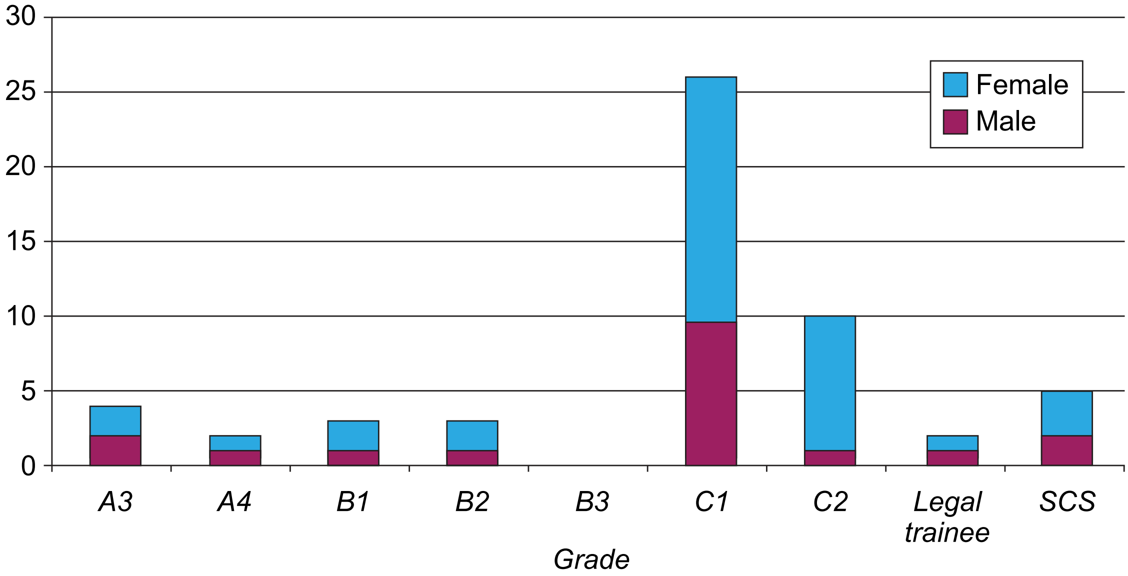
Diversity

Women make up 58% of staff in the SO and 67% of staff in OAG. The following charts (over) show the number of women and men in each grade in the two Offices.

Office of the Secretary of State for Scotland



Office of the Advocate General



Equal Opportunities

Information on the ethnic origin of civil servants is collected using a voluntary, confidential questionnaire. To protect the identity of individual staff, data relating to fewer than five people is not disclosed in equal opportunities monitoring.

Employment of disabled persons

The SO and the Office of the Advocate General do not employ staff directly. All staff that join as civil servants do so on assignment, loan or secondment from other government departments. We adhere closely to the disability policies of the recruiting departments and we are committed to ensuring equality for all colleagues with a disability including upholding the standards of the Equality Act. We promote a culture where colleagues with a disability are treated with dignity and feel respected and supported. To support more disabled people into work, the Offices participate in the Guaranteed Interview Scheme (GIS) for candidates with a disability.

Human Rights and Anti-Slavery

The Offices are committed to respecting human rights and the Scotland Office and OAG have Anti-Slavery Statements which are overseen by the Home Office.

Sick Absence Data

The average number of working days lost in the financial year 2022-23 was 3.96 days (4.40 days in 2021-22).

Spend on Consultancy and Temporary Staff

The SO and OAG had no spend on consultancy in 2022-23 (nil in 2021-22). The departments use temporary staff to cover staff on long term sick, maternity leave and for vacant posts, the total spend on temporary staff in 2022-23 was £320,560 (2021-22 £520,580).

Off Payroll Appointments

In 2022-23 the SO had no off payroll appointments for more than £220 per day and for a duration of six months or longer.

Staff Engagement Survey

The Office participated in the annual civil service-wide survey. Our overall staff engagement was 70%.

Trade Union (Facility Time Publication Requirements) Regulations 2017 (Statutory Instruments 328)

No official in the department spent time on trade union activities. The Ministry of Justice and Scottish Government as their employers provide trade union representation for Staff.

Lyn McDonald
Director, The Scotland Office, (Temp.)
Accounting Officer, The Scotland Office and the
Office of the Advocate General for Scotland

7 July 2023

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Office of the Secretary of State for Scotland and Office of the Advocate General to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1): a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 44-46 in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of

outturn against estimate as an introduction to the SOPS disclosures.

Summary table 2022-23, all figures presented in £000

		Outturn			Estimate			Outturn v's Estimate, saving / (excess)		Prior Year Outturn Total 2021-22
	SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental Expenditure Limit										
- Resource	1.1	**12,686**	-	**12,686**	13,334	-	**13,334**	648	648	**11,548**
- Capital	1.2	**35**	-	**35**	45	-	**45**	10	10	-
Total		**12,721**	-	**12,721**	**13,379**	-	**13,379**	658	658	**11,548**
Total Budget										
- Resource	1.1	**12,686**	-	**12,686**	**13,334**	-	**13,334**	**648**	**648**	**11,548**
- Capital	1.2	**35**	-	**35**	**45**	-	**45**	**10**	**10**	-
Total Budget Expenditure		**12,721**	-	**12,721**	**13,379**	-	**13,379**	**658**	**658**	**11,548**
Non-Budget Expenditure	1.1	**42,352,198**	-	**42,352,198**	42,904,720	-	**42,904,720**	552,522	552,522	**43,120,822**
Total		**42,364,919**	-	**42,364,919**	**42,918,099**	-	**42,918,099**	**553,180**	**553,180**	**43,132,370**

Net Cash Requirement 2022-23, all figures presented in £000

Item	*SOPS Note*	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Prior Year Outturn Total 2021-22
Net Cash Requirement	2	**42,363,969**	**42,917,853**	**553,884**	**43,133,559**

Administration costs 2022-23, all figures presented in £000

Type of Spend	*SOPS Note*	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn
Administration Costs	1.1	**12,402**	**12,922**	520	**11,043**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate limit, any breach of the administration budget will also result in an excess vote.

Explanations of variancies between estimate and outturn are given in the Financial Review for the Scotland Office and Office of the Advocate General.

