



Office of the Secretary of State for Scotland  
(Scotland Office)  
and Office of the Advocate General for Scotland

# Annual Report and Accounts 2020-2021





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

and

Office of the  
Advocate General for Scotland

Annual Report and Accounts 2020-2021  
(For the year ended 31 March 2021)

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# Chapter 1: The Performance Report

## Foreword by the Secretary of State for Scotland

I am delighted to present the 2020-21 Annual Report and Accounts for the Office of the Secretary of State for Scotland (OSSS) and the Office of the Advocate General for Scotland (OAG).

Over the past year, the COVID-19 pandemic has posed the greatest challenge that this country has ever faced in peacetime. Staff at the Office of the Secretary of State for Scotland continue to respond brilliantly, supporting the UK Government to provide clarity, leadership and direction in the fight against COVID-19. Nowhere is this clearer than in the rollout of our vaccine programme, which has provided much needed hope that we will soon be out of lockdown, and well on the way to economic recovery. OSSS has also played an active role in delivering the Government's ambitious agenda, as we move forward together to Build-Back-Better, level up across the whole of our United Kingdom and make the most of the great opportunities for all.



Nowhere is that ambition clearer, or more important, than our key priority to strengthen and sustain the Union. As we embark on a new path, promoting our values as an open, international and confident country, it is the enduring success of our United Kingdom that is the foundation on which we build our bright and optimistic future. I am clear that the OSSS has a vital role to play in promoting that objective, which is symbolised in the establishment of the UK Government Hub in Edinburgh, Queen Elizabeth House.

My ministerial team, Iain Stewart MP and David Duguid MP, and I, along with the whole of the OSSS, look forward to continuing to deliver for Scotland throughout the important year ahead.

A handwritten signature in black ink, which reads "Alister Jack". The signature is written in a cursive, flowing style.

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



## Foreword by the Advocate General for Scotland

This is the first Annual Report and Accounts produced since I was appointed to the role of HM Advocate General for Scotland on 15 October 2020. My predecessor, the Rt Hon Lord Keen of Elie QC, left me with a department in excellent health. I would like to acknowledge his many successes as Advocate General for Scotland over his five and a half years in post.



I was appointed to the role of Advocate General in the middle of a global pandemic; a pandemic which has not only impacted our work as a department, but has also changed the ways of working for all colleagues. For that reason, I would like to praise the leadership of the OAG Director, Neil Taylor and his Senior Leadership Team for their efforts in ensuring the department meets its key business goals to provide legal advice, drafting and litigation services to the UK Government in relation to Scotland.



Lord Stewart of Dirlerton QC was sworn in as Advocate General for Scotland at ceremonies in Parliament House, Edinburgh on Friday 4 December 2020

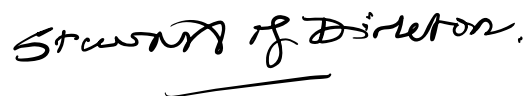
As one of the three UK Government Law Officers I have relished my role working in partnership with the Attorney General and the Solicitor General. I look forward to that partnership continuing to advise on the most important legal issues facing government. As my predecessor did, I will also continue to support the UK Government on various pieces of legislation as they make their way through Parliament; participating in numerous debates on various issues as a spokesman for HM Government.

This has been another busy year for my officials, who provide legal services to UK Government departments. OAG officials provide critical advice to the wider UK Government on Scots law and the Scottish devolution settlement. Legal advice and support has been provided on all Westminster Bills extending to Scotland, so as to ensure they operate smoothly within the framework of Scots law and the devolution settlement. I also continue to enjoy support from my officials in respect of the scrutiny of bills passed by the Scottish Parliament. My statutory function under the Scotland Act 1998 to examine the legislative competence of those bills is an important feature of the devolution settlement and is given careful consideration. My Office worked closely with the Cabinet Office, the Office of the Secretary of State for Scotland and many other departments to ensure the Scottish aspects of the various pieces of EU Exit legislation were in order.

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

Supreme Court. In addition to this work, there have been significant changes for the department. Despite the effects of the pandemic, we have successfully transitioned to a new IT system and completed a move to the new UK Government hub in Edinburgh, Queen Elizabeth House (QEH). Post pandemic, I look forward to working from QEH on a regular basis and representing the UK Government in the heart of Edinburgh. Queen Elizabeth House will include senior policy and stakeholder engagement teams from at least twelve UK Government Departments, working together to deliver growth, prosperity and employment in Scotland and across the UK, in partnership with local authorities, business, civil society and the Scottish Government.

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

A handwritten signature in black ink that reads "Stewart of Dirleton." The signature is written in a cursive style and is underlined with a single horizontal line.

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

## Foreword by the Director Of The OSSS

Over the last two years, this department has responded brilliantly to the seismic challenges that this country has not witnessed in peacetime. The OSSS has devoted significant resources to supporting the fight against the COVID-19 pandemic, an unprecedented global crisis which has profound implications for Scotland and the United Kingdom. Even more importantly, we are now working hard to deliver growth, prosperity and employment for Scotland and the whole of the UK, as we recover from COVID-19 and work towards a greener and fairer future. The UK and Scottish Governments have been working very effectively together, both to tackle the public health crisis and also to enable the economy to have the best chance of recovery once restrictions can be eased. The UK Government's support of the vaccine programme has been a major success which means Scotland and the whole of the UK are well placed for rapid and inclusive growth.



The OSSS encourages collaborative working, as well as action by both of Scotland's Governments, to the benefit of all citizens and businesses in Scotland, in a range of areas. Reserved and devolved powers, used effectively in a complementary way, can deliver more than the sum of their parts. The City Region and Growth Deal Programme, delivering local priorities in a partnership between local authorities and both of Scotland's Governments, is a great example of the success of this work. COVID-19 has presented a challenge to some projects, however implementation has continued at pace and the investment commitment from the UK Government now exceeds £1.5 billion.

The OSSS, working in partnership with others, promotes and highlights the role of the UK Government in Scotland and the support it provides to businesses and citizens in Scotland. The OSSS' Communications Division runs events in support of UK Government Departments, often alongside the Scottish Government.

The UK Government's flagship Hub in Scotland, Queen Elizabeth House in Edinburgh, is a tangible sign of the UK Government's determination to work with local authorities, businesses, civil society and the Scottish Government to deliver benefits for all citizens and businesses in Scotland. Queen Elizabeth House facilitates and supports the UK Government's expanded and co-ordinated presence in Scotland, in order to better serve citizens and businesses here, and to work even more effectively with our colleagues in the Scottish Government.

### **Laurence Rockey**

Director, Office of the Secretary of State for Scotland,  
Accounting Officer, OSSS and Office of the Advocate General for Scotland



# Departmental Overview

## Part 1: The Office of the Secretary of State for Scotland

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

For 2020-21, the OSSS delivered against three objectives, set out in the OSSS Outcome Delivery Plan:

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

This report demonstrates how OSSS has met those three objectives. However, the year 2020-21 was an extraordinary one, for all parts of the UK and all sectors, including OSSS, due to the impact of COVID-19 and the end of the EU transition period.

### COVID-19

It is impossible to exaggerate the impact of COVID-19, or the extraordinary measures that were required to be taken by the UK Government, or the work of the OSSS, and the whole of Scottish society. OSSS has promoted a co-ordinated, joined up approach across the UK, designed to protect lives and livelihoods. This included an expedited Royal Assent process for the Coronavirus (Scotland) Act in April 2020. The OSSS also worked very quickly to pass two Scotland Act Orders to set up the Joint Biosecurity Centre (JBC) and the NHS App. The office also helped co-ordinate joined-up public health communications throughout the pandemic.

The UK Government has taken a range of unprecedented measures to support the UK economy and employment, for example: the furlough scheme alone, which has benefited nearly 900,000 employees in Scotland; the UK Government's organisation of fixed and mobile testing sites across Scotland which had carried out 2,959,179 tests by 31 March 2021; and a range of other tax and benefits measures to support people and businesses in Scotland and across the UK. In order to support the Scottish Government's efforts to tackle the pandemic, the UK Government made £9.7 billion extra available to the Scottish Government in 2020-21, equivalent to around £1,800 for every man, woman and child in Scotland, in total additional spending. The initial tranche of £8.6 billion of additional funding was done through an unprecedented upfront funding guarantee announced in July 2020.

This was made possible by the extraordinary power of the UK Treasury to access additional borrowing, the burden of which will be shared across all UK citizens in a manageable and fair way, as the Chancellor set out in his March Budget.



Secretary of State for Scotland, The Rt. Hon. Alister Jack MP visited a UK Government organised COVID-19 test centre to learn more about testing, which has been vital in tackling the pandemic.

In the second half of the year, the UK Government's investment in a portfolio of COVID-19 vaccines had begun to reap rewards, with vaccine roll-out in the UK far outstripping comparator countries. By the 31 March 2021, over 31 million doses of Pfizer and Oxford-Astra Zeneca vaccines had been given across the UK, reaching 56.2% of adults in Scotland with at least a first dose. This extraordinary achievement, which will help plot our way to rapid easing of restrictions and a return to economic growth, prosperity and normal social relationships, was made possible by far sighted investment by the UK Government in a range of candidate vaccines, at a time when success was uncertain. The vaccines have been created, tested and approved in record time and are saving thousands of lives in Scotland and across the UK. The UK Government has pre-ordered 100 million doses of the Valneva jab, which entered clinical trials in early 2021, thereby enhancing vaccine manufacturing capacity at Valneva's plant in Livingston.

Minister Iain Stewart MP visited the NHS Louisa Jordan in Glasgow to see first hand the rollout of the vaccines procured by the UK Government for the whole of the UK

For OSSS, too, COVID-19 represented a huge change in ways of working. In common with large swathes of the Scottish and UK economies, almost the entire office worked from home for most of 2020-21. We had to embrace new technology, learning to work on platforms such as Microsoft Teams and Google Meet. Through the period, the OSSS managed to continue to provide support and advice to our stakeholders, and colleagues stepped up to the plate in often extraordinary ways, juggling work with responsibilities such as home schooling and caring responsibilities, to ensure continuity of professional service from both our London and Edinburgh offices. Over the course of 2021-22 we hope to begin a phased return to the office, taking advantage of our fantastic new facility at Queen Elizabeth House, Edinburgh. The office will experiment with hybrid and flexible ways of working in support of all of its staff.

## **End of the EU Transition Period**

The EU transition period agreed as part of the UK's exit from the European Union ended on 31 December 2020. At this point, the UK left the EU single market and started to use its regained sovereignty. OSSS has worked intensely with the rest of the UK Government to manage these changes alongside the impact of COVID-19, where

we have played an important role in connecting stakeholders to expertise in Whitehall, raising awareness of funding and opportunities for support and answering questions. This has included collaborative work with Scottish Government colleagues.

Throughout the year, the OSSS has been directly engaged with the wider UK Government's work to prepare for and implement the end of the transition period as well as preparations for the future relationship with the EU and to help take advantage of the opportunities which result.

An excellent example of this work is the Scottish Seafood Exports Taskforce, chaired by Minister David Duguid which brings together Ministers from the UK Government, the Scottish Government and representatives from the Scottish fishing industry. Actions initiated by the Scottish Seafood Exports Task Force will streamline the journey for Scottish seafood exports to the EU, as well as open up new opportunities for exports to the rest of the world.

The opportunities presented by the UK's departure from the European Union gave the Government an opportunity to define and strengthen the UK's place in the world. To help achieve this, they launched the Integrated Review which sets out the Government's vision for a modern defence, security foreign and development policy. On 19 November 2020, the Prime Minister announced that £24m will be spent over 4 years to underpin the modernisation of the Armed Forces.

The UK Government is supporting the fast-growing space sector within Scotland where the UK's first vertical spaceport is to be located, with satellite launches planned for the



Secretary of State for Scotland, The Rt. Hon. Alister Jack MP, visited RAF Lossiemouth following the launch of the Integrated Review.





Minister Iain Stewart visited AAC Clyde Space, a manufacturer of small-scale satellites, to learn more about Scotland's world-leading space sector.

early 2020's. The OSSS is engaging regularly with the UK Space Agency on the UK's spaceflight programme.

Space is fundamental to the UK's security, prosperity, resilience and military capability and presents significant opportunities for the UK - through scientific research, exploration and international collaboration. Our role in OSSS is to work with other UK Government departments, the Armed Forces, Scottish Government and industry partners to promote Scotland's interests.

The Ayrshire Growth Deal delivered another boost to the UK's growing space sector by funding a range of new aerospace activities around Glasgow Prestwick Airport, including development of a spaceport site – creating highly-skilled jobs across the region and cementing the UK's reputation as Europe's leading space destination. Scotland's space industry is made up of over 130 companies and it employs over 7500 people. The OSSS has met with, and continues to engage with, a number of commercial companies, from satellite manufacturers to business parks looking to create potential spaceport sites.

Furthermore, OSSS supported the UK Government campaign to inform and support Scottish businesses, EU nationals resident in Scotland, and the wider public about steps they could take to prepare for the end of the transition period. The UK Government was able to agree a comprehensive Trade and Cooperation Agreement with the European Union which is strongly in the interests of Scotland and Scottish business. The partnerships built up by this process will be extremely valuable as we work to take advantage of the opportunities created by forging new relationships with Europe and around the world.

## Objective 1: Strengthen and sustain the Union and Scotland's role within it

The Places for Growth agenda will move civil service roles outside of London and across the whole of the UK, to ensure that the UK Government can truly represent the whole of the UK in its decisions and policy making. Scotland will play its full part and benefit from this, and OSSS has worked with others to make sure that Scottish locations get their full share of these new roles. The Cabinet Office has announced a second Scottish UK Government Headquarters, in Glasgow, and the merged Foreign, Commonwealth and Development Office will be expanding its East Kilbride operation.

In addition, and as a visible and tangible sign of the UK Government's enduring commitment to Scotland and the Union, the flagship UK Government Hub in Scotland, Queen Elizabeth House in Edinburgh, opened to staff on the 1 September 2020. QEH was the first UK Government Hub in Scotland providing dedicated space for the UK Government Cabinet to meet, with ministerial offices and press facilities. This fantastic facility has already received a Prime Ministerial visit, and offers exciting public facilities close to the Scottish Parliament and the Scottish Government in St Andrew's House. This will allow greater collaboration as Scotland and the UK recover from COVID-19, with a focus on promoting growth, prosperity and employment across Scotland. While the facilities have been only lightly used in 2020-21 due to the impact of COVID-19 and the resulting restrictions put in place to prioritise public health, we look forward to welcoming business, civil and civic society and media representatives from across Scotland to our new home as restrictions are eased.

Twelve UK Government departments have already committed to being represented in Queen Elizabeth House, encouraging cross departmental collaboration and increasing



(L-R) Minister Iain Stewart, Secretary of State for Scotland, The Rt.Hon. Alister Jack MP and Minister David Duguid outside the UK Government's new flagship building Queen Elizabeth House, in Edinburgh.



the visibility of the work of the UK Government in Scotland. Alongside the move to Queen Elizabeth House this year, the OSSS and OAG also completed the transition onto the Cabinet Office IT system, which has helped improve collaboration with departments across the UK Government.

Alongside this work to enhance UK Government presence in Scotland, OSSS has successfully ensured that Scotland enjoys a high priority in UK Government thinking. The Prime Minister now chairs a Union Strategy Committee of the Cabinet, where the Secretary of State for Scotland plays a central role. The UK Government published the outcome of the Intergovernmental Relations Review and Lord Dunlop's Review into how the UK Government structures can better facilitate our work across the UK.

We remain committed to delivering the Smith Commission Agreement and implementing the Scotland Act 2016 in full. We continue to work closely with the Scottish Government and are making significant progress transferring the powers devolved to the Scottish Parliament. Since the beginning of 2020 the OSSS has taken 8 Scotland Act Orders through Parliament, held 2 Joint Ministerial Working Group for Welfare meetings and supported meetings of the Joint Ministerial Council in its various forms.

The OSSS has worked hard to support the devolution of welfare powers under the Scotland Act 2016, and to support collaborative working between the Scottish Government and DWP, in the interests of all citizens living in Scotland.

The success of devolution in delivering government closer to the citizen on issues such as health and education, while retaining the strength and solidarity of the United Kingdom, continues to underpin the Union.

The OSSS also facilitates and encourages that collaborative spirit through its work on the UK Government's legislative programme. We work closely with other UK Government departments to ensure that the devolution settlement is respected and that UK Government policies work for Scotland. The OSSS upholds the Sewel Convention and connects the UK and Scottish Governments in seeking Legislative Consent Motions (LCMs). In the past year alone we have helped secure 15 LCMs for primary legislation intersecting with the devolution settlement for Scotland, including the Agriculture Act, the Counter-Terrorism and Sentencing Bill, and the Trade (Disclosure of Information) Act, for which the LCM was secured in 2 days.

The OSSS has contributed actively to the Intergovernmental Relations Review, encouraging a focus on collaborative working between UK Government departments and the Scottish Government, and practical measures to strengthen intergovernmental relations.

The OSSS worked closely with other UK Government departments and the Department for Business, Energy and Industrial Strategy (BEIS) on the UK Internal Market Act ("the UKIM Act"). The UKIM Act guarantees UK companies can trade unhindered in every part of the UK, protecting jobs and livelihoods across the United Kingdom. From 1 January 2021 we saw new powers flowing to the administrations in Scotland, Northern Ireland and Wales in a total of 154 policy areas which intersect with devolved competence. In light of this increase in powers for the devolved institutions, the UKIM Act ensures free-flowing trade within the UK, supporting all opportunities for economic recovery. The UK Internal Market will also play a vital role in maintaining equality of opportunity for businesses no matter where they are located in the United Kingdom, ensuring that all four parts of the UK will level up together. It protects the Union whilst safeguarding the Devolved Administrations' right to regulate as they do now.

## Objective 2: Support economic growth in Scotland

The UK Government has protected Scotland's economy throughout the pandemic. We have put in place an unprecedented UK-wide economic package of £407 billion to protect, support and create jobs. Through our Plan for Jobs, we have helped millions of people, with the furlough scheme, support for the self-employed, government backed loans, and grants for businesses forced to close. And where people have sadly lost their jobs, we have stepped in to provide further support to help them find work or retrain.

