



# Scotland Office and Office of the Advocate General for Scotland

**Annual Report and Accounts 2015-16**





Scotland Office  
and  
Office of the Advocate General  
for Scotland

Annual Report and Accounts 2015-16  
(For the year ended 31 March 2016)

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# Chapter 1: The Performance Report

## Ministerial Forewords

### Foreword by the Secretary of State for Scotland

The Scotland Office has continued to deliver for the people of Scotland within the UK and I am proud to lead the Department.

The Scotland Office has continued to promote the best interests of Scotland within a stronger United Kingdom. It has also ensured that Scottish interests are fully and effectively represented at the heart of the UK Government.



Reflecting on the past year the word “historic” has been used a lot and, in my opinion, rightly so. This Department has achieved an incredible feat in delivering the Scotland Act 2016 which received Royal Assent on 23 March 2016. It was a significant collaborative effort with the Office of the Advocate General, ten UK Government departments and the Scottish Government and was subject to detailed scrutiny in the House of Commons, House of Lords and Scottish Parliament.

The scale of the work on the Act from the entire Scotland Office was considerable and I am proud to have led the Department through this achievement. Scotland now has one of the most powerful devolved Parliaments in the world and the UK Government has delivered the Smith Commission recommendations in full. This Act has enshrined the permanence of the Scottish Parliament, devolved a number of important taxes, significant welfare benefits and employment support schemes, and provided the Scottish Parliament and Scottish Government with a range of new powers in areas including equal opportunities, transport, energy and gambling policy.

Although the past year was dominated by the passage of the Scotland Act through Parliament, the Scotland Office has been engaged in, and delivered, a wide range of activities. For example, I have met with all 32 local authorities, supported the launch of Exporting is GREAT, which was a demonstration of close partnership working between the Scotland Office, UKTI, Scottish Enterprise and the Scottish Council for Development and Industry, and met with the Scottish Youth Parliament. I also visited Malawi and Mozambique to support the oil and gas sector in Scotland as well as the whisky sector - the visit led to confirmation of Scotch whisky as a Geographical Indication. In addition, the Parliamentary Under Secretary has supported and enabled City Deals for Aberdeen and Inverness and attended the Milan Expo in October 2015 which promoted Scotland’s outstanding life sciences industry as part of UKTI’s week long programme of events focused around the sector.

The work which the Scotland Office and the Cabinet Office have taken forward on devolution capability has increased understanding and awareness of devolution and what it means for policies and programmes across the UK Government.

The Scotland Office has continued to co-ordinate the work to implement the remaining provisions of the Scotland Act 2012. Significant progress has been made to devolve the

remaining financial provisions of this act including the tax raising powers, and for the first time from April 2016, there will be a Scottish Rate of Income Tax. In addition, both the Land and Buildings Transaction Tax and Scottish Landfill Tax commenced at the beginning of the reporting year thanks to the support and work of the Scotland Office.

We also took through three Scotland Act Orders under the Scotland Act 1998 which mean seatbelts are installed on all dedicated school transport in Scotland, enabled the Scottish Parliament to determine the date for the 2016 Scottish Election, and ensured the blue badge scheme is consistent throughout the United Kingdom which means that disabled drivers and passengers can park in close proximity to their destination. Finally, over the course of the reporting year five Legislative consent motions relating to four UK government Bills were passed by the Scottish Parliament.

It is clear to me that the Scotland Office, and the people who work here, have an even more significant task over the remainder of this Parliament. We need to ensure a smooth transition of the powers of the Scotland Act and are committed to working constructively and collaboratively with the Scottish Government and Scottish Parliament to deliver the powers. We have, in addition, supported the review of the intergovernmental relations between the Governments of the UK to ensure that formal processes via which the Scottish and UK Parliaments can collaborate in order to hold their respective Governments to account. It is anticipated that the review's findings will be signed off by the Prime Minister, First Ministers and deputy First Minister at the next plenary meeting of the Joint Ministerial Committee.

I would like to thank my excellent officials in the Scotland Office and the Office for the Advocate General for their hard work over 2015-16 – their achievements are set out for you to read about in this report. Collectively, I look forward to the Scotland Office making a real difference to Scotland as an integral part of the UK.

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



## Foreword by the Advocate General for Scotland

It has been my privilege to serve as HM Advocate General for Scotland following my appointment in May 2015.

The last 12 months have been highly significant for the constitution of Scotland and the United Kingdom. The passing of the Scotland Act 2016 represents a momentous change in our system of devolution and delivers the commitment made in advance of the 2015 General Election to implement the Smith Agreement. I was responsible for the passage of key aspects of the Bill through the House of Lords, including the constitutional elements, and I look forward to its implementation. At official level, my Office was at the forefront of the legal work on the Bill, instructing provisions and co-ordinating the efforts of a range of legal teams across Whitehall to ensure we have a workable and sustainable framework for this new phase of devolution.



My principal role as Advocate General is to act as the United Kingdom Government's senior adviser on Scots law and the devolution settlement. I am supported by a dedicated team of Scots lawyers based in Edinburgh and London whose functions are to provide legal services to UK Government departments, and demand for those services has been as high as ever this year.

A major part of my Office's work for departments has been undertaking litigation in the Scottish courts and tribunals for Home Office, HM Revenue & Customs, and the Department for Work and Pensions among others. We have acted for the Home Secretary in a high volume of immigration cases, with over 300 new cases in the year. Much of this caseload was judicial review work and continues to represent one of the largest single areas of work before the Court of Session. My Office also undertook core Scottish litigation for HMRC, acting in over 120 cases before Sheriff Courts throughout Scotland, First-tier and Upper Tribunals, and the Court of Session, and acted for the Secretary of State for Work and Pensions in a wide range of tribunal and court cases.

I have also been pleased to appear personally on behalf of the Government in a number of cases since my appointment. This included a case before the Grand Chamber of the European Court of Human Rights (*Ibrahim v UK*), a case before the Supreme Court on behalf of the Home Secretary (*Kiarie and Byndloss*), and other cases before the English Court of Appeal.

The advisory and legislative services my Office provides to UK departments have also been in high demand throughout the year. We provided devolution and Scots law advice on the vast majority of Westminster Bills in the first session of this Parliament and are engaged with departments in preparation on second session Bills.

As we approach the coming year, it will remain as important as ever to ensure the United Kingdom Government has recourse to the best possible Scots law and devolution advice. The Office of the Advocate General stands ready to play its part.

**Lord Keen of Elie QC**  
Advocate General for Scotland

## **Director's Introduction**

I am pleased to present the Scotland Office and Office of the Advocate General's Annual Report and Accounts 2015-16.

The Scotland Office and the Office of the Advocate General are separate Offices, responsible respectively to the Secretary of State for Scotland and the Advocate General for Scotland. I am responsible for delivery of the Scotland Office's business objectives, and the Director of the Office of the Advocate General has responsibility for delivery of its objectives. However, the two Offices share a single budget and I act as Principal Accounting Officer for both as well as for the Boundary Commission for Scotland. Together, the Scotland Office and the Office of the Advocate General comprise about 110 staff in Edinburgh and London.

The Scotland Bill was one of the first to be introduced to the new UK Parliament, reflecting its importance and delivering on a commitment from the UK Government. The achievement of Royal Assent on 23 March 2016 is testament to a significant effort from across both Offices. A collaborative approach has been key. We have worked closely with officials and Ministers from ten UK Government departments and Ministers and officials at the Scottish Government. We have also worked with Committees throughout the scrutiny process at both the UK Parliament and the Scottish Parliament. Finally, we have worked with stakeholders to gather their input and communicate the key elements of the bill to the general public.

The activity around the Scotland Act has not taken away from our other work and it has been a very busy year in this respect. A number of highlights have been brought out in this report, particularly in the Strategic Report section below. In addition, there is a significant amount of work including advising on and scrutinising legislation of both the UK Parliament and the Scottish Parliament, supporting UK departments in litigation in the Scottish courts, briefing our Ministers so that they could represent Scotland in the UK Government and the UK Government in Scotland and, finally, managing our resources responsibly.

The year 2016-17 will see us build on the strong relationships established, with UK Government and Scottish Government working together to move forward with the implementation of the provisions in the Scotland Act. I am very confident that the staff of both Offices will find it another challenging and fulfilling year.

### **Francesca Osowska**

Scotland Office Director & Accounting Officer for Scotland Office and Office of the Advocate General for Scotland

7 July 2016

# Departmental Overview

## Part 1: Scotland Office

Following the outcome of the May 2015 UK General Election and the changing constitutional circumstances brought about by the cross-party Smith Commission, the focus of the Scotland Office for 2015-16 has been to deliver the Scotland Act 2016.

The passage of the Scotland Bill in 2015-16 has meant the new Scottish Parliament elected in May 2016 is radically different from its predecessor. The Scotland Office worked collaboratively over this year with ten UK Government departments, the Scottish Government and the Office of the Advocate General to deliver the Act and ensure that Holyrood is now one of the most powerful devolved parliaments in the world, within a strong United Kingdom. It is the Government's vision that this enduring constitutional settlement will stand the test of time.

Aligned to the above, the Scotland Office reviewed and amended its objectives during 2015. These objectives and consideration of our performance against them are set out below. Our key issues and risks in delivering our objectives were the management of our resources and capacity to deliver. Our most significant policy risk related to the successful passage of the Scotland Bill in March 2016.

### Objectives in 2015-16

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

*To act as custodians of the devolution settlement*

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

*To represent Scottish interests within Government and support the rest of the 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

### Scotland Act 2016



The Secretary Of State and Scotland Office Minister with the Scotland Act 2016

In September 2014 the people of Scotland voted in a referendum to remain part of the United Kingdom. Following the referendum, the Prime Minister asked Lord Smith of Kelvin to convene all five of Scotland's main political parties and reach a consensus on which additional powers should be devolved in order to improve the devolution settlement. The Smith Commission Agreement was published on 27 November 2014 and recommended a significant package of new powers for the Scottish Parliament.

The UK Government agreed to implement the Agreement in full and published draft clauses setting out how this would be achieved on 22 January 2015 in the Command Paper *Scotland in the United Kingdom: An enduring settlement*. Following the General Election in 2015 the Scotland Bill was introduced to the UK Parliament. The Bill contained significant powers over tax and welfare, constitutional matters and transport and energy powers.

The Scotland Office led a Bill team with officials from the ten UK Government departments with responsibility for the Bill's provisions. The Bill was scrutinised by both the UK and Scottish Parliaments and spent 14 days on the floor in the House of Commons and the House of Lords. On 23 February a fiscal framework was published, having been agreed by both the UK and Scottish Governments. The Scottish Parliament passed a Legislative Consent Motion (LCM) on the Bill on 16 March 2016 and the Bill achieved Royal Assent on 23 March 2016.

Work has already begun on implementing the Scotland Act. The 2016-17 year will see the Scotland Office working across a wide range of UK Government departments and with the Scottish Government to implement the powers in the Bill in a sensible and effective way. Intergovernmental structures including the Joint Exchequer Committee and the Joint Ministerial Working Group on Welfare will oversee implementation activities, and a cross-Whitehall Programme Board has been established to support this work.

## **Scotland Act 2012 implementation**

The Scotland Act 2012 received Royal Assent on 1 May 2012 and the majority of the powers contained within it have already been implemented. During 2015-16 the Scotland Office co-ordinated work to implement the remaining provisions.

The fourth annual report on the implementation of Part 3 (financial provisions) of the Scotland Act 2012, was published on 21 March 2016. The report sets out in detail the progress made since March 2015 to devolve the remaining financial provisions of the 2012 Act, including the tax raising powers.

The Land and Buildings Transaction Tax and the Scottish Landfill Tax were successfully commenced at the beginning of this reporting year. The Scotland Office and HMRC also continued to work with the Scottish Government to improve the identification of Scottish taxpayers and make necessary preparations for the introduction of the Scottish Rate of Income Tax from in April 2016.

## **Secondary legislation under the Scotland Act 1998 (“Scotland Act Orders”)**

The Scotland Office took three Scotland Act Orders through Parliament in 2015-16.

Two of these were made under Section 30(2) of the Scotland Act 1998, which allows for modifications to be made to the list of matters that are reserved to the UK Parliament, and as such defines the competence of the Scottish Parliament. The making of these Orders devolves powers to enable Scottish Ministers to, respectively:

- introduce legislation that would ensure that seatbelts are installed on all dedicated school transport in Scotland; and
- legislate to determine a date for the poll for the next Scottish Parliament elections after those that took place in May 2016 while ensuring this does not fall on the same day as a UK Parliamentary general election, a European Parliamentary general election or a local government election in Scotland.

In addition, an Order was made under Section 104 of the Scotland Act 1998, which allows for amendments to be made to reserved law to reflect changes in legislation in Scotland. This Order aims to ensure consistency throughout Great Britain in regard to the validity of blue badges issued in Scotland (which let disabled drivers and passengers park nearer to their destination) and the cancellation of a blue badge by a local authority in Scotland should also be effective in England and Wales.

## **The UK legislative programme and legislative consent motions**

The Scotland Office works to ensure other Government departments understand and comply with their responsibilities in adhering to the “Sewel Convention”. As part of the legislative process Scotland Office Ministers are members of the Parliamentary Business and Legislation Committee and they use that forum to address any areas of interest. At official level, the Scotland Office Constitutional Policy team advises 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, Scotland Office officials continued to work with counterparts in the Scottish

Government to ensure that LCMs, where required under the “Sewel Convention”, were sought and secured from the Scottish Parliament. In the reporting year to 31 March 2016 a total of 5 LCMs relating to 4 UK Government Bills were passed by the Scottish Parliament, including the LCM for the Scotland Bill.

## **Legislative Consent Motions relating to UK Bills – 2015-16**

### **Scotland Bill (now Scotland Act 2016)**

Relating to the range of policy areas that were agreed by the Smith Commission, the Bill made provision:

- on constitutional arrangements including the permanence of the Scottish Parliament, the Sewel Convention, elections and legislation by the Scottish Parliament;
- on the devolution of income tax, value added tax and devolved taxes (Air Passenger Duty and Aggregates Levy);
- to devolve aspects of welfare benefits and employment support;
- on other areas of legislative competence including The Crown Estate, equal opportunities, tribunals roads, transport policing, onshore petroleum, consumer advocacy and gaming machines;
- on other areas of executive competence including the Gaelic Media Service, Northern Lighthouse Commissioners, Maritime and Coastguard Agency, rail franchising, fuel poverty, energy company obligations, renewable energy and the Competition and Markets Authority; and
- on miscellaneous areas including the Gas and Electricity Markets Authority, the Office of Communications and in relation to some bodies attending before the Scottish Parliament.

### **Welfare Reform and Work Bill**

Related to provisions of the Welfare Reform and Work Bill, introduced to the House of Commons on 9 July 2015, concerning child poverty strategies and the Child Poverty and Social Mobility Commission, so far as these matters altered the executive competence of Scottish Ministers or fell within the legislative competence of the Scottish Parliament.