Notes to the Statement of Outturn against Parliamentary Supply 2022-23 (£000's)

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of resource outturn by Estimate line

	Resource Outturn							Estimate			Outturn v's Estimate, saving / (excess)	Prior Year Outturn Total 2021-22
	Administration			Programme								
	Gross	Income	Net Total	Gross	Income	Net Total	Total	Total	Virements	Total Including Virements	Net total compared to Estimate	Total
Spending in Departmental Expenditure Limits (DEL)												
Voted Expenditure												
A Scotland Office & Office of the Advocate General	15,719	3,317	12,402	-	-	-	**12,402**	**12,922**	-	12,922	520	11,205
B Boundary Commission for Scotland		-	-	284	-	284	**284**	**412**	-	412	128	343
Total Voted Expenditure in DEL	**15,719**	**3,317**	**12,402**	**284**	**-**	**284**	**12,686**	**13,334**	**-**	**13,334**	**648**	**11,548**
Non-Budget												
Voted Expenditure												
D Grant Payable to the Scottish Consolidated Fund	-	-	-	28,532,513	-	28,532,513	**28,532,513**	**29,085,035**	-	29,085,035	552,522	31,479,277
E Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	-	-	-	13,819,685	-	13,819,685	**13,819,685**	**13,819,685**	-	13,819,685	-	11,641,545
Total Non-Budget	**-**	**-**	**-**	**42,352,198**	**-**	**42,352,198**	**42,352,198**	**42,904,720**	**-**	**42,904,720**	**552,522**	**43,120,822**
Total for Estimate	**15,719**	**3,317**	**12,402**	**42,352,482**	**-**	**42,352,482**	**42,364,884**	**42,918,054**	**-**	**42,918,054**	**553,170**	**43,132,370**

An explanation of the variances can be found in Part 5 of the accounts - the financial review.

SOPS 1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn v's Estimate, saving / (excess)	Prior Year OutturnTotal 2021-22
	Gross	Income	Net Total	Net	Virements	Total including virements		
Spending in Departmental Expenditure Limit (DEL)								
Voted expenditure								
A Office of the Secretary of State for Scotland & Office of the Advocate General	35	-	35	45	-	45	10	-
Total Voted Expenditure in DEL	**35**	**-**	**35**	**45**	**-**	**45**	**10**	**-**
Total	**35**	**-**	**35**	**45**	**-**	**45**	**10**	**-**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Manual available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 2. Reconciliation of outturn to net operating expenditure

A reconciliation table is not required as the net resource outturn per the SOPS is the same as net operating expenditure reported in the SOCNE and there is no net capital outturn

SOPS 3. Reconciliation of the Net Resource Outturn to the Net Cash Requirement

	Reference	Outturn total £000	Estimate £000	Outturn v's Estimate, saving / (excess) £000
Resource Outturn	SoPS	42,364,884	42,918,054	553,170
Capital Outturn	SoPS 1.2	35	45	10
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Depreciation		(607)	(608)	(1)
Other non-cash items		(63)	(63)	-
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		(319)	-	319
Increase/(decrease) in Payables		(392)	-	392
increase (-) decrease (+) in creditors [(1)]		431	425	(6)
Total		**42,363,969**	**42,917,853**	**553,884**
Removal of non-budget items:				
Consolidated Fund Standing Services		-	-	-
Net Cash Requirement		**42,363,969**	**42,917,853**	**553,884**

[(1)] As reflected in the Supplementary Estimate

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS 4. Income Payable to the Consolidated Fund

SOPS 4.1 Analysis Income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund.(cash receipts being shown in italics).

Item	Reference	Outturn		Prior Year 2021-22	
		Accruals	**Cash Basis**	**Accruals**	**Cash Basis**
Income outside the ambit of the Estimate		-	-	-	-
Total Income payable to the Consolidated Fund		**-**	**-**	**-**	**-**

Consolidated Fund income shown in note 4.1 does not include any amounts collected by the Scotland Office where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

Income collected by the Scottish Government and due to the Consolidated Fund is shown in the table below

Item	**Outturn 2022-23**	**Prior Year Outturn Total 2021-22**
Fines and penalties	0	166
Amount payable to the Consolidated Fund	**-**	**166**
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	0	**166**
Balance held on trust at the end of the year	-	-
The total income paid into the Consolidated Fund as at 31st March 2022 and 31 March 2023 were:		
Income from 2021-22		166
Income from 2022-23	-	
	-	**166**

Parliamentary Accountability Disclosures

This information has been subject to audit.

Losses and Special Payments

There were no losses or special payments that require disclosure because of their size or nature in 2022-23 (nil 2021-22)

Fees and Charges

We seek to recover the full costs of legal services provided on behalf of other government departments. The costs are calculated on an accruals basis, including overheads which includes the time that people spend on activities, which is set using an hourly rate. There has been no over or under recovery of costs in 2022-23 (Nil 2021-22). The full costs of our operating segments are disclosed in Note 2.

Remote Contingent Liabilities

There were no remote contingent liabilities in 2022-23 (nil in 2021-22).

Lyn McDonald

Accounting Officer for the Office of the Secretary of State for Scotland
and Office of the Advocate General for Scotland (Temp.)

7 July 2023

The Certificate and Report of the Comptroller and Auditor General to the House Of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Scotland Office and Office of the Advocate General for Scotland ('the Department') for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise the Department's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.
In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard

Opinion on other matters

In my opinion the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Department or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department’s accounting policies;
- inquired of management, the Department’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department’s controls relating to the Department’s compliance with the Government Resources and Accounts Act 2000, the Scotland Act 1998, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2022;
- inquired of management, the Department’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department's framework of authority and other legal and regulatory frameworks in which the Department operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, the Scotland Act 1998, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2022, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **10 July 2023**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Chapter 3: Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2022-23 £000	2021-22 £000
Revenue from contracts with customers	4	(2,063)	(2,008)
Other operating income	4	(1,254)	(1,609)
Total operating income		**(3,317)**	**(3,617)**
Staff Costs	3	10,526	10,296
Purchase of goods and services	3	4,817	4,707
Depreciation and impairment charges	3	607	162
Finance Expense on Lease Liabilities	3	53	-
Grant to the Scottish Consolidated Fund	3	28,532,513	31,479,277
Payover of Scottish Rate of Income Tax to Scottish Government	3	13,819,685	11,641,545
Total operating expenditure		**42,368,201**	**43,135,987**
NLF interest receivable		(49,925)	(48,467)
NLF interest payable		49,925	48,467
Net expenditure for the year		**42,364,884**	**43,132,370**
Other Comprehensive Net Expenditure		-	-
Net (gain) loss on revaluation of property, plant and equipment		-	-
Comprehensive net expenditure for the year		**42,364,884**	**43,132,370**

The notes on pages 109 to 124 form part of these accounts.