The OSSS uses its voice in Whitehall to promote UK Government policies and activities which generate economic growth, prosperity and employment in Scotland. The Plan for Growth looks to the future and provides a framework to guide the government's longer-term growth strategy as we Build-Back-Better. It will help to create high-quality jobs in the future, across the whole of the UK. Our plan to Build-Back-Better tackles long term problems to deliver growth in partnership with the Devolved Administrations.

In more detail, we have announced:

- A new UK-wide management programme, Help to Grow: Management, to upskill 30,000 SMEs in the UK over three years;
- A new Help to Grow: Digital scheme to help our small businesses to adopt digital technologies;
- A new UK Infrastructure Bank to 'crowd-in' investment and boost the pipeline of projects with an initial £12 billion of debt and equity capital to deploy;and
- We will build on the UK's new points-based immigration system with a set of targeted and tailored reforms to our visa system that will ensure the UK can attract and retain high-skilled, globally mobile talent.

The Scottish Government also has extensive powers which it can use to support a successful Scottish economy and work together with the UK Government for a more prosperous future.

The OSSS encourages collaborative working as well as action by both of Scotland's Governments within their respective competences to the benefit of all citizens and businesses resident in Scotland. The success of devolution and the strength of the Union is magnified when devolved and reserved powers are used in a coordinated way so that the outcomes are greater than the sum of the parts.

The UK Internal Market Act gives the UK Government the powers it needs to deliver on making the biggest changes to the way we support local economic growth in a decade, in order to regenerate our city and town centres and high streets, improve local transport links and invest in local culture, while giving communities a stronger voice to take over cherished local assets that might otherwise be lost. The UK Government will be able to act across the UK, in partnership with local authorities, business, civic society, communities and the Devolved Administrations. At Budget 2021, the UK Government launched three new investment programmes, which will be delivered through these powers, to support communities right across the country. All share common challenges and opportunities, which the UK government is determined to address in collaboration with local partners.



Minister David Duguid visited Inverness Castle which has benefited from investment through the Inverness and Highland City Region and Growth Deal.

The City Region and Growth Deal Programme, delivering local priorities in a partnership between Local Authorities and both of Scotland's Governments, is a great example of the success of this work. COVID-19 has presented a challenge to some projects, however implementation has continued at pace and the investment commitment from the UK Government now exceeds £1.5 billion. This year we have agreed Heads of Terms for the Moray Growth Deal (August 2020), Full Deal for the Ayrshire Growth Deal (November 2020), Full Deal for the Tay Cities (December 2020), Heads of Terms for Argyll & Bute (February 2021), Heads of terms for the Islands Deal (March 2021) and the Borderlands Full Deal (March 2021).

Key to the success of the City Region and Growth Deals Programme is continuing engagement from both of Scotland's Governments with local partners through the delivery phase. Building on this success, and taking advantage of returning powers and spending from the EU, the UK Government has announced additional funding schemes for the whole of the UK, including Scotland. These funds recognise that levelling up requires a multi-faceted approach, from supercharging city regions, to supporting struggling towns, to catalysing industrial clusters in the sectors that will drive the future economy – the Government has set out a broad package of complementary UK-wide interventions.

The Levelling Up Fund, the Community Renewal Fund and the Community Ownership Fund represent the first stage of this UK Government investment. Investment from EU Structural Funds will continue to be spent by the Scottish Government until 2023.

The new UK Shared Prosperity Fund, to be launched in 2022, will operate throughout the UK and play a part in uniting and levelling up the whole country. To prepare for the Shared Prosperity Fund we are starting work now, with the UK Community Renewal

Fund providing additional funding to help support local areas to pilot imaginative new approaches and programmes. This revenue funding will complement the capital funding being provided by the Levelling Up Fund, which is a major new investment stream of £4.8 billion over the next four years (up to 2024-25), with at least £800m set aside for Scotland, Wales and Northern Ireland, and at least 9% of total UK allocations set aside for Scotland in the first bidding round.

The Community Renewal and Levelling Up Funds will be delivered through local authorities in Scotland; recognising their key role in driving local growth and the most appropriate level for deciding on needs and working with a range of partners. The Community Ownership Fund will provide funding directly to community groups, enabling them to take over important local assets. OSSS will ensure that Scotland benefits to the maximum extent possible from these new opportunities, and that delivery successfully supports growth, prosperity and employment outcomes across the whole of the country.

Other key elements of our work to support economic growth in Scotland include:

- The **Plan for Jobs**, which builds on DWP's Jobcentre Plus network, offering tailored support to help people find work, including through Youth Hubs, Restart, and Kickstart. The Plan for Jobs will support longer term recovery from the unprecedented economic impact of COVID-19.
- **Freeports** will establish national hubs for global trade and investment in every Nation of the UK, promoting regeneration and job creation. Freeports will provide hotbeds for innovation, intensifying the economic impact of our ports and generate increased economic activity in areas in need of regeneration across the UK. The UK Government remains committed to establishing at least one Freeport in Scotland, as soon as possible.
- The **UK Infrastructure Bank**, which will provide financing support to local authority and private sector infrastructure projects to help meet UK Government objectives on climate change and regional economic growth. It will also establish an advisory function to help with the development and delivery of projects.

To support improvement in monitoring and evaluation across deals, the UK and Scottish Governments have been working with Edinburgh and South-East City Deal Region partners to develop an exemplar Monitoring and Evaluation Framework. In November 2020, the UK Government published guidance to every deal about the production of a Benefits Realisation Plan (BRP) which is now a condition of Grant. In producing this BRP, each Deal is required to demonstrate, for the benefit of local, regional and national stakeholders - the outputs, outcomes, and impacts to be realised as a result of Deal investments in projects. This will provide accountability for both government and partner investment, enhance the operational effectiveness of existing projects; and improve potential future initiatives through the capture, dissemination, and application of learning.

There are comprehensive governance arrangements in place which are overseen by the Scottish City Region Delivery Board (which is jointly chaired by a senior official in the OSSS along with Scottish Government counterparts, and with HM Treasury and Ministry for Housing Communities and Local Government represented on the UK Government side) and Working Group. Governance is embedded as a core strand of our work, with both the UK and Scottish Governments working with local partners to ensure a governance plan is in place at the outset of the deal. Before funding can flow

for an individual project, a full business case must be agreed and signed off by both Governments.

In addition, both Governments make use of additional review points as needed for particular projects; such as the Oil & Gas Technology Centre in Aberdeen. Another key strand of the approach to governance is the 'Annual Conversations' which are held with each set of Deal Partners to review progress. Annual Conversations are preceded by the preparation by the partners of an Annual Report. In December 2020 the OSSS also completed the first 5-year Gateway Review of the Glasgow City Region Deal which allowed the next tranche of funding to flow.

In addition to providing financial support for the City Region and Growth Deals Programme, the UK Government continues to support Scotland's economy through the Industrial Strategy, with a particular focus on research and innovation investments. This provides public investment to tackle the UK's Grand Challenges; Artificial Intelligence and Data, Ageing Society; Clean Growth; and the Future of Mobility. Scottish businesses and universities have been at the forefront of capitalising on this investment and have received funding of over £88m from the Industrial Strategy Challenge Fund.

As the UK develops and implements its independent international trade policy, taking advantage of opportunities as an outward-looking global trading nation, the OSSS is working alongside Department of International Trade (DIT) to develop the UK's future trade policy and is focussed on ensuring all trade deals reflect the needs of Scotland within the UK. The UK's priority is negotiations with the US, Australia and New Zealand. The Government has signed a comprehensive trade deal with Japan, and continues work to reproduce effects of existing EU trade agreements. It is also considering joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). OSSS works to ensure that deals negotiated provide extensive benefits for Scotland, including protection of Scotland's iconic regional products including, of course, Scotch Whisky. The OSSS was at the forefront of the UK Government's efforts which resulted in the successfully negotiated suspension of tariffs on Scotch Whisky exports to the US as part of our commitment to resolving the Boeing/Airbus dispute.



## Objective 3: Increase the visibility of the UK Government's commitment to Scotland

The OSSS, often working in partnership with others, promotes and highlights the role of the UK Government and the support it provides to businesses and people in Scotland. The OSSS Communications Team uses traditional media, social activity and events and direct engagement in this work. This year they embraced the virtual environment by turning to Zoom, Google Meet and Teams to facilitate extensive stakeholder engagement activity for Ministers as well as working with third parties to run webinars and events to reach wider audiences with essential information on, for example, EU transition. The Communications and Press Division manages the website: [deliveringforscotland.gov.uk](https://deliveringforscotland.gov.uk), which provides information about UK Government services and policies in Scotland, and runs the Twitter account @ukgovscotland as well as Facebook and Linked In profiles. A recent addition to the Delivering for Scotland site is a brochure which sets out available UK Government support for businesses in an easy-to-use accessible format.

In 2020-21, the UK Government signed a landmark North Sea Transition Deal, supporting our continuing partnership with the oil and gas and renewable energy industries to accelerate sustainable progress towards our Net Zero ambitions, along with a £27 million investment in the Aberdeen Energy Transition Zone, promoted by Opportunity North East. The North Sea Transition Deal supports the oil and gas industry in Scotland as it commits to reduce emissions to further our clean energy ambitions and develops world class expertise and technologies for the transition to net zero, which can be exported around the world.

Following the end of the Transition Period, and exacerbated by the impact of COVID-19 on export markets and the closure of hospitality venues across continental Europe, Scottish fish and seafood exporters experienced difficulties maintaining their markets in the EU, and delays, bureaucracy and cost around the introduction of new certification requirements. The OSSS, led by Minister David Duguid, set up a Scottish Seafood Exports Taskforce, including representatives from industry as well as Ministers from the Department for the Environment, Fisheries and Rural Agriculture (DEFRA) and the Scottish Government. The Taskforce invited guests to help with its actions, including from France, and is due to report in 2021. It has already made much progress in helping to simplify processes, and has also decided to work with DIT colleagues to promote exports beyond the EU and into new markets.

The OSSS has also engaged closely with the agriculture and farming sector throughout the pandemic, offering guidance on how to access support and ensuring the impact of the COVID-19 pandemic felt in Scotland, is clearly understood within other Government departments. The OSSS has also maintained regular engagement with the industry as the UK has left the EU, to understand the opportunities as well as any concerns that the sector is experiencing at this time. The OSSS was key in securing the extension and expansion of the Seasonal Agricultural Workers Pilot and has facilitated roundtables with both DEFRA and the Home Office to enable the views of stakeholders to be heard first hand.

Given the largely devolved competence of both fishing and farming policy, the OSSS also holds relationships with the Scottish Government as well as other Whitehall Departments, to ensure and uphold the functioning of the UK's internal market.

The OSSS is involved in the Devolution and You Programme alongside the UK Government and all the Devolved Administrations. This year, the Programme moved beyond increasing knowledge of the devolution settlements and focused on tools and techniques for collaborative working, to the benefit of all of the Devolved Administrations with the aim of delivering better benefits for UK citizens and businesses. In partnership with Civil Service Local, OSSS plans events to help civil servants in Scotland and beyond to work together in the interests of citizens and businesses all over Scotland.

OSSS policy officials routinely engage with UK citizens and businesses throughout Scotland to listen to their views and to ensure that UK Government policies and services are best suited to support Scotland. The OSSS worked hard, alongside the Host City Local Authority, to help bring the COP26 International Climate Change Conference to Glasgow. Now scheduled to take place in 2021, the event will build on the Paris Climate Change Agreement and welcome scores of world leaders to Glasgow to deepen and accelerate global commitments to reducing and phasing out carbon. The UK is already a world leader in carbon reduction, with a target for Net Zero by 2050. Climate Change is an excellent example of collaborative working between the UK Government and the Devolved Administrations which, for example, jointly commissioned the Climate Change Panel to provide the expert advice which underpins policy.

The OSSS also champions UK Government policies which support Scotland's leading cutting edge industries such as: Research and Innovation, where Scottish universities and businesses are winning funding for cutting edge research across a spectrum of sectors; Aerospace and Defence, where the UK Space Agency is supporting Scottish space ports; Oil and Gas, where the industry has committed to Net Zero by 2035; and the Oil and Gas Technology Centre, which is funded through the Aberdeen City Region Growth Deal and is supporting this transition with its Net Zero Solutions Centre; life sciences; and financial services with Barclays building its international cyber headquarters in Glasgow. These industries provide the high technology, well paid jobs essential for Scotland's prosperity, and UK Government support is key in enabling them to flourish and grow.

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

### Delivery of Objectives in 2020-21

The Office of the Advocate General (OAG) set the following strategic objectives for 2020-21:

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

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

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

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

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

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

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

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

#### Objective 5. Supporting Ministers.

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

The activity which OAG undertook in 2020-21 to meet each of these objectives is summarised below.

## Objective 1: Providing Advice on Policy and Legislation

As in previous years, a significant proportion of OAG's work in 2020-21 related to the provision of Scots legal advice on the full range of UK Government activities in Scotland. This involved work across a number of UK Government departments and the provision of legal support on a range of different topics. In order to make that work effectively, OAG has worked hard to build and maintain contacts with departments in the UK Government through the provision of targeted training.

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

OAG instructed Parliamentary Counsel to OAG in the drafting of: provisions for Scotland in Bills before the UK Parliament; drafted subordinate legislation on behalf of UK Departments; and provided legal advice to UK Government departments on Bills and subordinate legislation. In 2020-21, 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:

- Counter Terrorism and Sentencing Act 2021
- Covert Human Intelligence Sources (Criminal Conduct) Act 2021
- Medicines and Medical Devices Act 2021
- European Union (Future Relationship) Act 2020
- United Kingdom Internal Market Act 2020
- Private International Law (Implementation of Agreements) Act 2020
- Social Security (Uprating of Benefits) Act 2020
- Fisheries Act 2020
- Agriculture Act 2020
- Immigration and Social Security Coordination (EU Withdrawal) Act 2020
- Extradition (Provisional Arrest) Act 2020
- Sentencing Act 2020
- Corporate Insolvency and Governance Act 2020
- Sentencing (Pre-consolidation Amendments) Act 2020

OAG was responsible for advising or leading on Orders under the Scotland Act 1998, including measures to facilitate the devolution of some social security benefits. OAG also contributed to the preparation of a wide range of secondary legislation prepared by UK Government Departments.

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

This has been a challenging year for litigation work. The courts have had to adapt very quickly from being an almost entirely paper-based system to a digital one. They have done so very successfully and solicitors, Counsel and Judges have conducted virtual court hearings while working from home.

Although the volume of immigration litigation has dropped, work in this area has continued on a regular basis with hearings taking place each week. Other types of litigation have included a Supreme Court appeal, *Anwar v The Advocate General* (representing the Secretary of State for Business Energy and Industrial Strategy), in which the Court considered whether the Court of Session and/or the Sheriff Court already have power to grant a warrant for inhibition and arrestment on the dependence of an application to an Employment Tribunal by a worker alleging unlawful work and workplace related discrimination and/or harassment on grounds of sex and/or race and/or religion or belief. The court will also consider, if it agrees that the courts do have that power, whether or not that is sufficient to constitute an effective remedy for enforcement of EU Law rights.

The Advocate General also represented the Foreign Secretary in the posthumous appeal against conviction raised by the family of the late Abdelbaset Ali Mohamed Al Megrahi. An application relating to non-disclosure of documents was refused and a Public Interest Immunity certificate relating to protectively marked documents was upheld by the Appeal Court of the High Court of Justiciary.

In the Court of Session, the Advocate General is representing UK Government in an action raised by a campaigner who wants the court to declare that the Scottish Parliament has power to legislate for the holding of an independence referendum without requiring the consent of the UK Government – *Keatings v The Advocate General, The Lord Advocate & Others*.

In other litigation the Advocate General has represented the Department of Education, the Department for Work and Pensions and the Ministry of Justice. A breakdown of the cases in which the Advocate General has either appeared personally or been represented in since devolution can be found at:  
<https://www.gov.uk/government/publications/involvement-in-cases>

In a challenging twelve-month period, the number of cases directed to HMRC has declined. This is particularly apparent in the Sheriff Court, and reflects the decision of HMRC to suspend winding-up petitions during the pandemic as one of the measures put in place to support businesses. After a pause before virtual hearings were established, work previously instructed continued in the Sheriff Court. Hearings in the upper courts (the Court of Session and Supreme Court) have taken place virtually. HMRC division dealt with one of the early hearings in the Supreme Court in April 2020, and returned to the Supreme Court in February 2021. In the Court of Session, both in the Inner and Outer House, and in the Tribunals, cases have been dealt with remotely. These have included high profile challenges to the loan charge legislation and to off payroll working.

OAG continues to assist HMRC with their work to collect National Minimum Wage arrears on behalf of workers in Scotland. This is done by obtaining judgements in the Sheriff Court for recovery of such arrears and enforcing those judgements, as well as defending appeals to the Employment Tribunal against Notices of Underpayment of the minimum wage and associated penalties. After initial slow down due to the first lockdown, this work has continued with more work being done online and remotely. OAG also advises on guidance and procedure in this field.

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

OAG undertook a variety of work in 2020-21 to support Scotland's continuing place within the UK. The most significant was OAG's continued role in providing legal advice to the



Office of the Secretary of State for Scotland and other UK Government departments on the impact of EU Exit on Scots law and the Scottish devolution settlement. It also included the work OAG undertook on legislation and litigation outlined above to help ensure the UK Government takes proper account of the Scottish legal system and Scottish devolution in all of its activities.

## Objective 4: Helping to Ensure that Devolution Works

OAG's legislative, advisory and litigation work was critical to meeting this objective in 2020-21. 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 the Office of the Secretary of State for Scotland, in continuing to advise on any Orders needed under the Scotland Act 1998.

Such Orders are one of the key mechanisms by which the Scotland Act 1998 ensures continuing coherence of the settlement. Work on implementation of the Scotland Act 2016 also continued.

