



Scotland Office
and
Office of the Advocate General
for Scotland
Annual Report 2011

June 2011

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and
Office of the Advocate General
for Scotland

Annual Report 2011

Presented to Parliament
by the Secretary of State for Scotland
by Command of Her Majesty

June 2011

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Foreword by the Secretary of State for Scotland

It is a great privilege to be the Secretary of State for Scotland at this important time for Scottish devolution.

My job, and that of the Scotland Office team, is to promote Scotland's best interests within the United Kingdom and further afield. David Mundell, Jim Wallace and I bring a range of experience - in the House of Commons, the House of Lords, the Scottish Parliament and indeed the Scottish Government - to that task; and we are united in our determination to get the best for Scotland.

The past year has been dominated by the economic challenges facing Scotland, and by action to deliver on the Coalition Government's commitment to strengthen Scottish devolution by turning the recommendations of the Commission on Scottish Devolution into law.

Getting the UK's public finances back under control has been the Government's top priority. Scotland has had to play its part in reducing the deficit. The Spending Review delivered a fair settlement for Scotland, with shallower spending cuts in prospect than most Whitehall departments are facing; and devolution means that the Scottish Parliament will decide its own spending priorities.

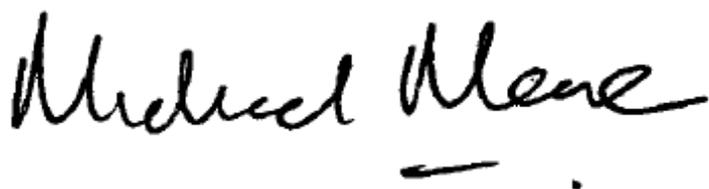
The Government has taken decisive action to support economic growth, and to help those who need it most. We are building a better environment for business and cutting corporation tax. Project Merlin will deliver better access to finance for Scotland's businesses. Scottish firms, consumers and financial services companies alike will all benefit from reformed regulation at UK and EU level.

We are tackling unemployment. Our welfare reforms will make work pay. And we are helping the vulnerable, for example by taking 100,000 Scots out of tax altogether by April 2012 and by re-establishing the link between pensions and earnings.

At the same time, we have been putting the case for Scotland and Scottish interests on big policy issues such as energy and agriculture. These, and others, are areas where the Scotland Office will make sure that Scotland's voice is heard.

The Government wasted no time in preparing the Scotland Bill, which was published on St Andrew's Day. When it becomes law, it will deliver the largest transfer of financial powers from Westminster since the creation of the UK; give the Scottish Parliament new levers over the Scottish economy; and strengthen its accountability to the people of Scotland.

We will continue to work with the new Scottish Parliament, the Scottish Government and others to strengthen devolution in Scotland; and to use our respective powers in partnership to create jobs and growth. We will continue to make Scotland's voice heard in the UK Government and on a wider stage. And we will use every opportunity to make the case for a strong Scotland in a strong and prosperous United Kingdom.

A handwritten signature in black ink that reads "Michael Moore". The signature is written in a cursive style with a horizontal line underneath the name.

The Rt Hon Michael Moore MP
Secretary of State for Scotland

Chapter 1: Introduction

The Scotland Office and Office of the Advocate General for Scotland

1.1 The Scotland Office and Office of the Advocate General for Scotland report to the Secretary of State for Scotland and the Advocate General for Scotland respectively. This report covers the work of both Offices for the period from April 2010 to the end of March 2011.

The devolution settlement

1.2 The primary role of the Secretary of State for Scotland is to promote the devolution settlement for Scotland and act as its guardian, promoting partnership between the UK Government and the Scottish Government and promoting Scotland's best interests within the United Kingdom.

1.3 The Secretary of State represents Scottish interests in reserved matters within the UK Government, advising colleagues about distinctive Scottish aspects and playing a key role in presenting UK Government policies in Scotland.

1.4 The Scotland Act 1998 provides the legislative basis for devolution in Scotland. The Scotland Act identifies those matters that are reserved to the UK Parliament. All other matters are considered to be within the devolved competence of the Scottish Parliament. Whilst the UK Parliament remains sovereign - retaining the power to legislate on any matter affecting any part of the UK - the Government respects the devolution settlement and has indicated that it will not normally legislate at Westminster in relation to devolved matters without the consent of the Scottish Parliament.¹

1.5 Reserved matters include:

- UK single market
- Energy regulation
- UK and international transport
- Immigration and nationality
- Social security
- Taxation and economic management
- Foreign affairs including European Union negotiations
- Defence
- National security
- The constitution
- Broadcasting

¹ The Scottish Parliament's consent is sought through consideration of a motion laid before the Parliament known as a Legislative Consent Motion and previously known as a "Sewel Motion" - see chapter 9B of the Standing Orders of the Scottish Parliament.

Ministers

- 1.6** The Secretary of State for Scotland, the Rt Hon Michael Moore MP, was appointed on 29 May 2010. He succeeded the Rt Hon Danny Alexander MP who was appointed on 12 May, following the formation of the Coalition Government. The Rt Hon David Mundell MP was appointed Parliamentary Under Secretary of State for Scotland on 12 May 2010.
- 1.7** Euan Roddin was appointed as Special Adviser to the Secretary of State in June 2010.
- 1.8** The Secretary of State has overall Ministerial responsibility for the operation of the Scotland Office, and represents Scottish interests at Cabinet. He also has certain executive functions, notably in relation to the financial transactions between the UK Government and the devolved Scottish Government and in relation to Parliamentary elections in Scotland.
- 1.9** The Secretary of State has a responsibility for maintaining close working relations with the Scottish Ministers; for representing the UK Government in relation to a wide variety of UK Government interests in Scotland; and for ensuring that Scottish interests are properly understood and represented across Whitehall.
- 1.10** In that context, Scotland Office Ministers sit on a number of Cabinet Committees, where they work to ensure that the UK Government appropriately reflects Scottish interests in reaching its decisions.
- 1.11** Scotland Office Ministers also make Orders under the Scotland Act, to adjust the fine detail of the devolution settlement to reflect legislation enacted by both the UK and Scottish Parliaments.

Advocate General for Scotland

- 1.12** The Advocate General for Scotland, the Rt Hon Lord Wallace of Tankerness QC, was appointed on 14 May 2010.
- 1.13** The Advocate General for Scotland is a Minister of the Crown and is one of the three UK Law Officers. Along with the Attorney General and the Solicitor General for England and Wales, the Advocate General provides legal advice to all UK Government Departments on a wide range of issues including human rights, European law and constitutional law. The Advocate General is the UK Government's principal legal adviser on Scots law and its senior representative within the Scottish legal community.
- 1.14** The Advocate General also has statutory functions under several enactments. His principal functions, which can be exercised by other Law Officers, are under the Scotland Act 1998. He is responsible to Parliament for the work of his Legal Secretariat and for overseeing the provision by the Office of the Solicitor to the Advocate General of litigation and advisory services in Scotland to UK Departments and Agencies.

- 1.15** As a Minister, the Advocate General sits on a number of Ministerial Cabinet Committees.
- 1.16** The Advocate General is the Scotland Office spokesperson in the House of Lords and has been appointed as spokesperson in the House of Lords for the Wales Office and the Attorney General's Office.

Chapter 2: Scotland Office: organisation, activities in 2010-11 and plans for 2011-12

Foreword by the Parliamentary Under Secretary of State

This chapter gives a brief summary of the wide-ranging work undertaken by the Scotland Office.

It sets out some of the Office's achievements during the first year of the Coalition Government and illustrates how Ministers and officials are working to represent Scotland's interests in the United Kingdom.

The UK Government has taken tough but essential action to deal with the deficit. We are determined to return our public finances to a firm footing and create the stability necessary for private sector-led economic recovery.

In this difficult economic climate, the Scotland Office is engaging with a wide range of stakeholders across the Scottish economy in support of a return to the sustainable growth and job creation that Scotland needs to see. We are also working with the Department for Work and Pensions on vital welfare reforms and new back-to-work initiatives that will play a crucial part in supporting employment in Scotland.

Our commitment to a rebalanced Scottish economy stands alongside our pledge to strengthen Scottish devolution within the UK and to strengthen the accountability of the Scottish Parliament which we are delivering through the Scotland Bill. Over the coming year these economic and constitutional challenges will be the Scotland Office's top priorities.

A handwritten signature in black ink, appearing to be 'David Mundell', written across the page.

The Rt Hon David Mundell MP
Parliamentary Under Secretary of State at the Scotland Office

Organisation

- 2.1** The Scotland Office is based in Melville Crescent in Edinburgh and Dover House in London.
- 2.2** For a range of corporate services, including staffing, finance and office services, the Scotland Office and the Office of the Advocate General formed part of the wider “family” of the Ministry of Justice (MoJ) during 2010-11. This did not affect the separate accountability of the Offices to their respective Ministers.
- 2.3** From 1 April 2011, these arrangements changed. The Scotland Office, together with the Office of the Advocate General, became a full Department in its own right, separate from the MoJ and aligned with, but not part of, the Cabinet Office. The MoJ will continue to provide the Scotland Office with a range of corporate services, such as payroll, on the basis of formal service level agreements: but it will have no formal accountability in terms of the use of resources by the Scotland Office. Instead, the Scotland Office (and the Office of the Advocate General) will be directly answerable for the way they spend the funds voted by Parliament. As part of that change, Alisdair McIntosh, Director of the Scotland Office, became Principal Accounting Officer for the two offices.
- 2.4** The change has consequences for a number of other matters, such as the way the Scotland Office will submit its accounts to Parliament and HM Treasury in future years. In partnership with the Northern Ireland Office and Wales Office, which have undergone parallel changes, the Scotland Office is working through the implications of these changes with MoJ, the National Audit Office and HM Treasury.

Staffing

- 2.5** The Scotland Office does not itself directly employ any staff: instead, they are seconded or loaned by other Civil Service bodies, mainly the Scottish Government and the MoJ. The number of staff in post in the Scotland Office at 31 March 2011 was 60. Table 1 shows the breakdown.