Statement of Financial Position
as at 31 March 2023

This Statement presents the financial position of the Scotland Office and Office of the Advocate General. It comprises three main components: assets owned or controlled: liabilities owed to other bodies: and equity, the remaining value of the entity.

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets:			
Property, plant and equipment	5	359	453
Intangible assets	6	66	93
Right of use assets	7	5,634	-
Financial assets (NLF)	9	2,192,255	2,126,338
Total non-current assets		**2,198,314**	**2,126,883**
Current Assets:			
Trade and other receivables	11	447	765
NLF receivables	11	290,648	180,555
Cash and cash equivalents	10	164	10
Total current assets		**291,259**	**181,330**
Total Assets		**2,489,573**	**2,308,214**
Current liabilities			
Trade and other payables	12	(3,904)	(2,935)
NLF payables	12	(290,648)	(180,555)
Total current liabilities		**(294,552)**	**(183,490)**
Non-current assets plus/less net current assets/liabilities		**2,195,021**	**2,124,725**
Non-current liabilities			
Lease obligations	12	(5,232)	-
Other payables (NLF)	12	(2,192,255)	(2,126,338)
Total non-current liabilities		**(2,197,487)**	**(2,126,338)**
Assets less liabilities		**(2,466)**	**(1,614)**
Taxpayers' Equity and other reserves			
General fund		(2,472)	(1,620)
Revaluation Reserve		6	6
Total equity		**(2,466)**	**(1,614)**

Signed:

Lyn McDonald
Accounting Officer for the Office of the Secretary of State for Scotland and Office of the Advocate General for Scotland (Temp.)

7 July 2023

The notes on pages 109 to 124 form part of these accounts.

Statement of Cash Flows for the Period Ended 31 March 2023

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the departments' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2022-23 £000	2021-22 £000
Cash flows from operating activities			
Net operating cost	SOCITE	(42,364,884)	(43,132,370)
Adjustments for non-cash transactions	3	670	218
(Increase)/Decrease in trade and other receivables	11	(175,691)	(41,024)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure [1]	11	176,010	40,822
Increase/(Decrease) in trade payables	12	182,211	39,539
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure [1]	12	(181,819)	(40,744)
Net cash outflow from operating activities		**(42,363,503)**	**(43,133,559)**
Cash flows from investing activities			
Purchase of Plant & Machinery and Fixtures and Furnishings	5	(35)	-
(Repayments) from other bodies (interest)		(49,925)	(48,467)
(Repayments) from other bodies (capital)	9	(171,389)	(130,517)
Loans to Scottish Government	9	(347,000)	(469,000)
Net cash outflow from investing activities		**(568,349)**	**(647,984)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - Current Year [2]	SOCITE	42,364,123	43,133,482
From the Consolidated Fund (Non-supply)		-	-
Advance from the Contingencies Fund		2,813,000	12,000,000
Repayment of advance from the Contingencies Fund		(2,813,000)	(12,000,000)
Payment of lease liabilities [5]		(484)	-
Finance expense on lease liabilities [5]		53	-
Repayment of loans from the National Loans Fund (interest) [3]		49,925	48,467
Repayment of loans from the National Loans Fund (capital) [3]	9	171,389	130,517
Loans received from National Loans Fund		347,000	469,000
Net Cash Inflow from Financing Activities		**42,932,006**	**43,781,466**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	10	**154**	**(77)**
Income payable to the Consolidated Fund	SOPS 4	-	(166)
Income paid to the Consolidated Fund [4]		-	166
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**154**	**(77)**
Cash and cash equivalents at the beginning of the period	10	10	87
Cash and cash equivalents at the end of the period	10	164	10

(1) Movements include: departmental balances with the Consolidated Fund: and payables linked to financing - NLF loans (principal and interest), capital debtors, finance leases and PFI and other service concession arrangements.
(2) This is the amount received from the Consolidated Fund in respect of the current year.
(3) This includes loans repaid by entities for onward transmission to the NLF and interest received from entities for transmissions to the NLF.
(4) Cash paid over to the Consolidated Fund under any category.
(5) Movement due to the introduction of IFRS 16.

The notes on pages 109 to 124 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

This statement shows the movement in the year on the different reserves held by the Office of the Secretary of State for Scotland and Office of the Advocate General, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	General Fund £000	Revaluation Reserve £000	Tax Payers' Equity £000
Balance at 31 March 21	**(2,865)**	**6**	**(2,859)**
Net Parliamentary Funding	43,133,482	-	43,133,482
Deemed Supply (voted)	87	-	87
Deemed Supply (non voted)	-	-	-
unused election funding	-	-	-
Supply Payable	(10)	-	(10)
CFER transferred to CF	-	-	-
Net expenditure for the year	(43,132,370)	-	(43,132,370)
Auditors Remuneration	56	-	56
Transfer of fixed assets	-	-	-
Balance at 31 March 22	**(1,620)**	**6**	**(1,614)**
Net Parliamentary Funding	42,364,123	-	42,364,123
Deemed Supply (voted)	10	-	10
Deemed Supply (non voted)	-	-	-
Unused election funding	-	-	-
Supply Payable	(164)	-	(164)
CFER transferred to CF	-	-	-
Net expenditure for the year	(42,364,884)	-	(42,364,884)
Auditors Remuneration	63	-	63
Transfer of fixed assets	-	-	-
Balance at 31 March 23	**(2,472)**	**6**	**(2,466)**

The notes on pages 109 to 124 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2023

Statement of Accounting Policies 2022-23

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Scotland Office (SO) and Office of the Advocate General (OAG) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SO & OAG are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the SO & OAG to prepare one additional primary statement. The Statement of Outturn against Parliamentary Supply and its supporting notes report outturn against the Estimate in terms of the net resource requirement and the net cash requirement. These are included within the Parliamentary accountability

The functional and presentational currency of the SO & OAG is the British Pound Sterling (£).