To support the meeting of this objective, OAG maintained efforts to build networks with Whitehall departments and this paid dividends, especially with Bill teams from across Whitehall and OAG's biggest litigation clients, such as HMRC and the 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 Office of the Secretary of State for Scotland, together with a range of other departments. Throughout 2020-21 the Office continued to engage with the Scottish Government to secure the delivery of common objectives and to resolve areas of disagreement in a proactive way.

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

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

## Objective 5: Supporting Ministers

The Advocate General works with the Attorney General and the Solicitor General for England and Wales to provide formal advice on the most difficult and sensitive legal questions facing Government. OAG supports the Advocate General in performing that role. It is a long-standing convention followed by successive 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 2020-21, the Advocate General was a member of the Parliamentary Business and Legislation Committee which manages the UK Government's legislative programme.

Under section 33 of the Scotland Act 1998, the Advocate General may refer to the Supreme Court the question of whether a Bill of the Scottish Parliament, or any provision of such a Bill, is outside the legislative competence of the Scottish Parliament. OAG advised and supported the Advocate General in relation to this statutory function, which is one of the fundamental checks and balances of devolution. The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill and the European Charter of Local Self-Government (Incorporation) (Scotland) Bill were referred to the Supreme Court by the Advocate General, together with the Attorney General, on Monday 12 April 2021. Both bills were passed by the Scottish Parliament in March 2021.

At the start of 2020-21, the former Advocate General continued his role as spokesperson for the Ministry of Justice in the House of Lords, leading on the promotion of Law-Tech and the Crown Dependencies. At the start of the pandemic, the former Advocate General played a key role in supporting the Crown Dependencies developing links with the Department for Health and UK businesses providing Personal Protective Equipment and coronavirus testing. He also led on the passage of Ministry of Justice led Government Bills through the House of Lords.

Since taking up his position as Advocate General in October 2020, Lord Stewart has supported on numerous pieces of Government legislation in the House of Lords. These include: The Covert Human Intelligence Sources (Criminal Conduct) Act (Home Office); the Overseas Operations (Service Personnel and Veterans) Act (Ministry of Defence); and the Counter-Terrorism Sentencing Act (Home Office and Ministry of Justice).

## **Part 3: Sustainable Development**

The Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General for Scotland (OAG) do not own and are not the sole occupants of either of their Headquarters in London or Edinburgh. Dover House, the OSSS Headquarters in London is leased from the Government Property Agency and Queen Elizabeth House, the OSSS and UK Government Headquarters in Edinburgh, is leased from HMRC. Both buildings are shared with other UK Government departments. It is not possible to identify the individual responsibility of each organisation to the overall sustainability of each building. Shared occupations are not accounted for, due to the difficulties of extrapolating reliable sustainability data from service charges.

### **Greening Government Commitments**

The Greening Government Commitments launched on 1 April 2011 require UK Government departments to take action to significantly reduce environmental impact.

These commitments can be found at:

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

### **Carbon Reduction Commitment**

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

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

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

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

In 2020-21 the Office spent £43.4 billion within Parliamentary Supply Estimates (Supplementary Estimate). The department's own running cost outturn was £13 million and the payment to the Scottish Consolidated Fund totalled £43.4 billion.

### Financial Performance

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

The Scottish Government also borrowed a further £407 million from the National Loan Fund in 2020-21.

### Movements in Estimate Provision During 2020-21

At the start of the year the department was voted £39.8 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased by £6.4 billion, primarily due to an increase in the payment to the Scottish Consolidated Fund.

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

The Statement of Parliamentary Supply demonstrates that overall there was an underspend of 6.22% (£2.877 billion) on the Estimate provision of £43.4 billion. The Statement of Parliamentary Supply 1.1: Analysis of net resource outturn by section, and The Statement of Parliamentary Supply 1.2: Analysis of net capital outturn by section provides a breakdown of this position for each subhead in the Estimate. The reasons for variances are set out below.

#### Department - Resource (Administration Costs)

Resource Spending in Departmental Expenditure Limits (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	13,014	13,516	502	4%

The underspend of £0.502m is mainly attributable to lower than anticipated costs of our transfer to the UK Government Hub in Edinburgh, Cabinet Office IT system, unfilled vacancies, and reduced travel costs due to the COVID-19 restrictions.

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

Resource Spending in Departmental Expenditure Limits (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Boundary Commission for Scotland	238	300	62	20.67%

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

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

Resource Spending in Departmental Expenditure Limit (RDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Grant payable to the Scottish Consolidated Fund	31,947,738	34,823,901	2,876,163	8.26%
Scottish Rate of Income Tax	11,423,690	11,423,690	0	0%
<b>Total</b>	<b>43,371,428</b>	<b>46,247,591</b>	<b>2,876,163</b>	<b>6.22%</b>

### **Grant payable to the Scottish Consolidated Fund**

The sum of £2.877 million described as an underspend in the grant payable to the Scottish Consolidated Fund indicates the amount of actual cash that the Scottish Government did not draw down in 2020-21. It is the responsibility of the OSSS to transfer funding from the Consolidated Fund to the Scottish Consolidated Fund monthly ensuring that the Scottish Government does not draw down funding in advance of need. The OSSS paid across all amounts to the Scottish Consolidated Fund as requested by the Scottish Government. Information on the Scottish Government's actual expenditure in resource terms can be found in the Scottish Government's consolidated accounts and the accounts of its arm length bodies. The OSSS is responsible for ensuring that funds are transferred appropriately and that transfers are recorded correctly in our accounts. It is for the Scottish Parliament to determine how the funds are spent and for the Scottish Government to account for the expenditure.

### **Scottish Rate of Income Tax**

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

### **Office of the Secretary of State for Scotland and the Office of the Advocate General – Capital**

Capital Spending in Departmental Expenditure Limit (CDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	385	834	449	53.8%

The underspend on capital is mainly attributed to the lower than anticipated cost of the department's transfer to the Cabinet Office IT system.

## Office of the Secretary of State for Scotland and the Office of the Advocate General – Annually Managed Expenditure

Spending in Annually Managed Expenditure (AME)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Office of the Secretary of State for Scotland and Office of the Advocate General	(852)	(852)	0	0%

The Annually Managed Expenditure relates to the utilisation of the onerous lease provision and dilapidations from the previous financial year.

### Statement of Financial Position

The net liabilities at 31st March 2021 are £2.859m (2019-20 £2.422m). The significant balances on the Statement of Financial Position are:

- Property, plant and equipment £0.588m. (This principally comprises of IT, equipment, furniture and fittings); and
- Financial assets and liabilities £1,829m. The financial assets and liabilities are loans issued from the National Loans Fund (NLF) to the Scottish Government.

In 2020-21, three new loans totalling £407m were issued to the Scottish Government from the NLF under the Scotland Act\*. The NLF interest and capital payments are balanced by corresponding amounts in receivables and payables.

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

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

	Estimate £000	Outturn £000
Net Resource Outturn (Estimates)	46,260,555	43,383,828
Net Operating Cost (Accounts)	46,260,555	43,383,828
Voted expenditure outside the budget	46,247,591	43,371,428
Resource Budget Outturn (Budget)	12,964	12,400



#### Laurence Rockey

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

8 July 2021



# Chapter 2: The Accountability Report

## Director's Report

### Office of the Secretary of State for Scotland and Office of the Advocate General, Ministers and Directors

The Ministers and officials of the Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General (OAG) who were members of the Joint Management Board at various times during 2020-21 are shown below:

- **Rt Hon Alister Jack MP** - Secretary of State for Scotland.
- **David Duguid MP** - Parliamentary Under Secretary of State for Scotland. From June 2020.
- **Iain Stewart MP** - Parliamentary Under Secretary of State for Scotland. From June 2020.
- **The Rt Hon Lord Keen of Elie QC** - HM Advocate General for Scotland. Until 16 September 2020.
- **The Rt Hon Lord Stewart of Dirleton QC** - HM Advocate General for Scotland. From 15 October 2020.
- **Douglas Ross MP** – PUSofS for Scotland. From 16 December 2019 until 26 May 2020.
- **Gillian McGregor** - Director of the OSSS and Accounting Officer and member of the OSSS SLT sub-committee. Until 8 December 2020.
- **Laurence Rockey** - Director of the OSSS and Accounting Officer and member of the OSSS SLT JMB sub-committee. From 21 November 2020.
- **Neil Taylor** - Director of the Office of the Advocate General and member of the JMB OAG sub-committee and OAG SLT JMB sub-committee.
- **Shonaig Macpherson** - Non-Executive Member and Lead NED from 11 March 2019 until August 2020.
- **Joyce Cullen** - Non-Executive Member and OAG sub-committee member and interim Lead NED from August 2020 until the 31 March 2021.
- **Ross Finnie** - Non-Executive Director and Chair of the Audit and Risk Assurance Committee. From 15 September 2020.
- **Stuart Patrick** - Non-Executive Director. From 15 September 2020.
- **Martin Dorchester** - Non-Executive Director. From 15 September 2020.

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

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

## Our Corporate Performance

Underpinning the department'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 2020-21, the three main indicators, adopted by the department, aimed at ensuring the provision of high quality and efficient services in dealings with the public, were as follows:

Target	Indicator	Performance in 2020-21
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 OSSS received 1534 pieces of correspondence and replied to 1225 (80%) within the target time, in comparison to 718 (79.5%) in 2019-20.  OAG did not receive any pieces of correspondence in 2020-21.
We will reply to all Freedom of Information (FOI) requests within 20 working days of receipt or, if an extension is permitted under the FOI Act, and it is necessary to use it, we will reply within 20 working days explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 20 days.	The OSSS received 168 (253 in 2019-20) FOI requests in 2020-21 all of which were replied to within the 20-day target, either substantively or explaining the reason for an extension. OAG received 42 FOI requests in 2020-21 (53 in 2019-20) and replied to 36 (85.7%) within 20 working days.
We will ensure that accounts are paid promptly. We will pay 80% of accounts within five days of receipt of a valid invoice.	Percentage of payments made within target time.	The OSSS paid 95.1% of invoices within five days. OAG paid 98.7% of invoices within five days.

### Parliamentary Questions

The following table shows the total number of ordinary written Parliamentary Questions received by both Offices and the percentage answered within five sitting days in the Commons, and ten sitting days in the Lords; and the total number of named day Parliamentary Questions received and the percentage answered on that named day. In total, 86 out of 87 (99%) of written Parliamentary Questions tabled to the department were answered on time.

Ministers have also answered oral questions on many occasions in both Houses.

The OSSS responded to Oral Questions in the House of Commons on 8 occasions during the reporting year 2020-21, on:

- 20 May 2020;
- 1 July 2020;
- 9 September 2020;
- 7 October 2020;
- 11 November 2020;
- 9 December 2020;
- 27 January 2021; and
- 10 March 2021.

#### Ordinary Written Questions Named Day Questions

	Ordinary Written Questions		Named Day Questions	
	Total Received	Answered on Time	Total Received	Answered on Time
House of Commons	87	86	28	28
House of Lords	4	4	n/a	n/a
Total	91	90	28	28

### Freedom of Information Act 2000

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

### Information Assurance

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

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

In general, the risk carried by the Offices in this area is very low since neither the OSSS nor OAG handles significant quantities of personal or security information. Specific requirements are placed on OAG when handling personal tax information in the course of litigation for HMRC, and which is handled in accordance with data protection and GDPR legislation.

The Offices have followed best practice and comply with central governance data protection requirements and data protection legislation. The Offices fully comply with the General Data Protection Regulations (GDPR). This work continues to be supported by the Offices' Information Managers Working Group (IMs), represented by staff from across the department in data processing-related roles.

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

In the 2020-21 reporting year, the Information Managers Working Group had two significant information assurance matters to oversee: the IT Transition Project, the move from Scottish Government IT systems to Cabinet Office IT provision; and to continue to deliver secure remote working for the Offices in responding to COVID-19.

The Information Managers Working Group met regularly and attended meetings of the OSSS, OAG and Cabinet Office IT Transition Project Board as well as liaising with the Scottish Government IT teams. The IMs assisted on file restructuring and management of information stored by the Offices and embedded how this is treated, stored, and deleted in line with data protection and GDPR requirements and principles. This is in addition to identifying and promoting new ways of working which the new IT system would enable. The IMs worked with the Scottish Government and the Cabinet Office to manage arrangements for a secure transfer of part of the Offices' data as part of a test trial ahead of the IT transition on 8 February 2021. Following the data migration trial, the Information Managers worked with their teams across the OSSS to manage the data currently held ahead of the transition, to ensure a speedy and safe transfer of data from the Scottish Government to Cabinet Office IT systems.

In order to respond to manage the COVID-19 pandemic, the Offices have moved to the majority of staff working remotely for the majority of 2020-21, in order to conform with the government's rules on social distancing and to continue to provide business continuity. Full IT provision was provided to all staff who worked off the secure Scottish Government IT network at the start of the pandemic in March 2020 and as part of the IT transition on 8 February 2021, all staff were provided with new Cabinet Office laptops and iPhones with virtual training sessions provided online by the Cabinet Office.

The virtual training session provided to staff by the Cabinet Office as part of the IT transition, also included a four week set of training sessions and orientation for the OSSS Information Managers on how to navigate and manage information in the new Google IT platform. SLT were presented with an update at their meeting on 10 March 2021 on the enhanced role of the Information Managers on the Cabinet Office Google IT platform, what the role would involve and the work plan for the Information Managers work plan for the next year. The SLT also discussed how to increase resilience in this area going forward and to share corporate knowledge across the department.

In order to ensure that the Offices continue to fully comply with all central government guidance and requirements concerning working remotely, the Offices are linked into central UK Government networks, such as the Data Protection Officers Network meetings. The DPO Network meetings agree to any updates to policy on information management during this time, such as secure online communication methods, and issue communications for all Government departments on risks to information security that are emerging in order to allow for a collective response and consistent treatment.

## Whistleblowing

The Whistleblowing Policy is published on the OSSS and OAG intranet websites, with clear guidance on how staff should raise concerns, in confidence, with the OSSS and OAG Nominated Whistleblowing Officers. The guidance also makes clear to staff that they can raise concerns directly with the Chair of the ARAC. There were no whistleblowing instances recorded either in the OSSS or OAG in 2020-21.

## 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 risk assessments, including display screen equipment assessments. There were no reported adverse health and safety issues during 2020-21.

As a result of both Offices moving to remote working in response to COVID-19, additional checks have been put in place to ensure that staff are working remotely in the safest possible environment with the tools and equipment that they need.

Additional questionnaires, asking staff to undertake a self-assessment and to report back on the safety of their remote working environments was undertaken and staff were asked as a result of this assessment to request any reasonable additional office equipment to assist in improving their work stations and environment – this is kept under constant review. The Offices continue to work with central UK Government networks, including the Government Property Agency, to put robust plans in place to be able to respond to any changes to the remote working guidelines to ensure that if, and when, any level of staff presence is required in either the Edinburgh or London offices, that staff can work from these premises safely and working environments are fully aligned with the Government's social distancing policy.

## Scottish Government Funding

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

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

The UK Parliament votes the necessary cash provision to the Secretary of State for Scotland, who, in turn, makes payments into the Scottish Consolidated Fund as set out in the Scotland Act 1998. Details of the cash grant paid in 2020-21 (together with data for 2019-20 and 2021-22) can be found in chapter 4. Alongside this grant, the Scottish Government's funding in 2020-21 also includes business rates revenues.

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

The total cash paid in 2020-21 was **£43,371,428,363**.

The Scottish Government published details of how it allocated its budget for 2017 to 2020. These are contained in Scotland's Budget 2020-21 and the Budget (Scotland) Act 2015.

## **Efficient Use of Resources**

The bulk of the costs of the OSSS and OAG relate to staffing and associated expenditure linked to advisory and support functions for Ministers and other UK Government departments. Programme expenditure, excluding the block grant, is small and relates to the Boundary Commission for Scotland and funding for the UK Government's awareness campaigns in Scotland for the end of EU transition period and recovery from COVID-19.

We are committed to achieving efficiency and effectiveness in all areas of our activities. Throughout 2020-21 the Offices have sought ways of making more efficient use of resources and reducing costs.

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

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

For the procurement of goods and services the department generally uses framework contracts negotiated by the Crown Commercial Service, the Ministry of Justice, Cabinet Office and the Scottish Government. Wherever appropriate the department works with the Northern Ireland Office and the Office of the Secretary of State for Wales to share expertise and provide cover for one another. Most significantly the OSSS and Office of the Secretary of State for Wales are piloting the joint working of their financial support function and the Northern Ireland Office; OSSS and OAG; and Office of the Secretary of State for Wales use a shared Parliamentary service which enables them to have a greater resilience in this essential function and to draw upon expertise they could not otherwise build up.



# Statement of the Accounting Officer's Responsibilities

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

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

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

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

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

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2019-20: £nil).

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

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



**Laurence Rockey**

Accounting Officer, The Office of the Secretary of State for Scotland and  
Office of the Advocate General for Scotland

8 July 2021

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

## Introduction

This Governance Statement covers the whole of the period from 1 April 2020 up until the signing of the Financial Statements. I sought assurance from Ministers, the Audit and Risk Assurance Committee, Internal Audit and senior staff in both the Office of the Secretary of State for Scotland (OSSS) and the Office of the Advocate General for Scotland (OAG), and I am confident that I can in turn provide assurance to Parliament and others that robust systems of governance which meet best practice have been in place in the Offices and assurance on the stewardship of public resources for the whole of the year 2020-21.

During the 2020-21 reporting year, there was a change in Director of the OSSS and Accounting Officer for the OSSS and OAG. Gillian McGregor left the OSSS as Director, on the 8 December 2020 and Laurence Rockey became OSSS Director and Accounting Officer for the Offices on the 21 November 2020. There was a formal handover period between outgoing and incoming OSSS Directors to ensure a smooth transition and retention of corporate knowledge. This included briefings on the governance framework and the Offices' finances, ahead of the incoming OSSS Director, Laurence Rockey taking up post.