### **Enterprise Bill (including supplementary memorandum)**

Related to provisions of the UK Enterprise Bill, introduced in the House of Lords on 16 September 2015, concerning measures on the creation of a Small Business Commissioner and capping public sector exit payments, so far as these matters fell within the legislative competence of the Scottish Parliament or altered the executive competence of Scottish Ministers.

### **Armed Forces Bill**

Related to provisions of the Armed Forces Bill, introduced to the House of Commons on 16 September 2015, concerning MoD fire-fighters, so far as the matter was within the legislative competence of the Scottish Parliament.

## **Intergovernmental relations**

A commitment was made by the Prime Minister and Heads of the Devolved Administrations at the Joint Ministerial Committee (JMC) Plenary in December 2014 to review the Memorandum of Understanding that governs intergovernmental relations between the Governments of the UK.

The review was informed by numerous reports on intergovernmental relations including the Smith Commission Agreement, the recommendations of which were welcomed by the UK Government. The UK Government agrees collaboration between the four administrations is in the best interests of people across the UK and is therefore committed to delivering the Smith Commission Agreement in full.

Over the course of the last year senior officials from all four administrations have progressed this work, meeting on a number of occasions to continue discussions. We have jointly considered recommendations on a number of areas including reforming existing JMC structures, including the Memorandum of Understanding, to encourage increased joint working in areas of shared interest and improving transparency to enable greater scrutiny of intergovernmental relations by each of the four legislatures. We have drawn upon a wide body of evidence to inform discussions and have taken opportunities to engage with a variety of external parties where appropriate.

It is anticipated that the review's findings will be signed off by the Prime Minister, First Ministers and deputy First Minister at the next plenary meeting of the Joint Ministerial Committee.

### **Smith Commission recommendations on InterGovernmental Relations**

- Reforming and scaling up the current JMC structures;
- Developing formal processes via which the Scottish and UK Parliaments can collaborate in order to hold their respective Governments to account;
- Revising the MoU between the UK Government and Devolved Administrations;
- Establishing a stronger and more transparent process of parliamentary scrutiny of intergovernmental relations; and
- Establishing mechanisms be established to resolve inter-administration disputes.

## Objective 2: Scotland's voice in Whitehall

### Policy priorities and delivery

During 2015-16 the Scotland Office has delivered its objective of being Scotland's voice in Whitehall by adopting a project approach to Ministers' policy priorities, supporting the delivery of a range of UK Government priorities and with a focus on clear outcomes of benefit to Scotland. To do so, the Scotland Office has worked collaboratively with a range of other UK Government departments and agencies, the Scottish Government and its agencies, Scottish local authorities, trade associations and private sector partners. Highlights in 2015-16 include two significant programmes of policy work on exporting and city region deals:

### Support for Scottish Exporting

This work contributes to the Government's 2020 Export Drive. In 2012 Brian Wilson, the Chairman of Harris Tweed Hebrides and a former trade and energy minister, was appointed as a Business Ambassador for the UK Government. He was invited to undertake a review of Scottish international trade and analyse the challenges faced by businesses. The Review, published at the end of May 2014, made recommendations on what can be done to improve support for Scottish businesses seeking to export.



In response to the recommendations, a Joint Working Group was created in mid-2014. It was chaired by the Scotland Office and brought together representatives from UK Trade & Investment (UKTI), the Scottish Government and Scottish Enterprise/ Scottish Development International (SDI). The Group met five times in 2014 and 2015-16 and together created an Action Plan, published on the 2 February 2016, which sets out the work now ongoing to address the recommendations.

Practical examples of the collaborative approach being taken include UKTI's and SDI's delivery of the annual Explore Export event in Edinburgh on 6 November 2015, attended by over 150 businesses. Close partnership working between the Scotland Office, UKTI, Scottish Enterprise and the Scottish Council for Development and Industry was also essential to support the Exporting is GREAT roadshow launched in Glasgow on 29



The Exporting is GREAT roadshow came to Edinburgh, Glasgow, Dundee and Aberdeen early in 2016



February 2016. This saw the Exporting is GREAT hub visit Aberdeen, Dundee and Edinburgh. Around 350 Scottish businesses signed up to explore exporting opportunities as part of this drive. The hub will return to Scotland in the summer of 2016.

The Scotland Office (and UKTI) also supported the Parliamentary Under Secretary's attendance at the Milan Expo in October 2015, where Lord Dunlop promoted Scotland's outstanding life sciences industry as part of UKTI's week long programme of events focused around the sector.



A ministerial visit to Alexander Dennis, one of the UK's leading bus and coach manufacturers. Scotland's growing gin sector also represented a real export success story this year.

### Scottish City Region Deals

This work contributes to the Government's policies on accelerating economic growth. In a Scottish context, this sees a range of partners – Scotland's two governments and their respective agencies, Scottish local authorities, Scottish further and higher education institutions and the private sector – working together to identify the priorities for City Regions and agreeing a programme of investment through a variety of financial instruments over a period of around ten years.



The Scotland Office Minister Andrew Dunlop signing the Inverness City Deal agreement with the Leader of The Highland Council Margaret Davidson and Scottish Government Minister Keith Brown.

Building on the success of the Glasgow and the Clyde Valley City Region Deal, the Scotland Office has played a central role in the development of further Scottish City Region Deals in 2015-16. This includes the Aberdeen City Region Deal, announced on the 28 January 2016 and the Inverness City Region Deal, announced on the 22 March 2016. The Chancellor of the Exchequer also announced the UK Government's intention to formally commence negotiations with all partners engaged in the proposals for an Edinburgh and South East Scotland City Region Deal in his 16 March 2016 Budget.



The Secretary of State at the signing of the Aberdeen City Region Deal

## **Summary of 2015-16 Scottish City Region Deals**

### **Aberdeen City Region Deal (UK Government contribution of up to £125m)**

The Deal will address a number of proposals from the region including a new energy innovation centre, supporting the industry to exploit remaining North Sea reserves, as well towards the expansion of Aberdeen harbour, enabling the city to compete for decommissioning work. The Deal also sets out how the region will diversify the biopharmaceutical and agri-food industries, diversifying the area's economy and creating new jobs and export opportunities, as well as commitments to improve digital connectivity across the area.

### **Inverness and Highland City Region Deal (UK Government contribution of up to £53.1m)**

The Deal will enable the Highland area to be the most digitally connected rural region in Europe by investing into extended digital coverage, including superfast broadband and mobile 4G connectivity across the Highlands region. It will also support a package of new innovation measures such as a multi-disciplinary centre focused on the commercialisation of new medical products and technologies, and a Northern Scotland Innovation Hub. The Deal will also include work to ensure business-friendly air routes to international hubs and improving access to London.

The process for agreeing Scottish City Region Deal “Heads of Terms” in 2015-16 has been driven by the City Region in question and normally involves a range of partners from across the public and private sectors. The UK Government (led by the Scotland Office and involving the Department for Communities and Local Government, HM Treasury and other departments and agencies as appropriate) and Scottish Government work with the local partners through a series of face to face meetings to refine proposals and agree the scope and financial investment of all partners.

“Heads of Terms” documents are then supplemented by detailed Deal documents which set out a clear business case for the intervention and timeline for delivery. Governance arrangements for each Deal are agreed locally with oversight from the UK and Scottish Governments to ensure value for money for Scottish and UK taxpayers.

### **Other highlights**

The Scotland Office delivered on its objective to be Scotland’s voice in Whitehall through Ministerial and official level interventions on a range of further policy issues in 2015-16, resulting in:

**Scottish flights support:** air links between Dundee and London were secured for a further six months with the UK Government, the Scottish Government and Dundee City Council agreeing to extend the current public service obligation contract until the end of 2016. This created the chance for a longer term solution for this important connection for Dundee.



The UK Government also helped support a new Dundee – Amsterdam air link

**HS2 Broad Options Report:** exploring options for upgraded and high speed railways to the north of England and Scotland, the report looked at how it might be possible to improve journey times from Edinburgh and Glasgow to cities further south, including options that could reduce journey times to London to three hours or under. These included:

- upgrades within the footprint of the existing railway;
- new high speed bypasses of constrained track sections; and
- complete new lines on either the east or west of the Pennines.

The Scotland Office will continue to work in close partnership with the Department for Transport and Scottish Government with the ultimate aim of achieving journey times of 3 hours between Scotland's central belt and London.

**UK Government guarantee for Aberdeen Infrastructure:** in addition to the Aberdeen City Region Deal, a UK Government guarantee to the value of £86 million was announced, allowing a major development in Aberdeen to go ahead that will deliver new housing, schools, healthcare and parks. The guarantee works by providing a state-backed guarantee to help projects access finance. The guarantee will enable funds to be raised from the Capital Markets, issued as revolving Loan Notes, to support the £1bn infrastructure project at Countesswells.

**Funding for Scottish water rescue charities:** the UK Government scheme provided five voluntary groups in Scotland with £60k funding for new equipment and training, to support rescue efforts on and around inland and inshore waterways. The money was for the purchase of lifeboats, launch vehicles, rafts and safety gear, as well as going towards training and other costs to support lifesaving efforts.

**Scotch whisky protection in Mozambique:** following the Secretary of State for Scotland's visit to Mozambique (February 2016) and his meeting with the Minister of Industry and Commerce, State officials confirmed Scotch whisky as a Geographical Indication. Described as a "legal breakthrough" by the Scotch Whisky Association, the protection will help Scottish distillers maximise the value of this important new market.



The Secretary of State promoting Scotch whisky exports at a meeting with Malawi's Trade Minister in February 2016

## Stakeholder engagement

Over the past year the Scotland Office has continued to engage with stakeholders across Scotland to ensure that the UK Government can fully articulate stakeholders views in reserved policy areas.

Ministers have conducted visits and events across Scotland reaching out to a wide range of sectors, networks and organisations. For example Ministers have hosted briefings and discussions on subjects including the Strategic Defence and Security review, entrepreneurship; economic growth (including a Dundee jobs summit and City Region Deal engagements across Scotland); BBC Charter Review; and the Scotland Act (and Fiscal Framework). These discussions are used to inform and shape the development of UK Government policy. For example, Budget 2016 specifically responded to concerns made by the oil and gas sector and the Scottish Whisky Association.

Alongside Scotland Office engagement, officials support other government departments to expand and enhance their outreach and activity in Scotland. Examples include the Maritime and Coastguard Agency holding events supported by Scotland Office officials on the issue of Emergency Towing Vessels; facilitation of meetings for the Home Office's Permanent Secretary with key stakeholders on the resettlement of Syrian refugees in Scotland; and developing a programme of visits and meetings for the Cabinet Secretary in Scotland.



The Scotland Office welcomed a delegation from the Scottish Youth Parliament

The Scotland Office also continues to make sure that stakeholders across Scotland are kept informed of key UK Government policy and initiatives, for example through targeted briefings and communications to stakeholders and facilitating events and meetings in our Dover House and Melville Crescent buildings. Examples include hosting members of the Scottish Youth Parliament for their visit to London to experience the work of the UK Government and UK Parliament and understand its impact on Scotland.

## Devolution capability

The Scotland Office has been working closely with the Cabinet Office to strengthen devolution capability across all UK Government Departments. The Scotland Office has been supporting Departments to review the impact of their policy priorities on Scotland, their communication and engagement activity in Scotland and their plans to improve the awareness and skills of officials with respect to devolution.

Officials from Scotland Office have also supported the Cabinet Office in taking forward the Devolution and You learning campaign, a campaign which is supported by the UK, Scottish and Welsh Governments to improve devolution capability across the unified civil service. Scotland office activity included leading training sessions with officials from across Government, writing blogs and other learning materials and supporting interchange and shadowing opportunities.

## National Security and Civil Contingencies

The Scotland Office continued to fulfil its responsibilities in relation to national security and civil contingencies, working with the Scottish Government, Police Scotland, and other UK departments on the delivery of CONTEST, the UK Government's counter terrorism strategy, and the response to overseas terrorist attacks.

The Scotland Office also worked with other UK departments, the Scottish Government and other responders on a range of civil contingencies. These included preparations for and mitigations of the impact of industrial action in various sectors such as Scottish fuel supply and the seafood industry and domestic preparedness for the impacts of the Greek financial crisis and for zika virus.

## Objective 3: Championing the UK Government in Scotland

### Profile

The public profile of the UK Government in Scotland has been heightened by the delivery of the Scotland Act 2016 legislation and new powers for the Scottish Parliament. However, improving communications on the breadth and depth of the UK Government's activity and support for people in Scotland has also been a focus.

#Budget2016 SCOTLAND



**An additional  
£1 billion package will  
support the North Sea  
oil and gas sector**

This has ranged from explaining the UK Government's support for the oil and gas industry at a critical time to supporting the announcements including the Budget, Strategic Defence and Security Review, High Speed 2, the National Living Wage and initiatives such as Exporting is GREAT.



The Secretary of State on a visit to the Ethical Shellfish Company on the Isle of Mull

## **New powers and public engagement**

Over the past year, the Scotland Office has sought to engage and inform the public about the new powers in the Scotland Act 2016 through a programme of Ministerial speeches, campaigns and digital content, newspaper and television interviews, online information, social media and printed materials, stakeholder programmes, Ministerial visits, local authority engagement and attendance at public events.



The Secretary of State made a number of key speeches on the future of devolution in Scotland

The changes to the powers of the Scottish Parliament have provided a key focus for the Scotland Office as it marked each significant delivery milestone through activity to increase the public awareness of the changes and their impact on the daily lives of the people who live here. This was particularly true of the changes to income tax and welfare powers. We are increasingly using digital channels to communicate these changes with the provision of innovative, professional products explaining the changes to devolution in clear and accessible ways.

## Partnership

Building on our increasing digital focus, we worked with the Edinburgh College of Art's animation department. The result was a world-class two-minute film produced by a third year student. This showed the transfer of powers and the different responsibilities of the two governments in an engaging, light-hearted way. A key aim here was to ensure the Scotland Office's messages reached out to new audiences across Scotland in an interesting way. This project was very successful and the team will build on its success in the coming year.



A new animation outlined the new powers of the Scotland Act 2016

In addition, we have worked with other government departments to engage the public and stakeholders on the debate around the devolution of further powers from their department through the activity of their Ministers and senior officials and supported by collaborative working with their media, events and digital teams.

## UK Government activity in Scotland

The range of UK activity has spanned labour market statistics, World War I commemorations, International Women's Day, UK Aid, City Deals, new air routes, UK Research Councils, cybersecurity and many other relevant reserved areas.

The Cabinet Office's GCS regional team has also worked effectively with the Scotland Office to push many of the UK Government's central campaigns in Scotland.

The Scotland Office has also engaged with the public, businesses, stakeholders and local politicians at a number of Ministerial visits around Scotland including visits to the 32 local authorities and key sporting events, creative festivals, business conferences and rural events.





The Scotland Office hosted a reception to mark International Women's Day

### **Ministerial visits**

The Secretary of State has also undertaken a highly successful international visit to Mozambique and Malawi which linked in with the work from the UK Government and Aberdeen City Council on oil and gas and the UK Government work on international aid. A ministerial visit to Texas to further support the North Sea sector took place in June.



