



**Office of the  
Secretary of State for Scotland  
(Scotland Office)**

**and  
Office of the  
Advocate General for Scotland**

**Annual Report and Accounts 2018/19**







Office of the  
Secretary of State for Scotland  
(Scotland Office)

and

Office of the  
Advocate General for Scotland

Annual Report and Accounts 2018-19  
(For the year ended 31 March 2019)

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**Reflecting on our past and embracing tradition,**



**celebrating our current achievements,**



**and investing in our future.**



# Chapter 1: The Performance Report

## Ministerial Forewords

### Foreword by the Secretary of State for Scotland



I have been privileged to serve as Secretary of State for Scotland for the year 2018/19, leading the department as it has worked hard to support the UK Government's programme for Scotland. My Office has continued to work constructively across UK Government departments, and with the Scottish Government and stakeholders to ensure Scotland's interests are fully represented in Westminster.

Work to take forward the UK's decision to leave the European Union has again been a key focus of the department and we continued to ensure that Scotland's voice is heard and reflected in decision making. Our working closely with ministers and officials in the Scottish Government and across UK Government departments has ensured that EU Exit related legislation has taken into account the devolution settlement. My department has also contributed heavily to the detailed policy development phase in the programme of work to create UK wide legal frameworks.

I am particularly pleased my Office has been able to balance the demands of work to prepare for the UK's exit from the European Union whilst making significant progress on key domestic priorities, including implementation of the Scotland Act 2016 and our City and Growth Deals programme.

During this year of celebrations to mark the 20th anniversary of devolution, we have completed the transfer of powers devolved under the Scotland Act 2016 to the Scottish Parliament. Following this milestone, the Scottish Parliament can now legislate in every area recommended by the Smith Commission – reinforcing its standing as one of the most powerful devolved parliaments in the world. We have also continued to work collaboratively with the Scottish Government to support implementation of its new responsibilities.

My department has made further progress on City Region and Growth Deals to promote economic growth in Scotland, concluding a further three Heads of Terms Agreements – for Ayrshire, Stirling and Clackmannanshire, and Tay Cities – and a final agreement for Edinburgh and South East Scotland. This vital work has resulted in four full deals and four Heads of Terms agreements in total, bringing benefits across the whole of Scotland, with the UK Government's committed investment currently sitting at over £1.39 billion.

This year has seen the Office play an important role in many cross-government initiatives. I am especially proud of our work to deliver the UK Government Hub in Edinburgh – to be named Queen Elizabeth House and due to open in 2020 – which will bring together nearly 3,000 UK Government civil servants, enabling closer collaboration and helping to deliver better services for the people of Scotland. This is a

great example of our support for the capital's economy and which we are also driving through the Edinburgh and South East Scotland Growth Deal. This modern working space, with offices and press facilities, will allow joint working and provide spaces for UK Government ministerial meetings.

Throughout the year, we have continued to maintain significant engagement with our stakeholders. Lord Duncan, the Parliamentary Under Secretary of State, and I have visited and heard from a wide variety of stakeholders; from visits to fisheries and farms, to roundtables with financial services. The Office hosted around 20 events throughout the year to showcase Scotland, including the annual Taste of Scotland event to celebrate St Andrew's Day, a reception to celebrate Edinburgh's festivals, a dinner to mark the 20th Anniversary of devolution in Scotland; and a four day presence at the Royal Highland Show.

I have also continued to promote Scottish business and develop cultural links on the international stage. My visits to New Zealand, South America, USA and Iceland have promoted the message that Global Britain is open for business and sought to build and develop economic ties for Scottish business and enterprise. I was also honoured to participate in the commemorative events at Syracuse University that marked the 30th Anniversary of the PanAm Flight 103 disaster over Lockerbie and recognised the strong ties that have developed between the two communities.

It has been a busy and successful year and I would like to thank my officials in the department and Office of the Advocate General for their sustained commitment and efforts across our wide and varied portfolio.

A handwritten signature in black ink, reading "David Mundell". The signature is written in a cursive, flowing style.

**The Rt Hon David Mundell MP**  
Secretary of State for Scotland



## Foreword by the Advocate General for Scotland



It has been my privilege to continue to serve as HM Advocate General for Scotland over the last year. Following the historic vote to leave the European Union in June 2016 I have been helping the government meet the challenges it faces as we prepare to leave. I provided support to ministers from the Department for Exiting the European Union as various pieces of legislation to deliver EU Exit made their way

through Parliament and participated in numerous debates on the issue as a spokesman for the government. At official level, my Office has worked closely with Cabinet Office, the Office of the Secretary of State for Scotland and many other departments to ensure the Scottish aspects of the various pieces of EU Exit legislation are in order.

In my role as the government's principal adviser on Scots law and the Scottish devolution settlement, I am supported by officials in London and in Edinburgh who provide legal services to UK Government departments, and this has yet again been another busy year for these areas of work. My Office has continued legal work to implement the Scotland Act 2016, and legal advice and support has been provided on all Westminster Bills extending to Scotland so as to ensure they operate smoothly within the framework of Scots law and the devolution settlement.

In April 2018 I made the first reference to the Supreme Court of a Bill passed by the Scottish Parliament. The Attorney General and I did not take this decision lightly. By referring the Scottish Parliament's 'Continuity' Bill to the Supreme Court, we were seeking legal certainty as to its competence. Given the Presiding Officer's view at introduction that the Bill was not within the legal scope of the Parliament, we believed it was important to ask the Court to provide absolute clarity. In doing so we were following the process set out in Section 33 of the Scotland Act 1998.

The case was heard by the Supreme Court on 24 and 25 July 2018, where I represented the government in person. The judgment was issued on 13 December 2018, concluding that a number of provisions of the Bill were outside the legislative competence of the Scottish Parliament.

Another case where my Office was closely involved was the 'Wightman' Judicial Review seeking a reference from the Scottish courts to the Court of Justice of the European Union as to whether Article 50 could be revoked unilaterally. The government did not take a position on that issue given there was no intention to make such a revocation, arguing that the case was therefore academic.

Nevertheless, the Scottish courts decided a reference to the CJEU was in order, and I appeared in person in Luxembourg to ensure government interests were properly represented.

I am proud that my Office has played such a central role in these two vitally important cases and that Scottish counsel also played a critical role.

My Office also undertakes a substantial amount of litigation for government departments in Scottish courts and tribunals. In this last year, the work carried out for Home Office and HM Revenue & Customs represented significant volumes, with more than 300 new immigration cases for Home Office and 78 new cases for HM Revenue & Customs, with some making their way to the Supreme Court.

In October 2018, I attended the International Bar Association Conference in Rome where I spoke at, and chaired, a number of sessions. Attendance at the IBA allowed me to promote issues in connection with my role as a spokesperson for the Ministry of Justice but also to raise the profile of Scots law and Scottish lawyers.

In the coming year, supported by my Office, I will continue to work hard to ensure the government is able to call on the very best legal and constitutional advice. It will be 20 years in May since the Office of the Advocate General came into existence to give legal and constitutional advice to the UK Government as a consequence of devolution. We enter a period that will continue to bring many challenges. I look forward to meeting them with confidence.

A handwritten signature in black ink, reading "Keen of Elie". The signature is written in a cursive, flowing style.

**The Rt Hon, Lord Keen of Elie QC**  
HM Advocate General for Scotland

## Foreword by Office of the Secretary of State for Scotland Director



It is with pleasure that I present the Annual Report and Accounts for 2018-19 for the Office of the Secretary of State for Scotland and the Office of the Advocate General.

The Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General (OAG) are separate offices, responsible to the Secretary of State for Scotland and HM Advocate General for Scotland respectively. Neil Taylor is the Director of the latter. The two offices share a single budget and I act as Accounting Officer for both Offices, as well as for the Boundary Commission for Scotland.

The focus for 2018-19 has remained EU Exit work, with both Offices playing an important role in ensuring UK Government policies and legislation deliver for Scotland and take account of the devolution settlement as we prepare to leave the EU. We have continued to do this through regular dialogue and communication between ministers and officials in the Scottish Government and UK Government departments and our engagement in a range of cross-government forums on EU Exit. The OSSS has facilitated a range of events and visits with stakeholders across Scotland to ensure their views are heard and reflected in consideration of policy development. This year we have also been engaged in contingency planning for a potential no deal exit from the European Union and have liaised closely with Scottish Government colleagues on this.

Our efforts have not only been in relation to EU Exit. The OSSS has continued to work productively with UK Government departments, the Scottish Government and other key partners on a wide range of policy priorities including the delivery of City Deals across Scotland. Since the first City Region and Growth Deal in Scotland was agreed in 2014, all of Scotland's seven cities now have a Deal and there is a further commitment to Growth Deals in Ayrshire, the Borderlands and Moray. These City Region and Growth Deals are an excellent example of collaborative working between the OSSS, and other key departments in the UK Government and the Scottish Government, in partnership with local government, partners from the public and private sectors and academia. The objective has been to promote economic growth across Scotland's cities and regions, creating jobs and boosting prosperity.

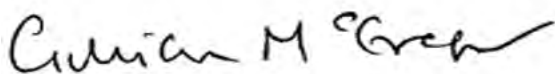
We have worked closely with UK Government departments who are responsible for the delivery of reserved UK-wide policies and functions in Scotland, including the Ministry of Defence (MOD), Home Office (HO), Department for International Trade (DIT), Department for Business, Energy & Industrial Strategy (BEIS) and Department for Digital, Culture, Media and Sport. In addition, we have continued to implement the devolution of significant further powers to the Scottish Parliament through the Scotland Act 2016, delivering on the recommendations of the cross-party Smith Commission agreement. All sections of the Scotland Act 2016 are now in force.

OSSS and OAG for Scotland have an important role to play in strengthening devolution capability across Whitehall Departments. This year marks the 20th anniversary of the devolution settlement and we continue to encourage and facilitate early engagement

with the devolved administrations on the formulation and implementation of legislation and policy. We are also keen to ensure the UK Government's contribution in Scotland (including through some 25,780 UK Government civil servants physically based in Scotland) is understood and recognised.

Looking ahead to 2019-20, we anticipate another busy year on EU Exit to ensure that we are legislatively and operationally ready to implement the powers that will be transferring from Brussels, many of which will be devolved. We look forward to taking forward this work in a spirit of openness and collaboration with our key partners.

Finally, on behalf of the Director of the OAG and myself, I would like to take this opportunity to pay tribute to staff in both departments for their hard work, commitment and flexibility over the past year.

A handwritten signature in black ink, appearing to read 'Gillian M. Gregor', written in a cursive style.

**Gillian McGregor, CBE**  
Director, The OSSS  
Accounting Officer, The OSSS and OAG

July 2019

# Departmental Overview

## Part 1: The OSSS

The OSSS supports the Secretary of State in promoting the best interests of Scotland within a stronger United Kingdom. It ensures Scottish interests are fully and effectively represented at the heart of the UK Government and the UK Government's responsibilities are fully and effectively implemented and understood in Scotland.

### Objectives in 2018-2019

#### Objective 1: Strengthening and Sustaining the Union

- To act as custodians of constitutional arrangements and in particular the devolution settlement for the UK Government.

#### Objective 2: Scotland's Voice in Whitehall

- To represent distinct Scottish interests within the UK Government and support the rest of the UK Government on Scottish matters.

#### Objective 3: Championing the UK Government in Scotland

- To represent and advocate for the UK Government's policies and achievements in Scotland.

# Objective 1: Strengthening and Sustaining the Union

## To act as custodians of constitutional arrangements and in particular the devolution settlement for UK Government

It has been a significant year for devolution. As the Secretary of State for Scotland noted in a major speech on the 21 February 2019, this year has seen the 20th anniversary of the passage of the Scotland Act 1998 through the UK Parliament. This Act provided for the establishment of the Scottish Parliament, which will also celebrate its 20th anniversary this year.



The Secretary of State celebrating the 20th anniversary of the Scotland Act 1998 with former Secretaries of State for Scotland.

## Devolution: New Powers

This year saw an important landmark for the Scotland Act 2016, with all sections of the Act which increase the powers of the Scottish Parliament now in force. This follows the commencement of Section 27 on 8 February 2019, which devolves legislative competence to the Scottish Parliament for Welfare Foods schemes.

These schemes join the extensive list of powers devolved to the Scottish Parliament under the Scotland Act 2016, including the power to set bands of income tax, create new welfare benefits and legislate on a variety of new areas such as equalities in the public sector, onshore oil and gas licensing, and management of the Crown Estate.

The Scottish Parliament will now be able to legislate in every area set out in the Scotland Act 2016. Through this legislation, the UK Government has helped make the Scottish Parliament one of the most powerful devolved parliaments in the world. The implementation of this legislation delivers the cross-party Smith Commission recommendations, while retaining the strength and security of the UK.



The Office, with support from OAG, took three Scotland Act Orders through Parliament to support the implementation of the 2016 Act in 2018-19. The purpose of these Orders was to put into place agency agreements:

- The Scotland Act 1998 (Agency Arrangements) (Specification) Order 2018
- The Scotland Act 1998 (Agency Arrangements) (Specification) (No.2) Order 2018
- The Social Security (Scotland) Act 2018 (Best Start Grants) (Consequential Modifications and Saving) Order 2018

The Office has continued to work closely with other UK Government departments and with the Scottish Government to implement the provisions of the Act. Through the Joint Ministerial Working Group on Welfare, the UK Government is working closely with the Scottish Government to ensure a safe and smooth transfer of responsibility for these vital schemes in a way that ensures a seamless service to the citizen. For example, the Department for Work & Pensions (DWP) continues to share its knowledge and expertise in this area to support the work the Scottish Government is undertaking to set up the new Social Security Agency and implement new IT systems.

Further secondary legislation is also expected relating to devolution of Welfare Implementation (Job Grants, Funeral Expenses Assistance and Agency Arrangements), the management and operation of tribunals and policing of railways in Scotland.

Alongside the work to implement the Scotland Act 2016, we will continue to monitor and report on the implementation of the Scotland Act 2012 until at least April 2020. The most recent report on both Acts was published on 24 April 2019.

## **Devolution: Existing Powers**

Alongside the implementation of the Scotland Act 2016, the OSSS, with support from the OAG, took five Scotland Act Orders through Parliament in 2018-19:

The purposes of these Orders were:

- to facilitate the installation of gas pipes in tenement blocks in line with the Tenements (Scotland) Act 2004
- to complete the full devolution of forestry management and to transfer those properties and liabilities of the Forestry Commissioners held or used with regard to Scotland to the Scottish ministers
- to ensure that Scottish ministers have certain powers in the Scottish part of the Renewable Energy Zone (REZ), and to amend the definition of “relevant waters” in UK legislation so to include the Scottish part of the REZ

## **The UK Legislative Programme and Legislative Consent Motions**

The OSSS works to ensure other UK Government departments understand and comply with their responsibilities in relation to the Sewel Convention. As part of the legislative process, the Secretary of State for Scotland and Advocate General for Scotland are members of the Parliamentary Business and Legislation Committee and use that forum to address areas of interest. At official level, the Constitutional Policy Team advises UK Government departmental Bill teams with regard to the Legislative Consent Motion (LCM) process.

As part of the UK Government’s commitment to the effective operation of the devolution settlement, our officials continue to work with counterparts in the Scottish Government to ensure LCMs are sought from the Scottish Parliament where the relevant process is engaged. In the reporting year to 31 March 2019, a total of seven LCMs relating to UK Government Bills were passed by the Scottish Parliament. These included the Healthcare (International Arrangements) Bill, Ivory Act, and Crime (Overseas Production Orders) Act.





## **Intergovernmental Relations Review**

In March 2018 the Joint Ministerial Committee (Plenary) (JMC(P)) announced a joint UK Government and Devolved Administrations Review. This Review is looking at existing intergovernmental structures, including the Memorandum of Understanding, in light of the UK's exit from the EU.

The Review is progressing across five work streams:

- principles of relations
- governance of common frameworks
- dispute avoidance and resolution
- intergovernmental machinery
- international engagement

At JMC (P) on 19 December 2018, the Prime Minister – together with the First Ministers of Scotland and Wales – noted the progress made so far on the Review. The Review is ongoing and the OSSS continues to play a key role, working alongside partners across the UK Government and the Devolved Administrations.

## **EU Exit**

The OSSS is working closely with UK Government departments and the Scottish Government to effectively prepare for exit from the EU, ensuring the devolution settlement and the powers of the Scottish Parliament and ministers have been reflected in decision-making processes and policies.

The Office worked with the Department for Exiting the European Union, the Cabinet Office and other Territorial Offices to ensure the devolution settlements are respected through the EU Exit process. In relation to legislation, the OSSS has ensured that departments working on EU Exit-related primary and secondary legislation have taken into account the devolution settlement and that the views of ministers and those of the Scottish Government have been taken into account in relevant policy decisions.

The Office also contributed to the programme of collaboration between the UK, Scottish and Welsh Governments and the Northern Ireland Civil Service on common frameworks. Common frameworks are being developed in policy areas which are currently governed by EU law which intersect with devolved competence. They set out agreed consistent approaches to how we will operate and govern a policy area once we leave the EU. This process has involved developing a detailed understanding of where frameworks might be needed and how they might be implemented. The second phase of this work, running from April 2018 onwards, has focused on detailed policy development, supported by iterative multilateral engagement on priority framework areas.

## Objective 2: Scotland's Voice in Whitehall

To represent distinct Scottish interests within the UK Government and support the rest of the UK Government on Scottish matters.

### EU Exit

The Secretary of State for Scotland, Parliamentary Under Secretary of State and officials have worked with the Department for Exiting the European Union, Cabinet Office and other departments across Whitehall, representing Scotland's interests and supporting departments on Scottish matters. Activities have included:

- representing Scottish interests in cross-Whitehall groups regarding EU exit policy
- communicating with a broad range of stakeholders, keeping them up to date on the EU exit process and gathering their insight
- collaborating with UK Government departments to ensure Scottish interests are considered in EU exit planning

The Office has supported work around the negotiation of the Withdrawal Agreement and the political declaration. OSSS ministers and officials contributed to relevant discussions and decision making, ensuring Scottish interests were taken into account. This has included working closely with stakeholders to explain the Agreement to citizens and businesses in Scotland.



The Office has worked closely with the Department for Exiting the EU and the Scottish Government on preparedness for the UK's Exit from the European Union. Further, in contingency planning for a no deal scenario, the OSSS has worked to ensure the Scottish context is highlighted. This included regular communication with UK Government departments and the Scottish Government to ensure public communications are streamlined, aiding Scottish citizens and stakeholders in their preparations for EU Exit.

The Office also collaborated with Whitehall departments on future relationship negotiations with the EU, to ensure that Scottish interests will be represented and that the Scottish Government will be able to contribute to this process.

In conjunction with these activities, the OSSS has contributed to the work of the Joint Ministerial Committee (European Negotiations), which brings together UK Government and devolved administrations, and which met eight times in this reporting year. These meetings, along with the UK and Devolved Administration Ministerial Forum and other UK Government meeting fora (including the UK Government's Preparedness Committee) have contributed to ensuring that Scotland's voice, including the views of the Scottish Government, has been heard at the heart of UK Government.

## City Region and Growth Deals

The OSSS continues to implement an ambitious programme of City Region and Growth Deals, building on the success of the programme elsewhere in the UK and applying our collective experience to Scotland.