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

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

The OSSS and OAG JMB complies with the Corporate Governance Code for Central Government Departments and the Offices' governance frameworks support the delivery of those objectives. The only departure from the Corporate Governance Code is that, unlike other central Government departments, the governance framework does not include a Nominations Committee. The responsibilities of which would include: ensuring that there are satisfactory systems for identifying and developing leadership and high potential; scrutinising the incentive structure; and succession planning for the Board and the senior leadership of the department.

These responsibilities are delegated to the OSSS and OAG Joint Management Board, the OSSS and OAG Senior Leadership Teams, the Offices' Accounting Officer and the Lead Non-Executive Director (NED).

The Audit and Risk Assurance Committee (ARAC) have considered the Accounting Officer's Corporate Governance Statement. The ARAC was satisfied that this drew appropriately on the various sources of assurance available to the Accounting Officer,

that it described accurately the processes of corporate governance within the Offices and that it properly addressed the relevant issues.

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

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

The Board has successfully addressed significant change in the 2020-21 reporting year. In June 2020 two Junior Ministers: David Duguid MP - who is dually appointed to both the OSSS and the Whips Office - and Iain Stewart MP, were appointed as Parliamentary Under Secretaries of State for Scotland, alongside the Secretary of State for Scotland, taking the total OSSS Ministerial team to 3 Ministers. The Board has then had to address further change in its membership with the OSSS and OAG Lead Non-Executive Director, Shonaig Macpherson resigning from the Board in August 2020 and the interim Lead NED, Joyce Cullen's second three-year term coming to an end on the 31 March 2021. The Secretary of State for Scotland appointed three new Non-Executive Directors to the Board on 15 September 2020: Martin Dorchester; Stuart Patrick and Ross Finnie - who was also appointed as the Chair of the OSSS and OAG Audit and Risk Assurance Committee. In addition to these changes of membership at Board level, the interim Chair of ARAC, Jayne Scott, left the Committee in December 2020 at the end of her first three-year term on the Committee. Ross Finnie had already taken up post as ARAC Chair and NED, on 15 September and was joined by existing ARAC member, Gillian Carty on the Committee. A recruitment campaign was launched in December 2020 to appoint two new members to the ARAC. This formed part of the succession plan ahead of Gillian Carty leaving the Committee in May 2021 following the end of her maximum two three-year fixed term appointment. Two new members were appointed to the ARAC on the 1 June 2021: Dermot Grenham and Rachel Grant.

The Board continued to meet and operate effectively throughout the year and continued to build on the recommendations from the Board Effectiveness Evaluation Review Report included in the 2019-20 OSSS and OAG Annual Report. The Offices commissioned an external peer review of the effectiveness of the Board in 2019 as part of the Cabinet Office Governance requirements. The recommendations of the external Board effectiveness evaluation were built into the Offices' forward Governance Plans for the 2020-21 reporting year and formed part of the Governance Proposals for the Board for 2021-22 which were presented to the meeting of the OSSS and OAG Joint Management Board on the 24 March 2021.

The external Board effectiveness evaluation included a recommendation to look at the format of Board meetings to see if these could involve a more externally focused

element. The findings of the external review found that the governance of the Office of the Secretary of State for Scotland and OAG during 2020-21 was robust and inclusive, and the Office coped extremely well with some difficult challenges. As part of the forward planning for the work of the Joint Management Board for 2021-22, the Offices' have been looking at how to incorporate the externally focused element into its work and the choreography around its meetings in order to complement the OSSS stakeholder engagement strategy. Following the appointment of three new Non-Executive Directors to the Board on 15 September 2020, the Offices have also been looking at how the Boards Non-Executive members and the JMB support the work of the Board, the Executive and Ministers, both inside and outside of formal meetings of the Board. This will be supported and embedded by the new OSSS and OAG Lead Non-Executive Director, the recruitment campaign for which is currently underway at the time of publication.

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

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

The Board receives several reports for discussion at formal meetings of the Board. The Lead NED provides a report to each meeting of the Board detailing the work and activity of the NED team since the last meeting of the Board. This is accompanied by written reports to the Board on: finance; risk management: a strategic risk summary dashboard which highlights all risks to delivery of the OSSS strategic objectives, and their scoring that appear on the OSSS Corporate Risk Register; performance management; and corporate projects.

The minutes of the Audit and Risk Assurance Committee are also presented to the Board at its meeting with a summary of matters discussed at the last meeting of the Committee. This supports and validates the risk management and finance reports submitted to the Board separately and provides the external and independent assessment of the issues by the ARAC, raised in the officials' reports. This is an additional level of assurance provided by ARAC, to the information and data received by the Board as ARAC provides the necessary independent and external advice and challenges on the issues that come before the Committee and which is attended by both internal and external audit. The Directors of both the OSSS and OAG also provide verbal reports to each meeting of the Board outlining the work of the departments since the Board last met.

The work of the Board is underpinned by the Forward Governance Plan which is agreed by the Board at the start of the reporting year by the Board and is constructed around the OSSS Business Plan. The Board reviews progress against its business plan at each

meeting as well as discussing an issue of policy or strategy in depth which is linked to the reporting elements of the business plan or risk register. The Board commissions papers related to this approach and has a template for Board papers to ensure that officials are asking the right questions of board members and being specific in what they need the Board to discuss and provide a steer on. These papers are cleared at Deputy Director level and presented at meetings of the Board by the lead official. There have been no Ministerial directions during the 2020-21 reporting year.

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

Our NEDs engagement with their network across UK Government departments has provided more opportunities for the OSSS to have influence and engage with departments when dealing with issues affecting Scotland at an earlier stage.

The JMB formally met on 2 separate occasions during the 2020-21 reporting year, and the Non-Executive Board members continued to provide advice on a number of occasions outside of meetings, most notably on: stakeholder engagement; communications; City Region and Growth Deals; the department's approach to EU transition; the OSSS and Office of the Advocate General Business Plans and performance and risk management.

Non-Executive Directors supported the Joint Management Board in delivery and performance through deep-dive sessions with the Offices' Senior Leadership Teams on issues related to the Business Plan Strategic objectives and through mentoring officials in projects such as the UK Government Edinburgh Hub, Queen Elizabeth House; IT Transition; City Region and Growth Deals; Industrial Strategy; and EU transition.

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

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

Various means are available to provide me with assurances about the Boundary Commission for Scotland's (BCS) management of public resources. A member of OSSS staff is in regular contact with the Secretary to the Commission and the OSSS and OAG Lead NED has established a good working relationship with the Deputy Chair of the BCS, Lord Matthews to consolidate that effective dialogue. The Lead NED also provides additional assurance to me in this regard having established an oversight role at Board level on the link between the BCS and OSSS and the effectiveness of their governance arrangements.

In addition, the OSSS and OAG Audit and Risk Assurance Committee at its meeting on the 15 March 2021 signed off on a proposal on a new reporting arrangement between the BCS and the OSSS in which officials from the OSSS and the BCS would meet



quarterly with a formal report on the activity of the BCS being presented to the ARAC twice a year. This report would include: membership changes; current and recent BCS boundary reports and reviews; and a financial management report. The discussion around the BCS report would be detailed in the Committee minutes which are tabled for the Board at their meetings.

The Secretary of State appointed Dr Susan Walker OBE as a member of the Boundary Commission for Scotland with the appointment commencing in January 2021 for a period of four years. The appointment process was managed by OSSS using the Public Appointments process.

## Membership and Business of the Joint Management Board and Audit and Risk Assurance Committee<sup>1</sup>

Role	Number of Board meetings attended (Total of 2)	Number of ARAC meetings attended (Total of 5)
<b>Chair – Secretary of State for Scotland, The Rt.Hon. Alister Jack MP</b>	2 (out of a possible 2)	N/A
<b>Douglas Ross MP – PUSofS for Scotland</b> (16 December 2019 - 26 May 2020)	N/A	N/A
<b>Iain Stewart MP - PUSofS for Scotland</b> (from June 2020)	2 (out of a possible 2)	N/A
<b>David Duguid MP - PUSofS for Scotland</b> (from June 2020)	2 (out of a possible 2)	N/A
<b>Lord Keen – Advocate General for Scotland</b> (until 16 September 2020)	1 (out of a possible 1)	N/A
<b>Lord Stewart - Advocate General for Scotland</b> (from 15 October 2020)	1 (out of a possible 1)	N/A
<b>Lead NED – Shonaig Macpherson.</b> (Until August 2020)	1 (out of a possible 1)	3 (out of a possible 3)
<b>Joyce Cullen - NED and interim Lead NED</b> (from September 2020)	2 (out of a possible 2)	N/A
<b>Ross Finnie - NED and Chair of ARAC</b> (from 15 September 2020)	1 (out of a possible 1)	4 (out of a possible 4)
<b>Stuart Patrick - NED</b> (from 15 September 2020)	1 (out of a possible 1)	N/A
<b>Martin Dorchester - NED</b> (from 15 September 2020)	1 (out of a possible 1)	N/A
<b>Gillian McGregor – Director, OSSS</b> (until November 2020)	1 (out of a possible 1)	5 (out of a possible 5)
<b>Laurence Rockey - Director, OSSS</b> (from November 2020)	1 (out of a possible 1)	2 (out of a possible 2)
<b>Neil Taylor, Director, OAG</b>	2 (out of a possible 2)	7 (out of a possible 7)
<b>Gillian Carty – ARAC member</b> (until 31 May 2021)	N/A	7 (out of a possible 7)
<b>Jayne Scott – ARAC member, and ARAC Interim Chair</b> (from 1 September 2020 until December 2020)	N/A	5 (out of a possible 5)

<sup>1</sup> Rachel Grant and Dermot Grenham were appointed to the OSSS and OAG Audit and Risk Assurance Committee on the 1 June 2021.

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

In 2020-21, there were:

- 2 formal JMB meetings;
- 12 Monthly meetings of the OSSS Senior Leadership Team;
- 5 Monthly meetings of the Office of the Advocate General Senior Management Team;
- 7 meetings of the Audit and Risk Assurance Committee; and
- 3 meetings of the Office of the Advocate General sub-committee.

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

- Business Plans and Risk and Performance Management
- Communications Capability and Stakeholder Engagement
- UK Government Departmental Devolution Capability
- Union Strategy
- People Survey Response and Organisational Cultural Change
- Corporate Projects such as the Edinburgh UK Government Hub
- Series of deep-dives into key risks, such as resourcing and staff resilience; and
- Impact of EU Exit and the Transition period.

## **Register of Public Interest of Board members**

The OSSS and OAG maintain a register of Board members' interests, which contains details of company directorships and other significant interests held by Board members. A copy is published on <https://www.gov.uk/government/organisations/office-of-the-secretary-of-state-for-scotland> and is updated on a quarterly basis ahead of each meeting of the Board, where any conflicts of interest with Board Members and the business under discussion is declared at the outset and members excused from the agenda item concerned. The OSSS and OAG Directors and Secretary of State for Scotland, also review any potential conflicts of interest and the work of Board members, on a case by case basis.

The OSSS processes relating to registering outside interests and employment, apply to all Executive and Non-Executive members of the OSSS and OAG Joint Management Board, and sub-Committees of the Board, and to all Senior Civil Servants working in the OSSS and OAG. For those staff below the Senior Civil Service grades, the declaration and management of interests is in line with the Ministry of Justice and the Scottish Government policies, and the requirements of the Civil Service Management Code. No Executive members of the OSSS and OAG Joint Management Board, or members of the Offices' Senior Leadership Teams, have disclosed any interests in 2020-21.

In line with the current Declaration of Interests Policy for Special Advisers, all OSSS Special Advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The OSSS Director and Accounting Officer has considered these returns and there are no relevant interests to be published.

In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including Special Advisers.

Advice regarding specific business appointments has been published on the OSSS website: [Business Appointment Rules Oct-Dec 2020 - Office of the Secretary of State for Scotland - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/governments-business-appointment-rules-for-civil-servants). The OSSS follows the Business Appointment Rules issued by the Cabinet Office for Civil Servants: [www.gov.uk/government/publications/governments-business-appointment-rules-for-civil-servants](https://www.gov.uk/government/publications/governments-business-appointment-rules-for-civil-servants). The OSSS and OAG Audit and Risk Assurance Committee monitors the Offices' compliance with the Business Appointment Rules. In compliance with the Business Appointment Rules, the department is transparent in the advice given to individual applications for senior staff, including Special Advisers and this information is published at: <https://www.gov.uk/search/transparency-and-freedom-of-information-releases?organisations%5B%5D=office-of-the-secretary-of-state-for-scotland&parent=office-of-the-secretary-of-state-for-scotland>.

## House of Commons

The Register of Members' Financial Interests can be found on the UK Parliament website: <https://www.parliament.uk/business/commons/>

## House of Lords

The Register of Lords' Interests can be found on the UK Parliament website: <https://www.parliament.uk/business/lords/>

## Board Sub-Committees, including the Audit and Risk Assurance Committee

The Joint Management Board has four sub-committees:

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

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

The remit of the Audit and Risk Assurance Committee is to advise the Accounting Officer and provide assurance on the way that the Offices are being managed. The Audit and Risk Assurance Committee operates in accordance with the Treasury's Audit Committee Handbook and meets at least quarterly, and in the 2020-21 reporting year the Audit and Risk Assurance Committee met on 7 separate occasions. A separate report by the Chair of the Audit and Risk Assurance Committee on the Committee's work in 2020-21 is annexed to this Governance Statement.

During 2020-21 the Audit and Risk Assurance Committee had three members: Gillian Carty; Jayne Scott (Interim Chair of ARAC, from 1 September 2019 until 15 September 2020); and Ross Finnie (NED and ARAC Chair from 15 September 2020). From 1 September 2019 until 15 September 2020 the ARAC had two members (Gillian Carty and Jayne Scott) and remained quorate. From December 2020 to 1 June 2021, the ARAC continued to operate with two members, Gillian Carty and Ross Finnie and remained quorate. The Lead NED, Shonaig Macpherson (Offices' Lead NED) also attended meetings of the ARAC until August 2020, in order to provide support and a direct link to the Board as Lead NED, but is not a member of the Committee.

Officials of the National Audit Office, Ernst and Young who undertake the Offices' external audit function under contract from NAO and Government Internal Audit Agency (GIAA) attend the Audit and Risk Assurance Committee. The GIAA provides internal audit services to the OSSS 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 Accounting Officer, I have overall responsibility for the effective management of risk within the OSSS and the OAG. The OSSS has a Risk Management Framework, which was developed in consultation with Internal Audit and has been the subject of periodic review by the OSSS SLT, including an annual review by the ARAC. This framework satisfies the requirements of the Management of Risk in Government published by the Cabinet Office. The Offices' Risk Management Framework includes a methodology for recording and managing risks and implementation of a risk management policy. The framework for managing risk within the Offices is intended to ensure a consistent approach in risk identification and management.

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

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

The OSSS and OAG risk policy and processes are proportionate to the size of the organisations. The OSSS and the OAG SLT reviews the corporate risk register at their monthly meetings, deep-diving into risks relevant at that time with risk reports submitted to the Board. This has built on the discussions and importance of risk within the Offices. Further work will be done in the next reporting year to fully embed the culture of discussion on risk throughout all levels of the organisations and to formally agree at Board level, the setting of the risk appetite and tolerance for risk across the Offices.

During the 2020-21 reporting year, the OSSS and OAG identified and mitigated risks related to the core strategic delivery of the Offices' strategic objectives. This was in addition to managing other significant and competing priorities and risks to their delivery, including: managing the Offices' response to EU transition and beyond; responding and managing the impact of COVID-19; and delivering the Offices' two corporate projects – the move to the Edinburgh Hub, Queen Elizabeth House and the IT Transition Project - both of which were completed within the 2020-21 reporting year.

The mitigating actions included: ensuring resourcing levels were met and sustained; that the Offices were linked into cross Government networks and into the UK Governance Group in the Cabinet Office and No.10, as well as the other Territorial Offices to deliver on a cross UK Government policy on the Union; use structures, operational delivery and best practice, from managing response to EU Transition to managing the response to COVID-19; using the UK Government Edinburgh Hub to support the delivery of the Union objective; and promote the work of the UK Government in Scotland. The Offices' supported this work through effective communication campaigns and promoting UK Government messaging on social media channels. The Offices' underpinned all this work with a clear business plan which set out how it would deliver on its objectives and had these strategic objectives at the core of the Offices' business plans in addition to a robust and effective governance framework.

The Assurance Framework for both Offices was also updated during the year and this will be reviewed by ARAC as part of the Committee's Annual Work plan and by the OSSS on a bi-annual basis to provide assurance to the Accounting Officer on the levels

of assurance that are in place for key systems within the Offices. The revised assurance framework will also be used as a tool to support the identification of systems of control that have either too much or too little levels of assurance in place and which would benefit from being included on the GIAA Internal Audit Plan for further investigation and identification of possible solutions to put in place to increase the levels of assurance.

## **COVID-19**

From mid-March 2020, the response to COVID-19 became the highest rated strategic risk on the OSSS and OAG Strategic Risk Registers. As an immediate response to COVID-19, and to work to mitigate this risk, the OSSS and OAG Business Continuity Plans (BCP) were enacted. The BCPs are well-established and tested and were enacted to support and enable the Offices to adapt to its staff and Ministers working remotely from home, in order to comply with the social distancing requirements, and to ensure that the Offices could continue to function and deliver for Ministers and on their strategic objectives. The Offices continued the policy of rolling out IT that enabled remote working capability across the organisations, at all levels, and ensured that at short-notice the Offices had the ability to move from mainly office based operations to working completely remotely, ensuring no break in business delivery, both critical and business as usual. The Offices had to continue to deliver on business as usual work, in addition to re-focusing its business plan and strategic priorities to support Ministers on the COVID-19 response. These were significant challenges, which the Offices responded successfully to in a short period of time. The Offices adjusted quickly to respond to these emerging demands, ensuring that structures were put in place and focused to respond to COVID-19.