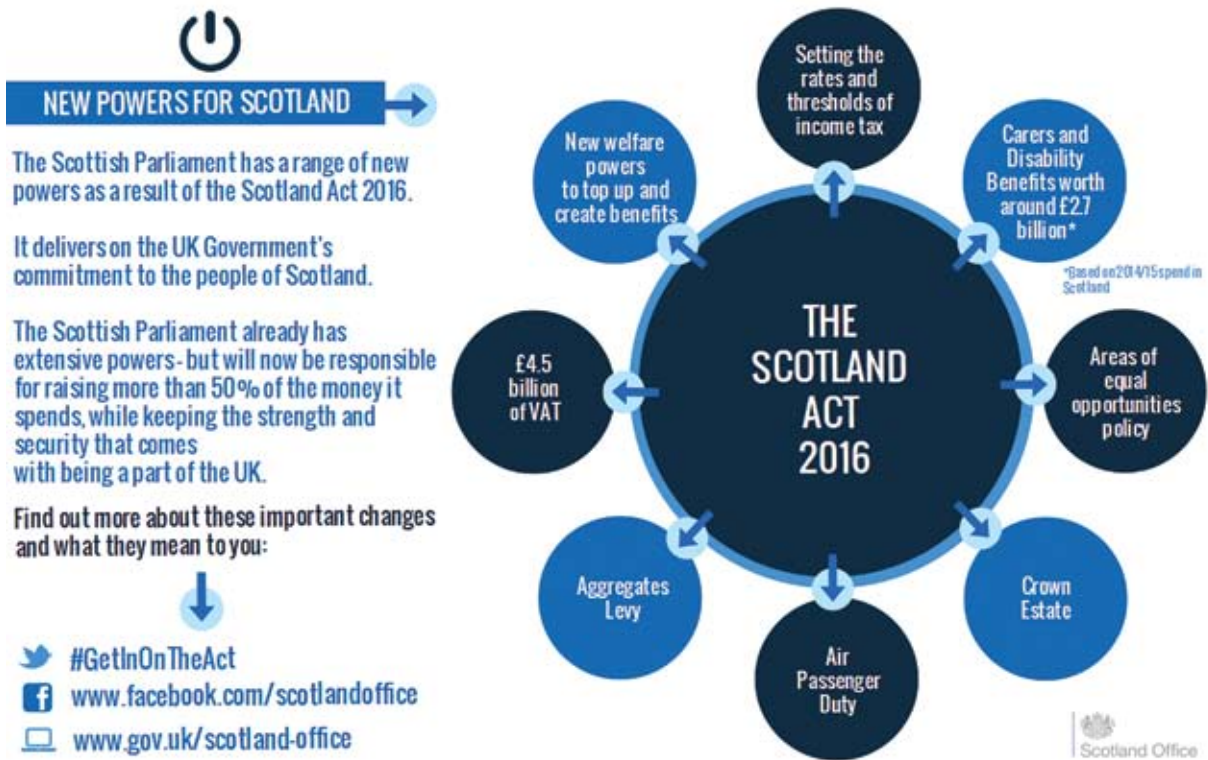
The Secretary of State on a visit to Malawi

## Digital

Communicating with a wider audience has been a key focus and the Scotland Office has built its campaign, digital and evaluation/ insight team to ready itself for the challenges ahead.

Our use of Facebook has been particularly successful with a marked increase in engagement and content. The Office has maintained a strong and growing Twitter presence and is building knowledge of the work across UK Government in Scotland through its regular newsletter which is available to all members of the public. Our gov.uk website continues to be a solid platform to host relevant information.

The Scotland Office team has also developed a wide range of in-house digital capability, giving it the agility and responsiveness to create infographics and animations quickly and cost-effectively to support teams and other departments in the Scotland messaging.



## **Part 2: Office of the Advocate General for Scotland**

### **Delivery of Objectives in 2015-16**

The Office of the Advocate General (OAG) set the following strategic objectives for 2015-2016:

**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, Department of Work and Pensions and HM Revenue & Customs. 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 2015-16 to meet each of these objectives is summarised below.

### **Objective 1 : Providing Advice on Policy and Legislation**

A fundamental aspect of OAG's work 2015-16 was the provision of advice on Scots law to UK Government departments and agencies, including working with Bill teams on all Westminster legislation affecting Scotland. OAG also regularly advised on matters relating to devolution in the development and operation of UK Government policy, as well as advising on the implications for the UK Government of proposals by Scottish Ministers, and of Bills introduced into the Scottish Parliament. OAG has been proactive in keeping such issues to the forefront of client departments' thinking, as well as being responsive to a wide range of issues which have arisen.

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 2015-16, 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:

- Armed Forces Bill
- Energy Bill
- Enterprise Bill
- Finance Bills
- Housing and Planning Bill
- Immigration Bill
- Investigatory Powers Bill
- Psychoactive Substances Bill
- Scotland Bill
- Trade Union Bill
- Wales Bill
- Welfare Reform and Work Bill

Work on the Scotland Bill was a particular priority for the office and OAG played a central role in instructing the drafting of the Bill for introduction in May 2015, leading and co-ordinating the legal aspects. Once introduced, we worked closely with Scotland Office as part of the core Bill team in handling every aspect of the Bill's Parliamentary passage, including instructing Government amendments and consideration of non-Government amendments.

As far as subordinate legislation is concerned, OAG was responsible for advising or leading on the Scotland Act Orders referred to in Part 1 of this report, covering a range of subjects such as Disabled Person's Parking and Elections. This included the order to alter the Scotland Act to enable the Scottish Parliament to legislate to avoid a clash of dates for the UK and Scottish Parliament elections in 2020. OAG also contributed to the preparation of a wide range of secondary legislation prepared by UK Government Departments.

OAG were also involved in devising and operating a system of scrutiny for UK Government Bills to enable the new process of English Votes for English Laws to operate effectively.

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

During 2015-16, OAG was involved in a wide variety of litigation on behalf of the government. We considered 30 civil devolution and 61 criminal compatibility issues.

The Advocate General maintained his intervention in the significant devolution challenge raised by the *Scotch Whisky Association and Others*. This involves a challenge to the Scottish Government's legislation relating to minimum alcohol pricing and the reference was heard by the Court of Justice of the European Union in Luxembourg in May last year. The appeal will continue in the Court of Session in June 2016.

A breakdown of the cases in which the Advocate General has intervened since devolution can be found at: <https://www.gov.uk/government/organisations/office-of-the-advocate-general-for-scotland>.

Immigration litigation continued to be a major area of work. A total of 335 new cases were dealt with comprising 406 petitions for judicial review, 29 statutory applications for leave to appeal and 7 statutory appeals. This represented a 30% increase in this work overall. There were also 13 reclaiming motions (appeals to the Inner House of the Court of Session). The immigration cases which OAG deals with on behalf of the Home Secretary consistently comprise one of the largest single areas of work before the Court of Session. The significant themes this year have been: claims challenging Home Office decisions relating to family life (Article 8 ECHR,); cases following the Supreme Court decision in *Eba v Advocate General for Scotland* which considered whether it was competent in certain circumstances to judicially review a decision of the Upper Tribunal; challenges to action by Home Office following the discovery of evidence of applicants for leave, cheating in English Language tests and challenges to detention.

The Secretary of State for Work and Pensions was represented by OAG 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 handled a high volume of litigation in 2015-16 on behalf of HM Revenue & Customs. It handled 124 cases during the year, including cases relating to tax and duties before the Court of Session, several Sheriff Courts (including appeals to Sheriffs Principal) throughout Scotland, the First-tier Tribunal (Tax Chamber) and the Upper Tribunal (Tax and Chancery Chamber). Of the 124 cases, 17 related to national minimum wage matters (either appeals by, or recovery of sums due from, employers) in both the Employment Tribunal and Sheriff Courts.

OAG also represented UK departments in other Scottish litigation, for example acting for the Secretary of State for Health in an application for a declaratory of parentage under the Human Fertilisation & Embryology Act 2008.

In addition to Scottish cases in 2015-16, the Advocate General has also personally represented the UK Government in a number of other significant court cases. The Advocate General appeared on behalf of the UK Government before the Grand Chamber of the European Court of Human Rights in the case of *Ibrahim v. UK* which concerned the legality of so-called "safety interviews" in terrorism cases. In *Roberts v Secretary of State for the Home Department* the Advocate General represented the Home Secretary in the Supreme Court in a case about the legality of searches and in *Kiarie and Byndloss* the Advocate General represented the Home Secretary in the English Court of Appeal in an important immigration case.

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

OAG undertook a variety of work in 2015-16 to support Scotland's continuing place within the UK. The most significant was OAG's central role in relation to the Scotland Bill, giving legislative effect to the Smith Commission Agreement, with OAG lead lawyers on the Bill. 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 2015-16. 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 Scotland Office, in delivering the Scotland Act Orders referred to in part 1 of this chapter. Such orders are one of the key mechanisms by which the Scotland Act ensures continuing coherence of the settlement.

To support the meeting of the objective of 2015-16, we 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 Scotland Office, together with a range of other departments. Throughout 2015-16 we continued to engage with the Scottish Government to secure the delivery of common objectives and to resolve areas of disagreement in a proactive way.

Along with the Scotland Office, Wales Office and Cabinet Office Constitution Group, OAG became 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 2015-16, the Advocate General was a member of the Parliamentary Business and Legislation Committee which manages the UK Government's legislative programme.

Under section 33 of the Scotland Act 1998, the Advocate General may refer to the Supreme Court the question of whether a Bill of the Scottish Parliament, or any provision of such a Bill, is outside the legislative competence of the Scottish Parliament. OAG advised and supported the Advocate General in relation to this statutory function, which is one of the fundamental checks and balances of devolution. OAG ensured that the relevant UK Government departments were consulted in relation to the Advocate General's role as regards all Scottish Parliament Bills passed in 2015-16.

The Advocate General was also the official spokesperson in the House of Lords for the Attorney General's Office. He has answered parliamentary questions and steered certain legislation through the House on behalf of the UK Government. In the 2015-16 session the Advocate General led for the Government on aspects of the Immigration Bill and the Scotland Bill as well as taking Statutory Instruments for the Scotland Office and Home Office through the House of Lords.

## Our Corporate Performance

Underpinning the Scotland Office's 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 2015-16, the three main indicators, adopted by both the Scotland Office and the Office of the Advocate General, aimed at ensuring the provision of high quality and efficient services in dealings with the public, were as follows:

Target	Indicator	Performance in 2015-16
We will respond to ministerial correspondence within 15 working days of receipt or we will send an interim reply explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 15 days.	The Scotland Office answered 1,556 (2,965 in 2014-15) pieces of correspondence and replied to 87% (84.1% in 2014-15) of ministerial correspondence within the target time. The Office of the Advocate General answered four pieces of correspondence and replied to 100% of ministerial correspondence within the target time.
We will reply to all Freedom of Information (FOI) requests within 20 working days of receipt or, if an extension is permitted under the FOI Act, and it is necessary to use it, we will reply within 20 working days explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 20 days.	The Scotland Office received 192 FOI requests in 2015-16 and replied to 80% within 20 working days either substantively or explaining the reason for an extension. The Office of the Advocate General received 54 FOI requests in 2015-16 and replied to 100% within 20 working days.
We will ensure accounts are paid promptly. We will pay 80% of accounts within 5 days of receipt of a valid invoice.	Percentage of payments made within target time.	The Scotland Office paid 86.1% of invoices within five days. The Office of the Advocate General paid 96.1% of invoices within five days.

## Ministerial correspondence

There were 1,556 items, compared to 2,965 in 2014-15. The significant volume in 2014-15 was attributable to letters from members of the public about issues related to the referendum.

## 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, 76% 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 Scotland Office responded to Oral Questions in the House of Commons on six occasions during the reporting year: on 10<sup>th</sup> June 2015, 15<sup>th</sup> July 2015, 4<sup>th</sup> November 2015, 6<sup>th</sup> January 2016, 10<sup>th</sup> February 2016 and 23<sup>rd</sup> March 2016.

	Ordinary Written Questions		Named Day Questions	
	Total Received	Answered on Time	Total Received	Answered on Time
House of Commons	105	85%	78	63%
House of Lords	9	89%	n/a	n/a
Total	114	85%	78	63%

## 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 regular 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.<sup>1</sup>

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

<sup>1</sup> The most recent edition was published in October 2010 and is available at: [http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/sr2010\\_fundingpolicy.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/sr2010_fundingpolicy.pdf)



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 2015-16 (together with data for 2014-15 and 2016-17) can be found in chapter 4. The cash grant paid in 2015-16 was £28,025,258,000.

Alongside this grant, the Scottish Government's funding in 2015-16 also included 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 Scottish Government published details of how it allocated its budget for 2015-16; these are contained in Scotland's Draft Budget 2015-16 and the Budget (Scotland) Act 2015.

## **Efficient Use of Resources**

The bulk of the costs of the Scotland Office and the Office of the Advocate General relate to staffing and associated expenditure linked to advisory and support functions for Ministers and other UK Government Departments. 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 2015-16 the Offices have sought ways of making more efficient use of resources and reducing costs. These include making more efficient use of accommodation and sub-letting more space in our premises to other UK Government bodies and also to the Scottish Government.

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

The Scotland Office and Office of the Advocate General use corporate services provided by larger departments. Human resources, payroll, information and communication technologies, accommodation, and internal audit are supplied by the Ministry of Justice and 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 our needs are understood and quality service is provided. The Ministry of Justice's services are regulated by a portfolio of service level agreements with the Territorial Offices. The Scotland Office and the Office of the Advocate General reimburse the Scottish Government for the cost of the services it supplies. The Offices are also part of a shared Parliamentary service which supports the Northern Ireland Office, the Scotland Office and Office of the Advocate General and Wales Office. This enables us to have a greater resilience in this essential function and to draw upon expertise we could not otherwise build up. The Boundary Commission for Scotland receives almost all its corporate services from the Scottish Government.

For the procurement of goods and services the Offices generally use framework contracts negotiated by the Crown Commercial Service, the Ministry of Justice and the Scottish Government.

The Scotland Office provides services to other government bodies by making space available in our buildings for office accommodation. Wherever appropriate, the Scotland Office and the Office of the Advocate General work with the Northern Ireland Office and the Wales Office to share expertise.

## **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 2015-16 published at:  
<https://www.gov.uk/government/publications/government-financial-reporting-manual>

The Scotland Office and Office of the Advocate General do not solely occupy any of their buildings in Edinburgh or London. Dover House in London is shared with other government bodies (to a total of about 45%) and Melville Crescent in Edinburgh is also shared with other government bodies (to a total of about 28%). The Office of the Advocate General 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-targets>

### **Carbon Reduction Commitment**

The Scotland Office and Office of the Advocate General has put in place the following measures necessary to adapt to future climate change:

- In Dover House and Melville Crescent the number of LED and PIR sensor lights continues to be increased as repairs are undertaken;
- We have continued to ensure both buildings are used to their maximum extent by letting space to other departments. The Scotland Office and the Office of the Advocate General have 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 Scotland Office draws on services supplied by the Ministry of Justice or under contract to them, our contribution to Government commitments on environmental impact and sustainability are met within those wider frameworks. The Scotland Office and Office of the Advocate General are committed to reducing their environmental impact by:

- Encouraging the use of video conferencing rather than travelling to meetings;
- Using recycled paper and other stationery; and
- Using public transport rather than cars when travelling to meetings.