Table 1: Staff in the Scotland Office at 31 March 2011

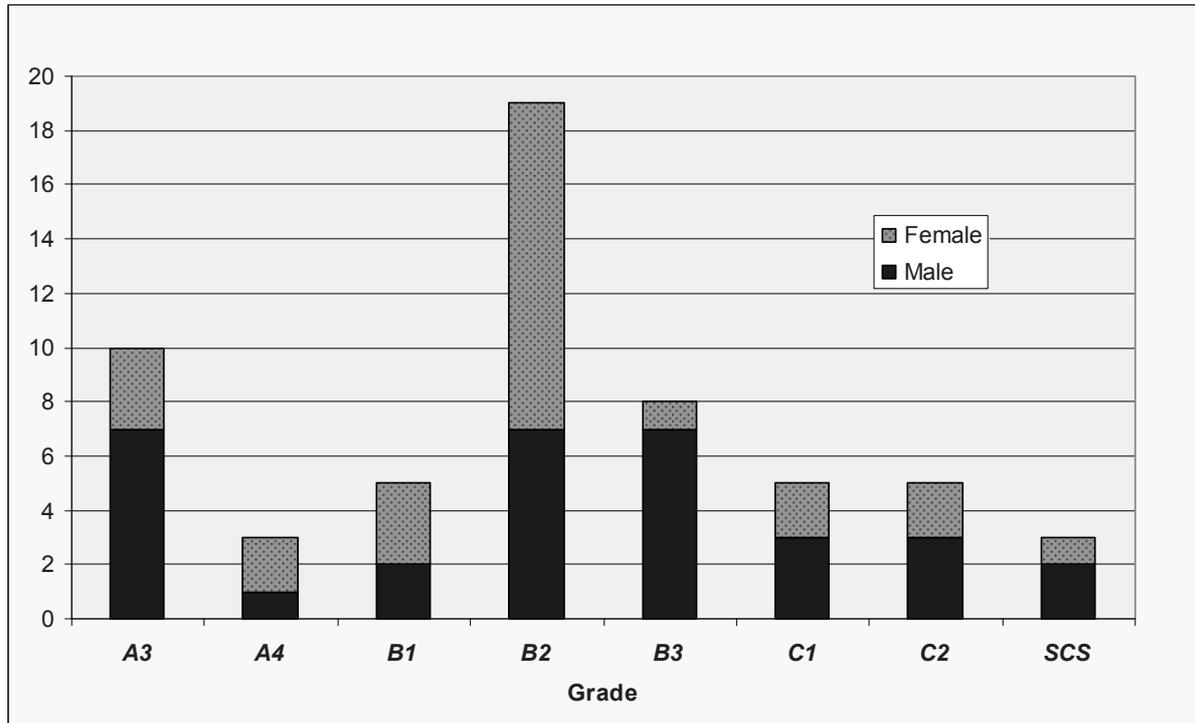
Scotland Office, London	25
<i>of which Ministerial Private Offices</i>	9
Scotland Office, Edinburgh	35
Total	60

- 2.6** Annex 9 sets out the staffing of the Scotland Office since 2007-08.

Gender balance

2.7 Women make up 44.8 % of staff in the Scotland Office; table 2 shows the number of women in each grade.

Table 2: Gender in the Scotland Office at 31 March 2011



Senior Civil Service salaries

2.8 The salaries of Senior Civil Servants in the Scotland Office are illustrated in table 3.

Table 3: Senior Civil Service salaries in the Scotland Office at 31 March 2011

Annual Salary	Number of Staff
Under £59,999	
£60,000 - £64,999	1
£65,000 - £69,999	1
£70,000 - £74,999	
£75,000 - £79,999	
£80,000 - £84,999	1
£85,000 - £89,999	
£90,000 - £94,999	

Delivery of objectives in 2010-11

- 2.9** The Scotland Office's current business plan covers 2010-2012. It sets out five broad objectives for the Office which focus on promoting the best interests of Scotland within the UK. These are set out below, together with a summary of work towards them.

Objective 1: To maintain and strengthen the devolution settlement, in particular by implementing the recommendations of the Commission on Scottish Devolution.

Scotland Bill

- 2.10** In the Coalition's *Programme for Government* and in the Queen's Speech, the Government underlined its commitment to implement the recommendations of the Commission on Scottish Devolution (the Commission). Political consensus among the major UK-wide political parties has been an important factor in the Scotland Bill process. To maintain this consensus, a cross-party steering group of leading Scottish political figures was reconvened in May 2010 under the chairmanship of the Secretary of State.
- 2.11** The Scotland Bill was introduced into Parliament on 30 November 2010. It delivers those recommendations made by the Commission that require legislative enactment. The Bill strengthens the devolution settlement and marks the most significant transfer of financial powers from Westminster to Scotland since the creation of the UK. It contains important new economic provisions, giving the Scottish Parliament new borrowing powers, new income tax powers, new land tax powers and powers to create new devolved taxes. The Bill successfully completed Second Reading in the House of Commons on 27 January 2011; received the overwhelming endorsement of the Scottish Parliament in a legislative consent motion on 7 March 2011; and completed its Committee stage on 15 March 2011. The Bill was examined robustly by the Scottish Affairs Committee in the House of Commons and by the Scotland Bill Committee of the Scottish Parliament.
- 2.12** Some of the Commission's recommendations do not require legislation. These were outlined in the Scotland Office's Command Paper *Strengthening Scotland's Future* published on 30 November 2010. The Scotland Office will oversee the implementation of these non-legislative recommendations, especially with regard to inter-Parliamentary and inter-Governmental relations.
- 2.13** The Scotland Bill strengthens Scotland's historic and crucial role within the UK, as well as providing enhanced devolution, built on the pillars of accountability, responsibility and transparency. The imbalance between power and responsibility in the existing Scotland Act 1998 is addressed by the Scotland Bill. The Scottish Government elected in May 2011 will be the first to use the borrowing powers. Looking ahead, the Scottish Parliament will be able to set a new Scottish income tax at a level of its choosing.

- 2.14** As well as delivering the Scotland Bill through its Parliamentary stages, the Scotland Office will support the changes to the devolution settlement after the passage of the Scotland Bill. A High Level Implementation Group, comprised of leading stakeholders, is shaping the process. There will be a Scottish rate of income tax but no separate tax systems in the UK. The creation of the new Scottish rate will require minimal intervention. These tax and borrowing powers will be transferred and implemented in a careful and phased way over the coming years. They deliver Parliamentary accountability essential for the long term operation of the Scottish Parliament.
- 2.15** The Scotland Bill goes further than finance. It ensures that the right powers and responsibilities are devolved to Holyrood. The Commission concluded that the devolution settlement was broadly right but that some minor amendments should be made. The Scotland Bill provides this development of the devolution settlement. It devolves areas of justice, including the drink-drive limit and a Scottish national speed limit, as well as giving the Scottish Parliament greater powers to administer its elections.

Objective 2: To ensure Scotland's interests are understood and represented within the UK, and to promote a wider understanding of UK Government policies in Scotland.

Scotland in the United Kingdom

2.16 The Scotland Office seeks to promote good working relations between all parts of the UK Government and the Scottish Government, Parliament and other devolved institutions; to ensure that Scottish interests are taken into account in the development of UK policy and legislation; and to make sure that the devolution settlement is respected. Ministers actively pursue a programme of meetings, visits and other activity to ensure that the UK Government is aware of Scottish needs and that there is a wider understanding of UK Government policies in Scotland.

Economy

2.17 The economy was an overriding priority for Scotland Office activity during the year. In addition to the Spending Review announcement on 20 October 2010, there have been two Budget statements. The Secretary of State represented Scotland's interests at Cabinet as the Coalition Government took tough but unavoidable decisions to tackle the record peace time deficit. The Government's work to stabilise the country's finances and reduce the UK's deficit and debt is essential to bring stability and certainty to the economy and thereby create the business confidence essential to drive growth, deliver investment and create jobs.

2.18 Scotland will contribute its fair share towards tackling the deficit. The outcome of the Spending Review will mean that the Scottish Government's budget will fall in real terms by 10.6% by 2015. However, spending on frontline services will fall by less than in England, Wales and Northern Ireland. Meanwhile, the UK Government's emphasis on fairness has resulted in important changes for the low-paid and pensioners. Some 71,000 low-paid Scots were taken out of income tax altogether from April 2011. For one million older Scots, the UK Government has restored the earnings link to pensions after a gap of 30 years.

2.19 Scotland Office Ministers and officials view the promotion of Scottish economic interests and exports as a key priority. The UK Government is committed to creating the right conditions for growth across sectors and across the country. Export-led growth will be an essential component of a sustainable economic recovery.

2.20 Scotland Office Ministers have actively engaged with business sectors across Scotland's economy in the context of a wide-ranging economic engagement strategy. This has involved focussed sectoral discussions with key players to look at strengths, weaknesses, opportunities and potential barriers to growth; and to identify key actions that government and others can take to address them. Ministers have visited businesses involved in life sciences, energy,

manufacturing, tourism, food and drink and financial services; have met with business groups throughout Scotland; and have addressed events arranged by organisations including Oil and Gas UK, the Scottish Council for Development and Industry, CBI Scotland, Scottish Renewables, Scottish Financial Enterprise and local Chambers of Commerce.

- 2.21** The Secretary of State held a formal meeting in Edinburgh on 9 January 2011 with Li Keqiang, the Vice Premier of China. They discussed a range of issues including trade, social and cultural links. China and the UK are key partners for growth in the future and there are a huge number of economic opportunities which exist between China and Scotland.
- 2.22** The visit of the Vice Premier of China followed on from the agreement with China for the Geographical Indication of Origin protection of Scotch whisky in the Chinese market.
- 2.23** Scotland Office Ministers recognise the vital role of the voluntary and social enterprise sector in contributing to a strong Scottish economy, including the provision of specialist support services to help people into employment. During the reporting year, Ministers have engaged with partners such as the Scottish Council for Voluntary Organisations and the Scottish Social Enterprise Coalition on a range of issues connected to the Government's economic recovery policies, which are relevant to those organisations' members. In addition, Ministers have engaged with the Scottish Trades Union Congress and the Convention of Scottish Local Authorities on a number of related social and economic matters.
- 2.24** We have worked closely with Scotland's financial services industry, to ensure that the lessons of the financial crisis are learnt and the industry can continue to play an important role in a re-balanced Scottish economy. The sector is growing again, and remains one of the key engines of Scotland's recovery, employing more than 90,000 people; and representing up to one in ten Scottish jobs. Scotland's share of British financial services employment stands at nearly 9%, and the sector accounts for over £7bn of Scotland's GDP. It has a profile that distinguishes it from the City in London, with strong and deep expertise in banking, alongside life insurance, pensions, asset management, general insurance and intermediation services.
- 2.25** The UK Government has published plans to create a system of tougher, smarter and more effective financial regulation to prevent a financial crisis of such severity arising again. We are confident that greater stability and resilience in the financial services industry in Scotland will not only benefit the sector itself, but also the wider Scottish economy. The UK is also leading the argument in the EU and internationally for robust, proportionate and internationally consistent regulatory standards that will contribute to making the sector more stable, and ensure a level playing field for financial services in Scotland and the rest of the UK. The Government is committed to a competitive environment for financial services and one favourable to business more generally, and is factoring that commitment into all its negotiations on the reform of financial services regulation.