The overall Office management structures and governance framework have remained in place. Parts of the structure of the Office have been adapted to ensure that the feedback from Scottish stakeholders is fed into Ministerial Committees making key decisions on the response to COVID-19 and ensuring stakeholders are updated on progress on discussions with Ministers and officials; supporting the continued timely response to Freedom of Information requests and Parliamentary Questions on all policy issues; and ensuring that Scottish issues are at the centre of the UK Government's decision making and response to COVID-19. The Offices' structure and response is constantly reviewed by SLT to ensure mitigating actions have required impact and to ensure the resources are being allocated to the right priorities at the correct time whilst ensuring the well-being of staff. To support this, the Offices are connected into central Government networks on HR; Security and the Government Property Agency. This ensures the Offices are consistently applying the central UK Government advice to support staff and all operational aspects of running the department whilst responding to COVID-19.

During the 2020-21 reporting year the ARAC asked the GIAA to undertake an internal audit into staff resilience and well-being by means of an external and independent assessment of the work that the Offices had already put in place to monitor and manage the well-being of staff during this challenging time. The report reflected the good work that had been done by the Offices and that this was the right approach, with only minor recommendations made and awarding the highest rating provided by the GIAA, of a substantive internal audit opinion.



## Sources of Assurance

### 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 had with the Director of the Office of the Advocate General, and with the OSSS Deputy Directors, both through the regular meetings of the OSSS Senior Leadership Team and through the close and routine contact with all of them which is greatly facilitated by the small size of the two Offices.

The most important external source of assurance is provided by the Non-Executive Directors and the Audit and Risk Assurance Committee. The Chair of the Audit and Risk Assurance Committee's report on its work in 2020-21 is in Annex B to this Chapter.

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

During 2020-21 Internal Audit reports were produced on the following subjects and made available to the Audit and Risk Assurance Committee:

- Quarter 1: OSSS and OAG Staff Resilience and Wellbeing (linked to COVID-19 response);
- Quarter 2: OAG Contract Management; and
- Quarter 3: OSSS and OAG Resilience and Resourcing (organisational and structural perspective).

Internal Audit uses a four levels system for rating levels of assurance provided by its audits. Our Internal Auditors undertook 3 individual audit assignments during the year which all received Substantial or Moderate assurance ratings, these are the highest two ratings available. Overall the GIAA were able to give a Moderate annual assurance opinion, which means although their work has identified some areas of weakness in control, these have not been pervasive and there is no evidence of a deterioration in the Offices' framework of risk, control and governance. This means that the Offices' overall risk, control and governance framework is adequate to enable the achievement of objectives and that the key risks are being effectively managed.

External audit is provided by the National Audit Office on behalf of the Comptroller and Auditor General. This is the third reporting year in which NAO has contracted out auditing services to Ernst and Young. The objective is to ensure continuity of approach to the audits – with the NAO retaining oversight of auditing practice and the final audit report. The Comptroller and Auditor General's certificate and report on these accounts is at page 70. I am very grateful to his staff for the advice they have given to the Offices and to the Audit and Risk Assurance Committee throughout the year. In addition to these departmental accounts the National Audit Office also audited the National Loan Fund accounts 2020-21.

## Propriety and Assurance

In the Office of the Secretary of State for Scotland, the Office of the Advocate General, and the Boundary Commission for Scotland, during 2020-21, there were no known:

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

For the period of 2020-21 I can report, in the light of the assurances I have received, that there were no significant weaknesses in the systems of internal controls operated by the Offices, or the Boundary Commission for Scotland, which affected the achievement of their policies, aims and objectives.



**Laurence Rockey**

Director of the Office of the Secretary of State for Scotland and  
Accounting Officer for the OSSS and OAG

8 July 2021

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

## Composition

The 2020-21 reporting year saw changes in the OSSS ministerial and Non-Executive Director team and this was reflected in the membership of the OSSS and OAG Joint Management Board ("the Board"). David Duguid MP and Iain Stewart MP were both appointed as Parliamentary Under-Secretaries of State for Scotland in June 2020 and in September 2020 three Non-Executive Directors were appointed to the Board: Martin Dorchester; Stuart Patrick and Ross Finnie – who was also appointed at this time to Chair the OSSS and OAG Audit and Risk Assurance Committee.

For part of the 2020-21 reporting year, the Audit and Risk Assurance Committee had two members and remained quorate: Gillian Carty and Jayne Scott (Interim Chair of ARAC, from 1 September 2019 to 15 September 2020). Shonaig Macpherson as Lead NED and Joyce Cullen as a member of the Board also attended a number of meetings of the ARAC in order to provide support and a direct link to the Board, but were not members of the Committee. From 15 September 2020 Ross Finnie joined the Board as a Non-Executive Director and was also appointed to the Committee as Chair at that time.

Joyce Cullen and Gillian Carty were members of the OAG Sub-committee, which met regularly throughout the reporting year.

There were 7 meetings of the ARAC, 3 meetings of the OAG Sub-committee and 2 meetings of the Offices' Joint Management Board during the reporting year.

A recruitment exercise is currently underway to recruit a new Lead NED to the OSSS and OAG Board following the end of Joyce Cullen's tenure on the 31 March 2021 as a Non-Executive Director and interim Lead Non-Executive Director.

## Quality

A third-party evaluation of the JMB was conducted in the 2019-20 reporting year, by the former Lead NED at the Office of the Secretary of State for Wales. This external review into the effectiveness of the JMB confirmed that the Offices' governance was robust and inclusive. The Board Effectiveness Evaluation Report contained several recommendations including one on joint meetings at Director and Lead NED level, with the other Territorial Offices which have been progressed. Arrangements for the provision of shared services across the Territorial Offices are also part of a review currently underway.

The logistics of meetings and communications were well managed with effective support from the Board Secretariat, with meetings of the JMB and its sub-committees, as well as a number of meetings between senior leadership teams and Board members to undertake "deep dives" into matters highlighted as risks, taking place remotely throughout the period of review. The Secretary of State as Chair encouraged contribution and challenge from all Board Members and from individuals invited to present papers to the Board.

Due to the impact of COVID-19 the Cabinet Office has agreed that UK Government Departments can conduct a light-tough Board Effectiveness Evaluation for the 2020-21 reporting year. For the 2020-21 reporting year, this review has been conducted by the interim Lead NED and reviewed the progress in implementation of the recommendations in the previous year's Board Effectiveness Evaluation Review.

A light touch review of the Audit and Risk Assurance Committee was undertaken during the year which found satisfactory performance in relation to risk management, support to the Accounting Officer, Financial Reporting and Effectiveness. This review also identified the potential benefit of working with the Territorial Offices' Committees and the need to maintain proportionality in respect of processes.

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

The major focus in the current year for NEDs continued to be supporting officials in relation to putting Scotland at the centre of UK Government work and policies to Build-Back-Better and to create a Global Britain; prepare the UK, with Scotland at the centre, for a Global Britain after leaving the EU; considering resources planning within the Offices to address planning and delivery of the OSSS strategic priorities; and to push forward the Places for Growth policy for UK Government Departments to have a footprint at the UK Government flagship Hub in Edinburgh, Queen Elizabeth House.

NEDs have continued to support each Office outside formal Board meetings to encourage continued focus on priorities other than EU transition, including: the formation and monitoring of City and Regional Growth Deals; the implementation of the Industrial Strategy; and the targeting of key messages at the right stakeholder groups. A Non-Executive Member of the Audit and Risk Assurance Committee and a Non-Executive Director were members of the Project Board for the UK Government Hub in Edinburgh and the IT Transition, bringing expertise on project management in relation to both change management and IT transformation. Following the move from Scottish Government IT to Cabinet Office IT, a Non-Executive Director, Martin Dorchester, has provided advice, challenge and support on the revised focus and work of the OSSS Information Managers' Working Group to manage OSSS information and data on the Cabinet Office IT system and comply with data protection legislation. This has included providing advice on a Terms of Reference and the outline of a work plan for the OSSS Information Managers work going forward that meets all of the Cabinet Office and data protection legislation requirements.

Further advice has been given in relation to the opportunities that will arise from the co-location of eleven UK Government departments to the UK Government Hub, Queen Elizabeth House, in Edinburgh. Advice has covered how to continue to maximise the benefits for the UK Government and its messaging about its work for the people of Scotland, despite the impact of lockdown restrictions imposed to manage the COVID-19 pandemic, resulting in the majority of staff working from home for a significant period of time.

The Non-Executive Directors continued to take part in regular risk deep-dive sessions with SLT members, ahead of meetings of the OSSS SLT. These sessions discussed risks that were identified as a priority for review at that time - whether high or low rated risks. Risks identified have varied from corporate and resourcing to policy delivery and responding to external challenges such as EU Transition and the COVID-19 pandemic. These sessions allowed the Non-Executive Directors, and external members of the

ARAC, to provide advice and challenge on the direction and treatment of risks, the actions being taken to mitigate and also to press officials on whether their assessment on the tolerance around risks was set correctly with the risk appetite of the organisation.

The Office of the Advocate General Sub-committee of the Board continued to operate and consider issues specific to OAG including talent development and adoption of new ways of working in preparation for the re-location to the UK Government Hub, Queen Elizabeth House, in Edinburgh and the adoption of new technology systems.

Non-Executive Directors contributed to the development of the Terms of Reference for the OSSS, OSSW and NIO Shared Services Review and continued to attend UK Government NED Network events. Shonaig Macpherson as Lead NED met individually with several NEDs from other UK Government Departments to promote specific Office priorities across the wider UK Government.

Following her appointment as Interim Lead NED in September 2020, Joyce Cullen has attended several remote meetings of Lead NEDs from all UK Government departments. These cross UK Government meetings of Non-Executive Directors discussed Government priorities and proposals for review and reform of the way in which Non-Executive Directors should be appointed and be operating within Departments. The outcomes of these discussions were shared with the OSSS and OAG SLTs and other Non- Executive Directors.

NEDs have continued to participate in All Staff Away Days and mentoring of individuals across both Offices has continued, with plans for the allocation of new mentoring relationships in train, necessitated by the changes in personnel, both within the SLTs and at Non-Executive Director level.

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

The JMB continues to be an effective forum and decision-making body. The Office of the Secretary of State for Scotland and Office of the Advocate General have sought to enable the NEDs to remain engaged in the work of each Office and to contribute their expertise and experience, notwithstanding the changes in personnel at both SLT and NED level and the requirement for all meetings to take place remotely. Plans for the ongoing development of the role of NEDs have been discussed extensively both with the SLT and at a Joint Management Board Meeting, with a view to ensuring that skills and expertise of the more recently appointed Non-Executive Directors, the newly appointed ARAC members and the new Lead NED, when they are appointed, will be fully utilised.

### **Joyce Cullen**

interim Lead Non-Executive Member

The Office of the Secretary of State for Scotland and Office of the Advocate General

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

## **The Office of the Secretary of State for Scotland and Office of the Advocate General, Audit and Risk Assurance Committee**

### **Report for the year 2020-21 from the Chair of the Committee**

#### **Introduction**

This annual report of the Audit and Risk Assurance Committee (“the Committee” or “ARAC”) covers the 2020-21 annual accounting cycle. The report is produced to support the Joint Management Board (“the JMB”) and the Accounting Officer to have confidence that the JMB has effective corporate governance, risk management and financial management policies and procedures in place. The report also supports the completion of the annual governance statement.

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

#### **Membership, Attendance and Reporting**

The Committee was chaired by Graeme Bissett until his resignation on 31 August 2019, and thereafter, on an interim basis, by Jayne Scott, a member of ARAC until my appointment on 15 September 2020. The other member of the Committee is Gillian Carty. The Committee has remained quorate throughout the year, all members attended each meeting of the Committee. Shonaig Macpherson, Lead Non-Executive Director, routinely attended the Committee meetings to provide support and a direct link to the JMB during the period the Committee had an interim Chair. Also routinely in attendance at each meeting are the Accounting Officer, Director of the Office of the Advocate General, the OSSS Head of Finance and other senior members of the Offices. At all times during the year, the Committee considers it has had the appropriate balance of skills and experience to undertake its role with at least one member with recent and relevant financial experience.

The OSSS currently shares a Parliamentary Clerk Team and Security Adviser with the Office of the Secretary of State for Wales (OSSW) and the Northern Ireland Office (NIO). Moving forward we have established a pilot whereby the OSSS and the OSSW Finance Teams have been merged. The Territorial Offices are currently undertaking a Shared Services Review of Corporate Services across the three Territorial Offices, to determine the extent to which further closer working could deliver efficiency gains and increase staff resilience.

The Committee reports its work to the Joint Management Board through updates provided by the Lead Non-Executive Director and Accounting Officer, in addition to a formal written report presented to each meeting of the Board on work undertaken by the Committee since the Board last met.



## **Main Issues**

The ARAC met 7 times during 2020-21 to carry out its main business. The Committee's Terms of Reference and Annual Workplan were reviewed by the Committee during the year and approved by the Accounting Officer.

The Committee's regular business included the following items:

- A review of the Offices' financial performance
- The Head of Internal Audit's update report, including reports of completed reviews
- Updates on external audit issues
- Risk reports and key risks reported on for each Office
- Reviews of key risks including EU Exit, COVID-19 and the move to the UK Government Hub
- Updates as required on regularity and propriety issues

The Committee is satisfied that the systems in place in the Offices over 2020-21 in relation to governance, risk and financial management were in general appropriate and fit for purpose. In particular, the risk management policies and procedures of both Offices were completely updated, revised and refocused during the year in line with recommendations received from internal audit. As a result, the Committee can confirm that an effective system of risk management is in place.

During the first part of the year EU transition and response to the COVID-19 pandemic activity continued to dominate much of the Offices' workload and the Committee continued to monitor the impact on the Offices' effectiveness as a result of the intense workload. EU Transition activity continued to be a feature during the latter part of the year and in addition planning for the move to the UK Government Hub, Queen Elizabeth House, including IT transformation, has been a major activity in both Offices.

The Committee, under the direction of the Lead Non-Executive Director, also undertook a review of its own effectiveness during the year which concluded that it was operating effectively and providing an appropriate level of assurance to the Accounting Officer.

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

## **Annual Report and Accounts and External Audit**

The Committee undertook a detailed scrutiny of the draft Annual Report and Accounts with a particular focus on key judgements, accounting policies and the Governance Statement. [The Committee was satisfied with the explanations it received with regard to the financial statements and the Governance Report with reference to the identification and management of risk. The Committee also had sight of the draft opinion of the External Auditors and noted their intention to issue an unqualified report.]

External Audit has continued to be provided by the National Audit Office (NAO) during the year and sub-contracted to Ernst and Young. The Committee considers the services provided by both NAO and Ernst and Young to be of a high standard and provides an appropriate level of assurance to the Accounting Officer. Both NAO and Ernst and

Young attended all meetings of the Committee and provided helpful contributions to the work of the Committee. The Committee has reviewed all reports provided by External Audit and has followed up all recommendations made.

## **Internal Audit**

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

In line with the GIAA Internal Audit plan for 2020-21, GIAA conducted three internal audits during the year and all reports were reviewed by the Committee which also followed up recommendations made. These audits focussed on: COVID-19, Staff Welfare and Resilience; OAG Contract Management; and Staff Resilience and Resourcing. The GIAA provided a substantial assurance rating on the first internal audit on COVID-19 and Staff Wellbeing and Resilience and moderate assurances on the two other internal audits in the plan. The Committee reviewed the Head of Internal Audit's Annual Report and noted the overall evaluation for 2020-21 of a moderate rating indicating that: "some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control."

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

When required, the Committee meets with internal and external audit without the presence of management, to allow any issues or concerns to be raised directly with the Committee. The Terms of Reference provide for: the Chair and members of the Committee, to have a right of free and confidential access to the Accounting Officer and, in extremis, the Secretary of State; and for the heads of external and internal audit to have free and confidential access to the Chair.

## **Corporate Governance Statement**

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

## **Assurance to Accounting Officer**

The Committee can never give absolute assurance to the Accounting Officer, however taking into account the scrutiny which the Committee has exercised during the year and the assurances received from both internal and external audit, the Committee is of the opinion that the control environment is effective, supports the governance statement and the integrity of the Annual Report and Accounts. The Committee also considers an effective system of risk management has been in operation throughout the year and all key risks have been actively addressed by the Offices.

Most of the assurance relied upon by the Accounting Officer is obtained directly from the senior staff within the Offices, but with important support from the Audit and Risk Assurance Committee as well as internal and external audit.

## **Future Work**

The Committee will continue to operate in accordance with its Terms of Reference and its main business will continue to be similar to previous years, and aligned with the ARAC Annual Work Plan, which is approved at the start of the year and subsequently at each meeting of the Committee. In addition, it will focus on key risks, including the ongoing response to COVID-19.

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

### **Ross Finnie**

Chair, Audit and Risk Assurance Committee and Non-Executive Director  
Office of the Secretary of State for Scotland and Office of the Advocate General

# Remuneration and Staff Report

## Remuneration Report

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

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

## Remuneration Policy

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

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

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

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at:

[www.gov.uk/government/organisations/review-body-on-senior-salaries](http://www.gov.uk/government/organisations/review-body-on-senior-salaries)

## Board Members and Senior Civil Servants Remuneration

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

## **Service Contracts**

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

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

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

## **Ministers' salaries and pension entitlements**

*This section has been subject to audit*

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

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

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister received benefits in Kind in 2020-21 or 2019-20.