In 2015-16 we have continued, wherever feasible, to acquire new mobile video conference equipment to facilitate reduced travel and we have continued to replace printers and photocopiers with energy efficient models which reduce paper wastage.

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

In 2015-16 within the Parliamentary Supply Estimates (Supplementary Estimate) for the Scotland Office and the Office of the Advocate General the spend totalled £29 billion. The Scotland Office and the Office of the Advocate General voted provision was £9.2 million and the grant to the Scottish Consolidated Fund totalled £29 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.

### Movements in Estimate Provision During 2015-16

At the start of the year the Scotland Office and the Office of the Advocate General were voted £28 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £29 billion, primarily due to an increase in the grant to the Scottish Consolidated Fund of £0.6 billion.

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

The Statement of Parliamentary Supply demonstrates that overall there was an underspend of 1.95% (£558.5 million) on the Estimate provision of £28.6 billion. The Statement of Parliamentary Supply 1.1: Analysis of net resource outturn by section, provides a breakdown of this position for each subhead in the Estimate. The reasons for variances are set out below.

### Scotland Office and the Office of the Advocate General – Resource

The Scotland Office and the Office of the Advocate General 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
Scotland Office and Office of the Advocate General	8,731	8,808	77	0.87%

### Boundary Commission for Scotland

The underspend on the Boundary Commission for Scotland's allocation for 2015-16 was mainly due to lower than expected review costs (public notices were not printed

in the press to announce the start of the 2018 review and the Boundary Commission are procuring a consultation portal jointly with other boundary commissions in the UK uncertainty in accommodation costs at the time of drafting the corporate plan, and the decision not to produce hard-copy publications, contrary to expectations at the time of drafting the corporate plan. The Commission also spent less than expected on their information technology maintenance budget and there were further delays in the planned upgrade of their information technology system.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Boundary Commission for Scotland	135	200	65	32.5%

### Grant payable to the Scottish Consolidated Fund

The sum of £557,868 million described as an underspend in the grant payable to the Scottish Consolidated Fund, indicates the amount of actual cash the Scottish Government did not draw down in 2015-16. It is the responsibility of the Scotland Office 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. Information on the Scottish Government's actual expenditure in resource terms can be found in the Scottish Government's consolidated accounts and the accounts of its arm length bodies. The Scotland Office is responsible for ensuring 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.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Grant payable to the Scottish Consolidated Fund	28,025,258	28,583,126	557,868	1.95%

### Scotland Office and the Office of the Advocate General – Capital

The capital underspend relates to the delays in the delivery of IT equipment.

Spending in Departmental Expenditure Limits	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Scotland Office and the Office of the Advocate General	225	235	10	4.26%

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

	Estimate £000	Outturn £000
Net Resource Outturn (Estimates)	28,606,309	28,047,771
Net Operating Cost (Accounts)	28,606,309	28,047,771
Voted expenditure outside the budget	(28,583,126)	(28,025,258)
Resource Budget Outturn (Budget)	9,008	8,866

**Francesca Osowska**

Accounting Officer for the Scotland Office and Office of the Advocate General

7 July 2016

# Chapter 2: The Accountability Report

## Director's Report

### **Scotland Office and Office of the Advocate General Ministers and Directors**

The Ministers and officials of the Scotland Office and Office of the Advocate General who were members of the Joint Management Board at various times during 2015-16 are shown below:-

- The Rt Hon David Mundell MP, Secretary of State for Scotland since 11 May 2015;
- The Rt Hon Alastair Carmichael MP, Secretary of State for Scotland until 8 May 2015;
- Lord Dunlop of Helensburgh, Parliamentary Under Secretary of State for Scotland since 11 May 2015;
- The Rt Hon David Mundell MP, Parliamentary Under Secretary of State for Scotland until 10 May 2015;
- The Lord Keen of Elie QC, Advocate General for Scotland since 29 May 2015;
- The Rt Hon The Lord Wallace of Tankerness QC, Advocate General for Scotland until 8 May 2015;
- Francesca Osowska, Scotland Office Director and Accounting Officer ;
- Michael Chalmers, Office of the Advocate General Director;
- Helena Gray, Scotland Office Deputy Director for Stakeholder Engagement and Corporate Services;
- Ruairaidh Macniven, Legal Secretary to the Advocate General.

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

### **Security and Information Security**

The Scotland Office does not handle a large volume of sensitive or personal data, but nonetheless is committed to ensuring the information it does hold is handled and protected correctly and that we are compliant with the appropriate standards.

Information assets and risks are identified and controls are in place to manage their use, which are regularly review. We make use of a training package provided through the Civil Service Learning (CSL) to train all staff annually in information assurance and data handling issues.

There was one security incident reported during 2015-16. This involved the loss of an encrypted blackberry. The incident was fully investigated and appropriate action was taken.

### **Audit**

The financial statements are audited by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration is disclosed at Note 4 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2014-15: £nil).

# Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Scotland Office and the Office of the Advocate General to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scotland Office and the Office of the Advocate General 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; and
- to prepare the accounts on a going concern basis.

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

To the best of the Accounting Officer and Director's knowledge, there is no relevant audit information of which the Scotland Office's auditors are unaware. The Accounting Officer has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the Scotland Office's auditors are aware of that information.

I take personal responsibility for the annual report and accounts and the judgements required for determining that as a whole it is fair, balanced and understandable; which I can confirm.

**Francesca Osowska**

Accounting Officer for the Scotland Office and Office of the Advocate General

7 July 2016

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

## Introduction

As the Director of the Scotland Office I am the Principal Accounting Officer of both the Scotland Office and the Office of the Advocate General. 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 Scotland Office and the Office of the Advocate General. 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 Scotland Office and the Office of the Advocate General 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 Scotland Office 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 Scotland Office's and Office of the Advocate General's vote and, as the Principal Accounting Officer, I am responsible to Parliament for its stewardship of public resources. The governance statement makes appropriate reference to the Scotland Office's sponsorship of the Commission. The Office of the Advocate General is not responsible for any arms-length bodies.

This governance statement covers the whole of the period from 1 April 2015 to 31 March 2016. I sought assurance from Ministers, the Audit Committee, Internal Audit 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 whole of the year 2015-16.

## Corporate Governance Structures

The management of the Scotland Office and the Office of the Advocate General for Scotland is overseen by a Joint Management Board (JMB), chaired by the Secretary of State. Details of the membership of the JMB can be found below. In line with central government guidance, the Board is at the apex of the Offices' corporate governance.

An account of the Offices' compliance with the *Corporate Governance Code in central government departments: Code of good practice 2011* issued by HM Treasury was published in full in the annual report and accounts for 2012-13, and it is summarised in Annex A.

The then Secretary of State appointed Graeme Bissett, Joyce Cullen and Shonaig Macpherson as new non-executive board members to the Joint Management Board on 26 March 2015, at the very end of the last accounting period. Following the General



Election in May, the Secretary of State reflected on the constitution and role of the Board and decided to strengthen the governance and operation of the Board. As a result the Office recruited an additional non-executive member of the Board to be the Lead Non-Executive. Keith Cochrane was appointed to this role on 16 December 2015. Details of the Board membership during 2015-16 are given below.

Since Keith Cochrane's appointment the visibility of the non-executive Board members has increased considerably, especially across government. Keith Cochrane is a member of the Lead Non-Executive network, chaired by the Government's Lead NED, Sir Ian Cheshire. The network meets on a monthly basis to discuss how to deliver the Government's cross-cutting priorities. The non-executive directors attend an annual conference which brings together non-executives from across government to discuss how they can provide independent, expert advice and challenge to support Ministers in delivering their departmental objectives. The Director of the Office of the Advocate General, Scotland Office Senior Leadership Team members and I have frequent engagement with the Board members both as a group and also informally on a one-to-one basis. There is also significant sharing of information between officials and the non-executive directors to ensure they are kept fully updated on the work of the Offices between meetings of the Board, and to help non-executive directors identify areas where they can add value. The non-executive directors and the lead non-executive in particular have also had frequent engagement with their peers from Boards of other government departments, providing me with additional reassurance of the governance arrangements and oversight of the Offices.

Although in 2015-16 the Board has formally met once, the Board provided advice on a number of occasions outside of meetings, most notably on the Scotland Office and Office of the Advocate General business plans and performance management framework. Also the Board has taken action to enhance its input into the Offices by setting up two new sub-committees in addition to the Audit Committee. These are a Communications Strategy sub-committee, chaired by the Lead non-executive and a sub-committee for the Office of the Advocate General to ensure the work of OAG could be adequately discussed and that the sub-committee reports to the Audit Committee and the Board through a record of the discussions. Membership of these sub-committees and details of attendance at meetings is below.

In addition to formal corporate governance structure, I am in regular contact with the Director of the Office of the Advocate General to ensure I can fulfil my responsibilities as Principal Accounting Officer in respect of the Office of the Advocate General. Various means are available to me to provide assurance about the Boundary Commission for Scotland's management of public resources. A member of Scotland Office staff is in regular contact with the Secretary to the Commission. I have additional reassurance from the work of Internal Audit and their report on *The Financial Management and Oversight of the Boundary Commission*.

## **Membership and business of the Joint Management Board**

The Board in 2015-16 comprised:

- the Secretary of State for Scotland, the Parliamentary Under Secretary of State, and the Advocate General for Scotland;
- the Director of the Scotland Office and Principal Accounting Officer for both Offices;
- the Director of the Office of the Advocate General;

- two senior officials, (one each from the Scotland Office and the Office of the Advocate General);
- the lead non-executive member; and
- three other non-executive members, including the chair of the Audit Committee.

The membership of the Board, its subcommittees and members' attendance at meetings is shown in the table below. There was one formal JMB meeting in the 2015-16 accounting year and 6 sub-committee meetings in total. All the members were present at all the meetings they were required to attend.

Joint Management Board 2015-16	Sub-committee
Rt Hon David Mundell MP Secretary of State for Scotland	
Lord Dunlop Parliamentary Under Secretary of State for Scotland	
Lord Keen of Elie QC Advocate General for Scotland	
Francesca Osowska Director of the Scotland Office and Principal Accounting Officer	
Michael Chalmers Director of the Office of the Advocate General	OAG sub-committee
Helena Gray Deputy Director, Scotland Office	
Ruaraidh Macniven Legal Secretary to the Advocate General	OAG sub-committee
Keith Cochrane Lead non-executive member (from December 2015)	Communication Strategy Sub-committee
Edward Adams Non-executive member and Chair of the Audit Committee	Audit Committee
Graeme Bissett Non-executive member	Audit Committee
Joyce Cullen Non-executive member	OAG sub-committee
Shonaig Macpherson Non-executive member	

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

- strategy and business plans for 2015-2020;
- measurement of performance in both Offices; and
- the Offices' financial settlements for the spending round 2015-2019.

## **Board Sub-committees, including the Audit Committee**

The Joint Management Board has five sub-committees:

- the Scotland Office Senior Leadership Team (SLT);
- the Office of the Advocate General Senior Management Team (SMT);

- the Audit Committee;
- the Communications Strategy sub-committee, and
- the Office of the Advocate General sub-committee.

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

The remit of the Audit Committee is to advise the Principal Accounting Officer and provide assurance on the way the Offices are being managed. The Audit Committee operates in accordance with the Treasury's Audit Committee Handbook and meets at least quarterly. A separate report by the chairman of the Audit Committee on the Committee's work in 2015-16 is annexed to this governance statement.

During 2015-16 the Audit Committee had four members: Edward Adams, Charlotte Barbour (until Nov 2015), Gillian Carty and Graeme Bissett. There were five meetings during the year. All the members were present at all the meetings. I would like to take the opportunity to thank Charlotte Barbour for her contribution to the Offices' in the seven years she served on the Audit Committee.

Officials of the National Audit Office and the Internal Audit Directorate of the Ministry of Justice attend the Audit Committee. The Ministry of Justice provides internal audit services to the Scotland Office and the Office of the Advocate General. The Directors and senior staff of both Offices responsible 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 Scotland Office and the Office of the Advocate General. In 2015-16 the Office introduced a new methodology for recording and managing risks and risk management policy. The new risk register and policy were reviewed by the Audit Committee and are based on advice of good practice from our Internal Auditors. The framework for managing risk with the Offices is intended to ensure a consistent approach in risk identification and management. The risk management policy sets out:

- The Offices' Joint Management Board and its sub-committee the Audit Committee oversee the risk management process. They monitor the most significant strategic risks facing the organisation.
- The structure, content and escalation path for the Offices' risk registers have been agreed by the Board and Audit Committee and are designed to ensure the identification of both strategic risks and key business risks.
- The risk registers detail risks that could affect the Offices achieving the objectives as set out in the respective business plans. The risk register also includes a statement defining the business escalation criteria based on the agreed risk tolerance.
- The Senior Leadership Teams review the registers on a monthly basis. As part of that review, a "deep dive" into a particular risk is taken at each meeting.

- These reviews include scrutiny of the effectiveness of controls in reducing the level of high risks. Any high scoring risk whose scoring cannot be reduced in line with its projected target score and date are subject to strong challenge by the Director of the relevant Office and by that Office's SLT. The matter is escalated to Ministers if the actions planned and contingency measures do not reduce the level of risk.
- The Deputy Director responsible for the risk updates the entry on the register on a monthly basis ahead of the meeting of the SLT. This ensures the register is accurate and up-to-date and shows acceptance of responsibility for delivery of the mitigating actions.

During 2015-16 most of the Offices' risks were assessed as medium. Corporate risks related to the management and adequacy of financial and human resources to meet the objectives of the two Offices and the provision of services by others to the Offices. Policy risks largely related to the successful passage of the Scotland Bill in March 2016.

## **Review of effectiveness**

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

The most important external source of assurance is provided by the Offices' lead non-executive, non-executive board members and the Audit Committee. The chair of the Audit Committee's report on its work in 2015-16 is in Annex B to this chapter.

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

During 2015-16 Internal Audit reports were produced on the following subjects and made available to the Audit Committee:

- Workforce Planning; and
- Financial Management and Reporting in the Boundary Commission.

The fieldwork for the last of these audits was undertaken in 2015-16, but the report was not made available to the Audit Committee until June 2016.

Internal Audit uses a four levels system for rating levels of assurance provided by its audits. Overall our Internal Auditors identified a good level of control and found no significant control issues, and were able to give a moderate level of assurance – the second highest level – 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. His certificate and report on these accounts is forms part of this chapter. In addition to these departmental accounts the National Audit Office also audited:

- the National Loan Fund accounts 2015-16;
- the Scottish Parliament Election Accounts 2015-16; and
- the UK and European General Parliamentary election Accounts 2015-16.

## **Propriety and Assurance**

In the Scotland Office, the Office of the Advocate General, and the Boundary Commission for Scotland, during 2015-16, 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; or
- unauthorised use or disposal of assets.