1.2 Going Concern

The accounts for 2022-23 have been prepared on a going concern basis, the period considered to be 12 months from the approval of these accounts, to July 2024. The department has a statutory basis for its function and related funding and there is no reason why this would not continue. In common with other government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and Income, both to be approved annually by Parliament. The most recent funding to 31 March 2024 was approved on the 18th May 2023, and the recent Spending Review has confirmed future funding for the department until 31 March 2025. For financial year 2024-25 the expected funding levels were those included in the Comprehensive Spending Review.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which requires entities adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue. For the above reasons it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Accounting convention

These Accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, and certain financial assets and liabilities where material.

1.4 New accounting standards adopted in the year

The Office has adopted IFRS 16 during the 2022-23 financial year. See note 1.8 for further details.

1.5 Operating segments

SO & OAG share a single function but for IFRS purposes are considered to be separate operating segments. The other segments reported in the accounts are the Boundary Commission; the grant to the Scottish Consolidated Fund; the payover of the Scottish Rate of Income Tax; and National Loan Fund (NLF) repayments.

1.6. Property, plant and equipment and Intangible Assets

Valuation basis

Non-current assets are stated at fair value. On initial recognition PPE and Intangible assets are measured at cost including any costs directly attributable to bringing them into working condition.

Valuation method

The SO & OAG has no property assets.

Capitalisation threshold – individual assets

The SO & OAG capitalisation threshold for individual assets is £1,000 (including VAT).

Capitalisation threshold – grouped assets

The SO & OAG has a small pool of assets for furniture and fittings which has been Capitalised.

The SO & OAG apply a capitalisation threshold for grouped assets of £10,000 (including VAT).

Capitalisation threshold – Intangible Assets

Expenditure on computer software licences lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets.

Depreciation/Amortisation

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

Estimated useful asset lives are within the following ranges:

• Grouped assets	Various depending on individual asset types.
• Information technology	Shorter of remaining lease period or 3 to 15 years.
• Plant and equipment	Shorter of remaining lease period or 3 to 20 years.
• Furniture and fittings	Shorter of remaining lease period or 5 to 20 years.
• Leasehold Improvements	The remaining life of the lease.
• Assets under construction	Not Depreciated.
• Intangible Assets (Software Licences)	Life of the licence

The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within Administration or Programme costs, as appropriate, in the Statement of Comprehensive Net Expenditure. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

1.7 Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and Intangible assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. If expenditure is deemed as not attributable to the asset it is expensed to the Statement of Comprehensive Net Expenditure. The department currently has no assets under construction.

1.8 Leases prior to 1 April 2022

The Office applied IAS 17 ‘Leases’ up to 1 April 2022, recognising leased assets as either operating or finance leases. Leases were classified as finance leases when the risks and rewards of ownership were transferred substantially to the lessee; all other leases were classified as operating leases.

Finance leases

The Department did not have any finance leases.

Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term.

1.8a Leases from 1 April 2022

The Office adopted IFRS 16 “leases” from 1st April 2022 in accordance with the FReM.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model.

IFRS 16 requires recognition of assets and liabilities for all leases in the Statement of Financial Position (SoFP), with exemption given to low value leases and short-term leases, The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying leased asset and a lease liability, representing an obligation to make lease payments.

Initial recognition

The Office has adopted IFRS 16 on the cumulative catch-up basis as mandated in the FReM, and therefore any cumulative impact on previous years’ results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be restated and Note 1.7 applies for the prior year. Under the ‘grandfathering’ rules mandated in the FReM for the initial transition to IFRS 16, a right of use asset and lease liability will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17.

The definition of a contract is expanded to include intra-UK Government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

Measurement of right-of-use assets

On transition

On initial application, the right of use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease relating to those recognised in the Statement of Financial Position immediately before the date of initial application.

Subsequent measurement

Right-of-use assets are subsequently measured in line with the class of PPE asset to which the lease relates. The cost model for IFRS 16 is used as a proxy for valuation except where:

- A longer-term contract that has no provisions to assess lease payments for market conditions.
- There is a significant period of time between these assessments
- The valuation of the underlying asset is likely to fluctuate significantly due to changes in market prices.

Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of:

- Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates
- Lease term.

Measurement of lease liability

Lease liability on transition

On initial application, the lease liability is measured at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application. The incremental borrowing rate is either:

- The interest rate implicit in the lease.
- HM Treasury discount rate where interest rates implicit in the lease cannot be readily determined

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate,

Lease payments included in the measurement of the lease liability comprise the following: Fixed payments, including in-substance fixed payments.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the SoCNE if the carrying amount of the right of use asset is £nil.

New leases are measured in the way set out above.

Impact of the new standard

The Office identified two intra Government agreements which meet the definition above of a lease. The agreements are Memorandum of Terms of Occupations (MOTOs) with the Government Property Agency (GPA) for Dover House (London Office) and with HMRC for specified space in the UK Government Hub in Edinburgh.

The impact of IFRS 16 on the Statement of Financial Position (SoFP) as at 1st April 2022 and on the Statement of Comprehensive Net Expenditure (SoCNE) for the financial year ending 31 March 2023 is shown in tables 1 and 2 below:

The Office applied the HM Treasury central internal rate of borrowing which on transition to IFRS 16 for the Office is 0.95%.

Table 1: Impact on the SoFP arising from adoption of IFRS 16

Description	1st April 2022 £,000
Right of use assets commenced at 1 April 2022 (NBV)	6,085
Total	**6,085**
Lease liabilities commenced at 1 April 2022	6,085
Total	**6,085**

Table 2: Impact on the SoCNE arising from IFRS 16

Description	2022-23 £,000	2021-22 £,000	Increase/Decrease expected £,000
Asset depreciation	451	0	451
Interest expense on discounted lease liability	53	0	53
IAS 17 basis rental payments	0	477	(477)
Total	**504**	**477**	**27**

Table 3: Reconciliation of the Operating Lease commitments under IAS 17 at 31st March 2022 to Lease Liability calculated under IFRS 16 on 1st April 2022.