We are working in partnership with the Scottish Government and local government to promote economic growth across Scotland's cities and regions, creating jobs and boosting prosperity. The UK Government's committed investment in UK City Region and Growth Deals in Scotland is now £1.35 billion. All of Scotland's seven major cities have a deal and we have made a further commitment to Ayrshire and the Borderlands. This year, we expect agreement in principle for Moray and signing of the full deals for Stirling & Clackmannanshire and the Tay Cities.

The deals are an excellent example of collaborative working between the Office, other key departments in the UK Government and the Scottish Government, alongside local government, partners from the public and private sectors and academia.

In addition to taking forward significant elements of the deals for Glasgow and Clyde Valley, Aberdeen and Aberdeenshire, Inverness and Highland, the Tay Cities, Stirling and Clackmannanshire, and Edinburgh and the Southeast, we have also worked with partners to agree the £250 million Ayrshire Growth Deal and announced the quantum of £394.5 million for the Borderlands Deal. As the first cross-border deal to be agreed, this investment brings together five local authorities across the border regions of England and Scotland.

With the first deal in Scotland agreed in 2014, we are now approaching the first 5-year Gateway Review for the Glasgow and Clyde Valley Deal. Allied with a programme of Annual Conversations, OSSS, working in close partnership with the Scottish Government, is now increasing monitoring and evaluation of the deals to ensure sound implementation and delivery of commitments made.



This year the Office delivered:

- **Edinburgh and South East Scotland:** a full deal was signed by the Prime Minister in Edinburgh in July 2018. Since then, full agreement has been reached on the first Data Driven Innovation(DDI) projects enabling funding to commence in financial year 2018-19. Other DDI projects continue to be developed and work on the new Concert Hall is progressing
- **Ayrshire Growth Deal:** Heads of Terms: the £250 million deal was signed on 8 March with UK Government support across areas such as: aerospace at Prestwick; energy projects at Hunterston; digital infrastructure development; and marine science projects
- **Stirling and Clackmannanshire:** Heads of Terms: the deal was signed on 31 May 2018 with UK Government investment planned for areas such as aquaculture, land for regeneration and the National Tartan Centre
- **Tay Cities:** Heads of Terms: the deal was signed on 22 November 2018 with UK Government investment of £150 million. Projects include the International Barley Hub, Perth Cultural Transformation, and innovation in forensics, cyber security and clean energy storage
- **Borderlands:** £260 million of UK Government money has been committed to support the deal. This was confirmed by the Chancellor in March 2019



The Secretary of State for Scotland with key partners on the Borderlands Inclusive Growth Deal (L) and announcing the Tay Cities Deal (R)

The Office continued to work on:

- Tay Cities, and Stirling and Clackmannanshire full deal agreements, including the allocation of bespoke funding for Clackmannanshire and Angus where we are working with the relevant local authorities to agree investment priorities
- Borderlands: the five Borderlands local authorities (Dumfries and Galloway Council, Scottish Borders Council, Carlisle City Council, Cumbria County Council and Northumberland Council) have been working with both the UK and Scottish Governments in order to achieve a Heads of Terms (in principle) agreement by summer 2019. Proposals include the main themes of the Borderlands Growth Deal proposition of Digital, Energy, Rural Productivity and Destination Borderlands
- Moray: Moray Council has been working on proposals since the deal was announced by the Chief Secretary to the Treasury in September 2018 and a full programme of negotiations is underway with a view to agreeing Heads of Terms (in principle agreement) in 2019. Areas of interest include manufacturing innovation, energy networks and the strong MoD presence across the region

## Industrial Strategy and Economy

The UK Industrial Strategy (UKIS) launched in November 2017 with the aim to revolutionise and shape technology, industry and the future of the UK economy. The UKIS focuses on four Grand Challenge Missions (GCMs): Artificial Intelligence (AI) & Data; Ageing Society; Clean Growth and the Future of Mobility.

The Industrial Strategy pledged the formation of an Industrial Strategy Council (ISC), which had its first meeting in November 2018. Scottish Business Taskforce (SBT) member Dame Jayne-Anne Ghadia sits on the ISC.

The Industrial Strategy also sets out government's ambition to work in partnership with industry on sector-specific issues through sector deals. These sector deals recognise the benefits of collaboration in creating significant opportunities to boost productivity, employment, innovation and skills.

The flagship funding of the Industrial Strategy is the IS Challenge Fund (ISCF), which will commit over £1 billion of funding over four years. The Fund is overseen by Innovate UK and seeks to encourage businesses



and research institutions to build cross-border partnerships to help Scotland's research base access a large pool of commercial partners. Three waves of competition from the ISCF have now closed. Wave one was allocated circa £1 billion of funding across the UK and wave two circa £730 million also across the UK. As wave three has just closed a figure has not yet been set, but 252 expressions of interest were received.

**The Strength in Places Fund** is another strand of UK Government funding having a significant impact in supporting research and development in Scotland. Amongst those projects receiving funding are:

- **accelerating the 4th industrial revolution across Scotland's Central Belt:** University of Strathclyde-led bid to boost the economic impact of the burgeoning industrial biotechnology sector in Scotland's Central Belt through the development of biology-based products and platforms
- **clyde Waterfront Innovation Campus:** University of Glasgow-led bid to create a Clyde Waterfront Innovation Campus to accelerate innovation in the manufacture of new technology based on photonics, optoelectronics and quantum technology
- **global Centre of Excellence in Open Banking (COB):** FinTech Scotland bid to create a 'Global Centre of Excellence in Open Banking' in Edinburgh, driving the growth of the local fintech cluster
- **the Living Lab:** driving economic growth in Glasgow through real-world implementation of precision medicine University of Glasgow-led bid to promote economic growth in Glasgow by translating science and innovation in precision medicine into a real world clinical setting – boosting productivity growth through expansion of the local life sciences cluster, savings for NHS and a healthier workforce

**Other Highlights from the Industrial Strategy include:**

- the UK Government working alongside industry and the Scottish Government to deliver the £56 million Medicines Manufacturing Innovation Centre in Glasgow
- an investment of £4.5 million to provide residents in the Highlands with the digital connectivity they need through improvements in the availability of full fibre broadband

- universities in Edinburgh are hosting three new Robotics and Autonomous Systems hubs, established by a £9.2 million investment from the Industrial Strategy Challenge Fund
- in the Offshore Wind Sector Deal Scotland has been identified as a strong, pre-existing manufacturing and R&D base. Three large wind farms (Beatrice, Moray East and Neart Na Gaoithe) will be commissioned in the next few years. This will extend economic activity, wage levels and the productivity benefits of offshore wind to Scottish coastal communities such as Wick and Fraserburgh, delivering the Industrial Strategy aim to have prosperous communities throughout the UK
- the UK Government backing the Advanced Forming Research Centre in Strathclyde with £96 million in investment, linked to BEIS' world-leading High Value Manufacturing Catapult



## **International Trade 2018 - 2019**

The OSSS continues to work with the Department for International Trade (DIT) and others across the UK Government to promote the strengths of the UK as a great inward investment destination. The UK's open, liberal economy, world-class talent, and business-friendly taxation regimes are elements of this, helping to support exports and inward investment to Scotland. In 2017-18 (latest data available) Scotland recorded 141 new foreign direct investment (FDI) projects that supported the creation of 4,148 new jobs.

This year the UK Board of Trade championed exports, inward investment and outward direct investment to deliver economic growth and prosperity across the whole of the United Kingdom. At the Board of Trade meeting in Stirling, Scotland showed it is already an exporting success story and that quality products such as Scotch whisky and salmon are in demand across the globe. The UK Government is helping to boost



Meeting of the Board of Trade in Stirling

exports, attract inward investors and ensure the benefits of free trade are spread across the whole of the UK. The Secretary of State for Scotland along with his two business advisers (former Trade minister Brian Wilson and, until April 2019, Edrington CEO Ian Curle) represent Scotland's interests at the Board of Trade.

The OSSS is working alongside DIT to develop the UK's future trade policy and is focused on ensuring any future trade deals reflect the needs of Scotland within the UK. We are working closely with the Scottish Government to deliver an approach that works for the whole of the UK, reflecting the needs and individual strengths of Scotland and drawing on their knowledge and expertise. The UK Government has committed to publish a concordat outlining the role of the devolved administrations in future UK trade policy.

The Secretary of State supports and promotes Scottish business interests through his overseas visits while also building on cultural and educational links. This year he visited Uruguay, Chile, New Zealand, USA and Iceland, where he held meetings with business, cultural and academic sectors, all with an interest in or connection to Scotland.

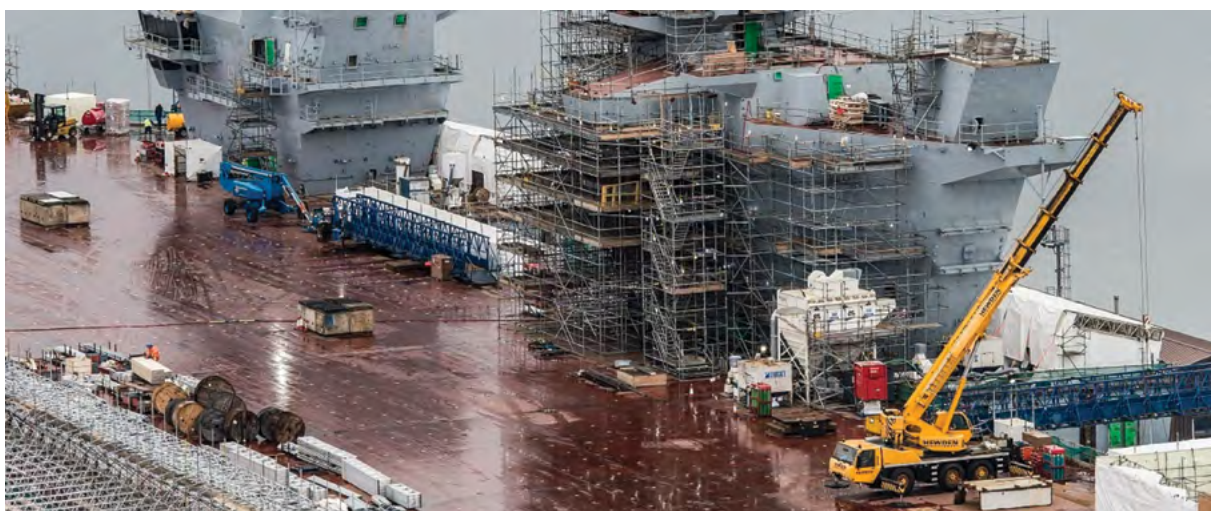
## **Defence**

The UK Government is one of only five permanent members of the UN Security Council, and the only one which spends both 2% of GDP on defence and 0.7% on international development.

Over the year, the OSSS has continued to support the work of the Ministry of Defence (MOD), including its work with the Scottish Government on the Veterans Strategy which sets out the intent to establish public services for veterans across the UK – the first UK-wide strategy of its kind.

The MOD continues to make significant contributions to the Scottish economy. Figures released in January 2019 showed that in 2017-18 the MOD spent £1.649 billion on Scottish industry and commerce – supporting an estimated 10,000 jobs in Scotland, up from £1.585 billion the previous year.

The UK Government's commitment to defence in Scotland in 2018-19 has included significant commitments to ship building. Defence orders will sustain some 1,700 jobs in Scottish shipbuilding and around 4,000 jobs throughout the wider supply chain until the 2030's. In November 2018, the Secretary of State for Defence announced that the final ship of the Type 26 class programme will be called *HMS Edinburgh*. She will join *HMS Glasgow*, *Cardiff*, *Belfast*, *Birmingham*, *Sheffield*, *Newcastle* and *London*, as part of the second batch of Type 26 warships. In January, Babcock's Rosyth dockyard was awarded a contract to carry out the first planned dry-dock maintenance of *HMS Queen Elizabeth*.



In March 2019, the MOD published an update to its Defence Estate Optimisation Programme, which sets out the MOD's strategy for the management of its estate across the UK. This update announced that the airfield at the Royal Marines base Condor would be retained, to align with ongoing military requirements. The MOD reiterated its commitment to further investment in HMNB Clyde in advance of basing all Royal Navy submarines there by 2020. It also announced further preparation for RAF Lossiemouth to become the home of an additional Typhoon Squadron and investment in the new Maritime Patrol Aircraft.

## **National Security and Civil Contingencies**

The OSSS has continued to fulfil its responsibilities in relation to national security and civil contingencies, working with the Scottish Government, Police Scotland and other UK Government departments on the delivery of the Strategic Defence and Security Review, CONTEST (the UK Government's counter terrorism strategy), and the National Cyber Security Strategy, ensuring policy development and legislation relating to reserved matters is fit for purpose in Scotland.



The OSSS also worked with other UK departments, the Scottish Government and other responders on preparations for the major risks facing the UK on responses to current incidents such as cyber-attacks and business failures of companies providing major services to the public sector and on major events such as the visit of the President of the USA to the UK in July 2018. The OSSS has an important liaison role in ensuring that both Scotland and the UK as a whole are more secure and better able to plan for and respond to emergencies, as a result of Scotland's place within the UK.

## **Devolution Capability**

The Office has been working closely with Cabinet Office to strengthen devolution capability across all UK Government departments.

Civil Service Local has been rolled out across the UK to promote the UK-wide Civil Service in England, Wales and Scotland. OSSS officials were involved in the delivery of Civil Service Local's 'Leaders of the Future' Academy in Dundee on 5 March, which aims to encourage and nurture the potential of civil servants at the start of their career. Civil Service Local will be hosting a roadshow across the UK to promote the overarching idea of a Brilliant Civil Service, and to promote collaborative working between civil servants across the UK.



Officials support the Lead Non-Executive Director (NED) in a programme of engagement with Lead Non-Executive Directors across Whitehall. The objective is to establish effective links at NED and Board level to encourage departments to consider devolution in all aspects of their departmental business planning. This is key both in policy formulation and engagement at ministerial and official level, to ensure that the devolution settlement is working effectively across all departments. This work has facilitated increased engagement between boards across Whitehall and the UK Governance Group Director General, Lucy Smith, to allow consultation on Single Departmental and Devolution Capability Plans. This ensures that departments have knowledge of devolution settlements across the UK, and that these are reflected in those plans and in UK Government policy formulation.

Officials from the Office continue to support the Cabinet Office in taking forward the Devolution and You learning campaign. This campaign is supported by the UK, Scottish and Welsh Governments to improve devolution capability across the unified Civil Service. Activity has included the delivery of training sessions with officials from across the UK Government, and championing interchange and shadowing opportunities.

## **International Affairs**

Scotland is a strong brand internationally and the Office has worked hard with colleagues from FCO, DIT, DFID and others to ensure that the brand is used internationally to benefit Scotland and the whole of the UK.

Scotland has an important role in the FCO's new Soft Power Strategy. Examples include Scotland's iconic whisky, which accounts for two-thirds of all food and drink exports from Scotland, and the immense global cultural impact of the world-famous Edinburgh festivals. Scotland is also home to many of the UK's Armed Forces who play a key part in global security, including the HMNB Clyde submarine base.



In other international work, the office has worked closely with the FCO, the Scottish Government and other partners on communications planning and media logistics for President Trump's visit to Scotland, liaising with the US consulate, supporting Secretary of State for Scotland's meet-and-greet and extensive media activity around the event. In other work, the Office supported the Commonwealth Heads of Government Meeting (CHOGM) in London, the FCO Heads of Mission familiarisation programme and consular corps engagement to encourage amplification of key UK Government messages on Scotland. We also promoted the work of the Office to more than 140 journalists from around the world at an FCO press event.

## **International Visits**

The Office has worked closely with the FCO and DIT to plan and deliver four international visits by the Secretary of State to New Zealand, South America, the USA and Iceland. These visits were supported by comprehensive media and digital handling plans which allowed us to amplify our messages around Global Britain and reassurance that the UK is open for business. The visit to the USA, which followed the 'Cycle to Syracuse' event at Edinburgh Castle, enabled our participation in commemoration events at Syracuse University to mark the 30th Anniversary of the PanAm Flight 103 disaster over Lockerbie.

In support of Scotland's overseas profile, UK posts – Embassies and Consulates – take every opportunity to promote Scotland, including hosting Burns Night and St Andrew's Day festivities.

## **Immigration**

Like the rest of the UK, immigration has helped deliver economic growth in Scotland and promote vibrant, diverse communities, whether from the rest of the UK, the EU/EEA or elsewhere. As the UK leaves the European Union and free movement ends,

the OSSS has been working with the Home Office and others to ensure the UK's new immigration policy works for the whole of the UK. Scotland has some specific interests, like depopulation in remote rural areas. It also has some interests which are also reflected elsewhere in the UK, like labour market pressures on some agricultural or tourism sectors of the economy.

The White Paper was published on 19 December 2018 and the UK Government confirmed a twelve-month process of engagement across the UK before laying the Immigration Rules for the reformed system. The Office has been encouraging Scottish stakeholders to participate actively in the engagement process.

## **Fisheries and Agriculture**

As the UK leaves the European Union, we will also leave the Common Agricultural Policy and the Common Fisheries Policy. There are opportunities in the agricultural sector to develop new and better targeted forms of support, and opportunities in the fisheries sector for a fairer allocation of catch to be distributed to all UK boats, which includes Scottish boats. While these matters are devolved, the Office has been working closely with the Scottish Government and key industry stakeholders to ensure that those opportunities are taken, and that the UK internal market in agricultural products continues to function effectively.

Fisheries and agriculture are good examples of the strength of the devolution settlement, allowing different policies to be pursued in different nations to meet the needs of the fishing and farming industries in those nations, within a single UK market. We expect that the devolved administrations will enjoy more freedom than they had under the EU system.



## Objective 3: Championing the UK Government in Scotland

### To represent and advocate for the UK Government's policies and achievements in Scotland

The policies and actions of the UK Government run central to the lives of people in Scotland. Over 20 UK Government departments and agencies have a presence in Scotland and 25,780 UK Government civil servants live and work in the country. From the 1,000 individuals working for the Department for International Development (DFID) in East Kilbride to the thousands of HMRC and DWP staff making sure people in Scotland are getting the support they need, the UK Government works across the country on behalf of the needs and interests of the people of Scotland.

### UK Government in Scotland

The Secretary of State for Scotland chairs regular meetings of the UK Government in Scotland family to ensure all parts work coherently together in pursuit of our common objectives of increasing growth, prosperity and employment in Scotland.

In 2020, the new UK Government Hub in Edinburgh will open and work is underway on a Glasgow Hub. The Hubs are a key part of the UK Government's commitment to delivering excellent public services for people in Scotland and building a strong civil service across the UK. It is estimated the UK Government Hubs programme will save more than £2 billion of public money over 20 years.

The OSSS continues to support and champion the work of all UK Government departments, working collaboratively to raise the profile of their work.



The flagship UK Government Hub in Scotland, opening in Edinburgh, in Spring 2020.



Secretary of State with children from Towerbank Primary School, promoting the DFID/British Council Connecting Classrooms Programme

For example, the Office worked closely with DFID to promote its Connecting Classrooms initiative in Scotland. The Secretary of State visited a primary school in Edinburgh to call on Scottish schools to sign up to the UK Government-backed programme. This innovative scheme unites pupils across the UK with school children around the world to build friendships and increase awareness and understanding of global issues.