There was an information leak in April 2015 which was subject to a Cabinet Office investigation. The investigation findings have been published. The investigation did not identify any further action that I or the Offices were required to take.

For the period of 2015-16 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 and the Boundary Commission which affected the achievement of their policies, aims and objectives.

## **Information Assurance**

Reliable and accurate information is crucial to proper decision making in the Scotland Office and Office for the Advocate General 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. In general the risk carried by the Offices in this area is slight since neither Office handles significant quantities of personal or security information. Assurance is provided by periodic reports to the Offices' Audit Committee. Specific requirements are placed on the Office of the Advocate General when handling personal tax information in the course of litigation for HMRC.

**Francesca Osowska**

Accounting Officer for the Scotland Office and Office of the Advocate General

7 July 2016

## Annex A: Government's Corporate Governance Code

*Corporate governance in central government departments: code of good practice* and *Corporate governance in central government departments: code of good practice 2011 – guidance note* were both published in 2011. The code sets out the principles and provisions relating to the role and responsibilities, composition, and functions of departmental boards. In the Offices' annual report for 2012-13 there is a detailed description of the areas where the Scotland Office and the Office of the Advocate General choose at that point to depart from the code. The purpose of this annex is to summarise those differences at the end of 2015-16 taking account of changes made to corporate governance arrangements in the course of the year.

Where the Offices have chosen not to comply with the code this is mainly because their small size and limited resources make some of the provisions in the code unnecessary or disproportionate.

- The Directors of the Offices do not set out management structures formally for the Board each year.
- The Board does not include a professionally qualified finance director, but the Offices' finance manager routinely attends board meetings.
- Since the Offices do not have a Permanent Secretary, but separate directors accountable to the second Permanent Secretary, Cabinet Office, the provision in the code under which the non-executive members can recommend the Permanent Secretary's removal are not strictly relevant to the Offices' circumstances.
- The Offices have not thought it necessary to have a documented de minimis threshold for seeking board advice on policy proposals.
- The Offices do not have a nominations and governance committee. The small size of the Offices and their use of staff on assignment and secondment from other government bodies makes a nominations committee unnecessary, and the Joint Management Board oversees governance in the Offices.
- Agendas are agreed with the Secretary of State as Chair of the Board in advance of each meeting and all have the opportunity to raise items for inclusion on the agenda.

## Annex B: Annual Report of the Audit Committee

### **Scotland Office/Office of The Advocate General Audit Committee**

#### **Report for the year 2015-2016 from the Chairman**

Francesca Osowska is the Director of the Scotland Office, is Principal Accounting Officer for the Offices. As an Accounting Officer, she needs to have confidence that the Scotland Office and Office of the Advocate General are well run and have effective corporate governance and effective risk management policies and procedures in place.

The Accounting Officer seeks to use all the available evidence to give her the confidence she needs. Because of the nature of the work the Offices conduct and their relatively small number of staff, most of that assurance is obtained directly from the senior staff within the organisations with the support of internal and external audit where appropriate. The Audit Committee supports this process by providing independent scrutiny and advice. Specifically, it considers the arrangements in place to review corporate risk and its management; the independence, effectiveness and coordination of internal and external audit; the quality of financial management; and the assurances given relating to corporate governance. It also provides the Director of the Scotland Office and her senior colleagues with a forum where they can test assumptions and decisions in these areas.

#### **Activity**

The Audit Committee met formally four times during 2015-16, each time in Edinburgh. In addition a short meeting was held with the Head of Finance to look at the resource accounts.

#### **Membership**

This has been another year of change for the Committee, with the appointment of two new members (Graeme Bissett and Gillian Carty) and the retirement of one (Charlotte Barbour). Charlotte has been a member of the Committee for eight years, and I record here my thanks to her for the dedicated and professional service she has provided to three Accounting Officers, as well as to my predecessor and myself.

An induction day was held in November for new members (and for newly appointed non-Executive Directors). This will be supplemented by ongoing training and development arising from the Committee's self-assessment of its effectiveness (see below).

Members continued to be paid a daily rate for their duties.

#### **Main Issues**

The Committee was satisfied that the systems in place in the Scotland Office and the Office of the Advocate General over 2015-16 were sound and appropriate for the purposes they were required to support. The Committee was conscious that the Offices had coped with a continuingly high level of activity over this period, not only in

connection with the change of Administration in Westminster in May, but in particular with supporting the new Ministerial team in securing the passage of the Scotland Bill through its Parliamentary stages. The Office of the Advocate General had not only to provide the legal support necessary for the Bill but also to deal with its regular caseload in the shape of litigation work on behalf of other Government Departments, notably immigration related cases on behalf of the Home Office and tax litigation on behalf of HMRC.

During the year the Committee sought to ensure it paid appropriate attention to all these aspects of the work of the Offices. We were satisfied with the way they were handled, while noting the constraints imposed by the constant pressure to constrain costs. The Committee was pleased to note that issues of corporate governance continued to receive an appropriately high level of attention (particularly with the higher visibility the new Joint Management Board is set to assume) and that officials of both Offices had consistently had regard to their obligations under the Civil Service Code to observe political neutrality – as confirmed by the Second Special Report of Session 2015-16 of the House of Commons Public Administration and Constitutional Affairs Committee (HC 725).

The Committee kept the risk registers under review, where possible considering areas of risk which were common to both Departments, and assisted the process of refreshing the risk registers to take account of the priorities of new Ministers, as reflected in the two organisations' new business plans. The Committee provided comments on the new business plans and performance frameworks for each Department (reflecting the priorities of the new Ministers), and looks forward to considering the Risk Registers which will support their realisation. In this regard, the Committee welcomed the establishment of the new Office of the Advocate General sub-committee of the Joint Management Board, on which Joyce Cullen and Gillian Carty will be able to provide a level of additional scrutiny of the work of the OAG.

The Committee reviewed at each meeting the Offices' financial performance and management systems, and noted with approval the steps both organisations were taking to secure maximum value from the resources with which they were provided. The Committee also noted the very significant recruitment programme in the Scotland Office, necessary to achieve its programme of internal transformation. Although the results of this programme should yield considerable benefits on the medium to long term, there is no doubt it has been a source of additional pressure on the Department in 2015-16.

## **Committee Self-Assessment**

The new Committee conducted a rigorous self-assessment in February, using a framework provided by the NAO. In general, the Committee is satisfied that it is properly placed and equipped to fulfill its role in supporting both the Accounting Officer and the Joint Management Board, but that a number of key documents need to be produced in order to formalise arrangements. These include a summary of operating arrangements, a detailed annual rolling programme for the work of the Committee, and a Risk Management Policy.



## **Audit**

Internal and External Audit (provided by the Ministry of Justice Internal auditors and the National Audit Office respectively) provided strong support to the Committee throughout the year, attending all the meetings and offering helpful advice. The Committee was again pleased to encourage constructive discussions between the Offices and Internal Audit about the proportionate level of Internal Audit activity.

## **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, described the processes of corporate governance within the Offices and properly addressed the relevant issues, and that the Accounting Officer should sign it.

## **Future Work**

The immediate priority for the Committee in 2016-17 will be overseeing the programme of work arising from its self-assessment. Alongside this, the Committee will need to take carriage of the new Risk Registers and ensure its examination of them provides the right level of support to the Board in its role in ensuring delivery of the two organisations' business plans. In relation to the Boundary Commission, the Committee is looking forward to considering the internal audit report which is currently in preparation. The Committee will also need to consider how it provides reassurance over the expenditure of the Grant to the Scottish Consolidated Fund as the new Fiscal Framework is implemented.

On a wider note I, as Chairman, have renewed regular meetings with the Chairs of the Audit Committees of the Welsh Office and Northern Ireland Office, and Committee Members will (alongside non-executive members of the Board) be seeking during the coming year to develop links with the Audit Committees of Whitehall Departments facing similar issues to those which confront our Committee.

**Edward Adams**

April 2016

# 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. These comprise the sections on salary and pension entitlements.

## Remuneration Policy

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

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

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of Departmental services;
- the funds available to Departments as set out in the government's Departmental Expenditure Limits; and
- 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 Scotland Office and Office of the Advocate General 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 Ministers are shown in the following tables. Salary figures include all allowances payable by the Scotland Office, whereas full-year equivalents are calculated net of allowances, bonuses and ex gratia payments.

In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£67,060 from 1 April 2014, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Scotland Office Minister received benefits in kind in 2015-16 or 2014-15.

## Remuneration (salary and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (to nearest £1,000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
The Rt Hon David Mundell MP Secretary of State for Scotland (from 11 May 2015) <sup>(2)</sup> and Parliamentary Under Secretary of State for Scotland (until 10 May 2015) <sup>(3)</sup>	62,410	22,375	22,000	8,000	84,000	30,000
The Rt Hon Alastair Carmichael MP (until 8 May 2015) <sup>(2)</sup>	7,077	67,505	11,000	22,000	18,000	90,000
Lord Dunlop of Helensburgh, Parliamentary Under Secretary of State for Scotland (since 11 May 2015) <sup>(4)(6)</sup>	93,213	0	0	0	93,213	0
The Lord Keen of Elie QC, Advocate General for Scotland (since 29 May 2015) <sup>(5)(6)</sup>	107,801	0	0	0	107,801	0
The Rt Hon The Lord Wallace of Tankerness QC, Advocate General for Scotland (until 8 May 2015) <sup>(5)</sup>	32,558	128,121	3,000	31,000	36,000	159,000

### Notes to the table:

<sup>(1)</sup> 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.

Please note, the "CETV at start date" figure this year does not match the "CETV at end date" figure from last year. This is due to the change in transfer factors used by the PCPF. The factors were changed in March 2016 following updated guidance from HM Treasury which sets the financial assumptions to use to calculate CETVs from PCPF. More information about this change can be found [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508105/Basis\\_for\\_setting\\_the\\_discount\\_rate\\_for\\_calculating\\_cash\\_equivalent\\_transfer\\_values\\_payable\\_from\\_the\\_public\\_service\\_pension\\_schemes.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508105/Basis_for_setting_the_discount_rate_for_calculating_cash_equivalent_transfer_values_payable_from_the_public_service_pension_schemes.pdf)

<sup>(2)</sup> full year equivalent £69,254 (both Secretary of States waived their increase and claimed £67,505)

<sup>(3)</sup> full year equivalent £23,844 (the Parliamentary Under Secretary of State waived his increase and claimed £22,375)

<sup>(4)</sup> full year equivalent £105,076 (the Parliamentary Under Secretary of State waived his increase and claimed £105,502). This includes the House of Lords Office Holders Allowance of £36,366.

<sup>(5)</sup> full year equivalent £128,121 (both Advocate Generals waived their increase and claimed £128,690). This includes the House of Lords Office Holders Allowance of £36,366.

<sup>(6)</sup> both ministers waived the right to their pension entitlement.

## Pension Benefits

Ministers	Accrued Pension at age 65 as at 31 March 2016	Real increase in pension at age 65	CETV at 31 March 2016	CETV at 31 March 2015	Real increase/decrease in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon David Mundell MP Secretary of State for Scotland (from 11 May 2015) and Parliamentary Under Secretary of State for Scotland (until 10 May 2015)	0-5	0-2.5	66	46	12
The Rt Hon Alastair Carmichael MP (until 8 May 2015)	0-5	0-2.5	68	60	7
Lord Dunlop of Helensburgh, Parliamentary Under Secretary of State for Scotland (since 11 May 2015)	0	0	0	0	0
The Lord Keen of Elie QC, Advocate General for Scotland (since 29 May 2015)	0	0	0	0	0
The Rt Hon The Lord Wallace of Tankerness QC, Advocate General for Scotland (until 8 May 2015)	10-15	0-2.5	209	205	3

## **Ministerial Pensions**

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1st 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 Scotland Office and thus recorded in these accounts.

Salary figures include all allowances payable by the Scotland Office, 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 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to performance in 2013-14.

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

## Remuneration (salary, and pensions)

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>(1)</sup>		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Francesca Osowska, Scotland Office Director and Accounting Officer	90-95	20-25 <b>(2)</b>	-	-	-	-	42	4	135-140	25-30
Michael Chalmers, Office of the Advocate General Director	90-95	90-95	-	-	-	-	48	75	140-145	165-170
Helena Gray Scotland Office Deputy Director for Stakeholder Engagement and Corporate Services;	65-70	5-10 <b>(3)</b>	-	-	-	-	76	5	145-150	10-15
Ruaraidh Macniven, Legal Secretary to the Advocate General.	75-80	75-80	-	-	28,600 <b>(4)</b>	-	34	26	135-140	100-105

### 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.

Please note, the "CETV at start date" figure this year does not match the "CETV at end date" figure from last year. This is due to the change in transfer factors used by the PCPF. The factors were changed in March 2016 following updated guidance from HM Treasury which sets the financial assumptions to use to calculate CETVs from PCPF. More information about this change can be found [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508105/Basis\\_for\\_setting\\_the\\_discount\\_rate\\_for\\_calculating\\_cash\\_equivalent\\_transfer\\_values\\_payable\\_from\\_the\\_public\\_service\\_pension\\_schemes.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508105/Basis_for_setting_the_discount_rate_for_calculating_cash_equivalent_transfer_values_payable_from_the_public_service_pension_schemes.pdf)

(2) full time equivalent 90-95

(3) full time equivalent 65-70

(4) Part year

## Non – Executive Directors

The chairperson of the Scotland Office and Office of the Advocate General audit committee and lead non-executive member of the Offices' Joint Management Board receives a fee of £300 for each meeting attended. Other non-executive members of the audit committee and Joint Management Board receive £200 per meeting attended.

## Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2016	Real increase in pension and related lump sum at pension age at 31 March 2015	CETV at 31 March 2016	CETV at 31 March 2015	Real increase/decrease in CETV
	£'000	£'000	£'000	£'000	£'000
Francesca Osowska, Scotland Office Director and Accounting Officer	20-25 plus lump sum 70-75	0-2.5 plus lump sum 0-2.5	397	341	18
Michael Chalmers, Office of the Advocate General Director	15-20	2.5-5	217	172	19
Helena Gray Scotland Office Deputy Director for Stakeholder Engagement and Corporate Services;	5-10	2.5-5	119	75 (1)	30
Ruaraidh Macniven, Legal Secretary to the Advocate General.	15-20 plus lump sum 50-55	0-2.5 plus lump sum 0-2.5	278	234	13

(1) The 14-15 figure was amended by MYCSP as the member has had a retrospective salary change after last year's information was calculated and issued.

## 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 3% 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 accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](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 directors in the Scotland Office in the financial year 2015-16 was £85-90k (2014-15, £120-125k). This was 2.3 times (2014-15, 2.7 times) the median remuneration of the workforce, which was £42,043 (2014-15, £44,174).

In 2015-16, no employees (2014-15, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £16.8k to £94.9k (2014-15, £18.8k to £120.2k).

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 Staff Cost Section, the Staff Numbers Section and the reporting of Civil Service and other Compensation Schemes exit packages are all subject to audit.