Description	£m
Operating Lease commitments as at 31st March 2022	6,520
Discounted using discount rates	(435)
Lease Liability as at 1st April 2022	6,085

Lessor

When the Office acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the Office makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

The Office recognises lease payments under operating leases as income on a straight-line basis over the length of the lease terms.

The accounting policies applicable to the lessor are largely unchanged by IFRS 16.

1.9 Investments

National Loan Fund (NLF)

Advances from the National Loan Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to Registers of Scotland and Scottish Water prior to devolution. With the effect from 1 April 2015, under Section 32 of the Scotland Act 2016, additional borrowing powers were conferred on Scottish Government ministers. During 2017-18 the Scottish Administration borrowed additional funds from the NLF for the first time since devolution and have used the facility again in each year since.

The responsibility for repayment of principal and interest falls on the Scottish Government and is a charge on the Scottish Consolidated Fund. Amounts received by the Advances from the National Loan Fund are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution. With effect from 1 April 2015, under Section 32 of the Scotland Act 2012, as amended by Section 20 of the Scotland Act 2016, additional borrowing powers were conferred on Scottish Government ministers.

Amounts received by the SO and OAG are surrendered to the NLF.

Outstanding loan balances are included within trade and other payables.

1.10 Employee benefits

Employee leave accruals

Under IAS 19 'Employee Benefits', accruals are made for untaken annual leave and flexi-leave. Performance bonuses are not accrued as the annual appraisal process which determines performance pay is not finalised at the time these Accounts are Prepared.

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

Early departure costs

The SO & OAG is not a direct employer. All staff are either Ministry of Justice or Scottish Government staff and it is the responsibility of these departments to pay the additional costs of benefits beyond the normal PCSPS of staff who retire early. In specific circumstances where the SO & OAG has agreed to meet the costs, early departure costs are provided in full at the point that the agreement is binding. The estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate if material.

1.10 Operating income

Operating income includes both income appropriated in aid to offset related expenditure and income that is surrendered on receipt to the Consolidated Fund as Extra Receipts (CFER's).

The department's material revenue falls into two categories:

- expenditure incurred by OAG on behalf of other UK Government departments in the Scottish Courts, which is subsequently recovered from the appropriate UK Government department; and
- staff and overhead costs incurred by OAG on behalf of staff working on Scottish legal issues on behalf of other UK Government departments, which is subsequently recovered through recharges.

All costs identified above which are subject to recharge are recovered on a monthly or quarterly basis.

1.11 Consolidated Fund Extra Receipts (CFERs)

CFERs balances are calculated on an accruals basis, unless stated otherwise. These mostly relate to amounts originally received by certain devolved bodies in Scotland that have been designated by the Treasury under Section 71 of the Scotland Act 1998. These amounts are paid over by Scottish Ministers to the Secretary of State and charged on the Scottish Consolidated Fund.

1.12 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of SO & OAG together with the grant payable to the Scottish Consolidated Fund under Section 64 of the Scotland Act 1998.

1.13 Provisions

Provisions are recognised when the SO & OAG has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation. Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury. The Department did not have any provisions in 2022-23.

1.14 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.15 Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore usually exposed to little credit, liquidity or market risk.

1.16 Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flow include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.17 Significant accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. There are no reported estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.18 Impending application of newly issued accounting standards not yet effective

IFRS 17 Insurance contracts

IFRS 17 – Insurance contracts replace IFRS 4 of the same name. The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The implementation of IFRS 17 is not planned until 2025, and HM Treasury is already considering its application to the public sector. It is expected that IFRS 17 will be applied to the central Government from 2025-26.

IFRS 17 will have no impact on future SO & OAG accounts.

Note 2: Statement of Operating Costs by Operating Segment

The Main Supply Estimate provides for the administration costs of the Scotland Office and Office of the Advocate General and the salaries of the Secretary of State for Scotland, his Parliamentary Under-Secretary of State, the Advocate General for Scotland, the costs of the Boundary Commission for Scotland and a grant to the Scottish Consolidated Fund.

The Offices Management Boards monitor the administration costs of the Scotland Office and Office of the Advocate General, the provision agreed for the Boundary Commission and the management of the transfer of a block grant to the Scottish Consolidated Fund to meet expenditure by the Scottish Parliament and the Scottish Government.

	2022-23 (£000)						
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National Loan Fund	Total
Gross Expenditure	9,362	6,357	284	28,532,513	13,819,685	49,925	42,418,126
Income	-	(3,317)	-	-	-	(49,925)	(53,242)
Net Expenditure	**9,362**	**3,040**	**284**	**28,532,513**	**13,819,685**	**-**	**42,364,884**

	2021-22 (£000)						
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National Loan Fund	Total
Gross Expenditure	7,941	6,881	343	31,479,277	11,641,545	48,467	43,184,454
Income	-	(3,617)	-	-	-	(48,467)	(52,084)
Net Expenditure	**7,941**	**3,264**	**343**	**31,479,277**	**11,641,545**	**-**	**43,132,370**

Description of segments

Scotland Office

The role of the Scotland Office is to deliver the UK Government's objectives for Scotland and to promote the best interests of Scotland within the United Kingdom.

Office of the Advocate General

The role of the Office of the Advocate General is to provide high quality legal services to secure the UK Government's objectives in Scotland.

Boundary Commission

The Boundary Commission for Scotland is responsible for reviews of both the Scottish Parliament's constituencies and regions and also the UK Parliament's constituencies in Scotland.

Grant to the Scottish Consolidated Fund

The Scottish Government's Budget is determined by the combined impact of Block Grant funding allocated by HM Treasury on a population based formula, the Barnett formula, and adjusted to reflect taxes devolved to Scotland through the Scotland Act 2012 and the Scotland Act 2016; and independent forecasts of receipts generated by those taxes and devolved social security expenditure. The UK Parliament votes the necessary provision to the Secretary of State, who, in turn, makes grants to the Scottish Government as set out in the Scotland Act 1998.