## Remuneration (salary, and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (to nearest £1,000) <sup>(1)</sup>	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Rt Hon Alister Jack MP Secretary of State for Scotland (since 24 July 2019) <sup>(2) &amp; (9)</sup>	67,505	46,455 <sup>(3)</sup>	11,000	n/a	79,000	46,000
The Rt Hon David Mundell MP Secretary of State for Scotland (until 24 July 2019) <sup>(2)</sup>	n/a	38,107 <sup>(3)</sup>	n/a	6,000	n/a	44,000
Ian Stewart MP Parliamentary Under Secretary of State for Scotland (since 2 June 2020) <sup>(4)</sup>	18,584 <sup>(5)</sup>	n/a	5,000	n/a	24,000	n/a
David Duguid MP Parliamentary Under Secretary of State for (since 2 June 2020) <sup>(6)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Douglas Ross Parliamentary Under Secretary of State for Scotland ( 16 December 2019 to 26 May 2020) <sup>(4)</sup>	9,021 <sup>(5) &amp; (10)</sup>	2,958 <sup>(5)</sup>	1,000	-	10,000	-
Colin Clark Parliamentary Under Secretary of State for Scotland (from 27 July 2019 to 16 December 2019) <sup>(6)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Robin Walker Parliamentary Under Secretary of State for Scotland (from 27 July 2019 to 16 December 2019) <sup>(6)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland (until 27 July 2019)	n/a	35,778 <sup>(8)</sup>	n/a	n/a	n/a	36,000
The Rt Hon The Lord Stewart of Dirleton QC, Advocate General for Scotland (since 15 October 2020 <sup>(7) &amp; (9)</sup>	60,105 <sup>(11)</sup>	n/a	12,000	n/a	72,000	n/a
The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland until 16 September 2020 <sup>(7) &amp; (9)</sup>	60,469 <sup>(11)</sup>	131,138	n/a	n/a	60,000	131,000

### Notes to the table:

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2. The Secretary of State waived his increase.
3. Full year equivalent £67,505.
4. The Parliamentary Under Secretary of State waived his increase.
5. Full year equivalent £22,375.
6. Unpaid by the OSSS.
7. This includes the House of Lords Office Holders Allowance of £36,366
8. Full year equivalent £70,969.
9. Ministers waived the right to their pension entitlement.
10. includes severance payment of £5,593
11. Full year equivalent £94,772, the Advocate General waived his increase to £95,549



## Pension Benefits

Ministers	Accrued Pension at age 65 as at 31 March 2021	Real increase in pension at age 65	CETV at 31 March 2021	CETV at 31 March 2020	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Alister Jack MP Secretary of State for Scotland (since 24 July 2019)	0-5	0-2.5	12	n/a	7
The Rt Hon David Mundell MP Secretary of State for Scotland (until 24 July 2019)	n/a	n/a	n/a	144	n/a
Ian Stewart MP Parliamentary Under Secretary of State for Scotland (since 2 June 2020)	0-5	0-2.5	11	n/a	2
David Duguid MP Parliamentary Under Secretary of State for (since 2 June 2020)	n/a	n/a	n/a	n/a	n/a
Douglas Ross Parliamentary Under Secretary of State for Scotland (16 December 2019 to 26 May 2020)	0-5	0-2.5	1	0	0
Colin Clark Parliamentary Under Secretary of State for Scotland (from 27 July 2019 to 16 December 2019)	n/a	n/a	n/a	n/a	n/a
Robin Walker Parliamentary Under Secretary of State for Scotland (from 27 July 2019 to 16 December 2019)	n/a	n/a	n/a	n/a	n/a
Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland (until 27 July 2019)	n/a	n/a	n/a	n/a	n/a
The Rt Hon The Lord Stewart of Dirleton QC, Advocate General for Scotland (since 15 October 2020)	0-5	0-2.5	12	n/a	7
The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland (until 16 September 2020)	n/a	n/a	n/a	n/a	n/a

## Ministerial Pensions

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

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

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

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

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

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

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

## **The real increase in the value of the CETV**

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

## **Board Members' salary and pension entitlements**

*This section has been subject to audit.*

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

Salary figures include all allowances payable by the Department, whereas full year equivalents are calculated net of allowances, bonuses and ex gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2020-21 relate to performance in 2019-20 and the comparative bonuses reported for 2019-20 relate to performance in 2018-19.

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

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

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100) <sup>(2)</sup>		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Laurence Rockey Office of the Secretary of State for Scotland Director and Accounting Officer (since 21 November 2020)	40-45 <sup>(3)</sup>	n/a	-	n/a	4,200	n/a	17,000	n/a	65-70	n/a
Gillian McGregor Office of the Secretary of State for Scotland Director and Accounting Officer (until 8 December 2020)	60-65 <sup>(4)</sup>	90-95	-	-	21,300	37,800	107,000	28,000	190-195	155-160
Neil Taylor Office of the Advocate General Director	95-100	95-100	-	-	23,400	36,600	36,000	150,000	150-155	280-285

Following confirmation with HMRC that payments to directors to cover travel and accommodation costs for work in London constitute a taxable benefit in kind, the remuneration disclosures have been updated to reflect these costs.

**Notes to the table:**

- (1) the value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases due to a transfer of pension rights.
- (2) The directors are both Scotland based but are required to be in London for a period each week. The travel costs and their rented accommodation are taxable benefits.
- (3) full year equivalent between 100-105
- (4) full year equivalent between 90-95

## Non-Executive Directors

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

Remuneration	Salary (£000)		Total (£000)	
	2020-21	2019-20	2020-21	2019-20
Ross Finnie Chair of the Audit and Risk Assurance Committee and Non-Executive Director (from 15 September 2020)	0-5	n/a	0-5	n/a
Stuart Patrick Non-Executive Director (from 15 September 2020)	0-5	n/a	0-5	n/a
Martin Dorchester Non-Executive Director (from 15 September 2020)	0-5	n/a	0-5	n/a
Shonaig Macpherson Lead Non-Executive Director (until August 2020)	0-5	0-5	0-5	0-5
Jayne Scott Interim Chair of the Audit and Risk Assurance Committee (from September 2019 until December 2020)	5-10	0-5	5-10	0-5
Graeme Bissett Chair of the Audit and Risk Assurance Committee and Non-Executive Director (from August 2018 to August 2019)	n/a	0-5	n/a	0-5
Joyce Cullen Non-Executive Director and interim Lead Non-Executive Director (until March 2021)	0-5	0-5	0-5	0-5

## Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2021	Real increase in pension and related lump sum at pension age at 31 March 2021	CETV at 31 March 2021	CETV at 31 March 2020	Real increase/decrease in CETV
	£'000	£'000	£'000	£'000	£'000
Laurence Rockey Office of the Secretary of State for Scotland Director and Accounting Officer (since 21 November 2020)	10-15	0-2.5	126	117	5
Gillian McGregor Office of the Secretary of State for Scotland Director and Accounting Officer (until 8 December 2020)	40-45 plus lump sum of 120-125	5-7.5 plus a lump sum of 10-12.5	945	820	98
Neil Taylor Office of the Advocate General Director	35-40 plus lump sum of 75-80	0-2.5 plus a lump sum of 0	652	608	18

## Civil Service Pensions

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

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic**

accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%.

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCS or alpha – as appropriate. Where the official has benefits in both the PCS 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 director in the department in the financial year 2020-21 was £120-125k (2019-20, £95-100k). This was 2.6 times (2019-20, 2.1 times) the median remuneration of the workforce, which was £46.6k (2019-20, £47.5k).

In 2020-21, no employees (2019-20, nil) received remuneration in excess of the highest paid director. Remuneration ranged from £20.1k to £123.1k (2019-20, £19.3k to £97.7k).

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.

*This section is subject to audit.*

## **Compensation for loss of office**

No staff left the Office under Voluntary Exit terms in 2020-21 or 2019-20.

## **Ministers**

In 2020-21 Douglas Ross, Parliamentary Under Secretary of State for Scotland left under severance terms on 26 May 2020 and received a payment of £5,593.

## **Staff Report**

### **Staff Costs**

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



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

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

The OSSS and OAG expenditure on staff during 2020-21 is shown in the following table :

	2020-21					2019-20
	£000					
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries	-	7,064	216	-	7,280	7,146
Social security costs	-	742	26	-	768	743
Other pension costs	-	1,775		-	1,775	1,720
<b>Sub Total</b>	-	<b>9,581</b>	<b>242</b>	-	<b>9,823</b>	<b>9,609</b>
Less recoveries in respect of outward secondments	-	-	-	-	-	-
<b>Total net costs</b>	-	<b>9,581</b>	<b>242</b>	-	<b>9,823</b>	<b>9,609</b>

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

The staff costs comprise of:

	Charged to Admin Budgets	Charged to Programme Budgets	Charged to Admin Budgets	Charged to Programme Budgets
	2020-21		2019-20	
	£000		£000	
Core Department	9,626	-	9,427	-
Other Designated Bodies	-	197	-	182

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the OSSS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out on 31 March 2016 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2020-21, employers' pension contributions of £1,775k (2019-20: £1,721k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2019-20: 26.6% to 30.3%) 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 (2019-20: £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% to 14.75% (2019-20: 8.0% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

## Staff Numbers

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

	2020-21					2019-20
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Office of the Secretary of State for Scotland	-	80	3	3	86	83
Office of the Advocate General	-	50	1	-	51	50
Boundary Commission	-	3	-	-	3	3
<b>Total</b>	-	<b>133</b>	<b>4</b>	<b>3</b>	<b>140</b>	<b>136</b>

The department had 4 special advisers in post at the 31 March 2021.

## Staffing Levels

The actual number of staff in post at 31 March 2021 in the Office of the Secretary for Scotland totalled 83, of which 54% were based in Edinburgh and 46% in London. OAG had 55 staff in post on 31 March 2020, 91% of which were based in Edinburgh and 9% in London.

The department had a staff complement of 142 staff by the end of the 2020-21 financial year reporting period. However, as the table below shows, the full complement was not achieved in any given month although there was an average of 91% in staffing levels across the year.

Month	Apr -20	May -20	Jun -20	Jul -20	Aug -20	Sep -20	Oct -20	Nov -20	Dec -20	Jan -21	Feb -21	Mar -21
Vacancy Rate %	9%	8%	9%	11%	12%	9%	8%	9%	11%	6%	8%	4%

The annual turnover of staff in the department is estimated at around 40%.

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

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

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

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

The OSSS and OAG incurred no exit package costs during 2020-21 or 2019-20.

### Senior Civil Service

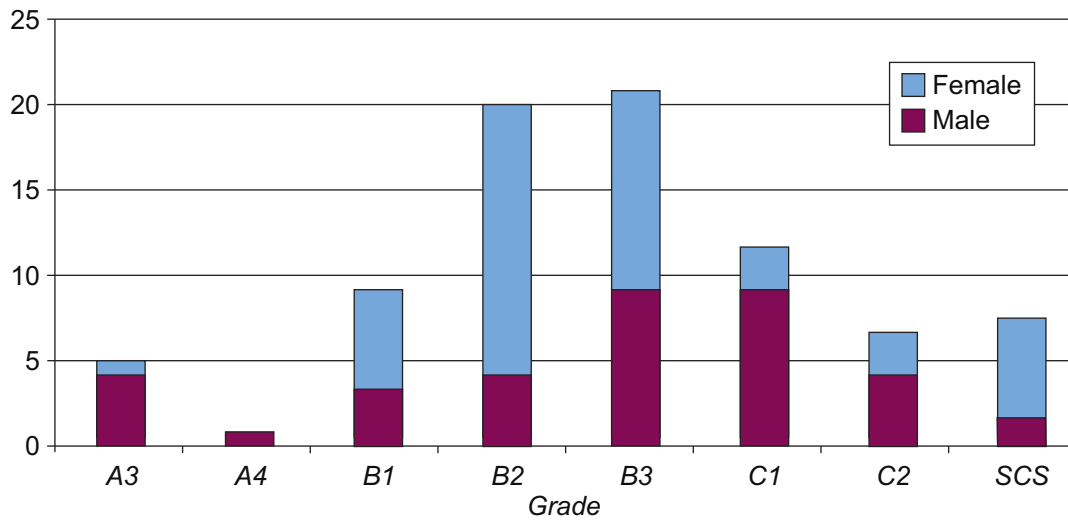
At 31 March 2021 there were seven senior civil service posts in the OSSS and five posts in the OAG.

	2020-21		2019-20	
	Pay Band 1	Pay Band 2	Pay Band 1	Pay Band 2
OSSS	6	1	6	1
OAG	4	1	4	1

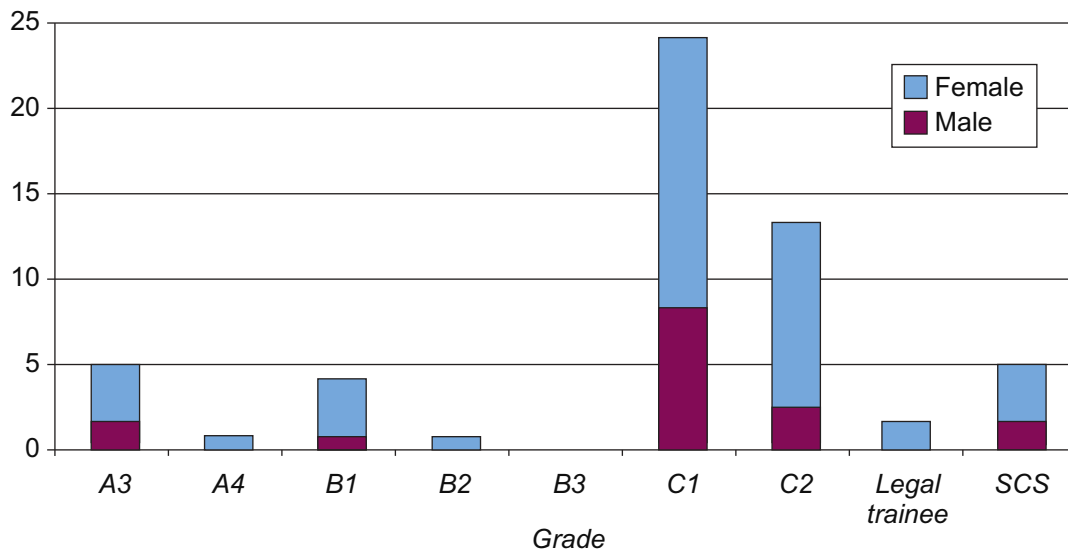
### Diversity

Women make up 57% of staff in the OSSS and 69% of staff in OAG. The following charts (over) show the number of women and men in each grade in the two Offices.

## Office of the Secretary of State for Scotland



## Office of the Advocate General



## Equal Opportunities

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

## Employment of disabled persons

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

the Offices participate in the Guaranteed Interview Scheme (GIS) for candidates with a disability.

### **Sick Absence Data**

The average number of working days lost in the financial year 2020-21 was 4.4 days (3.4 day in 2019-20)

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

The OSSS and OAG had no spend on consultancy in 2020-21 (nil in 2019-20). The departments use temporary staff to cover staff on long term sick, maternity leave and for vacant posts, the total spend on temporary staff in 2020-21 was £362,446 (2019-20 £239,560).

### **Off Payroll Appointments**

In 2020-21 the OSSS had no off payroll appointments for more than £220 per day and for a duration of six months or longer.

### **Staff Engagement Survey**

The Office participated in the annual civil service-wide survey. Our overall staff engagement was 73%.

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

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



#### **Laurence Rockey**

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

8 July 2021

# Parliamentary Accountability and Audit Report

## Statement of Parliamentary Supply

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

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

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS1.1): a reconciliation of outturn to net cash requirement (SOPS 2); and, an analysis of income payable to the Consolidated Fund (SOPS 3).

### Summary table 2020-21, all figures presented in £000

	SOPS Note	Outturn			Estimate			Outturn v's Estimate, saving / (excess)		Prior Year Outturn Total 2019-20
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
<b>Departmental Expenditure Limit</b>										
- Resource	1.1	<b>13,252</b>	-	<b>13,252</b>	13,816	-	<b>13,816</b>	564	564	<b>10,952</b>
- Capital	1.2	<b>385</b>	-	<b>385</b>	£834	-	<b>834</b>	449	449	<b>343</b>
<b>Total</b>		<b>13,637</b>	-	<b>13,637</b>	14,650	-	<b>14,650</b>	1,013	1,013	<b>11,295</b>
<b>Annually Managed Expenditure</b>										
- Resource	1.1	<b>(852)</b>	-	<b>(852)</b>	(852)	-	<b>(852)</b>	-	-	<b>682</b>
- Capital	1.2	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>(852)</b>	-	<b>(852)</b>	<b>(852)</b>	-	<b>(852)</b>	-	-	<b>682</b>
<b>Total Budget</b>										
- Resource	1.1	<b>12,450</b>	-	<b>12,450</b>	<b>12,964</b>	-	<b>12,964</b>	<b>514</b>	<b>514</b>	<b>11,634</b>
- Capital	1.2	<b>385</b>	-	<b>385</b>	<b>834</b>	-	<b>834</b>	<b>449</b>	<b>449</b>	<b>343</b>
<b>Total Budget Expenditure</b>		<b>12,785</b>	-	<b>12,785</b>	<b>13,798</b>	-	<b>13,798</b>	<b>1,013</b>	<b>1,013</b>	<b>11,977</b>
<b>Non-Budget Expenditure</b>	1.1	<b>43,371,428</b>	-	<b>43,371,428</b>	46,247,591	-	<b>46,247,591</b>	2,876,163	2,876,163	<b>31,548,469</b>
<b>Total</b>		<b>43,384,213</b>	-	<b>43,384,213</b>	<b>46,261,389</b>	-	<b>46,261,389</b>	<b>2,877,176</b>	<b>2,877,176</b>	<b>31,560,446</b>

### Net Cash Requirement 2020-21, all figures presented in £000

Item	SOPS Note	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Prior Year Outturn Total 2019-20
Net Cash Requirement	2	<b>43,383,333</b>	<b>46,262,126</b>	<b>2,878,793</b>	<b>31,560,175</b>

### Administration costs 2020-21, all figures presented in £000

Type of Spend	SOPS Note	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn
Administration Costs	1.1	<b>12,892</b>	<b>13,342</b>	450	<b>10,684</b>

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

Explanations of variances between Estimate and outturn are given in the Financial Review for the Office of the Secretary of State for Scotland and Office of the Advocate General.