The Scotland Office and the Office of the Advocate General do not directly employ any 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 the Office of the Advocate General are part of the Government Legal Service for Scotland (GLSS) and are seconded to the UK Government from employment with the Scottish Ministers. The recruitment of all legal staff is undertaken by the GLSS, a professional community of lawyers in government from various legal offices. The Office of the Advocate General is also supported by a small number of administrative staff.

The Scotland Office and Office of the Advocate General expenditure on staff during 2015-16 is shown in the table below:

	2015-16				2014-15
	£000				
	Inward secondments	Ministers	Special advisers	Total	Total
Wages and salaries	5,381	307	145	<b>5,832</b>	<b>5,214</b>
Social security costs	458	34	14	<b>507</b>	<b>457</b>
Other pension costs	1,064	0	32	<b>1,096</b>	<b>979</b>
<b>Sub Total</b>	<b>6,903</b>	<b>341</b>	<b>191</b>	<b>7,435</b>	<b>6,650</b>
Less recoveries in respect of outward secondments	-	-	-	-	-
<b>Total net costs</b>	<b>6,903</b>	<b>341</b>	<b>190</b>	<b>7,435</b>	<b>6,650</b>

The staff costs comprise of:

	Charged to Admin Budgets	Charged to Programme Budgets	Charged to Admin Budgets	Charged to Programme Budgets
	2015-16		2014-15	
	£000		£000	
Core Department	7,344	-	6,592	-
Other Designated Bodies	-	91	-	58

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) known as “alpha” are unfunded multi-employer defined benefit scheme but the Scotland 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 2013 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2015-16, employers’ pension contributions of £1,096k (2014-15: £979k) were payable to the Civil Service Pension Schemes at one of four rates in the range 20% to 24.5% (2014-15: 16.7% to 24.3%) 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 (2014-15: £0) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8.0% to 14.75% (2014-15: 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 (2014-15:£0).

## Staff Numbers

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

	2015-16					2014-15
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Scotland Office	0	61	2	3	66	67
Office of the Advocate General	0	47	1	0	48	47
Boundary Commission	0	2	0	0	2	1
<b>Total</b>	<b>0</b>	<b>110</b>	<b>3</b>	<b>3</b>	<b>116</b>	<b>115</b>

The total number of staff in post as at 31st March 2016 of 118 (107.5 FTE) includes 9 agency members of staff. All other staff are loaned or seconded from other Government bodies.

## Staffing Levels

At the 31 March 2016 the total number of staff in post in the Scotland Office totalled 67 of which 60% were based at Melville Crescent in Edinburgh and 40% at Dover House in London. The Office of the Advocate General had 51 staff at the 31 March 2016, 90% of which were based in Victoria Quay in Edinburgh and 10% at Dover House in London.

## Reporting of Civil Service and other compensation schemes - exit packages

Exit Package Costs Band	2015-16		
	Number of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages by Cost Band
<£10,000	-	-	-
£10,000-£25,000	-	-	-
£25,000-£50,000	-	1	1
£50,000-£100,000	-	-	-
>£100,000	-	-	-
Total Number of Exit Packages	-	1	1
<b>Total Cost £000</b>	-	<b>40</b>	<b>40</b>

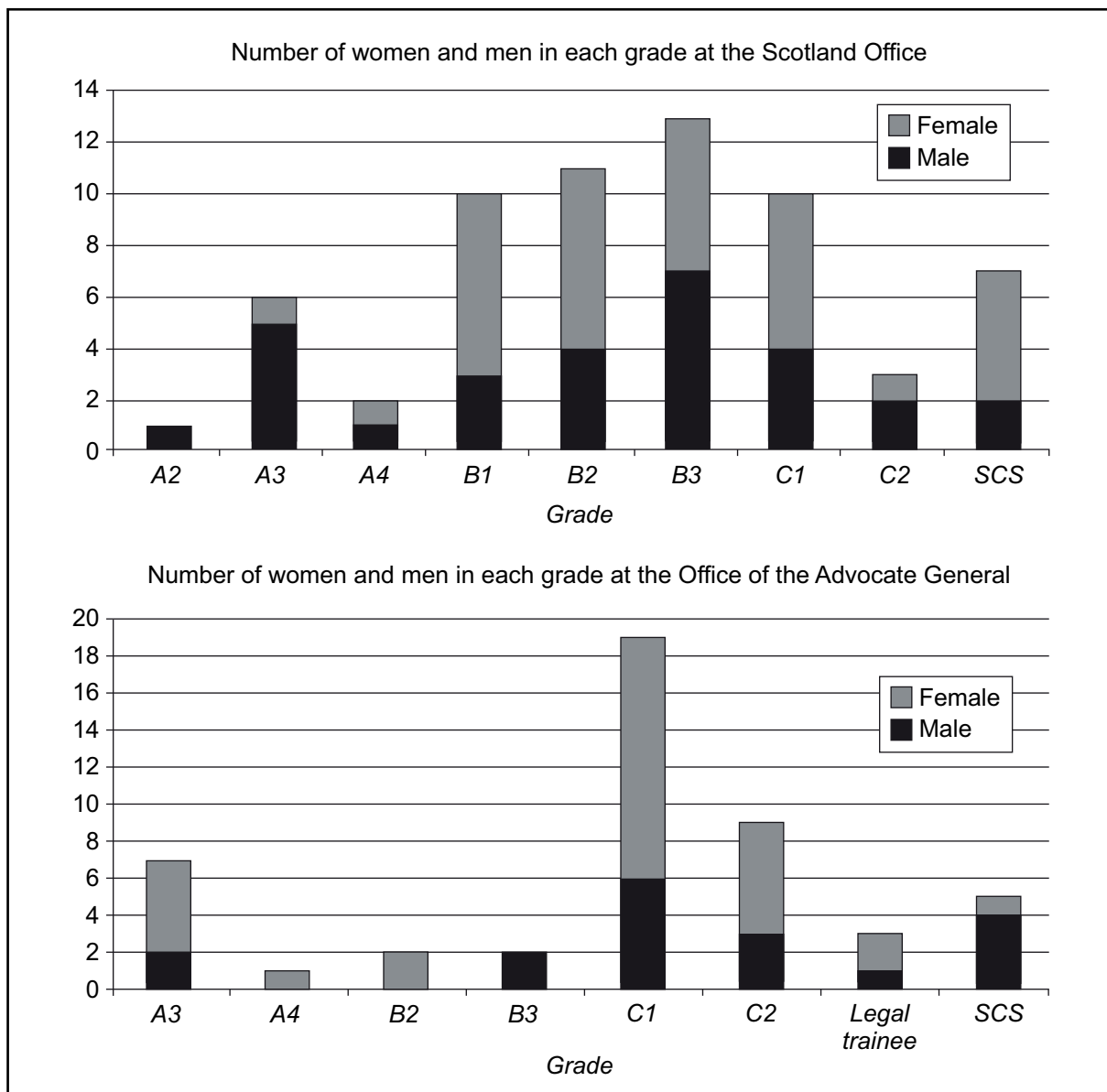
Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of the departure. Where the department has agreed early retirements,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

## Senior Civil Service

At 31 March 2016 there were six senior civil service posts in the Scotland Office and five posts in the Office of the Advocate General.

## Diversity

Women make up 54% of staff in the Scotland Office and 62.5% of staff in the Office of the Advocate General. The following charts show the number of women and men in each grade in the two Offices.



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

## **Sick Absence Data**

The average number of working days lost in the calendar year at the end of 2015 was 0.7 days. This remains well below the Civil Service average.

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

The Scotland Office and Office of the Advocate General had no spend on consultancy in 2015-16. The total spend on temporary staff in 2015-16 was £310,918. The departments used temporary staff to cover staff on long term sick leave, maternity leave and for vacant posts.

The National Audit Office have reviewed the Accountability Report for consistency with other information provided in the financial statements.

## **Francesca Osowska**

Accounting Officer for the Scotland Office and Office of the Advocate General

7 July 2016

# Statement of Parliamentary Supply

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

The Statement of Parliamentary Supply and related notes are subject to audit.

## Summary of Resources and Capital Outturn 2015-16

	£000			2015-16			2014-15	
	Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Total
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
Note	£000	£000	£000	£000	£000	£000	£000	
<b>Departmental Expenditure Limit</b>								
- Resource	9,008	14,175	23,183	8,866	13,647	22,513	142	19,003
- Capital	235	-	235	225	-	225	10	53
<b>Annually Managed Expenditure</b>								
- Resource	-	-	-	-	-	-	-	-
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>9,243</b>	<b>14,175</b>	<b>23,418</b>	<b>9,091</b>	<b>13,647</b>	<b>22,738</b>	<b>152</b>	<b>19,056</b>
<b>Non-Budget</b>								
- Resource	28,583,126	-	28,583,126	28,025,258	-	28,025,258	557,868	28,149,910
<b>Total</b>	<b>28,592,369</b>	<b>14,175</b>	<b>28,606,544</b>	<b>28,034,349</b>	<b>13,647</b>	<b>28,047,996</b>	<b>558,020</b>	<b>28,168,966</b>
<b>Total Resource</b>	<b>28,592,134</b>	<b>14,175</b>	<b>28,606,309</b>	<b>28,034,124</b>	<b>13,647</b>	<b>28,047,771</b>	<b>558,010</b>	<b>28,168,913</b>
<b>Total Capital</b>	<b>235</b>	<b>-</b>	<b>235</b>	<b>225</b>	<b>-</b>	<b>225</b>	<b>10</b>	<b>53</b>
<b>Total</b>	<b>28,592,369</b>	<b>14,175</b>	<b>28,606,544</b>	<b>28,034,349</b>	<b>13,647</b>	<b>28,047,996</b>	<b>558,020</b>	<b>28,168,966</b>

### Net Cash Requirement 2015-16

	£000	Note	2015-16 Estimate	2015-16		2014-15
				Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement		SOPS 2	<b>28,592,293</b>	<b>28,032,824</b>	<b>559,469</b>	<b>28,167,780</b>

### Administration Costs 2015-16

		Estimate 2015-16	Outturn 2015-16	Outturn 2014-15
Administration Costs	SOPS 1.1	<b>8,808</b>	<b>8,731</b>	<b>7,771</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 SOPS Note 2 (Analysis of net outturn by section) and in the Management Commentary

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

2015-16									2014-15	
Outturn							Estimate		Outturn	
Administration			Programme			Total	Net total	Net total compared to Estimate	Net Total	
Gross	Income	Net Total	Gross	Income	Net Total	Net Total				
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	

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

<b>Voted</b>										
A - Scotland Office	12,419	3,688	8,731	-	-	-	8,731	8,808	77	7,771
B - Boundary Commission for Scotland	-	-	-	135	-	135	135	200	65	80
<b>Total Voted Expenditure in DEL</b>	<b>12,419</b>	<b>3,688</b>	<b>8,731</b>	<b>135</b>	<b>-</b>	<b>135</b>	<b>8,866</b>	<b>9,008</b>	<b>142</b>	<b>7,851</b>
<b>Non-Voted</b>										
C - Election Expenses	-	-	-	13,647	-	13,647	13,647	14,175	528	11,152
<b>Total Non-Voted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,647</b>	<b>-</b>	<b>13,647</b>	<b>13,647</b>	<b>14,175</b>	<b>528</b>	<b>11,152</b>
<b>Non-Budget</b>										
D - Grant to the Scottish Consolidated Fund	-	-	-	28,025,258	-	28,025,258	28,025,258	28,583,126	557,868	28,149,910
<b>Total Non-Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,025,258</b>	<b>-</b>	<b>28,025,258</b>	<b>28,025,258</b>	<b>28,583,126</b>	<b>557,868</b>	<b>28,149,910</b>
<b>Total voted in Estimate</b>	<b>12,419</b>	<b>3,688</b>	<b>8,731</b>	<b>28,039,040</b>	<b>-</b>	<b>28,039,040</b>	<b>28,047,771</b>	<b>28,606,309</b>	<b>558,538</b>	<b>28,168,913</b>

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

2015-16					2014-15	
Outturn			Estimate		Outturn	
Gross	Income	Net Total	Net Total	Net total compared to Estimate	Net Total	
£000	£000	£000	£000	£000	£000	

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

<b>Voted Expenditure</b>						
A - Scotland Office	225	-	225	235	10	53
<b>Total Voted Expenditure in DEL</b>	<b>225</b>	<b>-</b>	<b>225</b>	<b>235</b>	<b>10</b>	<b>53</b>
<b>Total for Estimate</b>	<b>225</b>	<b>-</b>	<b>225</b>	<b>235</b>	<b>10</b>	<b>53</b>

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

	Notes	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving / (excess) £000
<b>Resource Outturn</b>	SOPS 1.1	28,606,309	28,047,771	558,538
<b>Capital Outturn</b>	SOPS 1.2	235	225	10
<b>Accruals to cash adjustment</b>				
<b><i>Adjustments to remove non-cash items:</i></b>				
Depreciation		(35)	(29)	(6)
New provisions and adjustments to previous provisions		-	-	-
Other non-cash items		(41)	(41)	-
<b><i>Adjustments to reflect movements in working balances:</i></b>				
Increase/(decrease) in receivables		-	487	(487)
Increase/(decrease) in payables		-	(1,942)	1,942
<b>Removal of non-voted budget items:</b>				
Consolidated Fund Standing Services		(14,175)	(13,647)	(528)
Other adjustments		-	-	-
<b>Net cash requirement</b>		<b>28,592,293</b>	<b>28,032,824</b>	<b>559,469</b>



## SOPS 3. Income Payable to the Consolidated Fund

### 3.1 Consolidated Fund Income

Consolidated Fund income shown in note 4.1 does not include any amounts collected by the Scotland Office 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 2015-16 £000</b>	<b>Outturn 2014-15 £000</b>
Forfeited election deposits and interest	(80)	(16)
Fines and penalties	(28,760)	(31,315)
Other income (unused election costs)	(85)	-
Less:		
Costs of collection - where deductible	-	-
Uncollectible debts	-	-
Amount payable to the Consolidated Fund	(28,925)	(31,331)
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	28,925	31,331
Balance held on trust at the end of the year	-	-

The Consolidated Fund receipts paid to the Scotland Office by the Scottish Government are in respect of the Designation of Receipts Order 2010 and consist mainly of fines, fixed penalties and bank interest.

## **Losses and Special Payments**

The Scotland Office and Office of the Advocate General have made had no losses or Special Payments in 2015-16.

## **Remote Contingent Liabilities**

The Scotland Office and Office of the Advocate General had no remote contingent liabilities in 2015-16.