The Scottish Rate of Income Tax

The Scottish Rate of Income Tax (SRIT), identification of Scottish taxpayers and administering the tax are all matters for the UK Government and His Majesty's Revenue and Customs (HMRC). Receipts from SRIT are collected by HMRC and paid to the Scottish Government, equal to the block grant reduction. Receipts from SRIT will be added to the Scottish block grant

National Loan Fund

Advances from the National Loan Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution and the Scottish Government post devolution. The responsibility for repayment of principal and interest fall on the Scottish Government and is a charge on the Scottish Consolidated Fund. Amounts received by the Office of the Secretary of State for Scotland and the Office of the Advocate General are surrendered to the NLF. Outstanding loan balances are included within Trade and other payables.

Reporting

The Department does not provide segmented balance sheet information to the board.

3.Expenditure

Staff Costs[(1)]

	2022-23	2021-22
	£000	£000
Wages and salaries	7,914	7,680
Social security costs	815	788
Other pension costs	1,797	1,828
Sub Total	10,526	**10,296**
Goods and Services		
Rentals under operating leases	-	1,201
Accommodation Costs	1,859	664
Legal Costs	1,576	1,818
Travel and Subsistence Costs	613	297
Other Expenditure	706	671
Finance Expense on Lease Liabilities	53	
Grants		
Grant paid to Scottish Consolidated Fund	28,532,513	31,479,277
Payover of Scottish Rate of Income Tax to Scottish Government	13,819,685	11,641,545
Non-cash items:		
Auditors' remuneration and expenses	63	56
Depreciation and amortisation	607	162
Total Operating Expenditure Costs	**42,368,201**	**43,135,987**

(1) Further analysis of staff costs is located in the Accountability Report (on page 90).

Footnote: The Consolidated Statement of Comprehensive Net Expenditure staff costs figure includes administration and Boundary Commision staff costs; and the figure for purchase of goods and services includes other administration costs and Boundary Commission operating costs.

The Scotland Office and Office of the Advocate General did not purchase any non-audit services from the National Audit Office. (2021-22 nil)

4. Income

	2022-23	2021-22
	£000	£000
Legal fees and charges to clients	(2,063)	(2,008)
Recovery of legal outlays from other Government Bodies	(1,254)	(1,609)
Total	(3,317)	**(3,617)**

5. Property, Plant and Equipment

2022-23	Information Technology £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Total £000
Cost or valuation				
At 1 April 2022	462	122	81	665
Additions	-	6	29	35
At 31 March 2023	**462**	**128**	**110**	**700**
Depreciation				
At 1 April 2022	(107)	(92)	(13)	(212)
Charged in year	(92)	(29)	(8)	(129)
At 31 March 2023	**(199)**	**(121)**	**(21)**	**(341)**
Carrying amount at 31 March 2023	**263**	**7**	**89**	**359**
Carrying amount at 31 March 2022	**355**	**30**	**68**	**453**

All assets are owned by the department

2021-22	Information Technology	Plant Machinery & Equipment	Furniture & Fittings	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**
At 1 April 2021	462	145	137	744
Disposals	-	(15)	(64)	(79)
Transfers	-	(8)	8	-
At 31 March 2022	**462**	**122**	**81**	**665**
Depreciation				
At 1 April 2021	(14)	(78)	(65)	(156)
Charged in year	(93)	(34)	(8)	(135)
Disposals	-	15	64	79
Transfers	-	5	(5)	-
At 31 March 2022	**(107)**	**(92)**	**(13)**	**(212)**
Carrying amount at 31 March 2022	**355**	**30**	**68**	**453**
Carrying amount at 31 March 2021	**448**	**67**	**73**	**588**

All assets are owned by the department.

6. Intangible Assets

2022-23	Software licences £000	Total £000
Cost or valuation		
At 1 April 2022	137	137
At 31 March 2023	**137**	**137**
Amortisation		
At 1 April 2022	(44)	(44)
Charged in year	(27)	(27)
At 31 March 2023	**(71)**	**(71)**
Carrying amount at 31 March 2023	**66**	**66**
Carrying amount at 31 March 2022	**93**	**93**

All assets are owned by the department

6a. Intangible Assets

2021-22	Software licences £000	Total £000
Cost or valuation		
At 1 April 2021	137	137
At 31 March 2022	**137**	**137**
Amortisation		
At 1 April 2021	(16)	(16)
Charged in year	(28)	(28)
At 31 March 2022	**(44)**	**(44)**
Carrying amount at 31 March 2022	**93**	**93**
Carrying amount at 31 March 2021	**121**	**121**

All assets are owned by the department

7. Right of Use Leased Assets

2022-23	Buildings £000	Total £000
Cost or valuation		
At 1 April 2022	-	-
Initial recognition on implementation of IFRS 16	6,085	6,085
Additions	-	-
Revaluations	-	-
At 31 March 2023	**6,085**	**6,085**
Depreciation		
At 1 April 2022	-	-
Charged in year	(451)	(451)
Disposals	-	-
Revaluations	-	-
At 31 March 2023	**(451)**	**(451)**
Net book value at 31 March 2023	**5,634**	**5,634**
Net book value at 1 April 2022	-	-

As explained in Note 1.1, the department adopted IFRS 16 'Leases' from 1 April 2022. As required by the FReM, we have implemented it using the cumulative catch-up method, without restatement of prior year figures. The majority of leases, treated as operating leases until 31 March 2022 have now been recognised on-balance sheet as right-of use assets and lease liabilities. As a result, we have recognised an additional £5.634m of right of use assets and £5.654 million of lease liabilities. The lease contracts comprise leased buildings.

8. Financial Instruments

8.1 Categories of Financial Instruments

Financial Assets

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Advances from the National Loan Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State prior to devolution in 1999 and loans made to the Scottish Government post devolution. Outstanding balances are included within Trade and Other payables.