# Notes to the Statement of Parliamentary Supply 2020-21 (£000's)

## SOPS 1. Outturn detail, by Estimate Line

### SOPS 1.1 Analysis of resource outturn by Estimate line

	Resource Outturn						Estimate		Outturn v's Estimate, saving / (excess)	Prior Year Outturn Total 2019-20	
	Administration		Programme		Total	Virements	Total Including Virements				
	Gross Income	Net Total	Gross Income	Net Total							
<b>Spending in Departmental Expenditure Limits (DEL)</b>											
<b>Voted Expenditure</b>											
A Office of the Secretary of State for Scotland & Office of the Advocate General	15,761	2,869	12,892	122	122	13,014	13,516	-	13,516	502	10,724
B Boundary Commission for Scotland	-	-	-	238	238	238	300	-	300	62	228
<b>Total Voted Expenditure in DEL</b>	<b>15,761</b>	<b>2,869</b>	<b>12,892</b>	<b>360</b>	<b>360</b>	<b>13,252</b>	<b>13,816</b>	<b>-</b>	<b>13,816</b>	<b>564</b>	<b>10,952</b>
<b>Spending in Annually Managed Expenditure (AME)</b>											
<b>Voted Expenditure</b>											
<b>Voted Expenditure</b>											
C - Provision to cover the lease break for the relocation to the Edinburgh Hub	(852)	-	(852)	-	-	(852)	(852)	-	(852)	-	682
<b>Total Voted AME</b>	<b>(852)</b>	<b>-</b>	<b>(852)</b>	<b>-</b>	<b>-</b>	<b>(852)</b>	<b>(852)</b>	<b>-</b>	<b>(852)</b>	<b>-</b>	<b>682</b>
<b>Non-Budget</b>											
<b>Voted Expenditure</b>											
D Grant Payable to the Scottish Consolidated Fund	-	-	-	31,947,738	31,947,738	31,947,738	34,823,901	-	34,823,901	2,876,163	19,864,469
E Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	-	-	-	11,423,690	11,423,690	11,423,690	11,423,690	-	11,423,690	-	11,684,000
<b>Total Non-Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,371,428</b>	<b>43,371,428</b>	<b>43,371,428</b>	<b>46,247,591</b>	<b>-</b>	<b>46,247,591</b>	<b>2,876,163</b>	<b>31,548,469</b>
<b>Total for Estimate</b>	<b>14,909</b>	<b>2,869</b>	<b>12,040</b>	<b>43,371,788</b>	<b>43,371,788</b>	<b>46,260,555</b>	<b>46,260,555</b>	<b>-</b>	<b>46,260,555</b>	<b>2,876,727</b>	<b>31,560,103</b>

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

### SOPS 1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn v's Estimate, saving / (excess)	Prior Year Outturn Total 2019-20
	Gross	Income	Net Total	Net	Virements	Total including virements		
<b>Spending in Departmental Expenditure Limit (DEL)</b>								
<b>Voted expenditure</b>								
A Office of the Secretary of State for Scotland & Office of the Advocate General	385	-	385	834	-	834	449	343
<b>Total Voted Expenditure in DEL</b>	<b>385</b>	<b>-</b>	<b>385</b>	<b>834</b>	<b>-</b>	<b>834</b>	<b>449</b>	<b>343</b>
<b>Total</b>	<b>385</b>	<b>-</b>	<b>385</b>	<b>834</b>	<b>-</b>	<b>834</b>	<b>449</b>	<b>343</b>

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Manual available on gov.uk. The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.



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

	Reference	Outturn total	Estimate	Outturn v's Estimate, saving / (excess)
<b>Resource Outturn</b>	SoPS 1.1	43,383,828	46,260,555	2,876,727
<b>Capital Outturn</b>	SoPS 1.2	385	834	449
<b>Accruals to cash adjustments</b>				
<i>Adjustments to remove non-cash items:</i>				
Capital accrual		(235)	-	235
Depreciation		(73)	(60)	13
New provisions and adjustments to previous provisions		852	852	-
Other non-cash items		(57)	(55)	2
<b><i>Adjustments to reflect movements in working balances:</i></b>				
Increase/(decrease) in receivables		(1,037)	-	1,037
Increase/(decrease) in Payables		(330)	-	330
increase (-) decrease (+) in creditors <sup>(1)</sup>		-	-	-
<b>Total</b>		<b>43,383,333</b>	<b>46,262,126</b>	<b>2,878,793</b>
<b>Removal of non-budget items:</b>				
Consolidated Fund Standing Services		-	-	-
<b>Net Cash Requirement</b>		<b>43,383,333</b>	<b>46,262,126</b>	<b>2,878,793</b>

<sup>(1)</sup> As reflected in the Supplementary Estimate.

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

## SOPS3. Income Payable to the Consolidated Fund

### 3.1 Consolidated Fund Income

The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

Item	Outturn 2020-21 £000	Prior Year Outturn Total 2019-20 £000
Forfeited election deposits and interest	-	-
Fines and penalties	(181)	(219)
<i>Less:</i>		
Costs of collection - where deductible	-	-
Uncollectible debts	-	-
Amount payable to the Consolidated Fund	(181)	(219)
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	181	219
Balance held on trust at the end of the year	-	-

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

### Parliamentary Accountability Disclosures

This information has been subject to audit.

### Losses and Special Payments

There were no losses or special payments that require disclosure because of their size or nature in 2020-21.

### Fees and Charges

We seek to recover the full costs of legal services provided on behalf of other government departments. The costs are calculated on an accrual basis, including overheads which includes the time that people spend on activities, which is set using an hourly rate. There has been no over or under recovery of costs in 2020-21. The full costs of our operating segments are disclosed in Note 2.

### Remote Contingent Liabilities

There were no remote contingent liabilities in 2020-21.



**Laurence Rockey**

Accounting Officer for the OSSS & OAG

8 July 2021

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Scotland Office and Office of the Advocate General for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of the Department's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

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

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

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

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Scotland Office and Office of the Advocate General's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

## **Other Information**

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Opinion on other matters**

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

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

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Scotland Office and Office of the Advocate General and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

## **Responsibilities of the Accounting Officer for the financial statements**

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Scotland Office and Office of the Advocate General's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scotland Office and Office of the Advocate General will not continue to be provided in the future.

## **Auditor's responsibilities for the audit of the financial statements**

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Scotland Office and Office of the Advocate General's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scotland Office and Office of the Advocate General's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scotland Office and Office of the Advocate General's controls relating to the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and significant accounting estimates; and
- obtaining an understanding of Scotland Office and Office of the Advocate General's framework of authority as well as other legal and regulatory frameworks that the Scotland Office and Office of the Advocate General operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Scotland Office and Office of the Advocate General. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, Employment Law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General

**12 July 2021**

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 2021

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>2020-21</b>	<b>2019-20</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>	<u>                    </u>	<u>                    </u>
Revenue from contracts with customers	4	(994)	(3,160)
Other operating income	4	(1,875)	(1,915)
<b>Total operating income</b>		<u><b>(2,869)</b></u>	<u><b>(5,075)</b></u>
Staff Costs	3	9,823	9,609
Purchase of goods and services	3	5,373	6,378
Other operating expenditure	3	-	682
Depreciation and amortisation	3	73	40
Grant to the Scottish Consolidated Fund	3	31,947,738	19,864,469
Payover of Scottish Rate of Income Tax to Scottish Government	3	11,423,690	11,684,000
<b>Total operating expenditure</b>		<u><b>43,386,697</b></u>	<u><b>31,565,178</b></u>
NLF interest receivable		(48,908)	(49,790)
NLF interest payable		48,908	49,790
<b>Net expenditure for the year</b>		<u><b>43,383,828</b></u>	<u><b>31,560,103</b></u>
Other Comprehensive Net Expenditure			
Net (gain) loss on revaluation of property, plant and equipment		-	-
<b>Comprehensive net expenditure for the year</b>		<u><b>43,383,828</b></u>	<u><b>31,560,103</b></u>

The notes on pages 79 to 93 form part of these accounts.

## Statement of Financial Position as at 31 March 2021

This Statement presents the financial position of the Office of the Secretary of State for Scotland 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 2021	31 March 2020
		£000	£000
	Note		
<b>Non-current assets:</b>			
Property, plant and equipment	5	588	259
Intangible assets	6	121	137
Financial assets (NLF)	9	1,828,711	1,552,228
<b>Total non-current assets</b>		<b>1,829,420</b>	<b>1,552,624</b>
<b>Current Assets:</b>			
Trade and other receivables	11	563	1,600
NLF receivables	11	139,733	94,718
Cash and cash equivalents	10	87	576
<b>Total current assets</b>		<b>140,383</b>	<b>96,894</b>
<b>Total Assets</b>		<b>1,969,803</b>	<b>1,649,518</b>
<b>Current liabilities</b>			
Trade and other payables	12	(4,218)	(4,142)
NLF payables	12	(139,733)	(94,718)
<b>Total current liabilities</b>		<b>(143,951)</b>	<b>(98,860)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>1,825,852</b>	<b>1,550,658</b>
<b>Non-current liabilities</b>			
Provisions	13	-	(852)
Other payables (NLF)	12	(1,828,711)	(1,552,228)
<b>Total non-current liabilities</b>		<b>(1,828,711)</b>	<b>(1,553,080)</b>
<b>Assets less liabilities</b>		<b>(2,859)</b>	<b>(2,422)</b>
<b>Taxpayers' Equity and other reserves</b>			
General fund		(2,865)	(2,427)
Revaluation Reserve		6	5
<b>Total equity</b>		<b>(2,859)</b>	<b>(2,422)</b>

Signed:



**Laurence Rockey**  
Accounting Officer for the OSSS and OAG

8 July 2021

The notes on pages 79 to 93 form part of these accounts.

## Statement of Cash Flows for the Period Ended 31 March 2021

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

	Note	2020-21 £000 <u>Restated</u>	2019-20 £000 <u>Restated</u>
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(43,383,828)	(31,560,103)
Adjustments for non-cash transactions	3	130	83
(Increase)/Decrease in trade and other receivables	11	(43,978)	(32,801)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	11	45,015	31,727
Increase/(Decrease) in trade payables	12	45,091	32,841
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	12	(44,761)	(32,600)
Use of provisions	13	(852)	682
<b>Net cash outflow from operating activities</b>		<b>(43,383,183)</b>	<b>(31,560,171)</b>
<b>Cash flows from investing activities</b>			
Purchase of Plant & Machinery and Fixtures and Furnishings	5	(150)	(4)
(Repayments) from other bodies (interest)		(48,908)	(49,790)
(Repayments) from other bodies (capital)	9	(85,049)	(53,400)
Loans to Scottish Government		(407,000)	(405,000)
<b>Net cash outflow from investing activities</b>		<b>(541,107)</b>	<b>(508,194)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - Current Year <sup>(2)</sup>	3	43,382,844	31,560,709
From the Consolidated Fund (Non-supply)		-	-
Advance from the Contingencies Fund		3,537,561	1,900
Repayment of advance from the Contingencies Fund		(3,537,561)	(1,900)
Repayment of loans from the National Loans Fund (interest) <sup>(3)</sup>		48,908	49,790
Repayment of loans from the National Loans Fund (capital) <sup>(3)</sup>	9	85,049	53,400
Loans received from National Loans Fund		407,000	405,000
<b>Net financing</b>		<b>43,923,801</b>	<b>32,068,899</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	10	<b>(489)</b>	<b>534</b>
<b>Income payable to the Consolidated Fund</b>	SOPS 3	(181)	(219)
<b>Income paid to the Consolidated Fund <sup>(4)</sup></b>		181	219
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(489)</b>	<b>534</b>
Cash and cash equivalents at the beginning of the period	10	576	42
Cash and cash equivalents at the end of the period	10	<u>87</u>	<u>576</u>

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

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

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

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

The notes on pages 79 to 93 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2021

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

	General Fund £000	Revaluation Reserve £000	Tax Payers' Equity £000
<b>Balance at 31 March 19</b>	<b>2,542</b>	<b>(5)</b>	<b>2,537</b>
Net Parliamentary Funding	(31,560,709)	-	(31,560,709)
Deemed Supply (voted)	(42)	-	(42)
Deemed Supply (non voted)	-	-	-
unused election funding	-	-	-
Supply Payable	576	-	576
CFER transferred to CF	-	-	-
Net expenditure for the year	31,560,103	-	31,560,103
Auditors Remuneration	(43)	-	(43)
Transfer of fixed assets	-	-	-
<b>Balance at 31 March 20</b>	<b>2,427</b>	<b>(5)</b>	<b>2,422</b>
Net Parliamentary Funding	(43,382,844)	-	(43,382,844)
Deemed Supply (voted)	(576)	-	(576)
Deemed Supply (non voted)	-	-	-
Supply Payable	87	-	87
CFER transferred to CF	-	-	-
Net expenditure for the year	43,383,828	-	43,383,878
Auditors Remuneration	(57)	-	(57)
Transfer of fixed assets	-	-	-
other	-	(1)	(1)
<b>Balance at 31 March 21</b>	<b>2,865</b>	<b>(6)</b>	<b>2,909</b>

The notes on pages 79 to 93 form part of these accounts.

# Notes to the Accounts for the Year Ended 31 March 2021

## Statement of Accounting Policies 2020-21

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Office of the Secretary of State for Scotland (OSSS) and Office of the Advocate General (OAG) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the OSSS & OAG are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

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

The accounts for 2020-21 have been prepared on a going concern basis, the period considered being 12 months from the approval of these accounts, to July 2022. The department has a statutory basis for its function and related funding and there is no reason why this would not continue. In common with other government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and Income, both to be approved annually by Parliament. The most recent funding to 31 March 2022 was approved on 4 May 2021, and the Department considers there is no reason to believe that future approvals will not be forthcoming to a similar level to allow the department to operate as it currently plans beyond this period. For these reasons it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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

### 1.2 Accounting convention

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

### 1.3 Operating segments

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

## 1.4. Property, plant and equipment and Intangible Assets

### Valuation basis

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

### Valuation method

The OSSS & OAG has no property assets.

### Capitalisation threshold – individual assets

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

### Capitalisation threshold – grouped assets

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

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

### Capitalisation threshold – Intangible Assets

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

### Depreciation/Amortisation

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

Estimated useful asset lives are within the following ranges:

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

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

### **Disposal of non-current assets**

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

## **1.5 Assets under construction**

Assets under construction are valued at historical cost within property, plant and equipment and Intangible assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy. Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. If expenditure is deemed as not attributable to the asset it is expensed to the Statement of Comprehensive Net Expenditure.

## **1.6 Leases**

### **Finance Leases**

The OSSS & OAG does not have any finance leases.

### **Operating Leases**

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

### **Arrangements containing a lease**

In determining whether the OSSS & OAG is party to a lease, contracts that do not take the legal form of a lease but which may contain an embedded lease, for example outsourcing arrangements and take-or-pay contracts, are assessed according to the criteria set by IFRIC (International Financial Reporting Interpretations Committee) 4

‘Determining Whether an Arrangement Contains a Lease’. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it is classified as a finance or operating lease.



## **1.7 Investments**

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

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

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

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

Outstanding loan balances are included within trade and other payables.

## **1.8 Employee benefits**

### **Employee leave accruals**

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

### **Pensions**

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

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

### **Early departure costs**

The OSSS & OAG is not a direct employer. All staff are either Ministry of Justice or Scottish Government staff and it is the responsibility of these departments to pay the additional costs of benefits beyond the normal PCSPS of staff who retire early. In specific circumstances where the OSSS & OAG has agreed to meet the costs, early departure costs are provided in full at the point that the agreement is binding. The

estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of (0.02%) (2019-20 (0.5%)) in real terms if material.

## **1.9 Operating income**

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

The department's material revenue falls into three categories:

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

The rental income identified above is recognised in line with IAS 17 (leases). The remaining categories are accounted for under IRFS 15.

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

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

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

## **1.11 Administration and Programme expenditure**

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

## **1.12 Provisions**

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

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently 2.22%; by comparison 2019-20 rates were 2.35%.

## **1.13 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**

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

## **1.15 Cash and cash equivalents**

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

## **1.16 Significant accounting estimates and assumptions**

The Accounts reflect estimates and assumptions concerning the future. By definition, Estimates are unlikely to be the same as actual results. Estimates are continually evaluated and are based on historical experience and other relevant factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **Lease accounting**

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

Where a lease is taken out for land and buildings combined, both the building and the land elements may be capitalised as finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and buildings in the lease contract the split is made based on the market values of the land and buildings at the inception of the lease.

## **1.17 Impending application of newly issued accounting standards not yet effective**

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

IFRS 16 - Leases replaces IAS 17 Leases and related interpretations and has an effective date of 1st January 2019. The new standard provides a single lessee accounting model,

requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard will be applied in central government from 1st April 2022.

The department expects IFRS 16 to have a material impact on future accounts as we bring our current operating leases onto the Statement of Financial Position. Our landlords HMRC and GPA will be providing this information to the department due course. It is not yet possible to quantify this impact.

IFRS 17 – Insurance contracts replaces IFRS 4 of the same name. The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The implementation of IFRS 17 is not planned until 2022, and HM Treasury are already considering its application to the public sector. It is expected that IFRS 17 will be applied in central Government from 2022-23.

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

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

The Main Supply Estimate provides for the administration costs of the Office of the Secretary of State for Scotland 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 Office of the Secretary of State for Scotland and Office of the Advocate General, the provision agreed for the Boundary Commission and the management of the transfer of a block grant to the Scottish Consolidated Fund to meet expenditure by the Scottish Parliament and the Scottish Government.

2020-21 (£000)							
	Office of the Secretary of State for Scotland	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National Loans Fund	Total
Gross Expenditure	9,204	5,827	238	31,947,738	11,423,690	48,908	43,435,605
Income	(55)	(2,814)	-	-	-	(48,908)	(51,777)
Net Expenditure	<b>9,149</b>	<b>3,013</b>	<b>238</b>	<b>31,947,738</b>	<b>11,423,690</b>	<b>-</b>	<b>43,383,828</b>

Office of the Secretary of State for Scotland and Office of the Advocate General do not report assets and liabilities by segment to senior management boards and therefore it is not disclosed in this note. The income reported in this note relates to work undertaken by departmental staff on behalf of other government departments, the recovery of a proportion of building costs from departments sharing our accommodation and the recovery of courts costs incurred on behalf of other departments. Full costs incurred by the Office of the Secretary of State for Scotland and the Office of Advocate General were recovered in all instances.