The Office's communications operation has ensured important developments for Scotland – such as investment in the off-shore wind sector, funding for the Edinburgh Festival Fringe Society, the new Spaceport in Sutherland and changes in National Minimum and Living Wage – are fully communicated across the country.

## External Events and Engagement

Visits and events across Scotland and throughout the year allow both the Secretary of State and Parliamentary Under Secretary of State for Scotland to engage with a wide variety of people and businesses. In total over 60 days of ministerial visits were organised and delivered. The Office also supported ministerial attendance at over 41 external events and co-ordinated 30 other roundtables and events. Through this activity our ministers met with a wide range of sectors from across Scotland including agriculture, fisheries, food and drink, trade, defence, energy, engineering, and higher education.



Secretary of State visits Tayside Aviation in Dundee.

These visits, events and roundtables enable ministers to strengthen existing relationships, make new contacts and hear from a variety of voices across different sectors.

The Office has also provided support to over 50 visits by ministers from other government departments. This included the Prime Minister's signing of the Edinburgh and South East Scotland City Deal, the Foreign Secretary's cyber security speech, and visits from the Home Secretary and the Chancellor of the Exchequer. The Office worked closely with departments to inform programmes, ensuring they met with a range of cross-sector stakeholders across a wide geographical spread.



The Prime Minister at the signing of the Edinburgh and South East Scotland City Deal.

This year, the Office led once again on the development and delivery of a UK Government stand at the Royal Highland Show, allowing hundreds of people to engage directly with our work. This involved the coordination of other government departments at the show with DEFRA, DFID, DWP, DIT, BEIS, the Home Office, HMRC and MOD all represented.



Secretary of State at the Royal Highland Show



Lord Duncan visits Fort George in the Highlands of Scotland

In Summer 2018 the Office hosted a reception celebrating the Edinburgh festivals' contribution to the economy and international outreach of Scotland; an occasion which was also supported by press and digital products.

In late 2018 the Secretary of State hosted a reception and art exhibition to celebrate LGBT History Month in Edinburgh.



The Secretary of State reviews a montage of artwork from the LGBT history month event in Edinburgh.

**Devolution**

In this 20th anniversary year of devolution, the Office delivered a number of events celebrating the success of the devolution settlement. The Secretary of State hosted a dinner for all past-bearers of the Office and delivered a speech in Edinburgh highlighting the continued strength and importance of the devolution settlement.

This year also saw the commencement of the final elements of the Scotland Act 2016, which devolves further powers to the Scottish Parliament. This was promoted through media and digital work and fulfilled an important element of the Smith Commission findings, improving the provision of information on the details of the devolution settlement to the people of Scotland.



The Secretary of State celebrating the 20th anniversary of the Scotland Act 1998 with former Secretaries of State for Scotland.

## Delivering for Scotland

The dedicated UK Government website ([www.deliveringforscotland.gov.uk](http://www.deliveringforscotland.gov.uk)) has now been in place for over a year. The site is designed to give people in Scotland clear information about how the UK Government benefits people's lives at home, at work and in business.

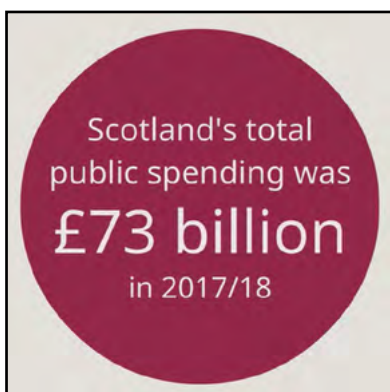
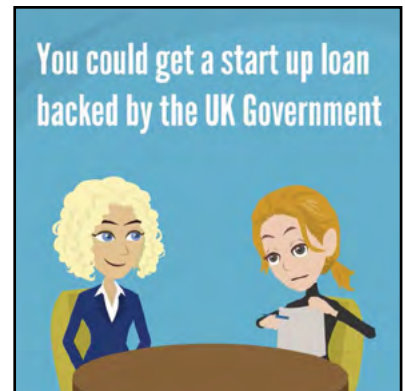
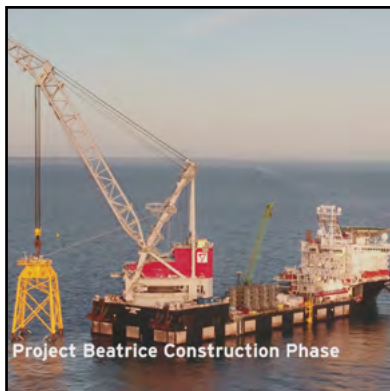
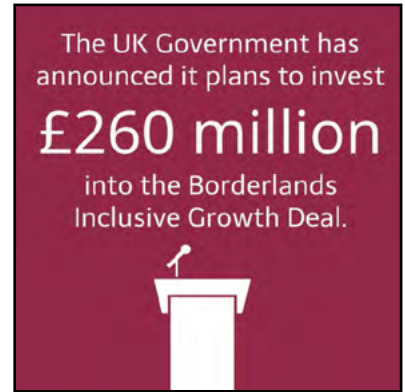
Over the year the Office has refined and developed the site to improve the experience of users by adding more compelling and relevant content, including sections on the Armed Forces & Security for the first time. The site helps to explain and clarify policy areas under which the UK Government delivers for people in Scotland, including security and stability, the economy, support for families, workers and businesses, and what leaving the EU will mean for individuals and businesses.



To support the site, and further improve communications around the work of the UK Government, the Office has developed a series of short documentary-style films to highlight the services and policies delivered for people in Scotland. These have explored the work of an array of services, from the Lighthouse Board to the Joint Nature Conservation Committee. Furthermore, the Office developed innovative content such as a series of stop-motion films highlighting important policies for specific groups of people, including businesses, families and working people.

Close work with colleagues across Whitehall to amplify important campaigns for people in Scotland including on counter terrorism, the National Living and Minimum Wages, and Childcare Choices, has continued.





A collection of some of the digital content the team has created this year.

## Part 2: OAG Delivery of Objectives in 2018-19

OAG set the following strategic objectives for 2018-19:

### Objective 1. Providing Advice on Policy and Legislation.

- We will advise UK Government departments on the implications of their policies for Scotland and work with them to ensure UK legislation works for Scotland and the wider United Kingdom.
- We will review Scottish Parliament legislation in support of the Advocate General's statutory function under section 33 of the Scotland Act and engage with UK Government departments and the Scottish Government to ensure implications of Scottish legislation are understood and competence issues are addressed.

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

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

### Objective 3. Strengthening and Sustaining the Union.

- We will work to support Scotland's continuing place within the UK, including working to support the delivery of a strengthened Scottish Parliament within the United Kingdom to meet the commitments made in advance of the independence referendum.

### Objective 4. Helping to Ensure that Devolution Works.

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

### Objective 5. Supporting Ministers.

- We will work to ensure that UK Government ministers achieve their objectives in Scotland, and, in particular, support the Advocate General for Scotland and the Secretary of State for Scotland.

The activity which OAG undertook in 2018-19 to meet each of these objectives is summarised below.

## Objective 1: Providing Advice on Policy and Legislation

As in previous years, a significant proportion of OAG's work in 2018-19 related to the provision of Scots legal advice on the full range of UK Government activities in Scotland. This involved work across a number of UK departments and the provision of legal support on a range of different topics. In order to make that work effective, OAG has worked hard to build and maintain contacts with departments of the UK Government through the provision of targeted training.

The UK Government's legislative programme was again the subject of significant advice and support from OAG. That work now involves not just the Scots law and devolution implications of Bills which extend to Scotland but also contributing to the UK Government's analysis of devolution matters for the purposes of the English Votes procedures in the UK Parliament. Support for the OSSS on issues of legislative consent remained a central part of our work.

OAG instructed Scottish Parliamentary Counsel (UK) in the drafting of provisions for Scotland in Bills before the UK Parliament, drafted subordinate legislation on behalf of UK Departments, and provided legal advice to UK Departments on Bills and subordinate legislation. In 2018-19, OAG was involved in instructing or advising on a wide range of UK Bills which have been consulted on in draft or introduced to Parliament, including:

- Agriculture Bill
- Civil Partnerships, Marriages and Deaths (Registration etc) Act 2019
- Counter Terrorism and Border Security Act 2019
- Courts and Tribunals (Judiciary and Functions of Staff) Act 2018
- Crime (Overseas Protection Orders) Act 2019
- Data Protection Act 2018
- European Union (Withdrawal) Act 2018
- Financial Guidance and Claims Act 2018
- Fisheries Bill
- Healthcare (EEA and Switzerland Arrangements) Act 2019
- Immigration and Social Security Co-ordination (EU Withdrawal) Bill
- Ivory Act 2018
- Laser Misuse (Vehicles) Act 2018
- Nuclear Safeguards Act 2018
- Offensive Weapons Bill
- Registration of Overseas Entities Bill
- Sanctions and Anti-Money Laundering Act 2018
- Trade Bill

Work on the implementation of the Scotland Act 2016 continued and the Office also continued to work on the legal implications for the Scottish devolution settlement of the decision to leave the European Union, including contributing to the UK Government's position in litigation relating to EU Exit.

As far as subordinate legislation is concerned, OAG was responsible for advising or leading on orders under the Scotland Act, covering a range of subjects such as forestry and energy consents. OAG also contributed to the preparation of a wide range of secondary legislation prepared by UK Government departments.

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

The Advocate General personally represented the UK Government in the Supreme Court in July in the Reference by the Advocate General and Attorney General of the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill. He also appeared personally in the European Court of Justice in November in the reference sent by the Court of Session in the Petition of Andy Wightman MSP and others for judicial review.



The Advocate General for Scotland opening the American Bar Association's Leadership in Law Conference in Oxford, United Kingdom.

A breakdown of the cases in which the Advocate General has intervened since devolution can be found at: <https://www.gov.uk/government/publications/involvement-in-cases>.

OAG also undertook a wide variety of litigation in the Scottish courts for UK government departments. Immigration litigation on behalf of the Home Secretary continued to be a major area of work. A total of 345 new cases were dealt with comprising 322 petitions for judicial review and 23 statutory applications for leave to appeal. There were also

11 statutory appeals flowing from the statutory applications and 7 reclaiming motions which are full appeals to the Inner House of the Court of Session. The immigration cases OAG deals with consistently comprise one of the largest single areas of work before the Court of Session.

OAG represented the Secretary of State for Work and Pensions in an increasing number of appeals to the Upper Tribunal, and statutory appeals to the Inner House of the Court of Session. The appeals have related to a variety of benefits.

OAG's dedicated HMRC division continued its work in protecting HMRC's interests in Scotland throughout the year. This year, it handled four hearings in the Inner House of the Court of Session and two in the UK Supreme Court. Unusually, it also had a case in the High Court of Justiciary and a number of cases in the employment tribunal relating to appeals against National Minimum Wage enforcement. The year also saw an increase in the work dealt with in Sheriff Courts throughout Scotland, related to recovery of both outstanding tax and National Minimum Wage arrears.

### **Objective 3: Strengthening and Sustaining the Union**

OAG undertook a variety of work in 2018-19 to support Scotland's continuing place within the UK. The most significant was OAG's continued role in providing legal advice to the OSSS and other UK Government departments on the impact of EU Exit on Scots law and the Scottish devolution settlement. It also included the work OAG undertook on legislation and litigation outlined above to help ensure the UK Government takes proper account of the Scottish legal system and Scottish devolution in all of its activity.

### **Objective 4: Helping to Ensure that Devolution Works**

OAG's legislative, advisory and litigation work was critical to meeting this objective in 2018-19. OAG's day to day work advising UK Government departments to help ensure their policies and legislation take proper account of Scots law and the devolution settlement helped ensure that all of the primary Westminster legislation mentioned above operates effectively within the devolution settlement. Additionally, OAG played a leading role, in close conjunction with OSSS, in continuing to advise on any orders needed under the Scotland Act. Such orders are one of the key mechanisms by which the Scotland Act ensures continuing coherence of the settlement. Work on implementation of the Scotland Act 2016 also continued.

To support the meeting of this objective, OAG maintained our efforts to build networks with Whitehall departments and this paid dividends, especially with Bill teams from across Whitehall and our biggest litigation clients, such as HMRC and Home Office. This activity included provision of a wide variety of seminars, training on devolution and other engagement with 'client' departments throughout the year. OAG also maintained its well-established strong links with the Attorney General's Office, Cabinet Office and OSSS, together with a range of other departments. Throughout 2018-19 the Office continued to engage with the Scottish Government to secure the delivery of common objectives and to resolve areas of disagreement in a proactive way. The close co-operation on the Insolvency Rules project was a particularly good example where OAG and the Scottish Government Legal Directorate were able to deliver on complex and overlapping sets of rules which will deliver a coherent and tangible improvement to the regulation of insolvency in Scotland.

Along with the OSSS, Office of the Secretary of State for Wales and Cabinet Office Constitution Group, OAG continues to be part of the UK Governance Group (UKGG) established following the 2015 election. Whilst this has not changed ministerial responsibilities, the creation of the UKGG has brigaded at the centre of government those offices with responsibility for devolution and wider constitutional matters. OAG has played a central role in the UKGG's efforts to build devolution capacity across Whitehall, leading training and building awareness and understanding of devolution at official level.

## Objective 5: Supporting Ministers

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

OAG also assisted the Advocate General in relation to Parliamentary and Cabinet Committee business. In 2018-19, the Advocate General was a member of the Parliamentary Business and Legislation Committee which manages the UK Government's legislative programme.

Under section 33 of the Scotland Act 1998, the Advocate General may refer to the Supreme Court the question of whether a Bill of the Scottish Parliament, or any provision of such a Bill, is outside the legislative competence of the Scottish Parliament. OAG advised and supported the Advocate General in relation to this statutory function, which is one of the fundamental checks and balances of devolution.

The Advocate General is also the spokesperson for the Ministry of Justice in the House of Lords. He leads for the Lord Chancellor in some specific areas such as the promotion of LawTech and the Crown Dependencies. Over the last year, the Advocate General has delivered lectures across the United Kingdom on LawTech, including a lecture to law students at the University of Aberdeen. The Advocate General has also successfully led three MoJ Government Bills (and a number of Private Member's Bills) through the House of Lords. These have included: the Civil Liability Bill, the Voyeurism Bill, and the Courts and Tribunals (Judiciary and Functions of Staff) Bill.

In October, Lord Keen attended the International Bar Association Conference in Rome. During the visit he met Riccardo Fuzio, the Italian Prosecutor General at the Supreme Court. At the Conference, Lord Keen also chaired and opened a number of events including Women in Law and Pathways to qualification: regulators and the rule of law.

## Part 3: Sustainable Development

The data in this report is in accordance with the guidelines laid down by HM Treasury in the Government Financial Reporting Manual 2018-19, which can be accessed at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/769056/2018-19\\_Government\\_Financial\\_Reporting\\_Manual\\_\\_Dec\\_2018\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/769056/2018-19_Government_Financial_Reporting_Manual__Dec_2018_.pdf).

The OSSS and OAG do not own and are not the sole occupants of either of their buildings in Edinburgh or London. Dover House in London is leased from the Government Property Agency and its use is shared with other UK Government bodies, to a total of about 45%. Melville Crescent in Edinburgh is also leased and is shared with other UK Government bodies to a total of about 25%. OAG uses space in Victoria Quay, Edinburgh, which is managed by the Scottish Government. It is not possible to distinguish each occupant's responsibility to the overall sustainability picture for each building. Shared occupations are not accounted for due to the difficulties of extrapolating reliable sustainability data from service charges.

### Greening Government Commitments

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

<https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020>.

### Carbon Reduction Commitment

The OSSS and OAG put in place a number of measures necessary to adapt to future climate change:

- continued to ensure both buildings are used to their maximum extent by letting out space to other departments. The OSSS and OAG have therefore continued to contribute to the overall reduction in the size of the UK Government estate and the amount of carbon emissions for which the UK Government as a whole is responsible
- where the OSSS draws on services supplied by the other government departments under contract to them, the contribution to government commitments on environmental impact and sustainability are met within those wider frameworks

The OSSS and OAG are committed to reducing their environmental impact by:

- encouraging the use of video conferencing and dial-in facilities rather than travelling to meetings
- using recycled paper and other stationery
- using public transport rather than cars when travelling to meetings
- we continue to maximise video conference equipment to reduce travel and our printers and photocopiers are all energy efficient models which reduce paper wastage
- reducing the number of printers we have and replacing printers with more energy efficient models

## **Part 4: Returning Officers' Expenses**

### **Foreword**

#### **Statutory Background**

The Representation of the People Act 1983 provides for the making of regulations to set out the range and scale of fees and expenses, which will apply to elections.

The Charges Order that relates to the relevant election date is applicable; thus, different Orders may apply to different accounts. The Order applied in this Account was:

For the UK Parliamentary Election on 7 May 2017:

- the Parliamentary Elections (Returning Officers' Charges) Order 2017 (SI 637) which came into force on 3 May 2017

#### **History of the Account**

The account came into effect on 22 August 1991 when responsibility for accounting related to parliamentary elections in the United Kingdom was transferred from HM Treasury to the Home Departments. The transfer was made in order to consolidate responsibility for parliamentary election matters within the areas where electoral policy and legislation were already covered.

UK Parliamentary elections in the United Kingdom are financed from the Consolidated Fund. European elections in Scotland are financed from the grant paid to the Scottish Consolidated Fund. Funds are drawn down as required either to meet expenses already incurred by Returning Officers (e.g. to purchase or maintain election equipment on an ad hoc basis) or, when an election is called, to provide sufficient advances for necessary preparations to be put in hand. Other calls on the account are made by the payment of postal charges to Royal Mail for the free election material permitted under the Representation of the People legislation. Finally, when Returning Officers' Election Accounts have been approved, any outstanding balances are received or disbursed as appropriate.

With effect from the 1 April 2018 the Cabinet Office have taken over responsibility for the administration of the Returning Officers' Election Accounts in Scotland and therefore, in future there will no longer be a requirement to disclose this expenditure within these statements.

#### **Main Areas of Payments and Receipts**

The payment made during 2018-19 related to the final settlement of the outstanding Returning Officer account for the 2017 UK Parliament Election of £0.269m. The unspent balance of funds of £0.687 million was subsequently surrendered to the Consolidated Fund.



The table below highlights the flow of expenditure from the Consolidated fund in relation to election expenses.

## Receipts And Payments Account For The Year Ended 31 March 2019

	2018-19	2017-18
<b>RECEIPTS</b>	£000	£000
<i><b>Funding</b></i>		
Funding for the 2017 UK Parliament Election	-	13,779
<i><b>Other Receipts</b></i>		
Bank Interest	-	-
Forfeited Deposits	-	37
<b>Total</b>	<b>-</b>	<b>13,816</b>
<b>PAYMENTS</b>		
<i><b>Local Authority Claims</b></i>		
Funding Advances	-	8,083
Final Settlements (including accrued costs)	269	2,008
<i><b>Other Expenditure</b></i>		
Royal Mail Costs	-	3,001
<b>Total</b>	<b>269</b>	<b>13,092</b>
<b>Excess of payments over receipts before amounts surrendered to the Exchequer</b>	<b>269</b>	<b>724</b>
<b>Plus: Accrued Expenditure</b>	<b>-</b>	<b>269</b>
Less: Amounts Surrendered to the Exchequer in Respect of:		
Forfeited Deposits	-	37
Bank Interest Received	-	-
Unused Funds	687	-
<b>Total</b>	<b>956</b>	<b>37</b>
<b>Statement of Balances as at 31 March 2019</b>	<b>-</b>	<b>956</b>

## Part 5: Financial Review for the OSSS and OAG

In 2018-19 within the Parliamentary Supply Estimates (Supplementary Estimate) for the OSSS and the OAG the spend totalled £30 billion. The OSSS and OAG voted provision was £11 million and the payment to the Scottish Consolidated Fund totalled £30 billion.