Welfare

- 2.26** The Scotland Office continues to work very closely with those UK Departments which have significant responsibilities and duties in Scotland. The Department of Work and Pensions (DWP), for example, invests more than £12 billion a year in Scotland to protect the most vulnerable in our communities. Scotland Office officials work closely with DWP and JobCentre Plus Scotland to represent Scotland's interests in the Government's welfare reforms and back to work initiatives.
- 2.27** The Government aims to reform the benefit system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency. The introduction of Universal Credit in 2013 will radically simplify the system to make work pay and combat worklessness and poverty. As part of this reform, the Work Programme went live on 10 June 2011. The Work Programme is built around the needs of individuals, providing the personalised support they need, when they need it, so that they have the right support to move into employment as the economy moves out of recession and into recovery. On 24 September 2010, during the consultation on the Government's proposals for welfare reform, the Secretary of State hosted a roundtable meeting to gather the views of relevant Scottish organisations, which he communicated to the Secretary of State for Work and Pensions. Unemployment and the particular employment challenges facing young Scots are key concerns for Scotland Office Ministers; and the Scotland Office will host a number of high-level seminars to bring stakeholders together to discuss these challenges.
- 2.28** During the recent cold winter, the UK Government played a major role in helping some of the most vulnerable people in Scotland cope with their fuel costs. In the Spending Review the Government turned the temporary increase in Cold Weather Payments into a permanent increase. Over two million separate payments of £25 per week were made in Scotland, totalling over £50 million. This is in addition to the one million Scottish pensioners who received Winter Fuel Allowance payments.

Big Society

- 2.29** The Parliamentary Under Secretary of State is a member of the ministerial group leading the Government's Big Society agenda and plans to engage with stakeholders across Scotland on the Government's vision. The Minister hosted an initial roundtable meeting of stakeholders from the private, voluntary and social enterprise sectors at Melville Crescent in February 2011. A series of events will take place throughout 2011 in a number of urban and rural centres in Scotland.

National security and defence

- 2.30** The Scotland Office continues to fulfil its important responsibilities in relation to national security and civil contingencies. The Office worked closely with the Scottish Government and other partners on the delivery and revision of CONTEST, the Government's counter terrorism strategy, and on the cross-UK

response to several contingencies including the exceptionally severe winter weather and the volcanic ash clouds over the UK. The Secretary of State liaised with Defence Ministers over the deployment of military personnel and assets to the City of Edinburgh Council, NHS Lanarkshire, and the Scottish Ambulance Service during the severe weather in December.

- 2.31** The Scotland Office recognises the importance of the Defence footprint and industries in Scotland and engages regularly with the Ministry of Defence (MoD), to ensure that Scotland's interests are properly served. In 2010, the Secretary of State met with numerous defence organisations, military personnel and individuals to listen to their concerns on the Strategic Defence and Security Review (SDSR), and reflected these views appropriately within Government. The Scotland Office is committed to explaining the impact of decisions made in the SDSR, published on 19 October 2010, to communities. As part of the MoD-led base review, Scotland Office Ministers have undertaken numerous visits to Scottish military bases, and met with community groups to allow them to fully understand the impact of possible base closures. The Secretary of State established a Response Group in October 2010 to provide a mechanism for Government and community groups to engage and share information on the potential impacts of base closures on communities, and to help Government understand the social and economic impacts of any decisions within affected communities.
- 2.32** Ministers and officials worked with MoD colleagues to support and protect the significant contribution Scotland makes to providing the equipment required by our armed forces. The Secretary of State visited a number of significant suppliers of military equipment across Scotland.
- 2.33** The Secretary of State made an official visit to Afghanistan in March 2011 and met servicemen and women in the war zone. In Helmand province he met senior commanders and troops from 2 SCOTS (Royal Highland Fusiliers) and 5 SCOTS (Argyll and Sutherland Highlanders), as well as RAF personnel, medical staff and Afghan troops.

Immigration and asylum

- 2.34** Other UK bodies have a considerable presence in Scotland and carry out a range of important duties. The UK Border Agency (UKBA) enforces immigration regulations and considers applications for UK citizenship and asylum. This year has seen a range of developments in asylum and immigration policy, some of which has been significantly influenced by Scotland Office Ministers, who worked with UKBA to ensure that policy developments were appropriately shaped to meet particular Scottish circumstances.
- 2.35** The UK Government is committed to both listening and acting quickly to ensure that our asylum and immigration systems are fair, humane and effective. Scotland led the way in the UK in ending child detention for asylum seeker families. The overnight detention of children at Dungavel ended in May 2010.

- 2.36** In December 2010, the Parliamentary Under Secretary of State met with Glasgow City Council, UKBA, local MPs and other representatives from the asylum community to help mediate the transfer of accommodation services for asylum seekers in Glasgow. The contract to house asylum seekers was successfully transferred from Glasgow City Council to Y People in April 2011 with minimal disruption to families and individuals. The vast majority of people were able to remain in the same homes.
- 2.37** The past year has seen wider policy developments across the immigration system affecting non-Europeans who wish to travel to the UK for work, study and training. Following a public consultation and on advice from the Independent Migration Committee, the Government introduced a system of immigration limits to help regulate access to the UK labour market. The system was designed with regard to the needs of Scottish industry, including the oil and gas sector. In particular, intra-company transfers remained open allowing Scottish based business the flexibility to work on a global scale.
- 2.38** The Secretary of State also actively engaged with the further and higher education sectors during the Government's consultation on student migration. He met college and university leaders to discuss the issues of most importance to the success of the sector in Scotland. The Government addressed these issues and consequently provision has been included for international students who have innovative business ideas. Professor Sir Tim O'Shea, Acting Convenor of Universities Scotland, thanked the Secretary of State for his involvement and noted that the final proposals: 'should enable Scotland and the UK to remain competitively open for business as an attractive destination for international students'.

Agriculture

- 2.39** Scotland Office Ministers and officials have focused on agriculture and primary industries over the past year. The Secretary of State has had regular meetings with the Secretary of State for Environment, Food and Rural Affairs and leading stakeholders in the sector to discuss the reform of the Common Agriculture Policy (CAP) and the UK Government's role in supporting Scottish farming. The Secretary of State has also engaged with key EU officials in this area. In making the case for CAP reform, Scotland Office Ministers are committed to engaging with and listening to key figures from the industry and making sure that the UK Government position includes many of Scotland's main concerns including the need for more regional flexibility, increased simplification, greater competitiveness and better environmental outcomes.

Energy

- 2.40** During the reporting year the Energy Bill was introduced into Parliament. This underlines the UK Government's commitment to tackling barriers in energy efficiency, enhancing energy security and enabling investment in low carbon energy supplies. The Secretary of State has engaged with key stakeholders and taken a close interest in the Electricity Market Reform consultation. He has maintained involvement with the progress of the competition to award a contract for a demonstration plant for Carbon Capture and Storage. The

Longannet plant in Fife is the sole contender in the Government funded competition. The Secretary of State also talks regularly with the energy companies on matters such as social tariffs, consumer prices and business development. The Secretary of State is keen to see that Scotland makes the best use of its natural resources. Whenever possible he has encouraged and promoted the use and development of new technologies which continue to enhance the growing global reputation of Scotland in renewable energy.

- 2.41** The Scotland Bill contains provisions to allow for the appointment of a designated Crown Estate Commissioner to represent Scottish interests, specifying that this should be someone who can demonstrate significant knowledge and understanding of interests in Scotland. The provisions require that Scottish Ministers should be consulted formally on the appointment of the Scottish Commissioner, in line with the Commission on Scottish Devolution's recommendation.
- 2.42** In the Budget 2011 it was announced by the Chancellor that the Green Investment Bank (GIB) will receive an initial capitalisation of £3 billion and have the potential to mobilise an extra £15 billion of private investment in the low carbon sector during this Parliament. The Government published an update report on the GIB's design in May, which made clear that the GIB will be underpinned by legislation once state aid approval has been received from the European Commission. Scotland Office Ministers have played a full role within Government in consideration of where the GIB should be based.

Visits and events

- 2.43** The Scotland Office liaised closely with other stakeholders for many months in the preparations for the historic state visit to the UK by His Holiness Pope Benedict XVI, who arrived in Scotland on 16 September 2010. The Office worked closely with the Catholic Bishops' Conferences of Scotland, England and Wales and other Government Departments with an interest to finalise the arrangements for this successful Papal visit.
- 2.44** Dover House in Whitehall continues to provide a valuable platform for Scotland in the heart of London. The Office has managed a programme of events to enable those with Scottish interests to meet with Ministers and Scottish MPs. The programme included annual Scotland Office events, such as the Secretary of State's reception on the day of HM The Queen's Birthday Parade (Trooping the Colour) and his lunch for the Moderator of the General Assembly of the Church of Scotland. There are also numerous third party events hosted at the Scotland Office. These include receptions by CBI Scotland, the Scottish Council for Development and Industry, Scottish Financial Enterprise, the Federation of Small Businesses in Scotland, the Scotch Whisky Association, the National Trust for Scotland and the Earl Haig Fund's London launch of the PoppyScotland Appeal. A Burns Night reception, sponsored by Scotland Food and Drink, was held on 19 January 2011. The Scotland Office also hosted receptions at Melville Crescent to mark Armed Forces Day with veterans and to celebrate the Edinburgh Festivals.

Objective 3: To promote co-operation between the UK and Scottish Government on issues of significance to Scotland, including the interface between reserved and devolved legislation.

2.45 The maintenance of the devolution settlement has been an important function of the Scotland Office for more than a decade. The Office views it as fundamental to promote co-operation between the UK and Scottish Governments on issues of importance to Scotland. This includes managing the interface between reserved and devolved legislation.

Mutual respect

2.46 When the Coalition Government was formed in May 2010, it made clear its commitment to adopt an approach of mutual respect. This is a basis for good working relations between the UK and Scottish Governments. The Scotland Office, other UK Government Departments and their Ministers have actively engaged with their counterparts in Scotland. We want to make sure there are good lines of communication and consistent cross-border co-operation.