2019-20 (£000)							
	Office of the Secretary of State for Scotland	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National Loans Fund	Total
Gross Expenditure	8,637	7,844	228	19,864,469	11,684,000	49,790	31,614,968
Income	(99)	(4,976)	-	-	-	(49,790)	(54,865)
Net Expenditure	<b>8,538</b>	<b>2,868</b>	<b>228</b>	<b>19,864,469</b>	<b>11,684,000</b>	<b>-</b>	<b>31,560,103</b>

### Description of segments

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

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

#### Office of the Advocate General

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

#### Boundary Commission

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

#### Grant to the Scottish Consolidated Fund

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

#### The Scottish Rate of Income Tax

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

#### National Loans Fund

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

### 3. Expenditure

#### Staff Costs<sup>(1)</sup>

	2020-21 £000	2019-20 £000
Wages and salaries	7,280	7,146
Social security costs	768	743
Other pension costs	1,775	1,720
<b>Sub Total</b>	<b>9,823</b>	<b>9,609</b>

#### Goods and Services

Rentals under operating leases	2,739	1,207
Accommodation Costs	721	483
Legal Costs	1,162	3,290
Travel and Subsistence Costs	119	752
Other Expenditure	575	603

#### Grants

Grant paid to Scottish Consolidated Fund	31,947,738	19,864,469
Payover of Scottish Rate of Income Tax to Scottish Government	11,423,690	11,684,000

#### Non-cash items:

Auditors' remuneration and expenses	57	43
Provision	-	682
Depreciation and amortisation	73	40
<b>Total Operating Expenditure Costs</b>	<b>43,386,697</b>	<b>31,565,178</b>

<sup>(1)</sup> further analysis of staff costs is located in the Accountability Report (on page 61).

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

The Office of the Secretary of State for Scotland and Office of the Advocate General did not purchase any non-audit services from the National Audit Office. (2019-20 nil)

### 4. Income

	2020-21 £000	2019-20 £000
Hire of Office Facilities	(55)	(99)
Legal fees and charges to clients	(994)	(3,160)
Recovery of legal outlays from other Government Bodies	(1,820)	(1,816)
<b>Total</b>	<b>(2,869)</b>	<b>(5,075)</b>

## 5. Property, Plant and Equipment

2020-21	Information Technology £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2020	-	145	137	77	359
Additions	385	-	-	-	385
Reclassifications	77	-	-	(77)	-
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
<b>At 31 March 2021</b>	<b>462</b>	<b>145</b>	<b>137</b>	<b>-</b>	<b>744</b>
<b>Depreciation</b>					
At 1 April 2020	-	(46)	(54)	-	(100)
Charged in year	(14)	(32)	(10)	-	(56)
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
Transfers	-	-	-	-	-
<b>At 31 March 2021</b>	<b>(14)</b>	<b>(78)</b>	<b>(64)</b>	<b>-</b>	<b>(156)</b>
<b>Carrying amount at 31 March 2021</b>	<b>448</b>	<b>67</b>	<b>73</b>	<b>-</b>	<b>588</b>
<b>Carrying amount at 31 March 2020</b>	<b>-</b>	<b>99</b>	<b>83</b>	<b>77</b>	<b>259</b>

All assets are owned by the department

## 5a. Property, Plant and Equipment

2019-20	Leasehold Improvements £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>					
<b>At 1 April 2019</b>	-	98	55	-	153
Additions	-	47	82	77	206
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2020	-	145	137	77	359
<b>Depreciation</b>					
At 1 April 2019	-	(24)	(36)	-	(60)
Charged in year	-	(22)	(18)	-	(40)
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
Transfers	-	-	-	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>(46)</b>	<b>(54)</b>	<b>-</b>	<b>(100)</b>
<b>Carrying amount at 31 March 2020</b>	<b>-</b>	<b>99</b>	<b>83</b>	<b>77</b>	<b>259</b>
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>74</b>	<b>19</b>	<b>-</b>	<b>93</b>

All assets are owned by the department



## 6. Intangible Assets

	Software licences £000	Assets under construction £000	Total £000
<b>2020-21</b>			
<b>Cost or valuation</b>			
At 1 April 2020	-	137	137
Additions	-	-	-
Reclassifications	137	(137)	-
Revaluations	-	-	-
<b>At 31 March 2021</b>	<b>137</b>	<b>-</b>	<b>137</b>
<b>Amortisation</b>			
At 1 April 2020	-	-	-
Charged in year	(16)	-	(16)
Disposals	-	-	-
Impairments	-	-	-
Reclassifications and transfers	-	-	-
Revaluations	-	-	-
<b>At 31 March 2021</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>
<b>Carrying amount at 31 March 2021</b>	<b>121</b>	<b>-</b>	<b>121</b>
<b>Carrying amount at 31 March 2020</b>	<b>-</b>	<b>137</b>	<b>137</b>

All assets are owned by the department

### 6a. Intangible Assets

	Software licences £000	Assets under construction £000	Total £000
<b>2019-20</b>			
<b>Cost or valuation</b>			
At 1 April 2019	-	-	-
Additions	-	137	137
Revaluations	-	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>137</b>	<b>137</b>
<b>Amortisation</b>			
At 1 April 2019	-	-	-
Charged in year	-	-	-
Revaluations	-	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount at 31 March 2020</b>	<b>-</b>	<b>137</b>	<b>137</b>
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

All assets are owned by the department

## 7. Other Commitments

### 7.1 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.

	2020-21 £000	2019-20 £000
<b>Buildings</b>		
Not later than one year	490	360
Later than one year and not later than five years	1,959	900
Later than five years	4,095	978

The Office exited its leased accommodation in Edinburgh during the year to relocate to the new UK Government Hub. The 2019-20 figures have been restated to include the costs of the London Headquarters in Whitehall.

## 8. Financial Instruments

### 8.1 Categories of Financial Instruments

#### Financial Assets

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

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

## 9. Investments in Other Public Sector Bodies

	<b>Loans funded from National Loans Fund £000</b>
<b>Cost or valuation</b>	
At 1 April 2019	1,232,277
Adjustment	
Additions	<b>405,000</b>
Loans repayable within 12 months transferred to debtors	(85,049)
<b>Balance at 31 March 2020</b>	<b>1,552,228</b>
Additions to Scottish Government	407,000 <sup>1</sup>
Loans repayable within 12 months transferred to debtors	(130,517)
<b>Balance at 31 March 2021</b>	<b>1,828,711</b>

#### History of Accounts

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

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

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

<sup>(1)</sup> The Scottish Government borrowed a further £407,000,000 from the National Loan Fund in 2020-21 (£207,000,000 resource and £200,000,000 capital)

## 10. Cash and Cash Equivalents

	<b>2020-21 £000</b>	<b>2019-20 £000</b>
Balance at 1 April	576	42
Net change in cash and cash equivalents	(489)	534
<b>Balance at 31 March 2021</b>	<b>87</b>	<b>576</b>
The following balances at 31 March 2021 were held at:		
Government Banking Service	87	571
Commercial banks	-	5
<b>Balance 31 March 2021</b>	<b>87</b>	<b>576</b>

## 11. Trade Receivables Financial and Other Assets

	2020-21 £000	2019-20 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	233	606
VAT	60	70
Prepayments and accrued income	270	924
NLF interest receivables	9,216	9,669
Current part of NLF loan	130,517	85,049
<b>Total</b>	<b>140,296</b>	<b>96,318</b>
	<b>2020-21 £000</b>	<b>2019-20 £000</b>
<b>Amounts falling due after more than one year:</b>		
Instalments due on NLF loans	1,828,711	1,552,228
<b>Total</b>	<b>1,828,711</b>	<b>1,552,228</b>

## 12. Trade Payables and Other Current Liabilities

	2020-21 £000	2019-20 £000
<b>Amounts falling due within one year:</b>		
Trade payables	49	192
Accruals and deferred income	4,082	3,374
NLF interest payable	9,216	9,669
Current part of NLF loans	130,517	85,049
Amounts issued from the Consolidated Fund for supply but not spent at year end	87	576
<b>Total</b>	<b>143,951</b>	<b>98,860</b>
	<b>2020-21 £000</b>	<b>2019-20 £000</b>
<b>Amounts falling due after more than one year:</b>		
NLF loans	1,828,711	1,552,228
<b>Total</b>	<b>1,828,711</b>	<b>1,552,228</b>

## 13. Provisions for Liabilities and Charges

	Onerous Lease £'000
Balance as at 1 April 2020	852
Provided in year	-
Provisions utilised in year	852
<b>Balance as at 31 March 2021</b>	<b>-</b>

The Office of the Secretary of State for Scotland had recognised an onerous lease of £852k for the Office's Edinburgh headquarters at Melville Crescent in Edinburgh due to the proposed move to the UK Government Edinburgh Hub. The Office released this provision in year following the relocation to the Hub.

## 14. Contingent Liabilities Disclosed Under IAS 37

The department has recently moved into the UK Government Hub in Edinburgh for an indefinite period of time, and that at the current time it is not expected there will be any future dilapidation costs around the lease should we choose to exit. However, there is a possibility that costs may be incurred in the future and this will be subject to annual review going forward.

## 15. Related-party Transactions

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

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

In addition, the Office of the Secretary of State for Scotland and Office of the Advocate General has a number of significant transactions with other government departments mainly the Government Property Agency, HM Revenue and Customs, Ministry of Justice and Scottish Government who are regarded as related parties.

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

## 16. Entities within the departmental boundary

The entities within the boundary during 2020–21 were as follows:

List of entities analysed between:

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

## **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.

There are no material events to report.

# Chapter 4: Public Expenditure Financial Tables

**Table 1 - Spending by Scotland Office & Scottish Government 2015-16 to 2020-21**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21	2021-22
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Outturn <sup>(7)</sup>	Plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Office of the Secretary of State for Scotland and Office of the Advocate General Expenditure</b>								
Resource expenditure within Administration Costs	8,731	9,738	9,092	9,573	10,684	13,342	12,942	10,740
Other resource expenditure	135	539	362	233	268	474	360	468
Non voted election expenditure	13,647	198	13,092	-	-	-	-	-
<b>Scotland Office Resource <sup>(2)</sup></b>	<b>22,513</b>	<b>10,475</b>	<b>22,546</b>	<b>9,806</b>	<b>10,952</b>	<b>13,816</b>	<b>13,302</b>	<b>11,208</b>
<b>Scotland Office Capital</b>	<b>225</b>	<b>45</b>	<b>76</b>	<b>11</b>	<b>343</b>	<b>834</b>	<b>385</b>	<b>50</b>
<b>Scotland Office Resource + Capital DEL <sup>(2)</sup></b>	<b>22,738</b>	<b>10,520</b>	<b>22,622</b>	<b>9,817</b>	<b>11,295</b>	<b>14,650</b>	<b>13,687</b>	<b>11,258</b>
<i>less depreciation &amp; impairments</i>	<i>(29)</i>	<i>(60)</i>	<i>(58)</i>	<i>(24)</i>	<i>(40)</i>	<i>(60)</i>	<i>(73)</i>	<i>(60)</i>
<b>Scotland Office DEL <sup>(3)</sup></b>	<b>22,709</b>	<b>10,460</b>	<b>22,564</b>	<b>9,793</b>	<b>11,255</b>	<b>14,590</b>	<b>13,614</b>	<b>11,198</b>
<b>Scottish Government Expenditure (The Scottish Block) <sup>(6)</sup></b>								
Scottish Government Resource (Before Block Grant Adjustment)	26,828,335	26,874,496	27,481,577	28,926,100	42,552,042	41,708,268	52,390,008	38,657,228
<i>less Block Grant Adjustment</i>	<i>(494,000)</i>	<i>(5,500,000)</i>	<i>(12,539,000)</i>	<i>(12,431,033)</i>	<i>(12,193,079)</i>	<i>(8,874,984)</i>	<i>(8,874,984)</i>	<i>(8,818,043)</i>
Scottish Government Resource <sup>(6)</sup>	26,334,335	21,374,496	14,942,577	16,495,067	30,358,963	32,833,284	43,515,024	29,839,185
Scottish Government Capital	3,163,543	3,246,158	3,623,540	3,871,858	4,845,497	5,448,743	5,503,621	5,696,573
<b>Scottish Government Resource + Capital DEL <sup>(3) (5)</sup></b>	<b>29,497,878</b>	<b>24,620,654</b>	<b>18,566,117</b>	<b>20,366,925</b>	<b>35,204,460</b>	<b>38,282,027</b>	<b>49,018,645</b>	<b>35,535,758</b>
<i>less depreciation &amp; impairments</i>	<i>(771,459)</i>	<i>(778,679)</i>	<i>(768,775)</i>	<i>(1,513,209)</i>	<i>(1,018,614)</i>	<i>(2,498,053)</i>	<i>(1,104,148)</i>	<i>(2,470,487)</i>
<b>Scottish Government Total DEL <sup>(3)(5)</sup></b>	<b>28,726,419</b>	<b>23,841,975</b>	<b>17,797,342</b>	<b>18,853,716</b>	<b>34,185,846</b>	<b>35,783,974</b>	<b>47,914,497</b>	<b>33,065,271</b>

(1) Totals may not sum due to roundings.

(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, Office of the Secretary of State for Scotland & Office of the Advocate General expenditure no longer forms part of the Scottish Block.

(7) Office of the Secretary of State for Scotland & Office of the Advocate General outturn data represent final outturn and will accord with the accounts published elsewhere in this document. The Scottish Government data shows provisional outturn as the Scottish Government have yet to finalise their accounts.

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

**Table 2 - Cash grant paid to the Scottish Consolidated Fund 2019-20:  
Provision & Final Outturn**

	<b>Original Provision £million</b>	<b>Final Provision £million</b>	<b>Final Outturn £million</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	21,935.800	22,444.422	21,991.292
Expenditure Classified as Annually Managed Expenditure	5,184.150	5,859.434	5,732.510
Expenditure Financed by Scottish Taxes	12,416.652	12,404.707	12,374.667
Expenditure Financed by Capital Borrowing	450.000	450.000	405.000
Drawdown from the Scotland Reserve	-	428.800	428.800
Non Domestic Rates	2,853.000	2,853.000	2,853.000
<b>Total Managed Expenditure</b>	<b>42,839.602</b>	<b>44,440.363</b>	<b>43,785.269</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	150.270	117.540	117.540
Depreciation and Impairments	(1,245.340)	(1,269.810)	(1,163.933)
Other Cash to accruals adjustments	(4,421.300)	(5,476.065)	(5,044.879)
Non Domestic Rates Income	(2,853.000)	(2,853.000)	(2,853.000)
National Insurance Fund Payments towards Scottish NHS	(2,213.510)	(2,239.578)	(2,239.578)
Income from Scottish Taxes	(12,431.000)	(12,431.000)	(12,400.960)
Repayment of Principal on Loans	14.348	26.293	26.293
Capital Borrowing	(450.000)	(450.000)	(405.000)
Change to balance held in Scottish Consolidated Fund	-	-	42.717
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>19,390.070</b>	<b>19,864.743</b>	<b>19,864.469</b>

**Notes**

(1) Totals may not sum due to rounding

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

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

**Table 3 - Cash grant paid to the Scottish Consolidated Fund 2020-21: Provision and Provisional Outturn**

	<b>Original Provision</b>	<b>Final Provision</b>	<b>Provisional Outturn</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>
Expenditure Classified as Departmental Expenditure Limit <sup>(2)</sup>	31,052.971	38,282.026	36,304.049
Expenditure Classified as Annually Managed Expenditure	5,877.600	6,146.015	5,029.906
Expenditure Financed by Scottish Taxes	12,128.750	11,983.750	11,992.856
Expenditure Financed by Capital Borrowing	450.000	300.000	200.000
Expenditure Financed by Resource Borrowing	-	207.000	207.000
Drawdown from the Scotland Reserve	-	287.100	314.740
Expenditure Financed by Non Domestic Rates	2,790.000	1,868.000	1,868.030
<b>Total Managed Expenditure</b>	<b>52,299.321</b>	<b>59,073.891</b>	<b>55,916.581</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	150.462	(249.538)	(234.190)
Depreciation and Impairments	(1,245.715)	(2,626.066)	(1,110.532)
Other Cash to accruals adjustments	(5,129.800)	(5,950.322)	(5,110.809)
Non Domestic Rates Income	(2,790.000)	(1,868.000)	(1,868.030)
National Insurance Fund Payments towards Scottish NHS	(2,300.100)	(2,217.202)	(2,239.578)
Income from Scottish Taxes	(12,180.690)	(12,035.690)	(12,986.106)
Repayment of Principal on Loans	51.940	51.940	51.940
Borrowing	(450.000)	(507.000)	(407.000)
Change to balance held in Scottish Consolidated Fund	-	-	(64.538)
<b>Timing Adjustments</b>			
Carry forward of DEL budget cover into 2021-22 <sup>(4)</sup>	-	1,151.887	-
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>28,405.418</b>	<b>34,823.900</b>	<b>31,947.738</b>

**Notes**

(1) Totals may not sum due to rounding

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

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

(4) In recognition of the exceptional circumstances and in response to calls for flexibility, the Scottish Government were given the option to carry forward £1,151.887m into 2021-22 on top of their existing facilities to transfer funding between financial years.



## Table 4 - Cash grant paid to the Scottish Consolidated Fund 2021-22: Provision

	<b>Original Provision</b>
	<b>£m</b>
Scottish Block Grant <sup>(2)</sup>	35,535.759
UK Government Funded AME	6,370.100
Expenditure Financed by Scottish taxes	12,235.151
Expenditure Financed by Capital Borrowing	450.000
Expenditure Financed by Resource Borrowing	319.000
Expenditure Financed by Non Domestic Rates	2,090.000
<b>Total Managed Expenditure</b>	<b>57,000.010</b>
Adjustments to cash requirement	
Non-budgetary cash items	162.252
Depreciation and Impairments	(2,570.487)
Other Cash to accruals adjustments	(5,565.500)
Non Domestic Rates Income	(2,090.000)
National Insurance Fund Payments towards Scottish NHS	(2,276.204)
Income from Scottish Taxes	(12,315.545)
Repayments of Principal on Loans	80.394
Borrowing	(769.000)
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>31,655.920</b>

### Notes

(1) Totals may not sum due to roundings

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

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