### Financial Performance

Parliament votes funds to departments on two occasions during the year by means of a Main Estimate at the start of the year and a single Supplementary Estimate in February. The Scottish Government borrowed a further £250 million from the National Loans Fund in 2018-19.

### Movements in Estimate Provision During 2018-19

At the start of the year the OSSS and the OAG were voted £29.4 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased by £553.7 million, primarily due to an increase in the payment to the Scottish Consolidated Fund.

### Explanation of Variances Between Estimate and Net Resource Outturn

The Statement of Parliamentary Supply demonstrates that overall there was an underspend of 0.1% (£30.055 million) on the Estimate provision of £30.003 billion. The Statement of Parliamentary Supply 1.1: Analysis of net resource outturn by section, and The Statement of Parliamentary Supply 1.1: Analysis of net capital outturn by section provides a breakdown of this position for each subhead in the Estimate. The reasons for variances are set out below.

### OSSS and OAG – Resource (Administration costs)

The OSSS and the OAG underspend on its provision is mainly attributable to unfilled vacancies throughout the year and planned efficiencies within the Offices.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	9,573	9,726	153	1.57%

### Boundary Commission for Scotland - Resource (Programme costs)

The underspend for the Boundary Commission for Scotland in 2018-19 was mainly as a result of actual costs of accruals for VAT on staff salaries, and other activities being lower than had been anticipated. There were also lower than anticipated commissioners' fees and training costs.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Boundary Commission for Scotland	209	300	91	30.3%

### Grant payable to the Scottish Consolidated Fund – Resource (Non-Budget costs)

The sum of £28.883 million described as an underspend in the grant payable to the Scottish Consolidated Fund indicates the amount of actual cash that the Scottish Government did not draw down in 2018-19. It is the responsibility of the OSSS to transfer funding from the Consolidated Fund to the Scottish Consolidated Fund on a monthly basis ensuring that the Scottish Government does not draw down funding in advance of need. The OSSS paid across all amounts to the Scottish Consolidated Fund as requested by the Scottish Government. Information on the Scottish Government's actual expenditure in resource terms can be found in the Scottish Government's consolidated accounts and the accounts of its arm length bodies. The OSSS is responsible for ensuring that funds are transferred appropriately and that transfers are recorded correctly in our accounts. It is for the Scottish Parliament to determine how the funds are spent and for the Scottish Government to account for the expenditure.

### Scottish Rate of Income Tax – Resource (Non-Budget costs)

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

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Grant payable to the Scottish Consolidated Fund	17,847,700	17,876,583	28,883	0.16%
Scottish Rate of Income Tax	12,115,000	12,115,000	0	0%
<b>Total</b>	<b>29,962,700</b>	<b>29,991,583</b>	<b>28,883</b>	<b>0.096%</b>

### OSSS and OAG – Capital

The underspend on capital is attributable to lower than anticipated spend.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	11	50	39	78%

## OSSS and OAG – Annually Managed Expenditure

The OSSS and the OAG Annually Managed Expenditure provision relates to a provision for the future move to the UK Government Hub in Edinburgh which did not materialise in 2018-19.

Spending in Annually Managed Expenditure	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	0	900	900	100%

## Statement of Financial Position

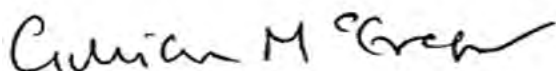
The net assets at 31st March 2019 is £1,232 million (2017-18 £1,036m). The significant balances on the Statement of Financial Position are:

- property, plant and equipment £0.093m. This principally comprises of equipment, furniture and fittings
- financial Assets and Liabilities £1,232 million. The financial assets and liabilities are loans issued from the National Loans Fund (NLF) to the Scottish Government. In 2018-19, a new capital loan of £250 million was issued to the Scottish Government from the NLF under the Scotland Act 2016\*. The NLF interest and capital payments are balanced by corresponding amounts in receivables and payables

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

## Reconciliation of Resource Expenditure Between Estimate, Accounts and Budgets

	Estimate £000	Outturn £000
Net Resource Outturn (Estimates)	30,002,539	29,972,523
Net Operating Cost (Accounts)	30,002,539	29,972,523
Voted expenditure outside the budget	29,991,583	29,962,700
Resource Budget Outturn (Budget)	10,056	9,823



**Gillian McGregor**

Accounting Officer for the OSSS and OAG

18 July 2019

# Chapter 2: The Accountability Report

## Director's Report

### **OSSS and OAG Ministers and Directors**

The ministers and officials of the OSSS and OAG who were members of the Joint Management Board at various times during 2018-19 were:

- The Rt Hon David Mundell MP, Secretary of State for Scotland
- Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland
- The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland
- Gillian McGregor, OSSS Director and Accounting Officer
- Neil Taylor, OAG Director

The Senior Managers were supported by the Deputy Director for Corporate Services who attends all meetings of the Scotland Joint Management Board.

Further information about the Offices' non-executive directors is given later in this chapter.

## Our Corporate Performance

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

### Performance Targets

In 2018-19, the three main indicators, adopted by both the OSSS and OAG, aimed at ensuring the provision of high quality and efficient services in dealings with the public, were as follows.

Target	Indicator	Performance in 2018-19
We will respond to ministerial correspondence within 15 working days of receipt or we will send an interim reply explaining the reasons for the a and indicating when a full reply will be sent.	Percentage of correspondence replied to within 15 days.	The OSSS received 1,077 pieces of correspondence (1,158 in 2017-18) and replied to 854 (79.3%) within the target time, in comparison to 978 (84.5%) in 2017-18.  OAG received no ministerial correspondence in 2018-19. 1 piece of correspondence was received in 2017-18.
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 OSSS received 213 FOI requests in 2018-19 (286 in 2017-18) and replied to 208 (97.6%) within 20 working days either substantively or explaining the reason for an extension.  OAG received 36 FOI requests in 2018-19 (51 in 2017-18) and replied to 34 (94%) within 20 working days.
We will ensure that accounts are paid promptly. We will pay 80% of accounts within five days of receipt of a valid invoice.	Percentage of payments made within target time.	The OSSS paid 90.2% of invoices within five days. OAG paid 92.2% of invoices within five days.

### Parliamentary Questions

The following table shows the total number of ordinary written Parliamentary Questions received by both Offices and the percentage answered within five sitting days in the Commons and ten sitting days in the Lords, and the total number of named day Parliamentary Questions received and the percentage answered on that named day.

In total, **214** out of **217** (99%) of written Parliamentary Questions tabled to the department were answered on time.

Ministers have also answered oral questions on a number of occasions in both Houses. The OSSS responded to Oral Questions in the House of Commons on 8 occasions during the reporting year 2018/19, on:

- 25 April 2018
- 6 June 2018
- 11 July 2018
- 17 October 2018
- 28 November 2018
- 16 January 2019
- 20 February 2019
- 27 March 2019

	Ordinary Written Questions		Named Day Questions	
	Total Received	Answered on Time	Total Received	Answered on Time
House of Commons	142	141	75	73
House of Lords	3	3	n/a	n/a
Total	145	144 (99%)	75	73 (97%)

## Freedom of Information Act 2000

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

## Information Assurance

Reliable and accurate information is crucial to proper decision making in the OSSS and OAG for Scotland, but if it is not properly safeguarded represents a risk to both 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. Both Offices comply with government standards on information assurance and assess risk in this area on a regular basis.

Information Assurance is a standing item on the agenda of the Senior Leadership Teams monthly meetings in both Offices, where a report is prepared and presented, following an internal audit carried out by the Government Internal Audit Agency (GIAA), further work has been undertaken to enhance the Offices' Information Assurance Governance framework.

In general the risk carried by the Office's in this area is very low since neither the OSSS nor OAG handles significant quantities of personal or security information. Assurance is provided by an item at the Senior Leadership Team's meetings and periodic reports to the Offices' Audit Committee. In 2017-18 we had an Internal Audit on Information Assurance.

Specific requirements are placed on OAG when handling personal tax information in the course of litigation for HMRC.

The Offices have followed best practice and comply with central governance data protection requirements and data protection legislation. The Offices fully complied with the General Data Protection Regulations (GDPR). This work was supported by the Offices' Key Information Managers Working Group, (KIMs) represented by staff from across the department in data processing-related roles. The Offices worked with DCMS to implement the GDPR legislation in a proportionate way and to review throughout delivery on progress against implementation. DCMS peer reviewed the data protection policies and processes and this was subsequently supported by a review against the Cabinet Office report into GDPR implementation. An action plan for further enhancement to the GDPR was drawn up. The ARAC has overseen the review and provided assurances to the Board on the progress of the implementation and the ongoing assessment of compliance.

The KIMs continue to support the Offices on the implementation and relevance of the Offices' records management policy and processes, ensuring these reflect best practice and manage effectively the information the department holds and for which it has responsibility.

The OSSS reported two related data breach incidents to the Information Commissioner's Office (ICO) during the 2018-19 reporting year. These were part of a UK Government wide co-ordinated response to a data breach incident at third party online questionnaire provider Typeform, which the ICO advised all affected Government departments to report to them individually. The OSSS followed its own internal data breach procedures, in line with its records management and data protection policy and processes.

## **Whistleblowing**

The Whistleblowing Policy for the Office OSSS and OAG is reviewed annually. The Audit Committee last reviewed the Whistleblowing Policy in November 2018. The Whistleblowing Policy is published on the OSSS and OAG intranet websites, with clear guidance on how staff should raise concerns, in confidence, with nominated Whistleblowing Officers. The guidance also makes clear to staff that they can raise concerns directly with the Chair of the Audit Committee.

There have been no reported whistleblowing incidents in either the OSSS or OAG for the period 1 April 2018 – 31 March 2019

## **Health and Safety**

The Offices aim to provide a safe and healthy working environment for all staff and visitors 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 workplace inspections and conduct risk assessments, including display screen equipment assessments.

## **Scottish Government Funding**

Responsibility for fiscal and macroeconomic policy across the United Kingdom is reserved, with the Scottish Government's block grant determined within the UK



Government's framework of public expenditure control. The financial relationship is set out in the Statement of Funding Policy.

Changes to the Scottish Government's block grant are determined by means of a population based formula, the Barnett formula. All funding provided by the UK Government to the Scottish Government is charged to the Scottish Consolidated Fund. The UK Parliament votes the necessary cash provision to the Secretary of State for Scotland, who, in turn, makes payments into the Scottish Consolidated Fund as set out in the Scotland Act 1998. Details of the cash grant paid in 2018-19 (together with data for 2017-18 and 2019-20) can be found in chapter 4. Alongside this grant, the Scottish Government's funding in 2018-19 also includes business rates revenues.

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

The total cash paid in 2018-19 was **£29,962,700,000**.

The Scottish Government published details of how it allocated its budget for 2016 to 2019. These are contained in Scotland's Draft Budget 2018-19 and the Budget (Scotland) Act 2015.

## **Efficient Use of Resources**

The bulk of the costs of the OSSS and OAG relate to staffing and associated expenditure linked to advisory and support functions for ministers and other UK Government departments. Programme expenditure, excluding non-voted election funding and the block grant, is small and relates to the Boundary Commission for Scotland only. We are committed to achieving efficiency and effectiveness in all areas of our activities. Throughout 2018-19 the Offices have sought ways of making more efficient use of resources and reducing costs. These include transferring the lease of our London headquarters to the newly formed Government Property Agency and by making more efficient use of Edinburgh accommodation by sub-letting space in our premises to other UK Government bodies.

## **Shared Services with Other Government Bodies**

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

For the procurement of goods and services the Offices generally use framework contracts negotiated by the Crown Commercial Service, the Ministry of Justice, Cabinet Office and the Scottish Government. The OSSS also provides services to other government bodies by making space available in its buildings for office accommodation. Wherever

appropriate the OSSS and OAG work with the Northern Ireland Office and the Wales Office to share expertise and provide cover for one another. Most significantly the Northern Ireland Office, the OSSS and OAG and Office of the Secretary of State for Wales use a shared Parliamentary service which enables them to have a greater resilience in this essential function and to draw upon expertise they could not otherwise build up.

## Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the OSSS and OAG to prepare, for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OSSS and OAG and of its net resource outturn, the application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

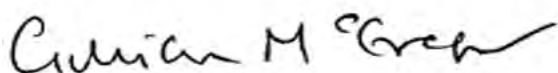
HM Treasury has appointed the Director of the OSSS as Accounting Officer of the Office of the OSSS and OAG. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper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

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

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2017-18: £nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the OSSS and OAG auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the OSSS and OAG auditors are aware of that information.

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



**Gillian McGregor**  
Accounting Officer, The OSSS and OAG

18 July 2019

# Governance Statement

## (including commentary on Compliance with the Government's Corporate Governance Code and Annual Report of the Audit and Risk Assurance Committee)

### Introduction

As the Director of the OSSS, I am the Accounting Officer of both the OSSS and OAG. In accordance with the responsibilities assigned to me in my appointment letter, and as set out in Managing Public Money, I am charged with the governance of the OSSS and OAG. I can be called before the Public Accounts Committee of the House of Commons to account to Parliament for the stewardship of the resources within the Offices' control and for their management.

The governance framework describes the systems and processes by which the OSSS and OAG are directed and controlled, and the means by which they account to Parliament. It covers the processes by which ministers and senior leaders monitor the achievement of objectives and consider whether the activities of the Offices are delivering appropriate and cost effective outcomes. Risk identification and management form a significant part of the governance framework.

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

This Governance Statement covers the whole of the period from 1 April 2018 to 31 March 2019, and is correct up to the date that the Annual Report is signed. I sought assurance from ministers, the Audit and Risk Assurance Committee, and the Government and Internal Audit Agency (GIAA) and senior staff in both Offices, and I am confident that I can in turn provide assurance to Parliament and others about the good governance of the Offices and the stewardship of public resources for the entire of the 2018-19 reporting year.

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

The departmental board model is now embedded as a key element of the fabric of corporate governance in the Offices. The Joint Management Board (JMB) supports the department and ministers in achieving their aims by encouraging effective planning, managing performance regularly and raising delivery capability. The Board also helps to foster a culture of openness and good governance by providing a clear oversight structure.

The OSSS and OAG JMB complies with the Corporate Governance Code for central Government Departments (April 2017), and the Offices' governance framework supports the delivery of those objectives. The only departure from the Corporate Governance Code is that, unlike other central government departments, the governance framework does not include a Nominations Committee, the responsibilities of which are delegated to the Audit and Risk Assurance Committee (ARAC), the Board, and the Lead Non-Executive Director (NED).

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

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

The Board has chosen for its committees to carry out some of its activities. There are four sub-committees that support the work of the Board in this way: the Senior Leadership Teams for both the OSSS and OAG; the Audit and Risk Assurance Committee, and the OAG sub-committee. The Audit and Risk Assurance Committee reviews the comprehensiveness of assurances and integrity of financial statements, and ensures that governance arrangements are sufficiently scrutinised. An annual review of both ARAC and the Board is conducted by the Lead NED, on behalf of the Chair, the Secretary of State for Scotland.

The OSSS and OAG governance framework has deviated from the Corporate Governance Code in one respect as the Offices do not have a Nominations Committee, the responsibilities of which would include ensuring that there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure, succession planning for the Board and the senior leadership of the department, and the responsibility of the Board and the Lead NED in particular.

The Board has successfully embedded significant change in the 2018-19 reporting year. In the previous reporting year there was a change in both of the Offices' Directors, with this being the first full reporting and accounting year I have been in post as OSSS Director and Accounting Officer. This is also Neil Taylor's first full reporting year as Director of the OAG.



Secretary of State for Scotland and Shonaig Macpherson CBE, at the Taste of Scotland event at Dover House.

The Board has also successfully managed significant change in the 2018-19 reporting year. Following a fair, open and transparent recruitment campaign, in line with Public Appointments rules, Shonaig Macpherson was appointed to the role of Lead NED on the OSSS and OAG JMB – a role which she had previously held on an interim basis.

Details of the Board membership during 2018-19 are given below.

The Board continued to meet and operate effectively throughout the year and continued to build on the recommendations from the Board Effectiveness Evaluation Review Report included in the 2017-18 OSSS and OAG Annual Report.

The visibility of the Non-Executive Board Members has continued to increase across UK Government. The Lead NED continued as a member of the Lead Non-Executive network, chaired by Sir Ian Cheshire, the UK Government's Lead NED. To share best practice and to ensure we learn from the successes and failures of comparable organisations, our NEDs meet regularly with other Non-Executive Board members across government and the UK Government Lead Non-Executive Director. Our Lead NED has monthly calls with the UKG Lead NED and all our NEDs meet bi-annually with the cross Whitehall NED network to discuss the cross-cutting Government themes; including talent management, risk management and ALBs. Our ARAC Chair also attends the UK Government ARAC Chairs network.

The Director of OAG, the Senior Leadership Team members and I have frequent engagement with the Board members both as a group and on a one-to-one basis. The Non-Executive Board Members and the Lead Non-Executive in particular have also had frequent engagement with their peers from Boards of other UK Government Departments, providing me with additional reassurance of the governance arrangements and oversight of the Offices.

The NEDs exercise their role through influence and advice, supporting as well as challenging the executive. They advise on performance (including agreeing key performance indicators), operational issues (including the operational/delivery implications of policy proposals), and on the effective management of the department. They also provide support, guidance and challenge on the progress and implementation of the Single Departmental Plan, including identifying key risks to the delivery of the strategic priorities and challenge and supporting officials in the implementation of the action plan to mitigate those risks.

The Offices support this work by providing appropriate management information and direct access to officials outside of board meetings. The Board receives regular reports on strategic risk management for both the OSSS and OAG along with bi-annual presentations to the Board on strategic level risk. The Board receives reports on performance management data and business planning updates. There are reporting arrangements in place for the sub-committees to report to the Board and provide the levels of assurances required by the senior executives, ministers and the Accounting Officer.

The Chair of ARAC presents a report to the Board for each meeting reporting on the discussions at the recent ARAC meeting – in particular reflecting on the Committee’s discussions on key risks to delivery of strategic objectives, such as EU Exit no deal planning, managing resources to deliver EU Exit, and business as usual, and the progress of the business cases to HMT for the Edinburgh UKG Hub and the IT project.

The Lead NED presents a report to each quarterly meeting of the Board on the work the NEDs have undertaken and the Directors of the Offices present reports on the work of the senior executive teams.

NEDs and ARAC members mentor officials and key projects linked to the delivering of the OSSS Business Plan strategic objectives:

- **City Deals/Borderlands:** Joyce Cullen
- **EU Exit, and ARAC role in managing department’s performance on EU Exit and No Deal Planning:** Graeme Bissett
- **Industrial Strategy:** Shonaig Macpherson
- **UKG Edinburgh Hub and IT project:** Jayne Scott

As part of these mentoring partnerships officials share projects plans and briefs with the NEDs and ARAC members to support on advising on operational and delivery implications. These discussions form part of the papers and data presented to formal meetings of the Board.