2.47 This constructive engagement between Governments and Parliaments has led to an unprecedented number of UK Government Ministers visiting Holyrood and meeting Scottish Ministers and MSPs.

2.48 Following the Prime Minister's visit to the Scottish Parliament on 14 May 2010, other UK Government Ministers visited Holyrood to explain the impact of their Departments' policies on Scotland. These Ministers have included the Deputy Prime Minister, the Chief Secretary to the Treasury, the Secretary of State for Business, Innovation and Skills, the Secretary of State for Energy and Climate Change and the Minister for Europe. The Scotland Office has supported these visits by Government Ministers to Scotland.

2.49 The current Secretary of State became the first holder of the office to appear formally before the Scottish Parliament on 17 June 2010. The Secretary of State, Parliamentary Under Secretary of State, Advocate General and Exchequer Secretary to the Treasury have all subsequently appeared before the Scottish Parliament's Scotland Bill Committee.

Promoting the devolution settlement

2.50 The Scotland Office wants the devolution settlement to be more widely understood and integral to the UK Government's policy development and implementation. The Office promotes the devolution settlement in the Government's formal devolution machinery and is committed to embedding the culture of devolution throughout the civil service. In March 2011, the UK Government established a network of Devolution Ministers, which spans every Department in Whitehall. These Ministers will make sure that their Departments take into account the needs of all of the UK when they are making policy decisions. The network will meet regularly, under the

chairmanship of the Deputy Prime Minister, and its members will work closely with the Territorial Secretaries of State.

- 2.51** The identification and resolution of devolution issues in the UK legislative programme and the co-ordination and delivery of subordinate legislation has also continued to be a key part of the Scotland Office's business in 2010-11.
- 2.52** The Office proactively promotes Scottish interests in the formulation of Government legislation with its extensive involvement in the development of Government Bills. The Office is in day-to-day contact with Bill teams across Whitehall, offering advice and guidance to Departments, particularly on those Bills which trigger the Sewel Convention. Scotland Office Ministers participate in the Parliamentary Business and Legislation Committee clearance process, and raise areas of interest or concern to Scotland with the Committee in relation to Bills and amendments to Bills. Scotland Office officials continue to work with officials in Whitehall Departments to ensure that devolution issues are resolved at an early stage and any new legislation is compatible with Scots law. The Scotland Office also works to increase knowledge of the devolution settlement within Government and to ensure that the Scottish Government is consulted on, and engaged in, policy making as appropriate.
- 2.53** So far in the period of the first Session of Parliament covered by this report there have been six Government Bills which have triggered the Sewel Convention and required the consent of the Scottish Parliament, each by way of a Legislative Consent Motion (LCM). LCMs for five Bills had been passed by the Scottish Parliament in advance of its dissolution in March 2011. These were for the following Bills: Education, Energy, Health and Social Care, Public Bodies, and the Scotland Bill. Scotland Office officials worked with counterparts at the Scottish Government to ensure that LCMs were agreed to and in place in a timely fashion, in keeping with the UK Government's ongoing commitment to ensuring effective operation of the devolution settlement.

Statutory Instruments

- 2.54** The co-ordination and delivery of subordinate legislation under the Scotland Act 1998, continues to be a key part of our business. During the course of this reporting year, the Scotland Office delivered eight Scotland Act Orders. A list of the Scotland Act Orders taken forward by the Scotland Office since the last Annual Report can be found in Annex 7.
- 2.55** The Secretary of State is also responsible for making Orders for certain electoral matters in Scotland by virtue of powers in other primary legislation, other than under the Scotland Act. Over the reporting year only one such Order was made. The Scottish Parliament (Returning Officers' Charges) Order 2011 was made under the Representation of the People Act 1983 (as modified by the Scottish Parliament (Elections etc) Order 2010).
- 2.56** The power at section 104 of the Scotland Act 1998 allows for necessary or expedient amendments to be made to reserved legislation in consequence of Acts of the Scottish Parliament. The Marine (Scotland) Act 2010 (Consequential Provisions) Order 2010 was taken forward under this power

and came into force on the 31 December 2010. This Order makes provisions in consequence of the Marine (Scotland) Act 2010. It applies to the Scottish Marine Area and places certain duties on public authorities to make decisions in accordance with Marine Plans, unless relevant considerations otherwise indicate, as well as carrying out their functions in a manner which best furthers the objectives of any Marine Protected Area (MPA). This Order makes provisions so that public authorities carrying out reserved functions in the Scottish Marine Area will have to act in a similar manner where the Secretary of State makes a direction in respect of a Marine Plan or an MPA. The Order also allows Scottish Marine Enforcement Officers to exercise powers outside of the Scottish Marine Area. Further, the Order imposes a duty on the Natural Environment Research Council to provide the Scottish Ministers with scientific advice on matters related to the management of seal populations.

- 2.57** The Scotland Office is currently working with the Scottish Government to take forward in the next reporting year the Second Commonwealth Games section 104 Order, in consequence of the Glasgow Commonwealth Games Act 2008. This will make provisions in reserved law to prevent ticket touting throughout the UK for the Commonwealth Games in Glasgow in 2014. It is part of the legislative package that the UK Government is committed to delivering to ensure the success of the Commonwealth Games in Glasgow in 2014 for the whole of the United Kingdom.
- 2.58** Further information, including the Explanatory Memorandum for each of the Statutory Instruments laid in the last reporting year, is available on the Government Legislation website: www.legislation.gov.uk.
- 2.59** No orders were made under the Private Legislation Procedure (Scotland) Act 1936. The Scotland Office will continue to enable the Secretary of State to perform his function if necessary under this Act.

Other Parliamentary matters

- 2.60** The Scotland Office continued to perform a liaison function in relation to Parliamentary Select Committees, in particular with the Scottish Affairs Committee. The Office submitted evidence to the Scottish Affairs Committee during the period covered by this annual report on the Spending Review, Strategic Defence and Security Review, the Scotland Bill as well as on other issues involving Scotland. The Office also assisted other Government Departments in submitting memoranda for Scottish Affairs Committee inquiries such as those on Postal Services in Scotland and the Video Games Industry in Scotland.

Objective 4: To ensure the effective administration of the Boundary Commission and of Parliamentary elections in Scotland.

2.61 The administration of elections is a key statutory function of the Scotland Office. This Government continued the work done by the previous administration in implementing the Gould Report. Scotland Office officials played a leading part in this process and worked in conjunction with a range of electoral stakeholders.

Elections and boundaries - statutory responsibilities

2.62 The Secretary of State has a number of statutory functions in relation to elections and boundaries in Scotland. He has lead responsibility for the policy and law governing Scottish parliamentary elections and is also responsible for making legislation concerning certain electoral and boundary matters in Scotland. To this end, the Scotland Office works closely and meets regularly with a range of Departments, bodies and organisations. These include the Cabinet Office, the Electoral Commission, the Electoral Management Board, other bodies representing electoral administrators in Scotland, and the Scottish Government. This is particularly important in the run up to the UK, Scottish Parliament and European elections in Scotland.

Boundary Commission for Scotland

2.63 The Scotland Office sponsors the Boundary Commission for Scotland (BCS) and maintains close and regular contact with the Secretary of the Commission. Following the BCS's first review of Scottish Parliament constituencies and regions, their report was laid before Parliament in May 2010. The draft Order in Council for giving effect to the Commission's recommendations was laid before Parliament on 1 July 2010. The Order was subsequently debated, approved by Parliament, made by HM The Queen in Council and came into force on 11 November 2010.

2.64 The Secretary of State appointed Paula Sharp as a Boundary Commissioner on 1 January 2011. Kenneth McDonald was reappointed to serve another term as a Commissioner.

2.65 The Scotland Office is monitoring progress on the BCS's sixth review of UK Parliament constituencies in Scotland which formally commenced in March 2011. Further information about the review and the Commission can be found on the Commission's website:

http://www.bcomm-scotland.gov.uk/6th_westminster/

Scottish Parliament Elections, May 2011

2.66 The Parliamentary Under Secretary of State was responsible for making the secondary legislation required for the effective conduct of the Scottish Parliament elections in May 2011. He laid the draft Scottish Parliament

(Elections, etc) Order before Parliament on 25 October 2010. The Order was made on 16 December 2010, following its debate and approval by Parliament, and came into force on 30 December 2010. A number of other Orders were also made by the Minister, for example relating to charges payable to returning officers, although these did not involve any Parliamentary procedure.

- 2.67** In the run up to the Scottish Parliamentary elections and Alternative Vote (AV) referendum on 5 May 2011, the Parliamentary Under Secretary of State kept in close contact with the Convener of the Electoral Management Board (EMB) in Scotland, the Scottish Parliament Presiding Officer, Scottish Government Ministers, the Electoral Commission and others over the preparations for the elections. The Minister arranged for MPs to meet the Convenor of the EMB on 10 March 2011 to provide an opportunity to ask questions and clarify any issues over planning and preparation.
- 2.68** The number of spoiled ballot papers for the Scottish Parliamentary elections was one eighth of the figure for 2007 and lower than the figure for the constituency ballot in 2003.

<p>Objective 5: To run the Scotland Office effectively, efficiently and economically.</p>
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- 2.69** Government funding for the Scottish Government's budget is prescribed by the UK Parliament under the Scotland Act 1998. The Secretary of State makes the grant each year to the Scottish Consolidated Fund to meet expenditure by the Scottish Parliament and the Scottish Government. The grant made in 2010-11 was £26,772,500,000.
- 2.70** The actions taken to run the Scotland Office effectively, efficiently and economically are described in chapter 5 of this report.

Objectives for 2011-12

- 2.71** The Office's current business plan was designed to cover the period 2010-12 and consequently the objectives for 2010-11 will carry through into 2011-12. However, the Office will keep its objectives under review over the course of the year.

Chapter 3: Office of the Advocate General for Scotland: organisation, activities in 2010-11 and plans for 2011-12

Foreword by the Advocate General for Scotland

It is an honour to have been appointed Advocate General for Scotland in May 2010. It was not a planned career move, and I was quite taken by surprise, but what a privilege it is to serve as Advocate General.

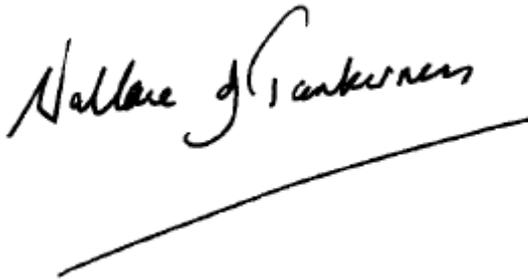
As Advocate General I perform a number of functions, of which the principal is to act as the senior legal advisor to the UK Government in relation to Scotland. That work is supported by a dedicated team in both Edinburgh and London, working closely with Whitehall Departments, in particular with colleagues in the Scotland Office and the Attorney General's Office.