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

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

I certify that I have audited the financial statements of the Scotland Office and Office for the Advocate General for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Scotland Office and Office for the Advocate General's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in those reports and disclosures as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of 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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

## **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 2016 and shows that those totals have not been exceeded; and
- 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.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2016 and of the Department's net operating cost the year then ended; and
- 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 other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**13 July 2016**

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 2016

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>2015-16</b>	<b>2014-15</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>	<hr/>	<hr/>
<b>Administration Costs</b>			
Staff Costs	3	7,344	6,592
Other Costs	4	5,075	4,807
Income	6	(3,688)	(3,628)
<b>Programme Costs</b>			
Staff Costs	3	91	58
Other Costs	5	44	22
Grant to the Scottish Consolidated Fund	5	28,025,258	28,149,910
Election Expenses	5	13,647	11,152
NLF interest payable		45,474	46,037
NLF interest receivable		(45,474)	(46,037)
		<hr/>	<hr/>
<b>Net Operating Costs for the year ended 31 March 2016</b>		<b>28,047,771</b>	<b>28,168,913</b>
		<hr/>	<hr/>
Total Expenditure		28,096,933	28,218,578
Total Income		(49,162)	(49,665)
		<hr/>	<hr/>
<b>Net Operating Costs for the year ended 31 March 2016</b>		<b>28,047,771</b>	<b>28,168,913</b>
		<hr/>	<hr/>
<b>Other Comprehensive Net Expenditure</b>			
Net (gain) loss on revaluation of property, plant and equipment		(1)	(1)
		<hr/>	<hr/>
<b>Total comprehensive expenditure for the year ended 31 March 2016</b>		<b>28,047,770</b>	<b>28,168,912</b>
		<hr/>	<hr/>

## Statement of Financial Position as at 31 March 2016

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

		31 March 2016	31 March 2015
		£000	£000
	Note		
<b>Non-current assets:</b>			
Property, plant and equipment	7	332	134
Financial assets (NLF)	10	653,963	678,069
<b>Total non-current assets</b>		<b>654,295</b>	<b>678,203</b>
<b>Current Assets:</b>			
Trade and other receivables	12	1,373	887
NLF receivables	12	33,671	23,845
Cash and cash equivalents	11	2,222	597
<b>Total current assets</b>		<b>37,266</b>	<b>25,329</b>
<b>Total Assets</b>		<b>691,561</b>	<b>703,532</b>
<b>Current liabilities</b>			
Trade and other payables	13	(6,599)	(2,884)
NLF payables	13	(33,671)	(23,845)
<b>Total current liabilities</b>		<b>(40,270)</b>	<b>(26,729)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>651,291</b>	<b>676,803</b>
<b>Non-current liabilities</b>			
Other payables (NLF)	13	(653,963)	(678,069)
<b>Total non-current liabilities</b>		<b>(653,963)</b>	<b>(678,069)</b>
<b>Assets less liabilities</b>		<b>(2,672)</b>	<b>(1,266)</b>
<b>Taxpayers' Equity and other reserves</b>			
General fund		(2,675)	(1,268)
Revaluation Reserve		3	2
<b>Total equity</b>		<b>(2,672)</b>	<b>(1,266)</b>

**Francesca Osowska**

Accounting Officer for the Scotland Office and Office of the Advocate General

7 July 2016

## Statement of Cash Flows for the period ended 31 March 2016

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.

		2015-16 £000	2014-15 £000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net operating cost		(28,047,771)	(28,168,913)
Adjustments for non-cash transactions	4	70	61
(Increase)/Decrease in trade and other receivables		(10,312)	(8,514)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>		9,825	8,981
Increase/(Decrease) in trade payables		13,541	10,104
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>		(11,599)	(9,487)
Closing account in year movement			
<b>Net cash outflow from operating activities</b>		<b>(28,046,246)</b>	<b>(28,167,768)</b>
<b>Cash flows from investing activities</b>			
Purchase of Plant & Machinery and Fixtures and Furnishings	7	(77)	(13)
(Repayments) from other bodies	10	14,106	5,106
<b>Net cash outflow from investing activities</b>		<b>14,029</b>	<b>5,093</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - Current Year <sup>(2)</sup>		28,033,858	28,157,010
From the Consolidated Fund (Non-supply)		14,175	11,237
Repayment of loans from the National Loans Fund <sup>(3)</sup>		(14,106)	(5,106)
Repayment of unspent election funding		(85)	-
<b>Net financing</b>		<b>28,033,842</b>	<b>28,163,141</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,625</b>	<b>466</b>
<b>Income payable to the Consolidated Fund</b>		<b>(28,925)</b>	<b>(31,331)</b>
<b>Income paid to the Consolidated Fund <sup>(4)</sup></b>		<b>28,925</b>	<b>31,331</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,625</b>	<b>466</b>
Cash and cash equivalents at the beginning of the period	11	597	131
Cash and cash equivalents at the end of the period	11	2,222	597

<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.



## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by [the Scotland Office 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	Total Reserves £000
<b>Balance as at 31 March 2014</b>	177	(1)	176
Net Parliamentary Funding - drawdown	(28,168,247)	-	(28,168,247)
Consolidated Fund Standing Services repaid	-	-	-
Deemed Supply	(131)	-	(131)
Unused election funding	51	-	51
Supply Payable	546	-	546
Closing account in year movement	-	-	-
Comprehensive Spending for the year	28,168,913	-	28,168,913
<b>Non-Cash Adjustments:</b>			
Non-cash charges - auditor's remuneration	(41)	-	(41)
<b>Other Reserve Movements</b>			
Fixed Assets	-	(1)	(1)
<b>Balance as at 31 March 2015</b>	<b>1,268</b>	<b>(2)</b>	<b>1,266</b>
Net Parliamentary Funding - drawdown	(28,048,033)	-	(28,048,033)
Consolidated Fund Standing Services repaid	-	-	-
Deemed Supply	(546)	-	(546)
Non-voted election funding	(51)	-	(51)
Non-voted supply payable for elections	1,595	-	1,595
Supply Payable	627	-	627
CFER transferred to CF	85	-	85
Closing account in year movement	-	-	-
Comprehensive Spending for the year	28,047,771	-	28,047,771
<b>Non-Cash Adjustments:</b>			
Non-cash charges - auditor's remuneration	(41)	-	(41)
<b>Other Reserve Movements:</b>			
Fixed Assets	-	(1)	(1)
<b>Balance as at 31 March 2016</b>	<b>2,675</b>	<b>(3)</b>	<b>2,672</b>

# Notes to the Accounts for the Year Ended 31 March 2016

## 1. Statement of Accounting Policies

### 1.1 Basis of Preparation

These financial statements have been prepared in accordance with HM Treasury's Financial Reporting Manual 2015-16 (FReM). 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 has been judged to be the most appropriate to the particular circumstances of the Scotland Office and the Office of the Advocate General for Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Scotland Office and the Office of the Advocate General for Scotland are described below. They have been applied consistently in dealing with items considered material in relation to these Accounts.

### 1.2 Accounting Convention

These Accounts have been prepared on an accruals basis under the historical cost convention, as modified to account for the revaluation of non-current assets, where material.

### 1.3 Operating Segments

The Scotland Office and the Office of the Advocate General for Scotland share a single function but for IFRS purposes are considered to be separate operating segments. The other segment reported in the accounts are the Boundary Commission; the grant to the Scottish Consolidated Fund; Non voted election expenses and National Loan Fund repayments.

### 1.4 Property, Plant and Equipment

#### Valuation Basis

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

#### Valuation Method

The Scotland Office and the Office of the Advocate General for Scotland 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.

### Capitalisation Threshold – Individual Assets

The Scotland Office and the Office of the Advocate General for Scotland's capitalisation threshold for individual assets is £1,000 (including VAT).

### Capitalisation Threshold – Grouped Assets

The Scotland Office and the Office of the Advocate General for Scotland has a small pool of assets for furniture and fittings which meets the capitalisation threshold.

The Scotland Office and the Office of the Advocate General for Scotland 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
- Information technology          Shorter of remaining lease period or 3 to 15 years
- Plant and equipment              Shorter of remaining lease period or 3 to 20 years
- Furniture and fittings              Shorter of remaining lease period or 5 to 20 years

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 Leases**

The Scotland Office and Office of the Advocate General does not have any finance leases.

### **Operating Leases**

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

## **1.6 Investments**

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

Sums made available to the Secretary of State from the National Loans Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent sums made available to the Secretary of State for Scotland from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to 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 Scotland Office and the Office of the Advocate General for Scotland are surrendered to the NLF. Outstanding loan balances are included within Trade and other payables.

## **1.7 Employee Benefits**

### **Pensions**

The provisions of the Civil Service Pension Schemes cover most past and present employees. The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits.

The Scotland Office and the Office of the Advocate General do not directly employ staff and recruit staff on loan or secondment from other government bodies. The Office is not responsible for the payment of national insurance or pension contributions and is simply invoiced for the costs by the appropriate government body.

### **Early Departure Costs**

All Scotland Office and the Office of the Advocate General for Scotland 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 Civil Service Pension Scheme benefits in respect of their employees who retire early, unless the retirement is on approved medical grounds. Early departure costs for Scotland Office and the Office of the Advocate General for Scotland staff that are met by the other government bodies are accordingly excluded from these Accounts.

## **1.8 Operating Income**

Operating income includes both revenue arising from the rendering of services, after the service has been provided, to offset related expenditure; and income that is surrendered on receipt to the Consolidated Fund as Extra Receipts.

## **1.9 Consolidated Fund Extra Receipts (CFERs)**

CFERs balances are calculated on an accruals basis, unless stated otherwise. These mostly relate to amounts originally received by certain devolved bodies in Scotland that have been designated by the Treasury under Section 71 of the Scotland Act 1998. These amounts are paid over by Scottish Ministers to the Secretary of State and charged on the Scottish Consolidated Fund. The Scotland Office and the Office of the Advocate General for Scotland also receive amounts through the recovery of lost deposits from Scottish Elections and pays the amounts received into the UK Consolidated Fund.

## **1.10 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.

## **1.11 Provisions**

Provisions are recognised when the Scotland Office and the Office of the Advocate General for Scotland 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 2.2% (2014–15: 2.6%). Contingent liabilities are detailed in note 14.

## **1.12 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

## **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**

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 Scotland Office and the Office of the Advocate General for Scotland'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 Scotland Office and the Office of the Advocate General for Scotland 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 Scotland Office 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.

## **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 Accounting policy in respect of “Accounting Standards, interpretations and amendments to published standards”**

The Department has reviewed the standards, interpretations and amendments to published standards that became effective during 2015-16 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the Department's financial position or results.

The Department has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that any Standards or Interpretations that have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

## **1.17 New standards, amendments and interpretations issued but not effective**

New standards which are not yet effective are not expected to have a material impact on the future Scotland Office accounts.

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

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

The Offices Management Boards monitor the administration costs of the Scotland Office and the Office of the Advocate General for Scotland, 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.

	2015-16 £000						
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Election Expenses	National Loans Fund	Total
Gross Expenditure	6,901	5,518	135	28,025,258	13,647	45,474	28,096,933
Income	(458)	(3,230)	-	-	-	(45,474)	(49,162)
Net Expenditure	<b>6,443</b>	<b>2,288</b>	<b>135</b>	<b>28,025,258</b>	<b>13,647</b>	<b>0</b>	<b>28,047,771</b>

	2014-15 £000						
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Election Expenses	National Loans Fund	Total
Gross Expenditure	6,127	5,272	80	28,149,910	11,152	46,037	28,218,578
Income	(532)	(3,096)	-	-	-	(46,037)	(49,665)
Net Expenditure	<b>5,595</b>	<b>2,176</b>	<b>80</b>	<b>28,149,910</b>	<b>11,152</b>	<b>0</b>	<b>28,168,913</b>

### Description of segments

#### Scotland Office

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

#### Office of the Advocate General

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

#### Boundary Commission

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

#### Grant to the Scottish Consolidated Fund

The Scottish Government's Budget is determined by means of a population based formula, the Barnett formula. The UK Parliament votes the necessary provision to the Secretary of State, who, in turn, makes grants to the Scottish Government as set out in the Scotland Act 1998. Provision for the costs of the Scotland Office, Office of the Advocate General, Scottish Parliament elections and European elections are found from within these resources.

#### Election Expenses

The Scotland Office is responsible for administering the funding to Returning Officers for the running of elections to the Scottish Parliament and also the UK Parliament and European Parliament in Scotland thereafter scrutinising the final accounts. The funding is non-voted expenditure and is therefore separate from the voted costs for the administration of the Scotland Office and Office of the Advocate General.

#### National loan Fund

Advances from the National Loan Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution. 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 Scotland Office and the Office of the Advocate General are surrendered to the NLF. Outstanding loan balances are included within Trade and other payables.

### 3. Administration Staff Costs

	2015-16	2014-15
	£000	£000
Wages and salaries	5,761	5,214
Social security costs	501	457
Other pension costs	1,082	979
<b>Total net costs</b>	<b>7,344</b>	<b>6,650</b>

### 4. Other Administration Costs

	2015-16	2014-15
	£000	£000
Rentals under operating leases	558	489
Accommodation Costs	1,485	1,340
Legal Costs	2,017	1,881
Travel and Subsistence Costs	587	587
Other Administrative Expenditure	358	449
Non-cash items:		
Depreciation	29	20
Auditors' remuneration and expenses	41	41
<b>Total</b>	<b>5,075</b>	<b>4,807</b>

The Scotland Office did not purchase any non-audit services from the National Audit Office

This note relates to the expenditure of the Scotland Office and Office of the Advocate General. The total will normally be consistent with the costs included in the Administration costs in the Statement of Parliamentary Supply. Differences may arise due to treatment of provisions.

### 5. Other programme Costs

	2015-16	2014-15
	£000	£000
Grant paid to Scottish Consolidated Fund	28,025,258	28,149,910
Boundary Commission Staff Costs	91	58
Boundary Commission Operating Costs	44	22
Election expenses	13,647	11,152
<b>Total</b>	<b>28,039,040</b>	<b>28,161,142</b>

### 6. Income

	2015-16	2014-15
	£000	£000
Hire of Office Facilities	(458)	(532)
Legal fees and charges to clients	(1,418)	(1,388)
Recovery of legal outlays from other Government Bodies	(1,812)	(1,708)
<b>Total</b>	<b>(3,688)</b>	<b>(3,628)</b>



## 7. Property, Plant and Equipment

2015-16	Leasehold improvements	Plant machinery & equipment	Furniture & fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2015	54	110	81	245
Additions	188	26	12	226
Revaluation	1	-	-	1
Disposals	-	-	(43)	(43)
At 31 March 2016	243	136	50	429
<b>Depreciation</b>				
At 1 April 2015	(10)	(58)	(43)	(111)
Charged in year	(7)	(18)	(4)	(29)
Disposals	-	-	43	43
Revaluation	-	-	-	-
At 31 March 2016	(17)	(76)	(4)	(97)
Carrying amount at 31 March 2016	226	60	46	332
Carrying amount at 31 March 2015	44	52	38	134
2014-15	Leasehold improvements	Plant & machinery	Furniture & fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2014	53	92	46	191
Additions	-	18	35	53
Disposals	-	-	-	-
Revaluation	1	-	-	1
At 31 March 2015	54	110	81	245
<b>Depreciation</b>				
At 1 April 2014	(5)	(48)	38	(91)
Charged in year	(5)	(10)	(5)	(20)
Disposals	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2015	(10)	(58)	(43)	(111)
Carrying amount at 31 March 2015	44	52	38	134
Carrying amount at 31 March 2014	48	44	8	100

## 8. Other Commitments

### 8.1 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>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
Buildings		
Not later than one year	483	140
Later than one year and not later than five years	2,659	587
Later than five years	3,313	815
<b>Total</b>	<b>6,455</b>	<b>1,542</b>

## 9. Financial Instruments

### 9.1 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. Outstanding balances are included within Trade and Other payables.