Our NEDs engagement with their network across UK Government departments has supported the Offices’ work to heighten awareness of devolution across Whitehall and provide more opportunities for the OSSS to have influence and engage with departments when dealing with issues affecting Scotland at an earlier stage.

A significant event which contributed to raising the profile of devolution capability and the OSSS and OAG was the devolution session held at the UKG NED Conference on the 1 October 2018. The objective of the event was to raise the profile of devolution capability at Board level across Whitehall and demonstrate the importance of the different devolution settlements across the UK when developing and delivering UK

Government policy. The event successfully created an increased understanding of devolution as a policy consideration and NEDs were interested in how they could use their network to work with the Territorial Offices.

The event was delivered and supported by the three Territorial Office Directors and a standalone devolution conference for UKG NEDs is planned for later this year. Our Lead NED continues to engage with Lead NEDs across Whitehall to promote devolution capability and enhance awareness of the role and objectives of the Offices.

The JMB formally met on four separate occasions during the 2018-19 reporting year, and the Non-Executive Board members continued to provide advice on a number of occasions outside of meetings, most notably on stakeholder engagement, communications, City Deals, the Department's approach to EU Exit, the OSSS and OAG Business Plans, and performance and risk management. NEDs supported the JMB in delivery and performance through deep-dive sessions with the Offices' Senior Leadership Teams on issues related to the Business Plan Strategic objectives and through mentoring officials in projects such as UK Government Hub in Edinburgh, IT Transition, City Deals, Industrial Strategy, and EU Exit.

In addition to the formal corporate governance structure, I am in regular contact with the Director of OAG to ensure that I fulfil my responsibilities as Accounting Officer in respect of this Office. Similarly to ensure I have regular sight of the Boundary Commission's management of public resources, a member of OSSS staff is in regular contact with the Secretary to the Commission and the OSSS and OAG Lead NED has established a good working relationship with the Deputy of the BCS, Lord Matthews, to consolidate effective dialogue. The Lead NED also provides additional assurance to me in this regard having established an oversight role at Board level on the link between the BCS and OSSS and the effectiveness of their governance arrangements.



## Membership and Business of the Joint Management Board

The Board's membership is balanced, with roughly equal numbers of ministers, senior civil servants, and Non-Executives from outside government. The Board is chaired by the Secretary of State for Scotland and meets on a quarterly basis, as a minimum. Members of the Board also meet outside of formal meetings to deep-dive into areas which the Board considers to be of particular importance to the delivery of the strategic priorities in the OSSS Business Plan. These sessions directly support discussions on the Business Plan at formal meetings of the Board and form part of the identification and mitigation of risks to the delivery of the strategic objectives. In the last reporting year these deep-dive sessions have covered:

- EU Exit Frameworks and Stakeholder Engagement
- Devolution Capability and Stakeholder Engagement
- UK Government in Scotland and Comms Capability
- Business planning, assessing success of delivery against departmental objectives, and talent management

The Board in 2018-19 comprised:

- **Rt Hon David Mundell MP** – Secretary of State for Scotland
- **Lord Duncan of Springbank** – Parliamentary Under Secretary of State for Scotland
- **Lord Keen of Elie QC** – HM Advocate General for Scotland
- **Gillian McGregor** – Director of the OSSS and Principal Accounting Officer
- **Neil Taylor** – Director of OAG and member of the OAG sub-committee
- **Shonaig Macpherson** – Non-Executive Member; Interim Lead NED from January 2018, and Lead NED from 11 March 2019
- **Graeme Bissett** – Non-Executive Member and Chair of the Audit and Risk Assurance Committee from August 2017
- **Joyce Cullen** – Non-Executive Member and OAG sub-committee member

Role	Number of Board meetings attended (Total of 4)	Number of ARAC meetings attended (Total of 5)
Chair – SofS Scotland	4	N/A
Lord Duncan – PUSofS Scotland	0	N/A
Lord Keen – Advocate General for Scotland	2	N/A
Lead NED – Shonaig Macpherson	4	4
Graeme Bissett – NED and Chair of the ARAC	4	5
Joyce Cullen – NED	3	N/A
Gillian McGregor – Director, OSSS	4	5
Neil Taylor – Director, OAG	4	3
Gillian Carty – ARAC member	N/A	5
Jayne Scott – ARAC member	N/A	5

The Senior Management Team were supported by the Deputy Director for Policy who attends all meetings of the Scotland Joint Management Board. In 2018-19, there were:

- four formal JMB meetings
- monthly meetings of the OSSS Senior Leadership Team
- monthly meetings of OAG Senior Management Team
- five meetings of the Audit and Risk Assurance Committee
- five meetings of OAG sub-committee

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

- Business Plans and Risk and Performance Management
- Communications Capability and Stakeholder Engagement
- UK Government Departmental Devolution Capability
- People Survey Response and Organisational Cultural Change
- Series of project deep-dives into project areas, such as City Deals
- Impact of EU Exit

## **Board Sub-committees, Including the Audit and Risk Assurance Committee**

The Joint Management Board has four sub-committees:

- OSSS Senior Leadership Team
- OAG Senior Management Team
- Audit and Risk Assurance Committee
- OAG sub-committee

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

The remit of the Audit and Risk Assurance Committee is to advise the Principal Accounting Officer and provide assurance on the way that the Offices are being managed. The Audit and Risk Assurance Committee operates in accordance with the Treasury's Audit Committee Handbook and meets at least quarterly. In the 2018-19 reporting year the Audit and Risk Assurance Committee met five times. A separate report by the Chairman of the Audit and Risk Assurance Committee on the Committee's work in 2018-19 is annexed to this Governance Statement.

During 2018-19 the Audit and Risk Assurance Committee had a quorum of three members: Gillian Carty, Graeme Bissett (Chair) and Jayne Scott.

Officials of the National Audit Office and Government Internal Audit Agency (GIAA) attend the Audit and Risk Assurance Committee. The GIAA provides internal audit services to the OSSS and OAG. The Directors and senior staff of both Offices who have responsibility for corporate affairs also attend meetings of the Committee.

## Risk Management

As the Principal Accounting Officer, I have overall responsibility for the effective management of risk within the OSSS and OAG. In 2018-19, as part of their Annual Internal Audit Programme, GIAA conducted an internal audit into risk management in the OSSS and OAG. As a result we undertook a review and created an action plan to enhance overall awareness of risk as a management tool, allowing the OSSS to consolidate its appetite and approach to risk management, and how we as a senior management team mitigate and escalate risk throughout the organisation as part of our business planning process.

As part of this review we have developed a revised Risk Management Framework for the Offices, which had been developed in consultation with Internal Audit. This Framework satisfies the requirements of the Management of Risk in Government paper published by the Cabinet Office. The Offices also introduced a new methodology for recording and managing risks and implementation of a risk management policy. The framework for managing risk within the Offices is intended to ensure a consistent approach in risk identification and management. We are continuing to implement the action plan and work with both internal and external stakeholders to assess progress against implementation, as well as continuing to work on improving the culture across the wider Office on the day to day management of risk.

The OSSS strategic objectives: Strengthening and Sustaining the Union; Scotland's Voice in Whitehall; and Championing the UK Government in Scotland, rely on adequate funding from HMT to allow sufficient resource to deliver objectives. Over the last reporting year this has had to be balanced with business as usual delivery alongside EU Exit no deal preparations. The Offices' need to ensure that they continue to have the ability to influence a wide stakeholder base, target the correct stakeholders, ensure that the key UK Government messages are landing with the target audiences to deliver the UK Government's overarching Union Strategy and communicate to the people of Scotland what the UK Government is delivering for them.

## Review of Effectiveness

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

The most important external source of assurance is provided by the Non-Executive Directors and the Audit and Risk Assurance Committee. The Chair of the Audit and Risk Assurance Committee's report on its work in 2018-19 can be found at **Annex B** to this chapter.

Internal Audit services are provided to the OSSS and OAG by the GIAA. Our auditors in the GIAA and in the National Audit Office also provide audit services to the Northern Ireland Office and the Office of the Secretary of State for Wales and their analysis is therefore informed by their knowledge of our closest comparators in government.

During 2018-19 Internal Audit reports were produced on the following subjects and made available to the Audit and Risk Assurance Committee:

- risk management
- UK Government Edinburgh Hub Project
- communications spend

Internal Audit uses a four levels rating system for assurance provided by its audits. Overall our Internal Auditors identified a good level of control, finding no significant control issues, and were able to give a moderate level of assurance – the second highest level – meaning that the Offices’ overall risk, control and governance framework is adequate to enable the achievement of objectives and that the key risks are being effectively managed.

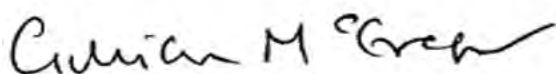
External audit is provided by the National Audit Office on behalf of the Comptroller and Auditor General. In this reporting year, the NAO have appointed an external contractor – the accounting firm, EY to support its audit of the Offices accounts. The objective is to ensure continuity of approach to the audits – with the NAO retaining oversight of the audit and the final audit report. His certificate and report on these accounts is at Page 76. I am very grateful to his staff for the advice they have given to the Offices and to the Audit and Risk Assurance Committee throughout the year. In addition to these departmental accounts the National Audit Office also audited the National Loan Fund accounts 2018-19.

## **Propriety and Assurance**

In the OSSS, OAG and the Boundary Commission for Scotland, during 2018-19, there were no known:

- significant lapses of physical security
- lapses of personnel security
- instances of unrecorded spending or income
- breaches of delegations on spending
- breaches of propriety or regularity with regard to spending or the receipt of income
- unauthorised use or disposal of assets

For the period of 2018-19 I can report, in the light of the assurances I have received, that there were no significant weaknesses in the systems of internal controls operated by the Offices or the Boundary Commission which affected the achievement of their policies, aims or objectives.



**Gillian McGregor CBE**  
Director of the OSSS and Accounting Officer

18 July 2019

# Annex A: The OSSS and OAG Lead Non-Executive Board Member's Report

## Composition

Board Membership remained stable during the 2018-19 reporting year. Having acted in an interim capacity since February 2018, I was confirmed as Lead Non-Executive Board Member in March 2019.

## Quality

Following the Board Evaluation Exercise for Reporting Year 2017-2018 Board agendas had a greater focus on substantive projects for each Office including:

- preparedness for and impact of EU Exit
- continued implementation of the Scotland Act 2016
- deep dives into projects such as City Deals and the UK Government Hub in Edinburgh
- stakeholder Engagement and Communications Capability
- departmental Performance Management Indicators and Business Plans

The logistics of meetings and communications were well managed with effective support from the Board Secretariat. The Secretary of State as Chair encouraged contribution and challenge from all Board Members and from individuals invited to present papers to the Board.

## Departmental Involvement of Non-Executive Directors (NEDs)

The major focus in the current year for NEDs has been in supporting officials in relation to EU Exit Planning including contributing to Cabinet Office initiatives in relation to such preparations, considering resources planning within the Offices to address planning and support other UK Government departments.

NEDs have continued to support each Office outside formal Board Meetings to encourage continued focus on priorities other than EU Exit, including implementation of transfer of powers under the Scotland Acts, the formation and monitoring of City and Regional Deals, and the implementation of the Industrial Strategy. One major project where NEDs have provided support and challenge at JMB and in other activities is the proposed move of both offices to the new UK Government Hub Scotland located in Edinburgh. This has involved consideration of new ways of working for each Office and the adoption of new IT systems to address efficiencies and cyber security. A Non-Executive Member of the Audit Committee has joined the Project Board for the UK Government Hub in Edinburgh, bringing expertise on project management in relation to both change management and IT transformation. Further advice has been given in relation to the opportunities that will arise from the co-location of several UK Government departments.

The OAG sub-committee of the Board continued to operate and consider issues specific to OAG including talent development and adoption of new ways of working in preparation for the re-location of UK Government Hub in Edinburgh and the adoption of new technology systems.

During the year the NEDs continued to work with Cabinet Office to highlight the importance of Devolution Capability and Engagement Plans in other UK Government departments including a session at a Conference on Inter-Governmental Relations. NEDs have also attended several UK Government NED Network events and have met individually with several NEDs from other UK Government departments through the year to promote specific Office priorities across wider UK Government.

NEDs have continued to participate in all staff away days and meetings of the Scottish Business Task Force and the UK Government in Scotland Senior Panel. Mentoring of individuals continues.

## **Conclusion and Evaluation of Board Effectiveness Recommendations**

The JMB continues to be an effective forum and decision-making body. The OSSS and OAG have ensured that the NEDs have remained engaged in the work of each Office and have been able to contribute their expertise and experience. Following the completion of the evaluation of Board Effectiveness for 2018-19 a work plan has now been agreed for 2019-2020, identifying substantive topics for discussion at each meeting. To support the work of the JMB, meetings with Non- Executive Directors and the Senior Leadership Team have been scheduled in advance of each JMB to prepare for JMB meetings and to ensure that the focus of JMB meetings is retained. A priority for JMB's NEDs in 2019-2020 will be to ensure that the OSSS and OAG constantly reviews its priorities, workload and resources to meet the demands presented by addressing EU Exit Withdrawal, the proposed move of the Offices to the new UK Government Hub in Edinburgh and the on going requirement to continue to deliver other objectives for each of the Offices.

**Shonaig Macpherson CBE**  
Lead Non-Executive Member  
The OSSS and OAG

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

## **The OSSS / OAG Audit and Risk Assurance Committee**

### **Report for the Year 2018-19 from the Chair**

#### **Background**

Gillian McGregor is Accounting Officer for the OSSS and OAG. The Accounting Officer needs to have confidence that the Offices have effective corporate governance, risk management and financial management policies and procedures in place.

Most of that assurance is obtained directly from the senior staff within the Offices, but with important support from internal and external audit agencies. The Audit and Risk Assurance Committee supports this process by providing independent scrutiny and advice. Specifically, the Committee monitors the operation of corporate governance, risk management and financial management policies and procedures; the independence, effectiveness and co-ordination of internal and external audit; and the quality of routine and annual financial reporting. The Committee provides a forum for discussion on all relevant matters, bringing together Officials, independent non-executive directors and representatives of the internal and external audit agencies.

I have been Chair of ARAC during the financial year to 31 March 2019. This report provides a brief summary of the main activities of the Committee and the main issues it has addressed.

#### **Activity**

ARAC met five times during 2018-19 to execute its main business. In addition, a meeting was held with the Head of Finance to review in detail the annual accounts prior to their finalisation. Committee members have held regular discussions with officials on a range of areas – notably risk management procedures generally, specifically in relation to EU Exit planning, and the proposed move of the Offices to the new UK Government Hub building in Edinburgh. Members have also met with counterparts in other UK Government departments and I have participated in a UK Government wide review of risk management standards.

#### **Membership and Attendance**

The Committee comprises Jayne Scott, Gillian Carty and myself. The Committee has two members with recent and relevant financial experience. All members attended each meeting and continue to be paid a daily rate for their duties.

#### **Main Issues**

The Committee was satisfied that the systems in place in the Offices over 2018-19 in relation to governance, risk and financial management were in general appropriate and fit for purpose. It has been a constant theme in recent years that ARAC has been concerned about the impact on the Offices' effectiveness of the intense workload caused by EU Exit activity. The Committee has found that Officials have adopted a methodical, prioritised

and risk-based approach to this challenge, recognising the critical importance of effective governmental collaboration with the Scottish Government and Whitehall Departments.

The Committee has found Officials to be cost conscious in its operations but we have recognised that the workload brought about by EU Exit requires additional resourcing. We continue to believe that this matter must be kept under constant review by ministers and Officials.

The Committee was pleased to note that notwithstanding the level of activity over the period, the importance of effective corporate governance continued to receive an appropriately high level of attention and that officials of both Offices had consistently had regard to their obligations under the Civil Service Code to observe political neutrality.

The Offices' approach to risk management continues to evolve to meet the demands of a complex and fluid environment. More work is needed to develop a straight forward but effective risk reporting model in 2019-20, but the approach adopted to monitor, manage and, to the extent possible, mitigate risks has been effective in 2018-19.

The Committee reviewed at each meeting the Offices' financial performance and also assessed the clarity of reporting in the Annual Report on the role that the OSSS in the financial administration of the Scottish Government's Block Grant.

## **Links with Other Departments**

Meetings with counterparts in other UK Government departments have enabled Committee members to understand challenges being addressed elsewhere in Government and in particular to continue to communicate the importance of taking proper account of devolution in the work of Audit and Risk Assurance Committees and their respective departments.

## **Audit**

External Audit continued to be provided by the National Audit Office (NAO) and internal audit service was provided by the Government Internal Audit Agency (GIAA). In 2018-19, the NAO has deployed EY to augment NAO external audit services and the Committee is satisfied that effective arrangements are in place. Both agencies provided strong support to the Committee throughout the year, attending all the meetings and offering helpful advice.

The Committee note the overall evaluation for 2018-19 by GIAA as Moderate, which the Committee concurs is a reasonable evaluation based on its knowledge of the internal control environment.

## **Committee Self-Assessment**

The Committee undertook a self-assessment, the results of which were communicated to the Accounting Officer on 29 May 2018.

The ARAC Chair held a series of discussions regarding the Committee's effectiveness. The summary of these discussions was that the Audit and Risk Assurance Committee seems to be working effectively and providing support to the department. The Accounting Officer confirmed that the advice and support received from the ARAC



provides the necessary and required levels of assurance to ensure the effectiveness of the governance frameworks and financial systems and process in the Offices.

## **Corporate Governance Statement**

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

## **Future Work**

The overall format of the Committee's annual agenda will be similar to that which has operated well in recent years. A structured approach to the interactions between ministers, officials and independent non-executives has been developed to ensure that all key issues are addressed in the right forum and in a timely manner. The Committee has an important role to play in those interactions and will ensure high quality reporting of its views and concerns to the Joint Management Board.

The primary challenge to be monitored by the Committee in 2019-20 will continue to be the management of risk against the backdrop of the wide-ranging impact of EU exit on matters within the Offices' responsibilities. The breadth of work required of officials which is important to people in Scotland cannot be over-stated. It is likely that the intensity of these challenges will if anything increase in the months ahead and it is critical that the Offices maintain their established high standards of organisation, collaboration with key fellow-stakeholders and in risk and financial management.

## **Graeme Bissett**

Chair, Audit and Risk Assurance Committee

July 2019

# Remuneration and Staff Report

## Remuneration Report

In accordance with the requirements of Schedule 7A to the Companies Act 1985 (as amended) only certain sections of the Remuneration Report have been subject to full external audit.

The following sections are all subject to audit: ministers' remuneration, Board members' remuneration, pay multiples, fees paid to Non-Executive Board Members, ministers' pension benefits, Board members' pension benefits, compensation for loss of office, staff costs, reporting of Civil Service and other compensation schemes, average number of persons employed.

## Remuneration Policy

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

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

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of Departmental services
- the funds available to departments as set out in the Government's Departmental Expenditure Limits
- the government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## Board Members and Senior Civil Servants Remuneration

The salaries of Office of the OSSS and OAG senior managers were determined by the government body from which they were seconded in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code.