A significant challenge over the last year has been, and continues to be, the preparation and passage of the Scotland Bill through Parliament. My office has primary responsibility for instructing the Scotland Bill and we continue to support the Secretary of State for Scotland and his office in taking the Bill through Parliament. Over the coming year the Scotland Bill will remain a top priority, seeking to strengthen further devolution for Scotland.

On a daily basis over the past year we have, amongst other things, continued to advise UK Departments on the delivery of UK Government policy in Scotland; represented UK Government interests in Scottish Courts and the Supreme Court; and, working with the Attorney General's Office, continued to draft formal legal advice to the Government itself. Since taking office I have been impressed by the range of issues and departments who benefit from that advice and support. I also know that that work is greatly valued across Government.

As a former Minister in the Scottish Government I know just how important the work of my office is in maintaining strong and effective relations with the Scottish Government. At times, however, that relationship can present some challenges. As I write this, a debate around the role of the Supreme Court in Scots criminal law is providing such a challenge. Whilst there are differing views, I believe that a 'respect agenda' is the right way to approach our relations with the Scottish Government. My office is ideally placed to ensure that good working relations remain a reality, despite differences of opinion which inevitably arise between the two administrations. And I obviously shall continue to pursue what this Government believes is best for Scotland as part of the UK.

I look forward to the many challenges ahead.

A handwritten signature in black ink, reading "Wallace of Tankerness". The signature is written in a cursive style and is positioned above a long, thin horizontal line that extends across the width of the signature.

Lord Wallace of Tankerness QC
Advocate General for Scotland

Organisation

3.1 The Office of the Advocate General for Scotland is made up of:

- The Office of the Solicitor to the Advocate General (OSAG) based in Victoria Quay, Edinburgh; and
- The Legal Secretariat and the Ministerial Private Office to the Advocate General (the Legal Secretariat) based in Dover House, London.

Office of the Solicitor to the Advocate General

3.2 The Office of the Solicitor to the Advocate General for Scotland (OSAG) provides legal services in Scotland to UK Government Departments. OSAG provides legal advice in relation to Scots law, instructs United Kingdom legislation applying to Scotland and represents Government Departments in litigation in the Scottish Courts and Tribunals. It has particular expertise in constitutional and public law matters and acts for Government Departments in a substantial proportion of the judicial reviews which come before the Court of Session.

3.3 OSAG also supports the Advocate General in carrying out his statutory functions under the Scotland Act. This includes consideration of devolution issues within the meaning of Schedule 6 to the Scotland Act that arise in the courts. OSAG co-ordinates consideration of devolution issues throughout Whitehall and arranges for any intervention which the Advocate General considers appropriate. Importantly, OSAG also considers all Bills and subordinate legislation going through the Scottish Parliament and reports to the Advocate General on the competence of their provisions.

3.4 OSAG, as of 1 April 2011, is composed of three divisions, each headed by a Senior Civil Service lawyer.

Division A provides Scots law advice and support in respect of any action raised by or against a UK Government Department in Scotland. In the main, Division A deals with Home Office litigation in Scotland. It also supports the Advocate General in respect of any action raised or defended in the Scottish Courts. Details in respect of the type of cases in which Division A has supported the Advocate General can be found at our [Involvement in Cases](#) page on our website.

Division B provides legal advice and services to UK Government Departments, including primary and subordinate legislation and on the instruction of the Scotland Office. Division B also drafts Orders under the Scotland Act.

The HMRC Division joined OSAG on 1 April 2011. This Division deals with HM Revenue & Customs' (HMRC) legal work in Scotland. This covers tax appeals through the Tribunal system and on appeal to the higher courts, as well as a variety of other litigation for the department. The team also provides advisory services to HMRC in relation to Scottish matters, and undertakes some legislative work, notably in connection with the Finance Bill.

Legal Secretariat to the Advocate General

- 3.5** The Legal Secretariat to the Advocate General provides support to the Advocate General in his capacity as a UK Law Officer, including the exercise of statutory functions under the Scotland Act. It also supports him with his Ministerial responsibilities, including supporting him as a member of Cabinet Committees and as a Member of the House of Lords.
- 3.6** The Minister's Private Office provides the necessary support for the Minister to enable him to discharge his functions and responsibilities. This includes managing his diary and travel arrangements, managing all papers, minuting meetings and liaising with other Private Offices as appropriate.

Staffing

- 3.7** Like the Scotland Office, the Office of the Advocate General does not directly employ any staff. Legal staff are part of the Government Legal Service for Scotland (GLSS) and are seconded to the UK Government from employment with the Scottish Ministers. The recruitment of all legal staff is undertaken by the GLSS, a professional community of lawyers in government from various legal offices. The Office is supported by a small number of administrative staff. The number of staff in post in the Office of the Advocate General at 31 March 2011 was 38. Table 4 shows the breakdown.

Table 4: Number of staff in the Office of the Advocate General at 31 March 2011

Ministerial Private Office	3
Legal Secretariat to the Advocate General	3
Office of the Solicitor to the Advocate General	32
Total	38

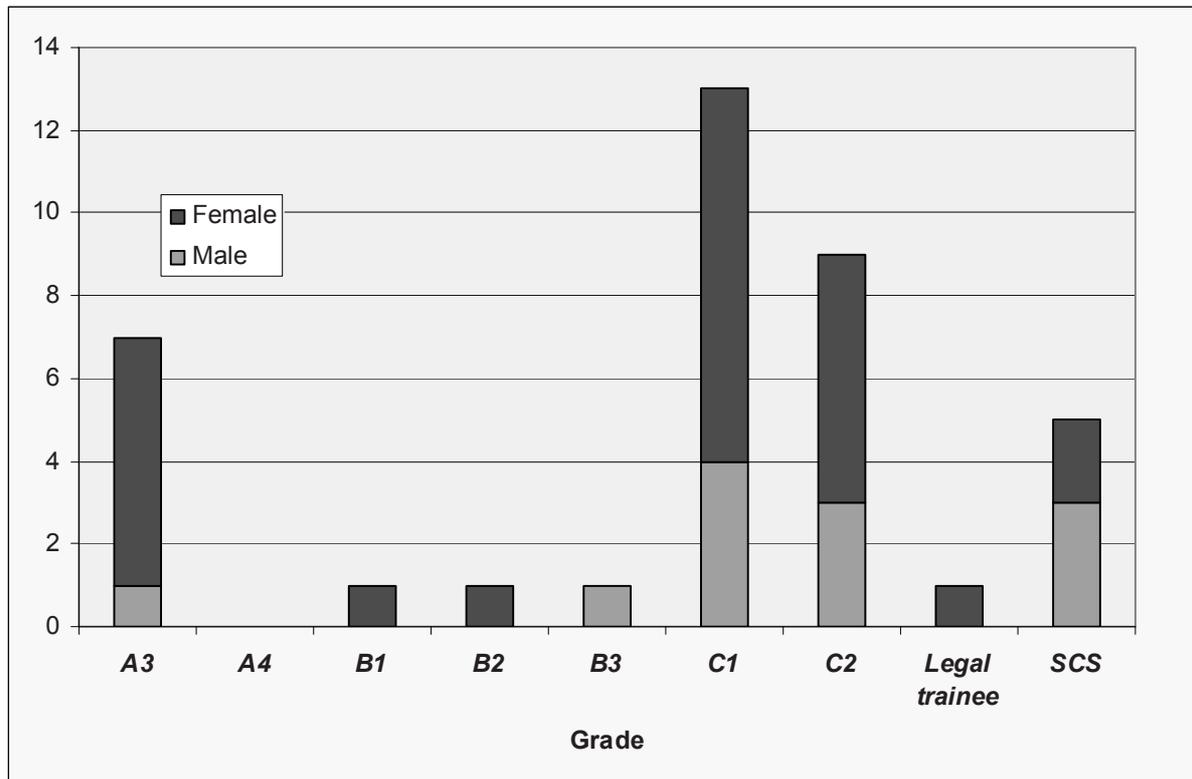
Note: As of 1 April 2011, OSAG staffing complement increased by nine; all are part of HMRC Division.

- 3.8** Annex 9 sets out the staffing of the Scotland Office and the Office of the Advocate General since 2007-08.

Women

3.9 Women make up 68% of staff in the Office of the Advocate General. Table 5 below shows the numbers of women in each grade.

Table 5: Gender in the Office of the Advocate General at 31 March 2011



Senior Civil Service salaries

3.10 The salaries of Senior Civil Servants in the Office of the Advocate General are illustrated in table 6.

Table 6: Senior Civil Service salaries in the Office of the Advocate General at 31 March 2011

Annual Salary	Number of Staff
Under £59,999	
£60,000 - £64,999	
£65,000 - £69,999	1
£70,000 - £74,999	1
£75,000 - £79,999	2
£80,000 - £84,999	
£85,000 - £89,999	
£90,000 - £94,999	1

Delivery of OAG's objectives in 2010-11

Objective 1: To provide high quality legal advice and efficient services in relation to Scots law and the Scottish devolution settlement to UK Government Departments.

Objective 2: To provide high quality and efficient services to the Advocate General in support of his role in upholding the rule of law, his statutory functions under the Scotland Act, and in relation to his functions as a UK Law Officer

General legal advice

3.11 A fundamental aspect of OAG's work is the provision of general legal advice on Scots law to UK Government Departments and Agencies. OAG also regularly advised on matters relating to devolution in the development and operation of UK Government policy, as well as advising on the implications for the UK Government of proposals by Scottish Ministers, and of Bills introduced into the Scottish Parliament. OAG has been proactive in keeping such issues to the forefront of client Departments' thinking, as well as being responsive to a wide range of issues which have arisen.

Primary and subordinate legislation

3.12 OAG instructs the Scottish Parliamentary Counsel (UK) in the drafting of provisions for Scotland in Bills before the UK Parliament and drafts subordinate legislation on behalf of UK Departments.