9. Investments in Other Public Sector Bodies

	Loans funded from National Loans Fund £000
Cost or valuation	
At 1 April 2021	1,828,711
Adjustment to NLF payable	16
Additions	**469,000**
Loans repayable within 12 months transferred to debtors	(171,389)
Balance at 31 March 2022	**2,126,338**
Additions to Scottish Government	347,000
Loans repayable within 12 months transferred to debtors	(281,083)
Balance at 31 March 2023	**2,192,255**

History of Accounts

The Scotland Office and Office of the Advocate General accounts report payments and outstanding balances owed on behalf of Scottish Water, Registers of Scotland and Scottish Government.

A proportion of the The National Loan Fund (NLF) outstanding balances at 31 March 2021 were made prior to 1 July 1999, under the terms of the Local Government etc. (Scotland) Act 1994 (Scottish Water). Prior to 1 July 1999, responsibility for accounting for the repayments fell to the Scottish Office. Upon devolution, the responsibility transferred to the Office of the Secretary of State for Scotland and Office of the Advocate General. Post devolution loans to the Scottish Government are made under the terms of the Scotland Act 2016.

Registers of Scotland (ROS) was established as a Trading Fund on 1 April 1996 and the loan was deemed to have been issued from the National Loan Fund (NLF) as ROS had no direct sponsor department. However, no physical payment has been made from the NLF. The deemed loan was based on the value of the assets and liabilities appropriated to the Trading Fund. 60% was attributed to capital loans to be paid through the NLF and 40% as public dividend capital, repayable through the Consolidated Fund.

(1) The Scottish Government borrowed a further £469,000,000 from the National Loan Fund in 2021-22(£319,000,000 resource and £150,000,000 capital)
(2) The Scottish Government borrowed a further £347,000,000 from the National Loan Fund in 2022-23(£300,000,000 resource and £47,000,000 capital)

10. Cash and Cash Equivalents

	2022-23 £000	2021-22 £000
Balance at 1 April 2022	10	87
Net change in cash and cash equivalents	154	(78)
Balance at 31 March 2023	**164**	**10**
The following balances at 31 March 2023 were held at:		
Government Banking Service	164	10
Commercial banks	-	-
Balance 31 March 2023	**164**	**10**

11. Trade Receivables Financial and Other Assets

	2022-23	2021-22
	£000	£000
Amounts falling due within one year:		
Trade receivables	259	259
VAT	80	83
Prepayments and accrued income	108	423
NLF interest receivables	9,565	9,166
Current part of NLF loan	281,083	171,389
Total	**291,095**	**181,320**

	2022-23	2021-22
	£000	£000
Amounts falling due after more than one year:		
Instalments due on NLF loans	2,192,255	2,126,338
Total	**2,192,254**	**2,126,338**

12. Trade Payables and Other Current Liabilities

	2022-23	2021-22
	£000	£000
Amounts falling due within one year:		
Trade payables	-	-
Accruals and deferred income	3,312	2,925
Lease obligations	428	-
NLF interest payable	9,565	9,166
Current part of NLF loans	281,083	171,389
Amounts issued from the Consolidated Fund for supply but not spent at year end	164	10
Total	**294,552**	**183,490**

	2022-23	2021-22
	£000	£000
Amounts falling due after more than one year:		
Lease obligations	5,232	-
NLF loans	2,192,255	2,126,338
Total	**2,197,487**	**2,126,338**

13. Contingent Liabilities Disclosed Under IAS 37

The department has recently moved into the UK Government Hub in Edinburgh for an indefinite period of time, and that at the current time it is not expected there will be any future dilapidation costs around the lease should we choose to exit. However, there is a possibility that costs may be incurred in the future and this will be subject to annual review going forward.

14. Related-party Transactions

The Scotland Office and Office of the Advocate General work closely with the Scottish Government and Ministry of Justice from where the majority of staff are loaned. Advice and assistance were provided by both government bodies for some specialised areas where they have greater expertise, such as IT, accommodation and finance. Not all of these services were covered by Service Level Agreements during the year.

Under ISA 24 Scotland Office and Office of the Advocate General Board members have no related-party transactions to disclose.

In addition, the Scotland Office and Office of the Advocate General has a number of significant transactions with other government departments mainly the Ministry of Justice and Scottish Government who are regarded as related parties.

No minister, board member, key manager or other related parties has undertaken any material transactions with the department during the year. All compensation for senior management is disclosed in full in the Remuneration Report.

15. Entities within the departmental boundary

The entities within the boundary during 2022–23 were as follows:

List of entities analysed between:

Supply financed agencies	***None***
Non-departmental public bodies (executive and non-executive being listed under subheadings)	**Advisory Non Departmental Public Body**
	The Boundary Commission for Scotland
Others – Core Department	***Scotland Office***
	Office of the Advocate General for Scotland

16. Events after the Reporting Period

In accordance with the requirements of International Accounting Standards 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue.

This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There are no material events to report.

Chapter 4: Public Expenditure Financial Tables

Table 1 - Spending by Scotland Office (SO) and Office of the Advocate General (OAG) & Scottish Government 2020-21 to 2023-24

	2020-21 Outturn £'000	2021-22 Plans £'000	2021-22 Outturn £'000	2022-23 Plans £'000	2022-23 Outturn £'000	2023-24 Plans £'000
Scotland Office Expenditure						
Resource expenditure within Administration Costs	12,941	11,567	11,043	12,922	12,402	12,995
Other resource expenditure	311	558	505	412	284	573
Scotland Office Resource (2)	**13,252**	**12,125**	**11,548**	**13,334**	**12,686**	**13,568**
Scotland Office Capital	385	50	0	45	35	450
Scotland Office Resource + Capital DEL (2)	**13,637**	**12,175**	**11,548**	**13,379**	**12,721**	**14,018**
less depreciation & impairments	*(73)*	*(150)*	*(162)*	*(608)*	*(607)*	*(593)*
Scotland Office DEL (3)	**13,564**	**12,025**	**11,386**	**12,771**	**12,114**	**13,425**
Scottish Government Expenditure (The Scottish Block) (6)						
Scottish Government Resource (Before Block Grant Adjustment) (2)	39,912,334	40,061,543	37,471,309	38,117,663	36,953,383	39,710,994
less Block Grant Adjustment	*(8,874,984)*	*(8,914,026)*	*(8,914,026)*	*(11,173,751)*	*(11,173,751)*	*(11,307,428)*
Scottish Government Resource (2)	31,037,350	31,147,517	28,557,283	26,943,912	25,779,632	28,403,567
Scottish Government Capital	5,230,499	5,561,996	5,224,299	6,412,370	6,198,851	5,950,088
Scottish Government Resource + Capital DEL (3) (5)	**36,267,849**	**36,709,513**	**33,781,582**	**33,356,282**	**31,978,483**	**34,353,654**
less depreciation & impairments	*(1,060,015)*	*(2,518,289)*	*(532,759)*	*(2,087,547)*	*(1,103,494)*	*(2,994,393)*
Scottish Government Total DEL(3)(5)	**35,207,834**	**34,191,224**	**33,248,823**	**31,268,735**	**30,874,989**	**31,359,261**

(1) Totals may not sum due to roundings.