Performance-based pay awards are based on an assessment of performance against objectives agreed between the individual and the line manager at the start of the reporting year. Performance will also have an effect on any bonus element awarded. The salaries of Senior Civil servants are determined in line with the Cabinet Office Senior Civil Service (SCS) Reward policy.

## **Service Contracts**

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

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

Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

## **Ministers' Salaries and Pension Entitlements**

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

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

## **Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HMRC as a taxable emolument. No OSSS minister received benefits in kind in 2018-19 or 2017-18.

## Remuneration (Salary and Pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (to nearest £1,000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
The Rt Hon David Mundell MP Secretary of State for Scotland <sup>(2)</sup>	67,505	67,505	15,000	18,000	82,000	86,000
The Rt Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland (since 23 June 2017) <sup>(3)</sup>	105,076	81,142 <sup>(3)</sup>	17,000	14,000	122,000	95,000
The Rt Lord Dunlop of Helensburgh, Parliamentary Under Secretary of State for Scotland (until 8 June 2017) <sup>(4) (6)</sup>	n/a	19,848 <sup>(3)</sup>	n/a	n/a	n/a	20,000
The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland <sup>(5) (6)</sup>	128,121	128,121	n/a	n/a	128,000	128,000

### Notes to the table:

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2. The Secretary of State waived his increase.
3. Full year equivalent £105,076
4. The Parliamentary Under Secretary of State waived his increase. This includes the House of Lords Office Holders Allowance of £36,366.
5. The Advocate General waived his increase. This includes the House of Lords Office Holders Allowance of £36,366.
6. Both ministers waived the right to their pension entitlement.

## Pension Benefits

Ministers	Accrued Pension at age 65 as at 31 March 2019	Real increase in pension at age 65	CETV at 31 March 2019	CETV at 31 March 2018	Real increase/ (decrease) in CETV £000
	£'000	£'000	£'000	£'000	£'000
The Rt Hon David Mundell MP Secretary of State for Scotland	5-10	0-2.5	135	113	9
The Rt Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland (since 23 June 2017)	0-5	0-2.5	26	11	7
The Rt Lord Dunlop of Helensburgh, Parliamentary Under Secretary of State for Scotland (until 8 June 2017)	n/a	n/a	n/a	n/a	n/a
The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland	n/a	n/a	n/a	n/a	n/a

Please note the factors for calculating CETV's were changed by the Government Actuary Department in November 2018. Therefore, the CETV figure for the start of the period (31st March 2018) does not correspond with the CETV figure published for the 31st March 2018 in the 2018-19 Annual Report and Accounts.

## Ministerial Pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the ministers' etc. Pension Scheme 2015, available at:

<http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc>.

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

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

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

### **The Cash Equivalent Transfer Value (CETV)**

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

### **The Real Increase in the Value of the CETV**

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

### **Senior Managers' Salary and Pension Entitlements**

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

Salary figures include all allowances payable by the Office of the OSSS, whereas full year equivalents are calculated net of allowances, bonuses and ex gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2018-19 relate to performance in 2017-18 and the comparative bonuses reported for 2017-18 relate to performance in 2016-17.

The Senior Managers were supported by the Deputy Director for Corporate Services and Governance and the Legal Secretary to the Advocate General who attend meetings of the Scotland JMB.

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

Single total figure of remuneration								
Officials	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Gillian McGregor Office of the Secretary of State for Scotland Director and Accounting Officer (started 12 October 2017)	90-95	(2) 25-30	-	-	167	49	255-260	75-80
Francesca Osowska, Office of the Secretary of State for Scotland Director and Accounting Officer (left 1 October 2017)	-	(3) 45-50	-	18,100	-	17	-	80-85
Neil Taylor, Office of the Advocate General Director (started 21 August 2017)	95-100	(3) 55-60	-	-	65	77	160-165	135-40
Michael Chalmers, Office of the Advocate General Director (left 16 June 2017)	-	(3) 15-20	-	-	-	7	-	20-25

**Notes to the table:**

(1) The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

(2) Part year – full time equivalent 85-90

(3) Part year – full time equivalent 90-95

## Non-Executive Directors

The chairperson of the OSS and OAG audit committee and lead non-executive member of the Offices' JMB receives a fee of £300 for each meeting attended. Other non-executive members of the audit committee and JMB receive £200 per meeting attended.

Remuneration	Salary <sup>(5)</sup> (£000)		Total (£000)	
	2018-19	2017-18	2018-19	2017-18
Shonaig Macpherson, Lead NED <sup>(2)</sup>	0-5	0-5	0-5	0-5
Keith Cochrane, Lead NED <sup>(1)</sup>	Nil	0-5	Nil	0-5
Graeme Bissett, Chair of Audit Committee and Non- Executive Member <sup>(4)</sup>	0-5	0-5	0-5	0-5
Edward Adams, Chair of Audit Committee and Non- Executive Member <sup>(3)</sup>	Nil	0-5	Nil	0-5
Joyce Cullen, Non- Executive Member	0-5	0-5	0-5	0-5

(1) Until January 2018

(2) From January 2018

(3) Until July 2018

(4) From August 2018

(5) All non-executive directors are also reimbursed for the travel costs incurred due to attendance at meetings.

## Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2019	Real increase in pension and related lump sum at pension age at 31 March 2019	CETV at 31 March 2019	CETV at 31 March 2018	Real increase/decrease in CETV
	£'000	£'000	£'000	£'000	£'000
Gillian McGregor Office of the Secretary of State for Scotland Director and Accounting Officer	35-40 plus a lump sum of 110-115	7.5-10 plus a lump sum of 22.5-25	827	600	157
Francesca Osowska, Office of the Secretary of State for Scotland Director and Accounting Officer	n/a	n/a	n/a	462	n/a
Neil Taylor, Office of the Advocate General Director	30-35 plus a lump sum of 65-70	2.5-5 plus a lump sum of 2.5-5	527	424	42
Michael Chalmers, Office of the Advocate General Director	n/a	n/a	n/a	249	n/a

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a

lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

## **The Cash Equivalent Transfer Value (CETV)**

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

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



## **The Real Increase in the Value of the CETV**

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

## **Pay Multiples**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the OSSS in the financial year 2018-19 was £90-95k (2017-18, £90-95k). This was 2 times (2017-18, 2 times) the median remuneration of the workforce, which was £46,889 (2017-18, £46,889).

In 2018-19, no employees (2017-18, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £18.4k to £93.9k (2017-18, £17.6k to £93k).

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

## **Staff Report**

### **Staff Costs**

The OSSS and OAG do not directly employ staff. Instead, staff are seconded or loaned by other Civil Service bodies, mainly the Scottish Government and the Ministry of Justice (MoJ). The Offices seek staff on secondment to provide the skills and experience needed to fulfil the Offices' functions. Both the Scottish Government and the MoJ recruit staff in accordance with the Civil Service Commissioners' recruitment principles. Legal staff in OAG are part of the Government Legal Service for Scotland (GLSS) and are seconded to the UK Government from employment with Scottish ministers. The recruitment of all legal staff is undertaken by the GLSS, a professional community of lawyers in government from various legal offices. OAG is also supported by a small number of administrative staff.

The OSSS and OAG expenditure on staff during 2018-19 is shown in the following table (over):

	2018-19				2017-18	
	£000					
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries	-	6,359	301	125	<b>6,785</b>	<b>6,379</b>
Social security costs	-	649	40	15	<b>704</b>	<b>619</b>
Other pension costs	-	1,218	-	28	<b>1,246</b>	<b>1,107</b>
<b>Sub Total</b>	-	<b>8,226</b>	<b>341</b>	<b>168</b>	<b>8,735</b>	<b>8,105</b>
Less recoveries in respect of outward secondments	-	-	-	-	-	-
<b>Total net costs</b>	-	<b>8,226</b>	<b>341</b>	<b>168</b>	<b>8,735</b>	<b>8,105</b>

The staff costs comprise of:

	Charged to Admin Budgets	Charged to Programme Budgets	Charged to Admin Budgets	Charged to Programme Budgets
	2018-19		2017-18	
	£000		£000	
Core Department	8,584	-	7,887	-
Other Designated Bodies	-	151	-	218

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘alpha’ are an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out on 31 March 2016 and details can be found at <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

For 2018-19, employers’ pension contributions of £1,246k (2017-18: £1,107k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% (2017-18: 20% to 24.5%) of pensionable pay, based on salary bands. The scheme’s actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account; a stakeholder pension with an employer contribution. Employers’ pension contributions of £0 (2017-18: £0) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3.0% to 12.5% (2017-18: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

In addition, employer pension contributions of equivalent to 0.8% of pensionable pay were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS scheme.

Contributions due to the partnership pension providers at the reporting period date were £0 (2017-18: £0)

## Staff Numbers

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

	2018-19					2017-18
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Office of the Secretary of State for Scotland	-	75	2	2	79	71
Office of the Advocate General	-	49	1	0	50	47
Boundary Commission	-	3	0	0	3	4
<b>Total</b>	-	<b>127</b>	<b>3</b>	<b>2</b>	<b>132</b>	<b>122</b>

## Staffing Levels

At 31 March 2019 the number of staff in post in the OSSS totalled 79, of which 53% were based in Melville Crescent, Edinburgh, and 47% in Dover House, London. OAG had 51 staff in post, 86% of which were based in Victoria Quay, Edinburgh, and 14% at Dover House, London.

## Reporting of Civil Service and Other Compensation Schemes – Exit Packages

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

The OSSS and OAG incurred no exit packages costs during 2017-18 or 2018-19.

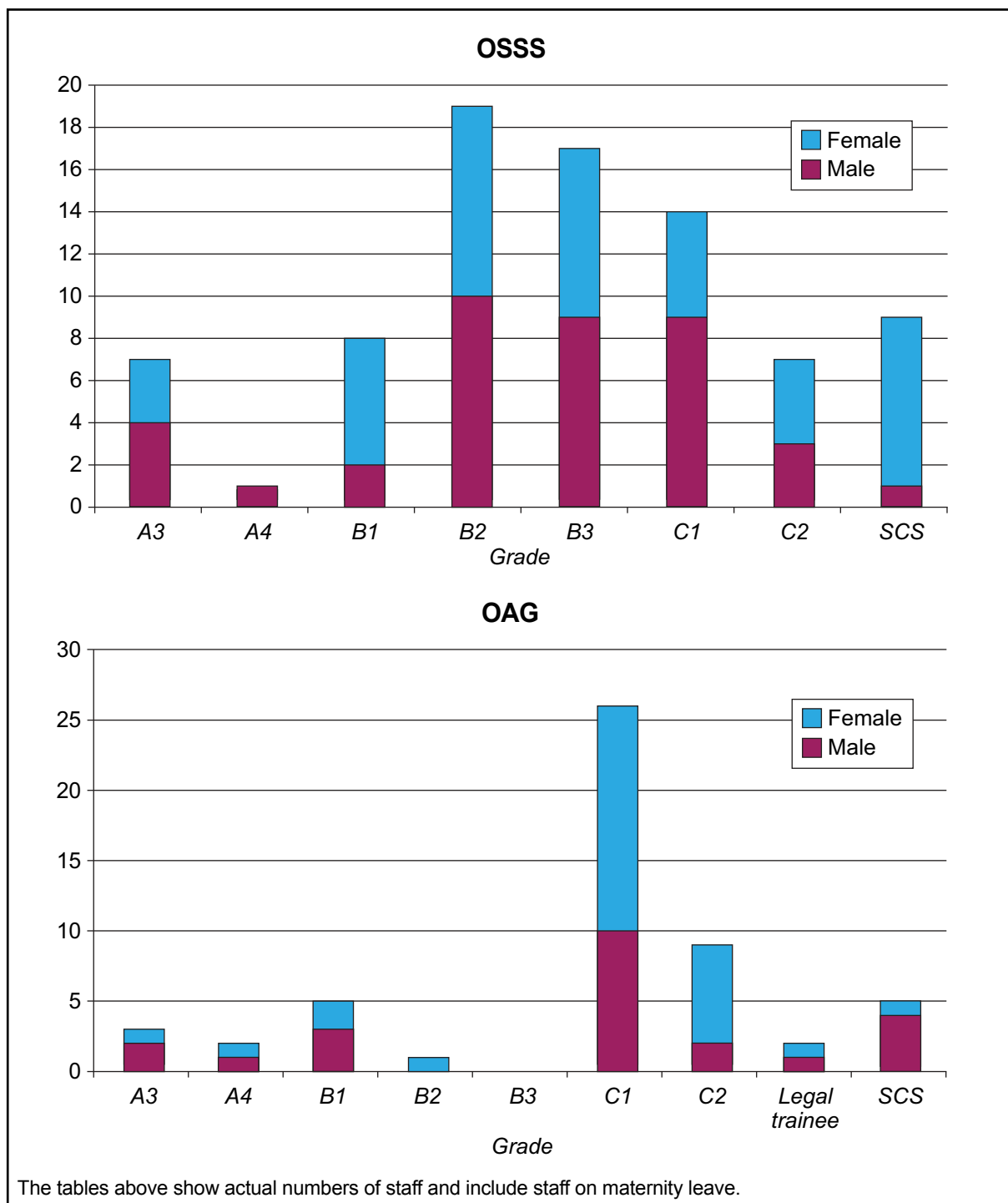
## Senior Civil Service

At 31 March 2019 there were seven senior civil service posts in the OSSS and five posts in OAG.

## Diversity

Women make up 52.4% of staff in the OSSS and 56.6% of staff in OAG. The following charts (over) show the number of women and men in each grade in the two Offices.

## Number of Women and Men in each grade



## Equal Opportunities

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

## Employment of Disabled Persons

The OSSS and OAG have a small number of staff with disabilities. The Offices are aware of their responsibilities under the Disability Discrimination Act 1995.

## **Sick Absence Data**

The average number of working days lost in the financial year 2018-19 was 6.5 days. The figures have increased considerably due to staff being on long-term sick leave during the year.

## **Spend on Consultancy and Temporary Staff**

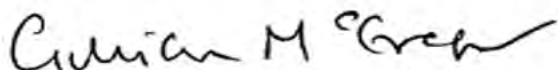
The OSSS and OAG had no spend on consultancy in 2018-19. The departments use temporary staff to cover staff on long term sick, maternity leave and for vacant posts, the total spend on temporary staff in 2018-19 was £334,238 (2017-18 £447,651).

## **Off Payroll Appointments**

In 2018-19 the OSSS had no off payroll appointments for more than £220 per day and for duration of six months or longer.

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

No official in the Offices spent time on trade union activities. The MoJ and Scottish Government as the employers provide trade union representation for staff.



**Gillian McGregor**  
Accounting Officer for the OSSS and OAG

18 July 2019

# Parliamentary Accountability and Audit Report

This information has been subject to audit.

## Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Office of the Secretary of State for Scotland & Office of the Advocate General to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

### Summary of Resource and Capital Outturn 2018-19

	£000	2018-19							2017-18
		Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
		SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Total
<b>Departmental Expenditure Limit</b>									
- Resource	1.1	10,056	-	10,056	9,823	-	9,823	233	22,546
- Capital	1.2	50	-	50	11	-	11	39	76
<b>Annually Managed Expenditure</b>									
- Resource	1.1	900	-	900	-	-	-	900	170
- Capital	1.2	-	-	-	-	-	-	-	-
<b>Total Budget</b>		<b>11,006</b>	-	<b>11,006</b>	9,834	-	<b>9,834</b>	<b>1,172</b>	<b>22,792</b>
<b>Non-Budget</b>									
- Resource	1.1	29,991,583	-	29,991,583	29,962,700	-	29,962,700	28,883	28,243,100
<b>Total</b>		<b>30,002,589</b>	-	<b>30,002,589</b>	<b>29,972,534</b>	-	<b>29,972,534</b>	<b>30,055</b>	<b>28,265,892</b>
<b>Total Resource</b>		<b>30,002,539</b>	-	<b>30,002,539</b>	<b>29,972,523</b>	-	<b>29,972,523</b>	<b>30,016</b>	<b>28,265,816</b>
<b>Total Capital</b>		<b>50</b>	-	<b>50</b>	<b>11</b>	-	<b>11</b>	<b>39</b>	<b>76</b>
<b>Total</b>		<b>30,002,589</b>	-	<b>30,002,589</b>	<b>29,972,534</b>	-	<b>29,972,534</b>	<b>30,055</b>	<b>28,265,892</b>

### Net Cash Requirement 2018-19

£000	SOPS Note	2018-19 Estimate	2018-19		2017-18
			Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	2	<b>30,001,618</b>	<b>29,972,659</b>	<b>28,959</b>	<b>28,251,697</b>

### Administration Costs 2018-19

		Estimate 2018-19	Outturn 2018-19	Outturn 2017-18
Administration Costs	1.1	<b>9,726</b>	<b>9,573</b>	<b>9,262</b>

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between Estimate and outturn are given in the Financial Review for the Office of the Secretary of State for Scotland & Office of the Advocate General.

The non-voted expenditure relates to the funding provided to Returning Officers to run elections in Scotland.

## SOPS 1. Net Outturn

### SOPS 1.1 Analysis of Net Resource Outturn by Section

2018-19									2017-18	
Outturn							Estimate		Outturn	
Administration			Programme						Net total compared to Estimate	Total
Gross	Income	Net Total	Gross	Income	Net Total	Total	Net total			
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	

#### Spending in Departmental Expenditure Limit (DEL)

<b>Voted</b>										
A - Office of the Secretary of State for Scotland & Office of the Advocate General	13,702	4,129	9,573	41	-	41	9,614	9,756	142	9,150
B - Boundary Commission for Scotland	-	-	-	209	-	209	209	300	91	304
<b>Total Voted Expenditure in DEL</b>	<b>13,702</b>	<b>4,129</b>	<b>9,573</b>	<b>250</b>	<b>-</b>	<b>250</b>	<b>9,823</b>	<b>10,056</b>	<b>233</b>	<b>9,454</b>

#### Non-Voted

Election Expenses	-	-	-	-	-	-	-	-	-	13,092
<b>Total Non-Voted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,092</b>

#### Spending in Annually Managed Expenditure (AME) Voted Expenditure

C - Provisions	-	-	-	-	-	-	-	900	900	170
<b>Total voted AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>900</b>	<b>900</b>	<b>170</b>

#### Non-Budget

D - Grant to the Scottish Consolidated Fund	-	-	-	17,847,700	-	17,847,700	17,847,700	17,876,583	28,883	16,385,100
E - Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	-	-	-	12,115,000	-	12,115,000	12,115,000	12,115,000	-	11,858,000
<b>Total Non-Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,962,700</b>	<b>-</b>	<b>29,962,700</b>	<b>29,962,700</b>	<b>29,991,583</b>	<b>28,883</b>	<b>28,243,100</b>

<b>Total</b>	<b>13,702</b>	<b>4,129</b>	<b>9,573</b>	<b>29,962,950</b>	<b>-</b>	<b>29,962,950</b>	<b>29,972,523</b>	<b>30,002,539</b>	<b>30,016</b>	<b>28,265,816</b>
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An explanation of the variances can be found in the Part 5 of the accounts – the financial review.