3.13 OAG was involved in instructing or advising on UK Bills which have been introduced and which are set out in Annex 7. It had primary responsibility for instructing the Scotland Bill, and provided assistance to the relevant Whitehall Department for all other Bills listed. As far as subordinate legislation is concerned, OAG was responsible for the drafting of the Scottish Parliament (Elections etc) Order 2010, which sets out the rules for the conduct of elections to the Scottish Parliament, and for advising on other Scotland Act Orders listed in Annex 7. OAG also contributed to the preparation of a wide range of secondary legislation prepared by UK Government Departments.

Support to the Advocate General

3.14 OAG was responsible for advising the Advocate General with respect to his functions under the Scotland Act 1998 in relation to the assessment of the legislative competence of Bills introduced into the Scottish Parliament, and in relation to his powers to intervene in devolution issues under Schedule 6 to that Act.

Litigation

3.15 During 2010-11, OAG was involved in numerous areas of litigation and devolution issues.

- 2249 devolution issues were intimated.
 - The Advocate General intervened in two cases: *HM Advocate v Cadder* which raised issues of very considerable importance to the criminal justice system in Scotland and was heard before the Supreme Court; and *HM Advocate v Stephen Michael Henderson* which was heard before a three judge bench of the Court of Criminal Appeal. A breakdown of the cases in which the Advocate General has intervened since devolution can be found at: www.advocategeneral.gov.uk
 - Immigration litigation continued to be a major area of work. A total of 277 new cases were dealt with on behalf of UKBA, comprising of 239 petitions for judicial review and 38 statutory applications for leave to appeal and statutory appeals.
 - The Office appeared for the Secretary of State for Work and Pensions in 42 appeals to the Child Support and Social Security Commissioners/Upper Tribunal, three statutory appeals to the Inner House of the Court of Session and one judicial review – *Charlotte Blajosse Eba* - which went on to be heard in the Supreme Court.
- 3.16** Over the last year, OAG has also acted on behalf of the Secretary of State for Health, the Secretary of State for Justice, the Secretary of State for the Home Department, the Secretary of State for Transport as well as for the Office of Fair Trading, the Maritime and Coastguard Agency and the Tribunals Service. It also continued to staff the re-opened Formal Investigation into the loss of the *MV Trident* until its conclusion and the issuing of the Sheriff Principal's Report in February 2011.

Legal Secretariat to the Advocate General

- 3.17** It is a long standing convention followed by successive administrations that neither the Law Officers nor the Government disclose whether the Law Officers have given advice in any particular case, or the content of such advice. Accordingly, no details of this significant aspect of the Legal Secretariat's advisory work are disclosed in this report.
- 3.18** The Legal Secretariat also assists the Advocate General in relation to Parliamentary and Cabinet Committee business. The Advocate General currently sits on a number of Ministerial Cabinet Committees including the Parliamentary Business and Legislation Committee.
- 3.19** Further, in relation to the Advocate General's functions under section 33 of the Scotland Act, the Legal Secretariat consults UK Government Departments regarding whether, in their view, Bills passed by the Scottish Parliament are within legislative competence. Under section 33, the Advocate General may refer to the Supreme Court the question of whether a Bill, or any provision of a Bill, is thought to be outside the legislative competence of the Scottish Parliament.

3.20 The Advocate General is the official spokesperson in the House of Lords for the Scotland Office, Wales Office and the Attorney General's office. He answers questions and steers certain legislation through the House on behalf of the UK Government. The Advocate General has recently been involved in the Parliamentary Voting Systems and Constituencies Bill and the Terrorist Asset-Freezing Bill, as well as taking Welsh and Scottish Statutory Instruments.

Plans for 2011-2012

3.21 OAG has recently carried out a review of its purpose and priorities. The review has now concluded and its findings have been agreed by the OAG Management Team and by the Advocate General. To assist in developing understanding of OAG's role, the Office will be described as 'The UK Government's Scottish Legal Team' and our overarching purpose is 'Providing high quality legal services to secure the UK Government's objectives in Scotland'.

3.22 Below are the priorities that have been adopted for 2011-12. These priorities clearly define the goals for the Office, helping to direct our energies, challenge and motivate our staff, and aid the provision of more effective legal support to the Advocate General, the Secretary of State for Scotland, other UK Ministers and officials.

Priorities for 2011-2012

Priority 1: To ensure that Scots law and the devolution settlement are taken into account in the development of UK Government Policy and the delivery of its priorities.

Priority 2: To ensure that UK Government interests are effectively represented in Scottish litigation.

Priority 3: To support UK Government Ministers in achieving their objectives in Scotland, in particular the Advocate General for Scotland and the Secretary of State for Scotland.

Priority 4: To ensure close integration with other UK Government Departments.

Priority 5: To continuously improve our efficiency and effectiveness.

3.23 In pursuing the above priorities we will:

- Engage with clients and stakeholders in a proactive and constructive manner, recognising the wider implications and potential risks of any action or advice.
- Think laterally to advise on solutions that may not be apparent and devise strategies for dealing with new challenges.

- Demonstrate an understanding of the political, UK and Scottish context within which we operate.
- Be flexible in our approach to best meet our clients' needs.
- Act with integrity in all dealings with clients, stakeholders and each other, ensuring that we treat all with respect and dignity and uphold the Civil Service Code.

3.24 We are embarking on a programme of training and awareness raising for staff and colleagues in other UK Government Departments in order to ensure clarity of understanding as regards our purpose, priorities and approach to work.

Chapter 4: Government expenditure in Scotland

Funding

- 4.1** Responsibility for fiscal policy, macroeconomic policy and public expenditure allocation across the United Kingdom remains with HM Treasury, and the Scottish Government's Budget continues to be determined within the framework of public expenditure control in the United Kingdom. The financial relationship is set out in the Statement of Funding Policy.²
- 4.2** The Scottish Government's Budget is determined by means of a population based formula, the Barnett formula. 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. Provision for the costs of the Scotland Office, Office of the Advocate General, Scottish Parliament elections and European elections are found from within these resources.
- 4.3** The Scottish Government makes its own spending decisions on devolved programmes within the overall totals, subject to approval by the Scottish Parliament.

Spending by the Scotland Office and Office of the Advocate General

- 4.4** Details of planned Scotland Office and Office of the Advocate General expenditure are contained in Annex 1. The combined provision for the net administration costs is £7.619m in 2011-12.

Scottish Government Budget

- 4.5** The Scottish Government has published details of how it has allocated its budget for 2011-12; these are contained in Scotland's budget documents 2011-12.³
- 4.6** Annex 2 shows changes in the Scotland Departmental Expenditure Limit (DEL) between Public Expenditure Statistical Analyses⁴ (PESA) 2010 and 2011. The Scotland DEL no longer includes the expenditure of the Scotland Office and Office of the Advocate General.

² The most recent edition was published in October 2010 and is available at:

http://www.hm-treasury.gov.uk/spend_sr2010_fundingpolicy.htm

³ <http://www.scotland.gov.uk/Publications/2010/01/14104527/0>

⁴ PESA is a compendium that brings together recent outturn data, estimated outturns for the latest year and budgetary plans over the whole range of UK public expenditure. It is published annually as a Command paper alongside the Supply Estimates and Departmental Reports. It includes an analysis of public spending by country and region, spending by function and economic category of expenditure, and full details of spending by Department and grouped by budgetary control aggregates. Information on PESA is available at http://www.hm-treasury.gov.uk/pespub_index.htm

Government Expenditure and Revenue in Scotland

- 4.7** The Scottish Government published the report, *Government Expenditure and Revenue in Scotland*, on 23 June 2010.⁵ which provides an analysis of the public finances in Scotland. This was the sixteenth edition of the report, reports before July 1999 were published by the Scottish Office. This latest report presented data for the 2008-09 fiscal year, the latest year for which information on Government expenditure and revenue was available for Scotland.

Resource Accounting and Budgeting (RAB)

- 4.8** RAB provides an accurate measure of Departmental expenditure by matching costs to time, measuring the full resource cost of Government activity, including non-cash expenditure such as depreciation and provisions.
- 4.9** The aim of the tables in this report is to provide a detailed analysis of Departmental expenditure plans in resource terms, showing resource consumption and capital investment; voted and non-voted expenditure; expenditure in three year DELs and Annually Managed Expenditure (AME).

Whole of Government Accounts (WGA)

- 4.10** The Scotland Office continues to participate in the WGA project, which is being conducted by HM Treasury.

⁵ This publication can be found at: <http://www.scotland.gov.uk/Publications/2010/06/22160331>

Chapter 5: Delivering efficient and effective Government

Performance Targets

5.1 For 2010-11, the Offices' three main indicators aimed at ensuring the provision of high quality and efficient services in dealings with the public were:

Target	Indicator	Performance in 2010-11
We will respond to Ministerial correspondence within 15 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 15 days.	The Scotland Office answered 1576 pieces of correspondence and replied to 88.5% of Ministerial correspondence within the target time. The Office of the Advocate General replied to 100% of Ministerial correspondence within the target time.
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 days.	The Scotland Office received 139 FOI requests in 2010 and replied to 86% within 20 working days. This increases to 91% when requests with permitted extension to the deadline are included. The Office of the Advocate General received 21 FOI requests in 2010 and replied to 95% within 20 working days.
We will ensure that accounts are paid promptly. We will pay 80% of accounts within 5 days of receipt of a valid invoice.	Percentage of payments made within target time.	The Scotland Office paid 98.7% of invoices within 5 days.

The following table shows: the total number of ordinary written Parliamentary Questions received and the percentage answered within five sitting days (in the Commons) and 10 sitting days (in the Lords); the total number of named day PQs received and the percentage answered on the named day and the total number of oral questions answered.

	Ordinary written (total number and % answered in 5 sitting days)		Nominated/named day (total number and % answered in 10 sitting days)		Oral (total number)
House of Commons	330	86%	138	94%	89*
House of Lords	13	92%	0	n/a	0
Total	343	87%	138	94%	89

* This figure includes oral questions tabled but not reached during oral question sessions. Those not answered orally received a written response, included here and not in the figures for ordinary written questions. One oral question was withdrawn and therefore did not receive an answer.

5.2 The Offices have adopted the same performance indicators for 2011-12.

Freedom of Information Act 2000

5.3 Under the Act, the Scotland Office and Office of the Advocate General 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 the Offices' websites and recorded on the Offices' disclosure logs. Information in former Scottish Office files relating to reserved functions is held by the Scottish Government on behalf of the UK Government. Information supplied by the UK Government to the Scottish Government in confidence and recorded on Scottish Government files are both subject to the Freedom of Information Act 2000 (not the Freedom of Information (Scotland) Act 2002). The Office has an agreement with the Scottish Government on the handling of requests for such information.