(2) Including depreciation & 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 in to 2021-22. This funding is included in 2021-22 plans.

Table 2 - Cash grant paid to the Scottish Consolidated Fund 2021-22: Provision & Final Outturn

	Original Provision £million	Final Provision £million	Final Outturn £million
Expenditure Classified as Departmental Expenditure Limit [2]	35,535.8	37,005.5	33,781.6
Expenditure Classified as Annually Managed Expenditure	6,370.1	6,767.3	5,907.0
Expenditure Financed by Scottish Taxes	12,235.2	12,484.6	12,574.0
Expenditure Financed by Borrowing	769.0	569.0	469.0
Repayment of Principal on Loans	(80.4)	(80.4)	(80.4)
Drawdown from the Scotland Reserve	-	608.4	608.4
Non Domestic Rates	2,090.0	2,090.0	2,090.0
Total Managed Expenditure	**56,919.6**	**59,444.3**	**55,349.6**
Adjustments to cash requirement			
Non-budgetary cash items	162.3	162.3	162.3
Depreciation and Impairments	(2,570.5)	(2,545.5)	(330.1)
Other Cash to accruals adjustments	(5,565.5)	(6,782.4)	(6,438.8)
Non Domestic Rates Income	(2,090.0)	(2,090.0)	(2,090.0)
National Insurance Fund Payments towards Scottish NHS	(2,276.2)	(2,446.5)	(2,353.3)
Income from Scottish Taxes	(12,235.2)	(12,484.6)	(12,514.3)
Repayment of Principal on Loans	80.4	80.4	80.4
Borrowing	(769.0)	(569.0)	(469.0)
Change to balance held in Scottish Consolidated Fund	-	-	82.6
Cash Grant payable to Scottish Consolidated Fund by Scotland Office [3]	**31,655.9**	**32,769.0**	**31,479.3**

Notes

[1] Totals may not sum due to rounding.

[2] Resource and capital DEL including depreciation - Scottish Block Grant.

[3] Scotland Act 1998, Section 64 (2).

[4] Final provision includes £1,152m carry forward to 2021-22.

Table 3 - Cash grant paid to the Scottish Consolidated Fund 2022-23: Provision and Provisional Outturn

	Original Provision £million	Final Provision £million	Provisional Outturn £million
Expenditure Classified as Departmental Expenditure Limit (2)	34,207.9	33,340.0	31,978.5
Expenditure Classified as Annually Managed Expenditure	6,967.6	7,948.0	7,735.8
Expenditure Financed by Scottish taxes and other Fiscal Framework transactions	14,669.6	14,872.7	15,075.4
Expenditure Financed by Capital Borrowing	450.0	450.0	300.0
Expenditure Financed by Resource Borrowing	15.0	15.0	47.0
Repayment of Principal on Loans	(144.8)	(144.8)	(159.6)
Drawdown from the Scotland Reserve	-	699.4	699.4
Expenditure Financed by Non Domestic Rates	2,766.0	2,766.0	2,766.0
Total Managed Expenditure	**58,931.3**	**59,946.3**	**58,442.5**
Adjustments to cash requirement			
Non-budgetary cash items	147.8	923.5	273.5
Depreciation and Impairments	(2,807.3)	(1,941.8)	(1,205.0)
Other Cash to accruals adjustments	(8,447.2)	(8,376.6)	(7,450.2)
Non Domestic Rates Income	(2,766.0)	(2,766.0)	(2,766.0)
National Insurance Fund Payments towards Scottish NHS	(4,036.4)	(3,507.5)	(3,507.5)
Income from Scottish Taxes and other Fiscal Framework transactions	(14,669.6)	(14,872.7)	(15,075.4)
Repayment of Principal on Loans	144.8	144.8	159.6
Borrowing	(465.0)	(465.0)	(347.0)
Change to balance held in Scottish Consolidated Fund	-	-	8.1
Cash Grant payable to Scottish Consolidated Fund by Scotland Office (3)	**26,032.5**	**29,085.0**	**28,532.5**

Notes

(1) Totals may not sum due to rounding.

(2) Resource and capital DEL including depreciation - Scottish Block Grant.

(3) Scotland Act 1998, Section 64 (2).

Table 4 - Cash grant paid to the Scottish Consolidated Fund 2023-24: Provision

	Original Provision
	£m
Scottish Block Grant [2]	34,353.7
UK Government Funded AME	7,450.1
Expenditure Financed by Scottish taxes and other Fiscal Framework transactions	16,555.2
Expenditure Financed by Capital Borrowing	450.0
Expenditure Financed by Resource Borrowing	41.0
Repayments of Principal on Loans	(216.7)
Expenditure Financed by Non Domestic Rates	3,047.0
Total Managed Expenditure	**61,680.2**
Adjustments to cash requirement	
Non-budgetary cash items	546.5
Depreciation and Impairments	(2,831.6)
Other Cash to accruals adjustments	(6,988.9)
Non Domestic Rates Income	(3,047.0)
National Insurance Fund Payments towards Scottish NHS	(2,669.7)
Income from Scottish Taxes and other Fiscal Framework transactions	(16,555.2)
Repayments of Principal on Loans	216.7
Borrowing	(491.0)
Cash Grant payable to Scottish Consolidated Fund by Scotland Office [3]	**29,860.0**

Notes

(1) Totals may not sum due to roundings.

(2) Resource and capital DEL including depreciation - Scottish Block Grant.

(3) Scotland Act 1998, Section 64 (2).

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