### SOPS 1.2 Analysis of Net Capital Outturn by Section

2018-19						2017-18
Outturn			Estimate			Outturn
Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate adjusted for virements	Net
£000	£000	£000	£000	£000	£000	£000

#### Spending in Departmental Expenditure Limit (DEL)

<b>Voted</b>						
A Office of the Secretary of State for Scotland & Office of the Advocate General	11	-	11	50	39	76
<b>Total Voted Expenditure in DEL</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>50</b>	<b>39</b>	<b>76</b>
<b>Total</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>50</b>	<b>39</b>	<b>76</b>

## SOPS 2. Reconciliation of the Net Resource Outturn to Net Cash Requirement

	SOPS Notes	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
<b>Resource Outturn</b>	1.1	30,002,539	29,972,523	30,016
<b>Capital Outturn</b>	1.2	50	11	39
<b>Accruals to cash adjustment</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(30)	(41)	11
New provisions and adjustments to previous provisions		(900)	-	(900)
Other non-cash items		(41)	(39)	(2)
<b>Adjustments to reflect movements in working balances:</b>				
Increase/(decrease) in receivables		-	(164)	164
Increase/(decrease) in payables		-	638	(638)
<b>Removal of Non-Voted Budget Items:</b>				
Consolidated Fund Standing Services		-	(269)	269
<b>Net Cash Requirement</b>		<b>30,001,618</b>	<b>29,972,659</b>	<b>28,959</b>



## SOPS 3. Income Payable to the Consolidated Fund

### 3.1 Consolidated Fund Income

Consolidated Fund income shown in note 3.1 does not include any amounts collected by the Office of the Secretary of State for Scotland & Office of the Advocate General where it is acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	<b>Outturn 2018-19 £000</b>	<b>Outturn 2017-18 £000</b>
Forfeited election deposits and interest	-	(37)
Fines and penalties	(277)	(13)
Other income (unused election costs)	(687)	-
Amount payable to the Consolidated Fund	(964)	(50)
Payments into the Consolidated Fund	964	50
Balance held on trust at the end of the year	-	-

The Consolidated Fund receipts paid to the Office of the Secretary of State for Scotland & Office of the Advocate General by the Scottish Government are in respect of the Designation of Receipts Order 2010 and consist mainly of fines, fixed penalties and bank interest. The receipts also include the surrender of unused funding in relation to the 2017 UK Parliamentary Election in Scotland.

### Parliamentary Accountability Disclosures

#### Losses and Special Payments


There were no losses or special payments that require disclosure because of their size or nature in 2018-19.

#### Fees and Charges

We seek to recover the full costs of legal services provided on behalf of other government departments. The full costs of our operating segments are disclosed in Note 2.

#### Remote Contingent Liabilities

There were no remote contingent liabilities in 2018-19.



#### Gillian McGregor

Accounting Officer for the OSSS & OAG

18 July 2019

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

## Opinion on Financial Statements

I certify that I have audited the financial statements of the Scotland Office and Office of the Advocate General for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of the Department's net expenditure cost for the year then ended
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

## Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them

## Basis of Opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Scotland Office and Office of the Advocate General in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions Relating to Going Concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scotland Office and Office of the Advocate General's ability to continue as a going concern

for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## **Responsibilities of the Accounting Officer for the Financial Statements**

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scotland Office and Office of the Advocate General's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Opinion on Other Matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- in the light of the knowledge and understanding of the Scotland Office and Office of the Advocate General and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements

## **Matters on Which I Report by Exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General

**19 July 2019**

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

# Chapter 3: Financial Statements

## Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2019

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

		<b>2018-19</b>	<b>2017-18</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>	<u>                    </u>	<u>                    </u>
Income from sale of goods and services	4	(2,304)	(2,006)
Other operating income	4	(1,825)	(2,180)
<b>Total operating income</b>		<u><b>(4,129)</b></u>	<u><b>(4,186)</b></u>
Staff Costs	3	8,735	8,105
Purchase of goods and services	3	5,176	5,477
Other operating expenditure	3	-	170
Depreciation and impairment charges	3	41	58
Grant to the Scottish Consolidated Fund	3	17,847,700	16,385,100
Payover of Scottish Rate of Income Tax to Scottish Government	3	12,115,000	11,858,000
Election expenses	3	-	13,092
<b>Total operating expenditure</b>		<u><b>29,976,652</b></u>	<u><b>28,270,002</b></u>
NLF interest receivable		(48,978)	(43,422)
NLF interest payable		48,978	43,422
<b>Net expenditure for the year</b>		<u><b>29,972,523</b></u>	<u><b>28,265,816</b></u>
Other Comprehensive Net Expenditure			
Net (gain) loss on revaluation of property, plant and equipment		-	(1)
<b>Comprehensive expenditure for the year</b>		<u><b>29,972,523</b></u>	<u><b>28,265,815</b></u>

Note: In all material respects, all income and expenditure are in respect of continuing operations.

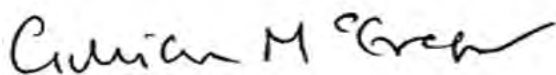
The notes on pages 83 to 97 form part of these accounts.

## Statement of Financial Position as at 31 March 2019

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

		31 March 2019	31 March 2018
		£000	£000
	Note		
<b>Non-current assets:</b>			
Property, plant and equipment	5	93	343
Financial assets (NLF)	8	1,232,277	1,035,677
<b>Total non-current assets</b>		<b>1,232,370</b>	<b>1,036,020</b>
<b>Current Assets:</b>			
Trade and other receivables	10	526	691
NLF receivables	10	62,991	47,407
Cash and cash equivalents	9	42	1,657
<b>Total current assets</b>		<b>63,559</b>	<b>49,755</b>
<b>Total Assets</b>		<b>1,295,929</b>	<b>1,085,775</b>
<b>Current liabilities</b>			
Trade and other payables	11	(3,028)	(5,283)
NLF payables	11	(62,991)	(47,407)
<b>Total current liabilities</b>		<b>(66,019)</b>	<b>(52,690)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>1,229,910</b>	<b>1,033,085</b>
<b>Non-current liabilities</b>			
Provisions		(170)	(170)
Other payables (NLF)	11	(1,232,277)	(1,035,677)
<b>Total non-current liabilities</b>		<b>(1,232,447)</b>	<b>(1,035,847)</b>
<b>Assets less liabilities</b>		<b>(2,537)</b>	<b>(2,762)</b>
<b>Taxpayers' Equity and other reserves</b>			
General fund		(2,542)	(2,767)
Revaluation Reserve		5	5
<b>Total equity</b>		<b>(2,537)</b>	<b>(2,762)</b>

**Signed:**



Accounting Officer for the OSSS and OAG

18 July 2019

The notes on pages 83 to 97 form part of these accounts.

## Statement of Cash Flows for the Period Ended 31 March 2019

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

	Note	2018-19 £000	2017-18 £000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(29,972,523)	(28,265,816)
Adjustments for non-cash transactions	3	80	97
(Increase)/Decrease in trade and other receivables	10	(15,420)	(7,605)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	10	15,584	8,161
Increase/(Decrease) in trade payables	11	13,329	10,170
Increase/(Decrease) in Provisions	12	-	170
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	11	(13,901)	(9,687)
<b>Net cash outflow from operating activities</b>		<b>(29,972,851)</b>	<b>(28,264,510)</b>
<b>Cash flows from investing activities</b>			
Purchase of Plant & Machinery and Fixtures and Furnishings	5	(77)	(10)
(Repayments) from other bodies	8	38,179	30,106
<b>Net cash inflow from investing activities</b>		<b>38,102</b>	<b>30,096</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - Current Year <sup>(2)</sup>	3	29,972,000	28,252,200
From the Consolidated Fund (Non-supply)		-	13,779
Repayment of loans from the National Loans Fund <sup>(3)</sup>	8	(38,179)	(30,106)
Repayment of unspent election funding		(687)	-
<b>Net financing</b>		<b>29,933,134</b>	<b>28,235,873</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	9	<b>(1,615)</b>	<b>1,459</b>
<b>Income payable to the Consolidated Fund</b>	SOPS 3	(964)	(50)
<b>Income paid to the Consolidated Fund <sup>(4)</sup></b>		964	50
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(1,615)</b>	<b>1,459</b>
Cash and cash equivalents at the beginning of the period	9	1,657	198
Cash and cash equivalents at the end of the period	9	42	1,657

<sup>(1)</sup> Movements include: departmental balances with the Consolidated Fund: and payables linked to financing - NLF loans (principal and interest), capital debtors, finance leases and PFI and other service concession arrangements.

<sup>(2)</sup> This is the amount received from the Consolidated Fund in respect of the current year.

<sup>(3)</sup> This includes loans repaid by entities for onward transmission to the NLF and interest received from entities for transmissions to the NLF.

<sup>(4)</sup> Cash paid over to the Consolidated Fund under any category.

The notes on pages 83 to 97 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Office of the Secretary of State for Scotland and Office of the Advocate General, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	General Fund £000	Revaluation Reserve £000	Tax Payers' Equity £000
<b>Balance at 31 March 2017</b>	<b>1,509</b>	<b>(4)</b>	<b>1,505</b>
Net Parliamentary Funding	(28,265,978)	-	(28,265,978)
Deemed Supply	(198)	-	(198)
Unused election funding	-	-	-
Supply Payable (Voted)	701	-	701
Supply Payable (Non-voted)	956	-	956
CFER transferred to CF	-	-	-
Comprehensive net expenditure for the year	28,265,816	-	28,265,816
Auditors Remuneration	(39)	-	(39)
Fixed assets revaluation	-	(1)	(1)
<b>Balance at 31 March 18</b>	<b>2,767</b>	<b>(5)</b>	<b>2,762</b>
Net Parliamentary Funding	(29,972,000)	-	(29,972,000)
Deemed Supply (Voted)	(701)	-	(701)
Deemed Supply (Non-voted)	(956)	-	(956)
Unused election funding	687	-	687
Supply Payable	42	-	42
Net expenditure for the year	29,972,523	-	29,972,506
Auditors Remuneration	(39)	-	(39)
Transfer of Fixed assets	219	-	219
<b>Balance at 31 March 19</b>	<b>2,542</b>	<b>(5)</b>	<b>2,537</b>

The notes on pages 83 to 97 form part of these accounts.



# Notes to the Accounts for the Year Ended 31 March 2019

## 1. Statement of Accounting Policies 2018-19

### 1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the OSSS and OAG for the purpose of giving a true and fair view has been selected. The particular policies adopted by the OSSS and OAG are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

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

The accounts are prepared on a going concern basis and Parliament will continue to fund the department as evidenced by confirmed Supply funding for the following financial year.

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

### 1.2 Accounting Convention

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

### 1.3 Operating Segments

The OSSS and the OAG for Scotland share a single function but for IFRS purposes are considered to be separate operating segments. The other segments reported in the accounts are the Boundary Commission; the grant to the Scottish Consolidated Fund; the payover of the Scottish Rate of Income Tax; Non voted election expenses and National Loan Fund repayments.

### 1.4 Property, Plant and Equipment

#### Valuation Basis

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

#### Valuation Method

The OSSS and OAG has no property assets.

Non-property assets are included at cost upon purchase and are restated at each reporting date using the Price Index Numbers for Current Cost Accounting (PINCCA) produced by the Office for National Statistics.

## **Revaluation**

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. Any remaining increase is credited directly to the Revaluation Reserve in Taxpayers' equity.

When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the Revaluation Reserve to the extent a balance exists in respect of that asset. Any further decrease in excess of revaluation surpluses are charged to the Statement of Comprehensive Net Expenditure.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

## **Capitalisation Threshold – Individual Assets**

The OSSS and OAG capitalisation threshold for individual assets is £1,000 (including VAT where Irrecoverable).

## **Capitalisation Threshold – Grouped Assets**

The OSSS and OAG has a small pool of assets for furniture and fittings which has been capitalised.

The OSSS and OAG applies a capitalisation threshold for grouped assets of £10,000 (including VAT).

## **Depreciation**

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

Estimated useful asset lives are within the following ranges:

- Grouped assets: various depending on individual asset types
- Plant, machinery and equipment: shorter of remaining lease period or 3 to 20 years
- Furniture and fittings: shorter of remaining lease period or 5 to 20 years
- Leasehold Improvement: the remaining life of the lease

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

### **Disposal of Non-Current Assets**

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within Administration or Programme costs, as appropriate, in the Statement of Comprehensive Net Expenditure.

When re-valued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

## **1.5 Assets Under Construction**

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

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. If expenditure is deemed as not attributable to the asset it is expensed to the Statement of Comprehensive Net Expenditure.

## **1.6 Leases**

The OSSS and OAG do not have any finance leases.

### **Operating Leases**

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

### **Arrangements Containing a Lease**

In determining whether the OSSS and OAG is party to a lease, contracts that do not take the legal form of a lease but which may contain an embedded lease, for example outsourcing arrangements and take-or-pay contracts, are assessed according to the criteria set by IFRIC (International Financial Reporting Interpretations Committee) 4 'Determining Whether an Arrangement Contains a Lease'. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it is classified as a finance or operating lease.

## **1.7 Investments**

### **National Loans Fund (NLF)**

Advances from the National Loans Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF

lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution. With effect from 1 April 2015, under Section 32 of the Scotland Act 2012, as amended by section 20 of the Scotland Act 2016, additional borrowing powers were conferred on Scottish Government ministers. During 2017-18 the Scottish Administration borrowed additional funds from the NLF for the first time since devolution and used the facility again during 2018-19.

The responsibility for repayment of principal and interest falls on the Scottish Government and is a charge on the Scottish Consolidated Fund. Amounts received by the Advances from the National Loans Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution. With effect from 1 April 2015, under Section 32 of the Scotland Act 2012, as amended by section 20 of the Scotland Act 2016, additional borrowing powers were conferred on Scottish Government ministers. During 2017-18 the Scottish Administration borrowed additional funds from the NLF for the first time since devolution.

The responsibility for repayment of principal and interest falls on the Scottish Government and is a charge on the Scottish Consolidated Fund. Amounts received by the OSSS and OAG are surrendered to the NLF.

Outstanding loan balances are included within Trade and other payables.

## **1.8 Employee Benefits**

### **Employee Leave Accruals**

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

### **Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded.

The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

### **Early Departure Costs**

All OSSS and OAG staff are loaned or seconded from other government bodies and therefore it is the responsibility of the appropriate body to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of their employees who retire early, unless the retirement is on approved medical grounds. Early departure costs for OSSS and OAG staff that are met by the other government bodies are accordingly excluded from these Accounts.

## 1.9 Operating Income

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and the impact has been considered on all material revenue streams.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To recognise revenue under IFRS 15, the Offices have performed an assessment of the impact the change in accounting standard has on its material income streams. The following steps are completed in assessing any impact on revenue recognition:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to each performance obligation; and
- recognise revenue when a performance obligation is satisfied.

The material OSSS and OAG revenue falls in to three categories:

- rental income received from other government departments for shared space in our Edinburgh Headquarters;
- expenditure incurred by OAG of behalf of other UK Government departments in the Scottish Courts, which is subsequently recovered from the UK Government departments; and
- staff and overhead costs incurred by OAG on behalf of staff working in Scotland legal issues on behalf of Other UK Government departments, which is subsequently recovered through recharges.

The rental income identified above is recognised in line with IAS 17 (leases) rather than IFRS 15 in line with the requirements of IFRS.

Management has considered the impact of the application of IFRS 15 against the remaining categories identified above. It has determined in all cases there is no change in the transaction price or point at which all obligations for recognition are met. The performance obligation is considered to be the costs being incurred by OSSS or OAG in line with SLA's, the transaction price being the costs incurred and the trigger for recognition being the costs actually being incurred and irrecoverable. All costs identified above which are subject to recharge are recovered on a monthly or quarterly basis.

## 1.10 Consolidated Fund Extra Receipts (CFERs)

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

the Scottish Consolidated Fund. The OSSS and OAG also receive amounts through the recovery of lost deposits from Scottish Elections and pays the amounts received into the UK Consolidated Fund.

## **1.11 Administration and Programme Expenditure**

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of the Secretary of State for Scotland and the Advocate General for Scotland together with the grant payable to the Scottish Consolidated Fund under Section 64 of the Scotland Act 1998.

## **1.12 Provisions**

Provisions are recognised when the OSSS and OAG has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently between 0.76% and 1.99% depending on the nature of the provision and the estimated time before it is fully utilised.

## **1.13 Value Added Tax (VAT)**

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

## **1.14 Financial Instruments**

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its Statement of Financial Position when it becomes party to the contractual provision of the instrument. Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the OSSS and OAG's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when the OSSS and OAG becomes party to the contractual provisions to receive or make cash payments. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

### **Classification and Measurement – Financial Assets**

In addition to Cash and cash equivalents, the OSSS and OAG has two categories of financial assets:

#### **Loans and Receivables**

Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment. Interest is recognised by applying the effective interest rate. The effective interest rate is a method

of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

IFRS 9 requires an entity to produce an expected loss impairment model for financial instruments held. Under the FReM, balances with core central government departments, the Government's Exchequer Funds (include the National Loans Funds) are excluded from recognising impairments.

The main financial instrument is the loans from the National Loans Fund. There is no loss allowance on these loans as NLF loans can only be made where there is a reasonable expectation that they will be serviced and repaid on the due dates as the NLF is not legally allowed to make a loss (s5 (3) of the National Loans Act 1968).

The OSSS, acting as Sponsor Department, provides a letter of guarantee signed by its Director, to the Treasury Accountant at HMT, standing behind all NLF loans made to the Scottish Government and confirming that the NLF will be repaid in full by the OSSS in case of default by the Scottish Government. This effectively means the OSSS will repay the NLF loans from their Estimate.

## **1.15 Cash and Cash Equivalents**

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

## **1.16 Significant Accounting Estimates and Assumptions**

The Accounts reflect estimates and assumptions concerning the future. By definition, estimates are unlikely to be the same as actual results. Estimates are continually evaluated and are based on historical experience and other relevant factors including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **Provision for Liabilities and Charges**

The provisions for liabilities and charges reported at note 12 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

### **Lease Accounting**

Judgement is required in the initial classification of leases as either operating leases or finance leases.

Where a lease is taken out for land and buildings combined, both the building and the land elements may be capitalised as separate finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and

buildings in the lease contract the split is made based on the market values of the land and buildings at the inception of the lease.

## **1.17 Impending Application of Newly Issued Accounting Standards Not Yet Effective**

The following new standards, interpretations and amendments, which have been adopted by the EU but are not yet effective, may have an impact on future Office of the OSSS and OAG accounts:

IFRS 16 - Leases replaces IAS 17 Leases and related interpretations and has an effective date of 1 January 2019. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard is expected to be applied in central government from 1 April 2020.

IFRS 16 is due to take effect for the OSSS & OAG on 1 April 2020 and will have the following impact: The new standard will require recognition of nearly all leases on the balance sheet which will reflect their right to be used as an asset for a period of time and the associated liability for payments. This will impact the financial statements and accounting for OSSS and the OAG in respect of:

- the lease for the OSSS and OAG properties in London and Edinburgh

Management has begun the process of assessing and quantifying the impact on the financial statements of the transition to IFRS 16. Given the current uncertainty around the future lease arrangements for the OSSS & OAG, in particular in respect of its operating premises going forward from 2020, it is difficult to quantify the impact of the implementation of IFRS 16 until this is settled and a contract with a third party is in place. Management will quantify the impact throughout the course of the next financial year and the material impact will be summarised in the March 2020 financial statements.