Efficient use of resources

5.4 We are committed to achieving efficiency and effectiveness in all areas of our activities. Throughout 2010-11 the Offices' have sought ways of making more efficient use of resources and reducing costs. These include sub-letting space in our premises to other UK Government bodies. In 2011-12 and subsequent years we will explore with the Northern Ireland Office (NIO) and the Wales Office (WO) ways of working together in order to enable all the Territorial Offices to pool their resources where appropriate.

5.5 The 2011-12 year is the first year of the 2010 spending round. By 2014-15, year four of this spending round, the Scotland Office's provision will be 25% less than in 2010-11. The cut in allocation is particularly pronounced in years

three and four. In its continuing efforts to minimise spending and secure best value for money, the Office is working alongside NIO and WO to look at how the Territorial Offices can work more effectively together by sharing some common services.

- 5.6** Programme expenditure is small (£0.5m) and relates to the Boundary Commission for Scotland. The bulk of the costs of the Scotland Office and the Office of the Advocate General relate to staffing and associated expenditure linked to advisory and support functions for Ministers and other UK Government Departments.

Corporate governance

- 5.7** During 2010-11 the Director of the Scotland Office was an Additional Accounting Officer (AAO) within the overall responsibility of the Accounting Officer of the MoJ. The Director's responsibilities cover both the Scotland Office and the Office of the Advocate General. From 2011-12 the Scotland Office and the Office of the Advocate General will cease to be part of the MoJ and the Director of the Scotland Office will become Principal Accounting Officer for both Offices. The MoJ will, however, continue to provide the corporate services it currently provides to both Offices.

- 5.8** The Offices have a Joint Management Board that oversees both organisations; the Director of the Scotland Office chairs the Board. It meets regularly and supports the Director in his capacity as Additional Accounting Officer. A senior MoJ official, on secondment to NHS London, attended meetings of the Board. The Accounting Officer is satisfied that he was able to give the Board independent advice.

- 5.9** In addition, the Management Board has three sub-committees:

- Audit Committee (described in paragraphs 5.10 and 5.11)
- the Scotland Office Senior Management Team and
- the Office of the Advocate General Management Board.

Audit Committee

- 5.10** The Offices have a single Audit Committee whose remit is to advise the Accounting Officer.

- 5.11** The Committee has four external members. One of the four members also attends meetings of the Joint Management Board. The Committee met four times in the year and focused particularly on corporate risk and received reports from MoJ Internal Audit and the National Audit Office. The Committee's Annual Report is shown at Annex 11.

Services provided by MoJ and the Scottish Government

- 5.12** Both MoJ and the Scottish Government provide support to the Offices, including information and communications technology, financial systems, personnel and accommodation management. The Scotland Office reimburses the Scottish Government for the cost of services it supplies. The Offices also

endeavour, wherever possible, to utilise existing contracts operated by MoJ or the Scottish Government for goods and services.

- 5.13** The Offices regularly update their internet and intranet sites. The relevant internet sites are:

www.scotlandoffice.gov.uk

www.advocategeneral.gov.uk

Information Assurance

- 5.14** Reliable and accurate information is crucial to proper decision making in the Scotland Office and Office for the Advocate General for Scotland. This makes information a critical business asset that needs to be protected to properly safeguard the interests of Government and individual members of the public. Information assurance provides a set of procedures which facilitate the management of risks to the availability, integrity and confidentiality of information. We are involved in meeting the principles of information assurance and participated in the wider MoJ programme.

Sustainable development

- 5.15** The Scotland Office manages its buildings and resources in accordance with the UK Government's sustainable development strategy and during 2010-11 exceeded the Prime Minister's target for a 10% reduction in emissions from the Government estate. In accordance with legislation in England, Dover House has on public display a Display Energy Certificate, which enables the public to see the energy efficiency of the building.

Health and safety

- 5.16** The Offices aim to provide a safe and healthy working environment for all staff and have procedures in place, to ensure that all equipment, plant and premises are safe and free from adverse effects to health. The Offices have staff trained in health and safety management who undertake regular workplace inspections and conduct risk assessments, including display screen equipment assessments.

Recruitment of staff

- 5.17** Most of the staff in the Office of the Advocate General, and more than half of the staff in the Scotland Office, are seconded from the Scottish Government and are mainly based in Edinburgh. Most of the remaining staff are employees of the MoJ and are mainly based in London. The Offices seek staff on secondment to provide the skills and experience needed to fulfil the Offices' functions.

- 5.18** Both the Scottish Government and the MoJ recruit staff in accordance with the Civil Service Commissioners' recruitment principles. Those appointed are

selected on merit on the basis of fair and open competition, apart from cases where exceptions are permitted.

Ethnic minorities

- 5.19** 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. Action is being taken across the Civil Service to address the under-representation of ethnic minorities. Diversity awareness training is mandatory for all Scotland Office and Office of the Advocate General staff.

People with disabilities

- 5.20** The Scotland Office and Office of the Advocate General have a small number of staff with disabilities. The Offices are aware of their responsibilities under the Disability Discrimination Act 1995 and, with this in mind, have provided an external stair lift at its premises in Melville Crescent and internal lifts in both Dover House and Melville Crescent.

ANNEX 1:

Departmental Expenditure Limit: Scotland Office, Office of the Advocate General and Scottish Government

	2005-2006 outturn £'000	2006-2007 outturn £'000	2007-2008 outturn £'000	2008-2009 outturn £'000	2009-2010 outturn £'000	2010-2011 estimated outturn £'000	2011-12 provision £'000	2012-13 provision £'000	2013-14 provision £'000	2014-15 provision £'000
Resource ⁽¹⁾										
Scotland Office Administration Costs	3,609	3,835	4,618	4,193	4,690	4,816	5,018	4,909	4,759	4,359
OAG Administration Costs	1,845	1,935	2,666	3,042	2,840	2,834	2,601	2,491	2,341	2,071
Subtotal - Administration Costs	5,454	5,770	7,284	7,235	7,530	7,650	7,619	7,400	7,100	6,430
Boundary Commission	141	119	170	593	557	188	537	457	300	300
Total Resource	5,595	5,889	7,454	7,828	8,087	7,838	8,156	7,857	7,400	6,730
Capital										
Scotland Office	64	0	0	89	0	0	89	77	66	55
Scotland Office DEL ⁽²⁾	5,659	5,889	7,454	7,917	8,087	7,838	8,245	7,934	7,466	6,785
Scottish Government										
Scottish Government Resource ⁽³⁾	20,427,359	21,967,469	23,369,833	24,114,405	25,105,745	25,790,663	25,447,488	25,830,943	26,038,069	26,190,772
Scottish Government Capital	2,390,246	3,029,749	3,562,967	3,332,587	3,926,513	3,286,567	2,540,291	2,474,817	2,236,677	2,317,941
Scottish Government DEL ⁽²⁾	22,817,605	24,997,218	26,932,800	27,446,992	29,032,258	29,077,230	27,987,779	28,305,760	28,274,746	28,508,713
Election expenditure (Resource non-voted)	8,237	1,081	18,012	980	10,298	9,632	1	0	0	0
Total Scottish Block	22,831,501	25,004,188	26,958,266	27,455,889	29,050,643	29,094,700	27,996,025	28,313,694	28,282,212	28,515,498

ANNEX 2:

Changes to Scotland Departmental Expenditure Limit for 2009-10 to 2014-15 since PESA 2010

	2009-10 £m Outturn	2010-11 £m Estimated Outturn	2011-12 £m Plans	2012-13 £m Plans	2013-14 £m Plans	2014-15 £m Plans
Position at publication of PESA 2010 (Table 1.8) net of depreciation	28,534	28,401				
<i>Depreciation & Impairments</i>	525	536				
Subtotal	29,059	28,938				
Outturn adjustments	-46	-70				
Budgeting & classification changes:						
Interdepartmental transfers	19	4	17	16	15	15
Budget regime changes (classification)	0	5	5	5	5	5
Spending Policy:						
End Year Flexibility	0	303				
Reserve Claim - Student Loans	0	29				
DEL reduction to carryforward into 2011-12	0	-130				
Budget 2011 - Apprenticeships	0	0	8	5	4	0
Budget 2011 - University Technical Colleges	0	0	13	0	0	0
Budget 2011 - First Buy	0	0	21	0	0	0
Budget 2011 - Enterprise zones	0	0	0	1	3	6
Budget 2011 - Small business rates relief	0	0	17	17	0	0
2010 Spending Review outcome			27,907	28,262	28,248	28,484
Subtotal	-27	140	27,988	28,306	28,275	28,509
Capital DEL plus Resource DEL	29,032	29,077	27,988	28,306	28,275	28,509
Less Depreciation & Impairments	555	492	535	599	567	565
Position at June 2011 net of depreciation	28,477	28,585	27,453	27,707	27,707	27,944

Totals may not sum due to roundings

ANNEX 3:

Scottish Government Departmental Expenditure Limit adjusted for discretionary budget movements

	2007-08 Outturn £m	2008-09 Outturn £m	2009-10 Outturn £m	Estimated Outturn 2010-11 £m
Capital DEL plus Resource DEL	26,933	27,447	29,032	29,077
Less Depreciation & Impairments	422	507	555	492
Position at June 2011- net of depreciation	26,511	26,940	28,477	28,585
Discretionary Adjustments				
<i>add</i> Underspend *	42	62	46	70
<i>subtract</i> End Year Flexibility *	655	300	400	303
<i>subtract</i> Capital draw forward **		53	294	348
<i>Subtract reserve claim – student loans</i>				29
<i>add</i> reduction to carry-forward into 2011-12				130
Allocated DEL Position	25,898	26,755	27,829	28,105

Notes:

* End Year Flexibility (EYF) arrangements allow the accrued underspend from previous years budgets to be drawn down.

** Capital draw forward (capital acceleration) reflects the allocation of the capital budgets of subsequent years to current years,

at the discretion of HM Treasury.