## 10. Investments in Other Public Sector Bodies

	<b>Loans funded from National Loans Fund</b>
	<b>£000</b>
<b>Cost or valuation</b>	
At 1 April 2014	692,175
Adjustment	
Loans repayable within 12 months transferred to debtors	(14,106)
<b>Balance at 31 March 2015</b>	<b>678,069</b>
Loans repayable within 12 months transferred to debtors	(24,106)
<b>Balance at 31 March 2016</b>	<b>653,963</b>

#### History of Accounts

The Scotland Office accounts report payments and outstanding balances owed on behalf of Scottish Water and Register of Scotland.

The National Loan Fund (NLF) outstanding balances at 31 March 2016 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 Scotland Office.

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.

## 11. Cash and Cash Equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April 2015	597	131
Net change in cash and cash equivalents	1,625	466
<b>Balance at 31 March 2016</b>	<b>2,222</b>	<b>597</b>
The following balances at 31 March 2016 were held at:		
Government Banking Service	2,222	597
<b>Balance 31 March 2016</b>	<b>2,222</b>	<b>597</b>

## 12. Trade Receivables Financial and Other Assets

	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>		
VAT	-	58
Trade receivables	545	566
Deposits and advances	-	-
NLF interest receivables	9,565	9,739
Prepayments and accrued income	828	263
Current part of NLF loan	24,106	14,106
<b>Total</b>	<b>35,044</b>	<b>24,732</b>
	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Amounts falling due after more than one year:</b>		
Instalments due on NLF loans	653,963	678,069
<b>Total</b>	<b>653,963</b>	<b>678,069</b>

## 13. Trade Payables and Other Current Liabilities

	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>		
Trade payables	1	28
VAT	31	-
NLF interest payable	9,565	9,739
Accruals and deferred income	4,345	2,259
Current part of NLF loans	24,106	14,106
Non-voted supply payable for elections	1,595	51
Amounts issued from the Consolidated Fund for supply but not spent at year end	627	546
<b>Total</b>	<b>40,270</b>	<b>26,729</b>
<b>Amounts falling due after more than one year:</b>		
NLF loans	653,963	678,069
<b>Total</b>	<b>653,963</b>	<b>678,069</b>

## **14. Contingent Liabilities disclosed under IAS 37**

The Scotland Office and Office of the Advocate General do not employ staff directly, instead all of the staff are on secondment or loan agreements from other government departments. Some of the post are liable for VAT charges which will be charged by the home department. Approximately two thirds of the posts in the Scotland Office and the Office of the Advocate General are filled on secondment from the Scottish Government. An HMRC audit of the Scottish Government in 2014 instigated discussions between the Scottish Government and HMRC on which seconded posts are liable for VAT. The Scottish Government will make a decision on whether to pass on any VAT charges when their discussions with HMRC have been concluded. Our current best estimates of the contingent liability is £869,000.

## **15. Related-party transactions**

The Scotland Office and the Office of the Advocate General work closely with the Scottish Government and Ministry of Justice from where the majority of staff are loaned. Advice and assistance were provided by both government bodies for some specialised areas where they have greater expertise, such as IT, accommodation and finance.

Under ISA 24 Scotland Office and the Office of the Advocate General Board members have no related-party transactions to disclose.

## **16. Entities within the departmental boundary**

The entities within the boundary during 2015–16 were as follows:

List of entities analysed between:

Supply financed agencies - None

Non-departmental public bodies  
(executive and non-executive being listed under subheadings) - The Boundary Commission for Scotland

Others - Core Department - Scotland Office and Office of the Advocate General for Scotland

## **17. Events after the Reporting Period**

In accordance with the requirements of International Accounting Standards 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

The Accounting Officer authorised these financial statements for issue on 13 July 2016.

# Chapter 4: Public Expenditure Financial Tables

**Table 1 - Spending by Scotland Office & Office of the Advocate General and Scottish Government 2011-12 to 2019-20**

	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Plans	Outturn <sup>(7)</sup>	Plans	Plans	Plans	Plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Scotland Office &amp; Office of the Advocate General Expenditure</b>										
Resource expenditure within Administration Costs	6,833	7,083	7,219	7,771	8,808	8,731	8,700	8,870	9,050	9,240
Other resource expenditure	298	281	132	80	200	135	430	430	430	430
Non-voted election expenditure	13,777	(90)	583	11,152	14,175	13,647	0	0	0	0
<b>Scotland Office Resource <sup>(2)</sup></b>	<b>20,908</b>	<b>7,274</b>	<b>7,934</b>	<b>19,003</b>	<b>23,183</b>	<b>22,513</b>	<b>9,130</b>	<b>9,300</b>	<b>9,480</b>	<b>9,670</b>
<b>Scotland Office Capital</b>	<b>0</b>	<b>68</b>	<b>0</b>	<b>53</b>	<b>235</b>	<b>225</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Scotland Office Resource + Capital DEL <sup>(2)</sup></b>	<b>20,908</b>	<b>7,342</b>	<b>7,934</b>	<b>19,056</b>	<b>23,418</b>	<b>22,738</b>	<b>9,180</b>	<b>9,350</b>	<b>9,530</b>	<b>9,720</b>
less depreciation & impairments	(14)	(12)	(19)	(20)	(35)	(29)	(30)	(30)	(30)	(30)
<b>Scotland Office DEL</b>	<b>20,894</b>	<b>7,330</b>	<b>7,915</b>	<b>19,036</b>	<b>23,383</b>	<b>22,709</b>	<b>9,150</b>	<b>9,320</b>	<b>9,500</b>	<b>9,690</b>
<b>Scottish Government Expenditure (The Scottish Block) <sup>(6)</sup></b>										
Resource <sup>(8)</sup>	25,398,820	25,712,384	26,090,827	26,372,507	26,595,516	26,465,657	21,553,521	27,507,064	27,618,084	27,784,198
Capital <sup>(8)</sup>	2,773,496	2,980,505	2,920,989	3,288,989	3,205,395	3,050,641	3,213,850	3,236,041	3,294,505	3,428,471
<b>Total Resource + Capital</b>	<b>28,172,316</b>	<b>28,692,889</b>	<b>29,011,816</b>	<b>29,661,496</b>	<b>29,800,911</b>	<b>29,516,298</b>	<b>24,767,371</b>	<b>30,743,105</b>	<b>30,912,589</b>	<b>31,212,669</b>
less depreciation & impairments	(623,149)	(782,955)	(663,154)	(752,952)	(908,782)	(778,597)	(966,738)	(1,056,744)	(1,105,206)	(1,145,340)
<b>Scottish Government DEL <sup>(3) (5)</sup></b>	<b>27,549,167</b>	<b>27,909,934</b>	<b>28,348,662</b>	<b>28,908,544</b>	<b>28,892,129</b>	<b>28,737,701</b>	<b>23,800,633</b>	<b>29,686,361</b>	<b>29,807,383</b>	<b>30,067,329</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, Scotland Office expenditure no longer forms part of the Scottish Block.

(7) Scotland Office 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 - Changes to Scottish Government Departmental Expenditure Limit for 2010-11 to 2019-20 since publication of 2014-15 Report & Accounts**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Provisional Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
<b>Capital DEL plus Resource DEL: June 2015</b>	<b>28,169.0</b>	<b>28,689.6</b>	<b>29,008.4</b>	<b>29,562.8</b>	<b>29,636.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Spending Review</b>									
2015 Spending Review Outcome	-	-	-	-	-	30,222.9	30,546.4	30,694.6	30,985.2
<b>Interdepartmental transfers</b>									
from DCMS: Urban Broadband	-	-	-	-	32.5	-	-	-	-
from DECC: Energy Agreement	-	-	-	-	18.4	-	-	-	-
from DECC: Energy Efficiency	-	-	-	-	2.5	-	-	-	-
from DECC: Summit Funding	-	-	-	-	1.7	-	-	-	-
from DWP: Fit for Work	-	-	-	-	2.4	-	-	-	-
from FSA: Food Safety in Scotland	3.3	3.3	3.4	3.5	3.4	3.3	3.3	3.2	3.1
from HO: Migrant Surcharge	-	-	-	-	1.4	9.9	-	-	-
from SO: Staff Costs	-	-	-	-	-	-	-	-	-
<b>Spending Policy</b>									
Budget Exchange	-	-	-	-	107.8	-	-	-	-
Coastal Communities Fund	-	-	-	-	10.4	-	-	-	-
Cash Management Rebate	-	-	-	-	0.2	-	-	-	-
Air Ambulance Charities	-	-	-	-	3.6	-	-	-	-
Support for Charities	-	-	-	-	0.0	-	-	-	-
Non Cash Costs of HE/FE Colleges	-	-	-	-	50.0	-	-	-	-
Milne vs GAD	-	-	-	-	60.0	-	-	-	-
Shetland Isles	-	-	-	-	5.0	-	-	-	-
Scottish Cultural Reserves	-	-	-	-	2.0	-	-	-	-
Reduced requirement (non-cash)	-	-	-	-	(178.0)	-	-	-	-
V&A Museum Dundee	-	-	-	-	-	5.0	-	-	-
Tampon Tax - Grants to Women's charities in Scotland	-	-	-	-	-	0.6	-	-	-
<b>Barnett Consequentials</b>									
Summer Budget 2015	-	-	-	-	7.3	-	-	-	-
Council Tax Freeze	-	-	-	-	15.2	-	-	-	-
Floods (Storms Desmond & Eva)	-	-	-	-	18.5	-	-	-	-
Budget 2016	-	-	-	-	0.0	25.6	193.4	214.8	224.3
<b>Departmental outturn (underspend compared to final plans)</b>									
Final Outturn 2014-15	-	-	-	95.2	-	-	-	-	-
Provisional Outturn 2015-16	-	-	-	-	(284.6)	-	-	-	-
<b>Budgeting Changes</b>									
Block Grant Adjustment for Scottish Rate of Income Tax	-	-	-	-	-	(4,900.0)	-	-	-
Block Grant Adjustment for Stamp Duty Land Tax & Landfill Tax	-	-	-	-	0.0	(600.0)	-	-	-
<b>Subtotal</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>98.7</b>	<b>(120.4)</b>	<b>24,767.4</b>	<b>30,743.1</b>	<b>30,912.6</b>	<b>31,212.7</b>
<b>Capital DEL plus Resource DEL: June 2016</b>	<b>28,172.3</b>	<b>28,692.9</b>	<b>29,011.8</b>	<b>29,661.5</b>	<b>29,516.3</b>	<b>24,767.4</b>	<b>30,743.1</b>	<b>30,912.6</b>	<b>31,212.7</b>

(1) Totals may not sum due to rounding

**Table 3 - Cash grant paid to the Scottish Consolidated Fund 2014-15: Provision and Final Outturn**

	<b>Original Provision £m</b>	<b>Final Provision £m</b>	<b>Final Outturn £m</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	29,529.187	29,919.869	29,657.983
Expenditure Classified as Annually Managed Expenditure	4,155.528	4,363.717	4,297.483
Non Domestic Rates	2,649.500	2,649.500	2,649.500
<b>Total Managed Expenditure</b>	<b>36,334.215</b>	<b>36,933.086</b>	<b>36,604.966</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	130.404	130.404	130.404
Depreciation and Impairments	(920.285)	(1,103.176)	(931.641)
Other Cash to accruals adjustments	(3,168.844)	(3,683.793)	(3,225.515)
Non Domestic Rates Income	(2,649.500)	(2,649.500)	(2,649.500)
National Insurance Fund Payments towards Scottish NHS	(1,724.076)	(1,724.076)	(1,968.400)
Other items including non-voted expenditure	(11.500)	(11.500)	(30.545)
Closing balance in Scottish Consolidated Fund	-	-	220.141
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>27,990.414</b>	<b>27,891.445</b>	<b>28,149.910</b>

**Notes**

<sup>(1)</sup> Totals may not sum due to rounding

<sup>(2)</sup> Resource and capital DEL including depreciation

<sup>(3)</sup> Scotland Act 1998, Section 64 (2)

**Table 4 - Cash grant paid to the Scottish Consolidated Fund 2015-16:  
Provision & Provisional Outturn**

	<b>Original Provision</b>	<b>Final Provision</b>	<b>Provisional Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	29,636.701	29,800.911	29,516.298
Expenditure Classified as Annually Managed Expenditure	4,016.318	3,980.122	3,899.198
Expenditure Financed by Scottish Taxes	498.000	508.000	498.000
Expenditure Financed by Capital Borrowing	304.000	306.000	283.000
Non Domestic Rates	2,799.500	2,788.500	2,788.500
<b>Total Managed Expenditure</b>	<b>37,254.519</b>	<b>37,383.533</b>	<b>36,984.996</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	119.404	399.404	173.740
Depreciation and Impairments	(1,031.307)	(944.243)	(837.832)
Other cash to accruals adjustments	(3,062.566)	(2,885.548)	(3,134.507)
Non Domestic Rates Income	(2,799.500)	(2,713.500)	(2,713.500)
National Insurance Fund Payments towards Scottish NHS	(1,724.076)	(1,811.520)	(1,911.520)
Other items including non-voted expenditure	(11.500)	(31.000)	(28.272)
Income from Scottish Taxes used to finance public expenditure <sup>(4)</sup>	(498.000)	(508.000)	(498.000)
Capital Borrowing	(304.000)	(306.000)	(283.000)
<b>Closing balance in Scottish Consolidated Fund</b>	<b>-</b>	<b>-</b>	<b>273.153</b>
<b>Cash grant paid to Scottish Consolidated Fund <sup>(3)</sup></b>	<b>27,942.974</b>	<b>28,583.126</b>	<b>28,025.258</b>

**Notes**

(1) Totals may not sum due to rounding

(2) Resource and capital DEL including depreciation

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

(4) Total income from Scottish Taxes was £572.230 million and £74.230 million has been credited to the Tax Cash Reserve



## TABLE 5 - Cash grant paid to the Scottish Consolidated Fund 2016-17: Provision

	<b>Original Provision</b>
	<b>£m</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	24,767.371
Expenditure Classified as Annually Managed Expenditure	3,779.937
Expenditure Financed by Scottish Taxes	5,571.000
Expenditure Financed by Capital Borrowing	315.800
Non Domestic Rates	2,768.500
<b>Total Managed Expenditure</b>	<b>37,202.608</b>
Adjustments to cash requirement	
Non-budgetary cash items	144.337
Depreciation and Impairments	-1,066.738
Other Cash to accruals adjustments	-2,765.724
Non Domestic Rates Income	-2,843.500
National Insurance Fund Payments towards Scottish NHS	-1,724.076
Other items including non-voted expenditure	-11.500
Income from Scottish Taxes	-5,571.000
Capital Borrowing	-315.800
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>23,048.607</b>

### Notes

(1) Totals may not sum due to roundings

(2) Resource and capital DEL including depreciation

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





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