## Note 2: Statement of Operating Costs by Operating Segment

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

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

	2018-19 £000							
	Office of the Secretary of State for Scotland	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	Election Expenses	National Loans Fund	Total
Gross Expenditure	7,392	6,351	209	17,847,700	12,115,000	-	48,978	30,025,630
Income	(79)	(4,050)	-	-	-	-	(48,978)	(53,107)
Net Expenditure	<b>7,313</b>	<b>2,301</b>	<b>209</b>	<b>17,847,700</b>	<b>12,115,000</b>	<b>-</b>	<b>-</b>	<b>29,972,523</b>
	2017-18 £000							
	Office of the Secretary of State for Scotland	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	Election Expenses	National Loans Fund	Total
Gross Expenditure	7,568	5,938	304	16,385,100	11,858,000	13,092	43,422	28,313,424
Income	(497)	(3,689)	-	-	-	-	(43,422)	(47,608)
Net Expenditure	<b>7,071</b>	<b>2,249</b>	<b>304</b>	<b>16,385,100</b>	<b>11,858,000</b>	<b>13,092</b>	<b>-</b>	<b>28,265,816</b>

### Description of segments

#### Office of the Secretary of State for Scotland

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

#### Office of the Advocate General

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

#### Boundary Commission

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

#### Grant to the Scottish Consolidated Fund

The Scottish Government's Budget is determined by 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 Office of the Secretary of State for Scotland and Office of the Advocate General, Scottish Parliament elections and European elections are found from within these resources.

#### The Scottish Rate of Income Tax

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

#### National Loans Fund

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

#### Election Expenses

The Office of the Secretary of State for Scotland and Office of the Advocate General was responsible for administering the funding to Returning Officers for the running of elections to the UK Parliament in Scotland thereafter scrutinising the final accounts, prior to their transfer to the Cabinet Office during 2018. The funding is non-voted expenditure and is therefore separate from the voted costs for the administration of the Office of the Secretary of State for Scotland and Office of the Advocate General.

### 3. Administration and Programme Costs

#### Administration Staff Costs

	2018-19 £000	2017-18 £000
Wages and salaries	6,651	6,161
Social security costs	699	619
Other pension costs	1,234	1,107
<b>Total net costs</b>	<b>8,584</b>	<b>7,887</b>

#### Other Administration Costs

	2018-19 £000	2017-18 £000
Rentals under operating leases	919	576
Accommodation Costs	520	1,541
Legal Costs	2,463	2,225
Travel and Subsistence Costs	643	546
Other Administrative Expenditure	534	464
<b>Non-cash items:</b>		
Auditors' remuneration	39	39
Provision	-	170
<b>Total Administration Costs</b>	<b>5,118</b>	<b>5,561</b>

#### Programme Costs

	2018-19 £000	2017-18 £000
Boundary Commission Staff Costs	151	218
Boundary Commission Operating Costs	58	86
Grant paid to Scottish Consolidated Fund	17,847,700	16,385,100
Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	12,115,000	11,858,000
Depreciation	41	58
Election expenses	-	13,092
<b>Total</b>	<b>29,962,950</b>	<b>28,256,554</b>
<b>Total Operating Expenditure</b>	<b>29,976,652</b>	<b>28,270,002</b>

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

The Office of the Secretary of State for Scotland did not purchase any non-audit services from the National Audit Office. (2017-18 Nil)

### 4. Income

	2018-19 £000	2017-18 £000
Hire of Office Facilities	(79)	(497)
Legal fees and charges to clients	(2,304)	(2,006)
Recovery of legal outlays from other Government Bodies	(1,746)	(1,683)
<b>Total</b>	<b>(4,129)</b>	<b>(4,186)</b>

Footnote: Legal fees and charges to clients relates to costs incurred by the department and subsequently recovered from the appropriate paying department.

## 5. Property, Plant and Equipment

2018-19	Leasehold Improvements £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2018	285	209	60	554
Additions	-	11	-	11
Revaluation	-	-	-	-
Disposals	-	(110)	-	(110)
Transfers	(285)	(12)	(5)	(302)
At 31 March 2019	0	98	55	153
<b>Depreciation</b>				
At 1 April 2018	(75)	(121)	(15)	(211)
Charged in year	-	(19)	(23)	(42)
Disposals	-	110	-	110
Revaluation	-	-	-	-
Transfers	75	6	2	83
<b>At 31 March 2019</b>	<b>0</b>	<b>(24)</b>	<b>(36)</b>	<b>(60)</b>
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>74</b>	<b>19</b>	<b>93</b>
<b>Carrying amount at 31 March 2018</b>	<b>210</b>	<b>88</b>	<b>45</b>	<b>343</b>
2017-18	Leasehold Improvements £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2017	283	143	50	476
Additions	-	66	10	76
Revaluation	2	-	-	2
Disposals	-	-	-	-
At 31 March 2018	285	209	60	554
<b>Depreciation</b>				
At 1 April 2017	(46)	(97)	(10)	(153)
Charged in year	(28)	(24)	(5)	(57)
Disposals	-	-	-	-
Revaluation	(1)	-	-	(1)
<b>At 31 March 2018</b>	<b>(75)</b>	<b>(121)</b>	<b>(15)</b>	<b>(211)</b>
<b>Carrying amount at 31 March 2018</b>	<b>210</b>	<b>88</b>	<b>45</b>	<b>343</b>
<b>Carrying amount at 31 March 2017</b>	<b>237</b>	<b>46</b>	<b>40</b>	<b>323</b>

The lease for the London Headquarters of the Office of the Secretary of State for Scotland was transferred to the Government Property Agency (GPA) on 1 April 2018 and during the year the Leasehold Improvements in the Accounts were transferred to the GPA. These were treated as disposals in the Financial Statements, with no loss on disposal in the year as the assets transferred were fully depreciated.

## 6. Other Commitments

### 6.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
<b>Buildings</b>		
Not later than one year	151	483
Later than one year and not later than five years	744	2,269
Later than five years	71	2,737
<b>Total</b>	<b>966</b>	<b>5,489</b>

The lease for Dover House was transferred to the Government Property Agency on 1 April 2018.

## 7. Financial Instruments

### 7.1 Categories of Financial Instruments

#### Financial Assets

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

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

## 8. Investments in Other Public Sector Bodies

	<b>Loans funded from National Loans Fund £000</b>
<b>Cost or valuation</b>	
At 1 April 2017	623,856
Adjustment	
Additions	<b>450,000</b>
Loans repayable within 12 months transferred to debtors	(38,179)
<b>Balance at 31 March 2018</b>	<b>1,035,677</b>
Additions	250,000
Loans repayable within 12 months transferred to debtors	(53,400)
<b>Balance at 31 March 2019</b>	<b>1,232,277</b>

#### History of Accounts

The Office of the Secretary of State for Scotland accounts report payments and outstanding balances owed on behalf of Scottish Water, Register of Scotland and Scottish Government.

A proportion of the National Loan Fund (NLF) outstanding balances at 31 March 2019 were made prior to 1 July 1999, under the terms of the Local Government etc. (Scotland) Act 1994 (Scottish Water). Prior to 1 July 1999, responsibility for accounting for the repayments fell to the Scottish Office. Upon devolution, the responsibility transferred to the Office of the Secretary of State for Scotland and Office of the Advocate General. Post devolution loans to the Scottish Government are made under the terms of the Scotland Act 2016.

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

## 9. Cash and Cash Equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April 2018	1657	198
Net change in cash and cash equivalents	(1,615)	1,459
<b>Balance at 31 March 2019</b>	<b>42</b>	<b>1,657</b>
The following balances at 31 March 2019 were held at:		
Government Banking Service	41	1,653
Commercial banks	1	4
<b>Balance 31 March 2019</b>	<b>42</b>	<b>1,657</b>

## 10. Trade Receivables Financial and Other Assets

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
VAT	70	159
Trade receivables	230	380
NLF interest receivables	9,591	9,228
Prepayments and accrued income	226	152
Current part of NLF loan	53,400	38,179
<b>Total</b>	<b>63,517</b>	<b>48,098</b>
	<b>2018-19 £000</b>	<b>2017-18 £000</b>
<b>Amounts falling due after more than one year:</b>		
Instalments due on NLF loans	1,232,277	1,035,677
<b>Total</b>	<b>1,232,277</b>	<b>1,035,677</b>

## 11. Trade Payables and Other Current Liabilities

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
Trade payables	17	61
NLF interest payable	9,591	9,228
Accruals and deferred income	2,969	3,565
Current part of NLF loans	53,400	38,179
Unused Election Funding	-	956
Amounts issued from the Consolidated Fund for supply but not spent at year end	42	701
<b>Total</b>	<b>66,019</b>	<b>52,690</b>
	<b>2018-19 £000</b>	<b>2017-18 £000</b>
<b>Amounts falling due after more than one year:</b>		
NLF loans	1,232,277	1,035,677
<b>Total</b>	<b>1,232,277</b>	<b>1,035,677</b>

## 12. Provisions for Liabilities and Charges

	<b>Leasehold Dilapidation Costs</b>
	<b>£'000</b>
Balance as at 1 April 2018	170
Provided in year	-
Provisions not required written back	-
Provisions utilised in year	-
<b>Balance as at 1 April 2019</b>	<b>170</b>

## 13. Contingent Liabilities Disclosed Under IAS 37

The OSSS does not have any contingent liabilities.

## 14. Related-party Transactions

The OSSS and OAG work closely with the Scottish Government and MoJ from where the majority of staff are loaned. Advice and assistance were provided by both government bodies for some specialised areas where they have greater expertise, such as IT, accommodation and finance. Not all of these services were covered by Service Level Agreements during the year.

Under IAS 24 OSSS and OAG Board members have no related-party transactions to disclose.

In addition, the OSSS has had a number of significant transactions with other government departments mainly the MoJ and SG who are regarded as related parties.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year. All compensation for senior management is disclosed in full in the Remuneration Report.

## 15. Entities Within the Departmental Boundary

The entities within the boundary during 2018–19 were as follows:

List of entities analysed between:

Supply financed agencies	<b><i>None</i></b>
Non-departmental public bodies (executive and non-executive being listed under subheadings)	<b><i>The Boundary Commission for Scotland</i></b>
Others – Core Department	<b><i>Office of the Secretary of State for Scotland</i></b> <b><i>Office of the Advocate General for Scotland</i></b>

## **16. Events After the Reporting Period**

In accordance with the requirements of International Accounting Standard 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue.

This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There are no material events to report.

# Chapter 4: Public Expenditure Financial Tables

**Table 1 - Spending by Office of the Secretary of State for Scotland (OSSS), Office of the Advocate General (OAG) and Scottish Government 2014-15 to 2019-20**

	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Plans £'000	2018-19 Outturn <sup>(7)</sup> £'000	2019-20 Plans £'000
<b>Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General (OAG) Expenditure</b>							
Resource expenditure within Administration Costs	7,771	8,731	9,738	9,092	9,726	9,573	9,803
Other resource expenditure	80	135	539	362	330	250	430
Non-voted election expenditure	11,152	13,647	198	13,092	-	-	-
<b>OSSS &amp; OAG Resource <sup>(2)</sup></b>	<b>19,003</b>	<b>22,513</b>	<b>10,475</b>	<b>22,546</b>	<b>10,056</b>	<b>9,823</b>	<b>10,233</b>
<b>OSSS &amp; OAG Capital</b>	<b>53</b>	<b>225</b>	<b>45</b>	<b>76</b>	<b>50</b>	<b>11</b>	<b>50</b>
<b>OSSS &amp; OAG Resource + Capital DEL <sup>(2)</sup></b>	<b>19,056</b>	<b>22,738</b>	<b>10,520</b>	<b>22,622</b>	<b>10,106</b>	<b>9,834</b>	<b>10,283</b>
<i>less depreciation &amp; impairments</i>	<i>(20)</i>	<i>(29)</i>	<i>(60)</i>	<i>(58)</i>	<i>(30)</i>	<i>(41)</i>	<i>(30)</i>
<b>OSSS &amp; OAG DEL <sup>(3)</sup></b>	<b>19,036</b>	<b>22,709</b>	<b>10,460</b>	<b>22,564</b>	<b>10,076</b>	<b>9,793</b>	<b>10,253</b>
<b>Scottish Government Expenditure (The Scottish Block) <sup>(6)</sup></b>							
Scottish Government Resource (Before Block Grant Adjustment)	26,372,507	26,828,335	26,874,496	27,481,577	29,138,281	28,681,903	29,638,014
<i>less Block Grant Adjustment</i>	<i>-</i>	<i>(494,000)</i>	<i>(5,500,000)</i>	<i>(12,539,000)</i>	<i>(12,430,033)</i>	<i>(12,430,033)</i>	<i>(12,193,079)</i>
Scottish Government Resource <sup>(6)</sup>	26,372,507	26,334,335	21,374,496	14,942,577	16,708,248	16,251,870	17,444,935
Scottish Government Capital	3,288,989	3,163,543	3,246,158	3,623,540	4,018,285	3,873,914	4,490,865
<b>Scottish Government Resource + Capital DEL <sup>(3) (5)</sup></b>	<b>29,661,496</b>	<b>29,497,878</b>	<b>24,620,654</b>	<b>18,566,117</b>	<b>20,726,533</b>	<b>20,125,784</b>	<b>21,935,800</b>
<i>less depreciation &amp; impairments</i>	<i>(752,952)</i>	<i>(771,459)</i>	<i>(778,679)</i>	<i>(768,775)</i>	<i>(1,655,206)</i>	<i>(1,512,992)</i>	<i>(1,145,715)</i>
<b>Scottish Government Total DEL <sup>(3) (5)</sup></b>	<b>28,908,544</b>	<b>28,726,419</b>	<b>23,841,975</b>	<b>17,797,342</b>	<b>19,071,327</b>	<b>18,612,792</b>	<b>20,790,085</b>

(1) Totals may not sum due to rounding.

(2) Including depreciation & impairments.

(3) Resource + capital - depreciation & impairments (includes Student Loans impairments).

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

(5) DEL figures for outturn years have been adjusted to reflect subsequent budgeting changes.

(6) From the 2015 Spending Review, OSSS & OAG expenditure no longer forms part of the Scottish Block.

(7) OSSS & OAG outturn data represent final outturn and will accord with the accounts published elsewhere in this document. The Scottish Government data shows provisional outturn as the Scottish Government have yet to finalise their accounts.

(8) Resource and Capital figures for all years reflect classification change of Research & Development (R&D) expenditure from resource to capital (ESA 10).



**Table 2 - Cash Grant Paid to the Scottish Consolidated Fund 2017-18:  
Provision & Final Outturn**

	<b>Original Provision £million</b>	<b>Final Provision £million</b>	<b>Final Outturn £million</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	18,763.315	19,028.497	18,566.117
Expenditure Classified as Annually Managed Expenditure	5,064.895	5,543.998	5,067.731
Expenditure Financed by Scottish Taxes	12,485.000	12,514.000	12,564.364
Expenditure Financed by Capital Borrowing	450.000	450.000	450.000
Non Domestic Rates	2,665.800	2,665.800	2,665.800
<b>Total Managed Expenditure</b>	<b>39,429.010</b>	<b>40,202.295</b>	<b>39,314.012</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	152.057	97.057	57.057
Depreciation and Impairments	(1,156.744)	(1,060.541)	(882.067)
Other Cash to accruals adjustments	(4,064.545)	(4,511.551)	(4,322.937)
Non Domestic Rates Income	(2,665.800)	(2,665.800)	(2,665.800)
National Insurance Fund Payments towards Scottish NHS	(2,014.477)	(2,093.338)	(2,093.338)
Income from Scottish Taxes	(12,485.000)	(12,514.000)	(12,564.364)
Capital Borrowing	(450.000)	(450.000)	(450.000)
Change to balance held in Scottish Consolidated Fund	-	(187.842)	(7.463)
<b>Cash Grant payable to Scottish Consolidated Fund by Office of the Secretary of State for Scotland <sup>(3)</sup></b>	<b>16,744.501</b>	<b>16,816.280</b>	<b>16,385.100</b>

**Notes**

(1) Totals may not sum due to rounding

(2) Resource and capital DEL including depreciation - Scottish Block Grant

(3) Scotland Act 1998, Section 64 (2)

**Table 3 - Cash Grant Paid to the Scottish Consolidated Fund 2018-19: Provision and Provisional Outturn**

	<b>Original Provision</b>	<b>Final Provision</b>	<b>Provisional Outturn</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	19,392.186	20,726.533	20,125.784
Expenditure Classified as Annually Managed Expenditure	4,930.021	5,335.343	5,327.572
Expenditure Financed by Scottish Taxes	12,801.927	12,801.927	12,877.927
Expenditure Financed by Capital Borrowing	450.000	450.000	250.000
Drawdown from the Scotland Reserve	-	250.000	272.000
Expenditure Financed by Non Domestic Rates	2,636.000	2,636.000	2,636.000
<b>Total Managed Expenditure</b>	<b>40,210.134</b>	<b>42,199.803</b>	<b>41,489.283</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	152.057	144.381	144.381
Depreciation and Impairments	(1,205.206)	(1,923.299)	(1,725.014)
Other Cash to accruals adjustments	(3,837.210)	(4,318.333)	(4,200.171)
Non Domestic Rates Income	(2,636.000)	(2,636.000)	(2,636.000)
National Insurance Fund Payments towards Scottish NHS	(2,107.480)	(2,143.290)	(2,143.290)
Income from Scottish Taxes	(12,809.000)	(12,809.000)	(12,823.000)
Repayment of Principal on Loans	7.073	7.073	7.073
Capital Borrowing	(450.000)	(450.000)	(250.000)
Change to balance held in Scottish Consolidated Fund	-	(194.752)	(15.562)
<b>Cash Grant payable to Scottish Consolidated Fund by Office of the Secretary of State for Scotland <sup>(3)</sup></b>	<b>17,324.368</b>	<b>17,876.583</b>	<b>17,847.700</b>

**Notes**

(1) Totals may not sum due to rounding

(2) Resource and capital DEL including depreciation - Scottish Block Grant

(3) Scotland Act 1998, Section 64 (2)

## Table 4 - Cash Grant Paid to the Scottish Consolidated Fund 2019-20: Provision

	Original Provision £m
Scottish Block Grant <sup>(2)</sup>	21,935.800
UK Government Funded AME	5,184.150
Expenditure Financed by Scottish taxes	12,416.652
Expenditure Financed by Capital Borrowing	450.000
Expenditure Financed by Non Domestic Rates	2,853.000
<b>Total Managed Expenditure</b>	<b>42,839.602</b>
Adjustments to cash requirement	
Non-budgetary cash items	150.270
Depreciation and Impairments	(1,245.340)
Other Cash to accruals adjustments	(4,421.300)
Non Domestic Rates Income	(2,853.000)
National Insurance Fund Payments towards Scottish NHS	(2,213.510)
Income from Scottish Taxes	(12,431.000)
Repayments of Principal on Loans	14.348
Capital Borrowing	(450.000)
<b>Cash Grant payable to Scottish Consolidated Fund by Office of the Secretary of State for Scotland <sup>(3)</sup></b>	<b>19,390.070</b>

### Notes

(1) Totals may not sum due to roundings

(2) Resource and capital DEL including depreciation - Scottish Block Grant

(3) Scotland Act 1998, Section 64 (2)