Figures in this table take account of Clear Line of Sight changes

ANNEX 4:

Grant paid to the Scottish Consolidated Fund 2009-10: provision and final outturn

	Original Provision £m	Final Provision £m	Final Outturn £m
Expenditure Classified as Departmental Expenditure Limit (1)	29,133	29,570	27,523
Expenditure Classified as Annually Managed Expenditure	3,147	3,290	3,264
Non Domestic Rates	2,127	2,165	2,165
Total Managed Expenditure	34,407	35,025	34,952
Adjustments to cash requirement			
Non-budgetary cash items	139	395	265
Depreciation and Impairments	-520	-614	-562
Other Cash to accruals adjustments	-3,553	-3,437	-3,543
Non Domestic Rates Income	-2,127	-2,165	-2,165
National Insurance Fund Payments towards Scottish NHS	-1,724	-1,724	-1,899
Other items including LA supported borrowing and non-voted expenditure	-317	-317	-330
Closing balance in Scottish Consolidated Fund			211
Grant paid to Scottish Consolidated Fund	26,306	27,164	26,929

Notes:

Totals may not sum due to roundings

Data is on a pre-Clear Line of Sight basis

Resource and capital DEL including depreciation

ANNEX 5:

Grant paid to the Scottish Consolidated Fund 2010-11: provision and estimated outturn

	Original Provision £m	Final Provision £m	Estimated Outturn £m
Expenditure Classified as Departmental Expenditure Limit (1)	28,937	29,130	29,060
Expenditure Classified as Annually Managed Expenditure	3,392	3,646	3,632
Non Domestic Rates	2,068	2,068	2,068
Total Managed Expenditure	34,398	34,844	34,760
Adjustments to cash requirement			
Non-budgetary cash items	214	357	313
Depreciation and Impairments	-616	-660	-610
Other Cash to accruals adjustments	-3,277	-3,158	-3,681
Non Domestic Rates Income	-2,068	-2,068	-2,068
National Insurance Fund Payments towards Scottish NHS	-1,724	-1,724	-1,886
Other items including LA supported borrowing and non-voted expenditure	-317	-317	-349
Closing balance in Scottish Consolidated Fund			294
Grant paid to Scottish Consolidated Fund	26,609	27,274	26,773

Notes:

Totals may not sum due to roundings

Data is on a post-Clear Line of Sight basis.

Resource and capital DEL including depreciation

ANNEX 6:

Reconciliation of the grant payable to the Scottish Consolidated Fund with Total Managed Expenditure in Scotland: 20011-12

	Original Provision £m
Expenditure Classified as Departmental Expenditure Limit (1)	27,988
Expenditure Classified as Annually Managed Expenditure	3,259
Non Domestic Rates	2,171
Total Managed Expenditure	33,417
Adjustments to cash requirement	
Non-budgetary cash items	294
Depreciation and Impairments	-635
Other Cash to accruals adjustments	-2,616
Non Domestic Rates Income	-2,171
National Insurance Fund Payments towards Scottish NHS	-1,724
Other items including LA supported borrowing and non-voted expenditure	-12
Grant payable to Scottish Consolidated Fund	26,554

Notes:

Totals may not sum due to roundings

Data is on a post-Clear Line of Sight basis

(1) Resource and capital DEL including depreciation

ANNEX 7:

Scotland Act Orders and other Statutory Instruments

SI Number	Title
2010/2660	The Protection of Vulnerable Groups (Scotland) Act 2007 (Consequential Provisions) Order 2010
2010/2870	The Marine (Scotland) Act 2010 (Consequential Provisions) Order 2010
2010/2469	The Adoption and Children (Scotland) Act 2007 (Consequential Provisions) Order 2010
2010/2476	The Scottish Parliament (Disqualification) Order 2010
2010/2691	The Scottish Parliament (Constituencies and Regions) Order 2010
2010/2999	The Scottish Parliament (Elections etc) Order 2010
2011/576	The Scottish Parliament (Regional Returning Officers) Order 2011
2011/1013	The Scottish Parliament (Returning Officers' Charges) Order 2011

ANNEX 8:

UK Parliament Bills

UK Parliament Bills introduced that OSAG instructed or advised on
Armed Forces Bill
Budget Responsibility and National Audit Bill
Charities Bill
Child Trust Fund and Health in Pregnancy Bill
Energy Bill
Equitable Life (Payments) Bill
European Union Bill
Fixed-term Parliaments Bill
Health and Social Care Bill
International Development Bill
Localism Bill
London Olympic Games and Paralympic Games (Amendment) Bill
National Insurance Bill
Parliamentary Voting System and Constituencies Bill
Pensions
Police Reform and Social Responsibility
Postal Services Bill
Protection of Freedoms
Public Bodies Bill
Scotland Bill
Sports Grounds Reform Bill
Superannuation Bill
Terrorism (Asset-Freezing) Bill
Welfare Reform Bill

ANNEX 9:

Staffing

	2007-08				2008-09			
	SO		OAG		SO		OAG	
	Comp	Actual	Comp	Actual	Comp	Actual	Comp	Actual
Permanent staff	55	51.5	32	34.3	55	50.6	38	35.4
Casual staff		1.4		0.9		0.4		2
Overtime		1.4		1.1		2.8		1.1
Total	55	54.3	32	36.3	55	53.8	38	38.5

	2009-10				2010-11			
	SO		OAG		SO		OAG	
	Comp	Actual	Comp	Actual	Comp	Actual	Comp	Actual
Permanent staff	58	51.7	43	40.8	59	53.3	38	33.8
Casual staff		1.5		1.5		1		0.6
Overtime		2.1		1		0.6		0.4
Total	58	55.3	43	43.3	59	56.8	38	35.1

Notes:

1. "Comp" refers to the complement of staff agreed by the Offices' Joint Management Board at the start of each financial year.
2. The "actual" figures show the average number of staff in post throughout the year and thus reflect fluctuations in staffing due to transfers, vacancies, retirements etc.
3. Details of the staff in post at 31 March 2011 are shown at paras 2.5 and 3.7.

ANNEX 10:

Annual Report of the Audit Committee

Report for the year 2010-2011 from the chairman

1. Purpose

- 1.1** To provide the Joint Management Board of the Scotland Office/Office of the Advocate General (SO/OAG) with a report on the work of the SO/OAG Audit Committee during 2010-11, and to report on any issues or risks which the Committee believes should be brought to the attention of the Board.

2. Background

- 2.1** The Head of the Scotland Office, as Additional Accounting Officer, needs to have confidence that the SO and the OAG are well run and have effective corporate governance and effective risk management in place.
- 2.2** The Additional Accounting Officer seeks to use the available evidence to give him the confidence he needs. Because of the nature of the work the Offices conduct and their relatively small staff, most of that assurance is obtained directly from the senior staff within the organisations, with the support of internal and external audit where appropriate. The Audit Committee supports the process by providing independent scrutiny and advice. Specifically, it considers the arrangements put in place to review corporate risk and its management; the independence, effectiveness and coordination of internal and external audit; the quality of financial management; and the assurances given relating to corporate governance. It also provides the Head of SO with a forum where he can test his assumptions and decisions in these areas. These responsibilities will become even more pressing since, as a result of machinery of Government changes, the Head of the Office is now to be appointed as a Principal Accounting Officer.

3. Activity

- 3.1** The Audit Committee met formally four times during 2010-11 – on 26 April, 7 July and 5 November 2010, and on 21 January 2011. One meeting was held in London, with the others taking place in Edinburgh. Members of the Committee were encouraged to attend in person, while officials could participate by video conference if they wished. Some members attended events for training and networking purposes.

4. Membership

- 4.1** The members of the Committee in post as at 1 April 2010 – John Aldridge (Chairman), Charlotte Barbour, Ian Doig, and Edward Adams all continued in their role as independent members throughout the year.

5. Terms of Reference and Self-Assessment

- 5.1** The Committee's Terms of Reference remain essentially unchanged. At the November meeting, the Committee reviewed its activity against the template of the Audit Committee Handbook, published by HM Treasury. It concluded that it generally conformed to the best practice set out in the Handbook. Where its practice diverged, the Committee has satisfied itself that there were good reasons for doing so. Meanwhile it continued to seek to improve its practice where appropriate.

6. Main Issues

- 6.1** The Committee was satisfied that the systems in place in the SO and OAG were sound and appropriate for the purposes they were required to support. Following the General Election, the Offices faced new challenges. Not only were they facing the same pressures to reduce costs applied across the Government (starting from an already small base), but they were also charged with leading on the production of the White Paper and consequent Parliamentary Bill implementing the recommendations of the Calman Commission. The Committee was conscious that this added to the challenges facing the Offices, increasing even more the need to rely on the co-operation and goodwill of other Government Departments, a factor we commented on last year. The Committee continued to recognise that the capacity of the Offices was limited, and to stress the crucial role that careful and effective management plays in managing these risks. The Committee was keen to emphasise that issues of corporate governance should continue to receive an appropriately high level of attention. In the light of the machinery of Government changes, the Committee initiated discussions with the Wales Office and Northern Ireland Office Audit Committees about the scope for co-operation and sharing experience. The first meeting about this took place on 14 April 2011.
- 6.2** The Committee was pleased that the Offices' Risk Registers continued to be refined during the year, and took the view that they were now mature enough that the Committee could focus more on specific risks highlighted in the Registers rather than on their format, structure and overall content.
- 6.3** We continued to take a particular interest in the Offices' management of risks associated with information assurance. We were pleased that substantial progress was made in ensuring compliance with the central guidance on this matter. The members of the Audit Committee also undertook training on this.
- 6.4** We were also pleased to note progress made in developing business continuity plans for the Offices, although this is a matter which we will continue to watch closely in view of its vital importance to the efficient and effective management of the Offices' work.

7. Audit

- 7.1** Internal and External Audit (provided by the Ministry of Justice Internal auditors and the National Audit Office respectively) provided strong support to

the Committee throughout the year, attending all the meetings. The Committee was again pleased to encourage constructive discussions between the Offices and Internal Audit about the proportionate level of Internal Audit activity. The machinery of Government changes that took place following the General Election posed a potential risk if the Internal and External Audit arrangements were also changed. We were therefore pleased that continuity was maintained, and noted with approval that the changes provided an opportunity to regularise the arrangements for Internal Audit by means of a Service Level Agreement.

8. Statement on Internal Control

- 8.1** The Committee considered the SO Assurance Statement and the Statement on Internal Control (SIC) at the July 2010 meeting. It was satisfied that the SIC drew appropriately on the various sources of assurance available to the Accounting Officer and thus properly addressed the relevant issues, and that the Accounting Officer should sign it.

9. Future Work

- 9.1** Over the next year, as well as continuing to monitor the effectiveness and comprehensiveness of the assurance processes, with a view to ensuring that the programme of audit reflects the risks facing the SO and OAG, the Committee will pay particular attention to the way in which the Offices cope with the implementation of the Scotland Act (once it becomes law), and the significant reduction in staffing levels expected once the Act is passed. The Committee will also seek to develop its own effectiveness.

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