



Scotland Office  
and

Office of the Advocate General for Scotland

# Annual Report and Accounts 2021-22







Scotland Office  
and  
Office of the  
Advocate General for Scotland

Annual Report and Accounts 2021-22  
(For the year ended 31 March 2022)

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# Chapter 1: The Performance Report

## Foreword by the Secretary of State for Scotland

I am delighted to present the 2021-22 Annual Report and Accounts for the Scotland Office and the Office of the Advocate General for Scotland (OAG). The past year has, once again, been dominated by our combined efforts to tackle the COVID-19 pandemic and, more recently, by the tragic fallout from President Putin's appalling act of aggression in invading Ukraine which is uppermost in our thoughts at the current time.



Tremendous progress has been made in tackling the pandemic and we are finally starting to put it behind us thanks, in large part, to the successful implementation of the vaccine programme across the UK. Scotland Office staff have played an important role in this by facilitating the joint working between the UK Government and the Scottish Government that has been crucial to the programme's success. The UK Government acted swiftly to procure sufficient doses for the whole UK and the Scottish Government ensured the efficient rollout of the vaccines themselves with the help of our magnificent military personnel who also played a vital role in the testing programme.

While dealing with the pandemic, the Scotland Office has also played an active role in delivering the UK Government's Levelling-Up agenda – an ambitious blueprint to improve lives and expand opportunities across the whole United Kingdom. Over the last year, local communities across Scotland have benefited from over £190 million in investment from the UK Government's Levelling-Up Fund, Community Ownership Fund and Community Renewal Fund.<sup>1</sup> And, most importantly, the projects that have received this funding reflect the real needs and wishes of local communities and people.

Along with these new UK Government funds, the Scotland Office has continued to work on the delivery of our existing City and Growth Deal Programme. These joint partnerships between the UK Government and the Scottish Government have now seen £1.5 billion of direct HM Treasury investment into 12 deals that span the whole of Scotland and will continue to drive local economic growth.

Together with the two Freeports that will be delivered in Scotland, transport improvements flowing from the Union Connectivity Review<sup>2</sup> and the recently announced Energy Security Strategy<sup>3</sup>, will all help our recovery following the COVID-19 pandemic - which is the main focus of the UK Government at the current time.

My Ministerial team, Iain Stewart MP, Lord Offord and I, along with the whole of the Scotland Office, look forward to continuing to deliver for Scotland throughout the important year ahead.

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

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

1. Levelling-Up Fund Round 1: £172m; Community Renewal Fund £18m; Community Ownership Fund £1.2m. All part of the wider Levelling-Up policy, following on is the UKSPF £212m commitment. [Communities in Scotland handed control of £212 million levelling up funding - GOV.UK](#)
2. [UK government publishes Union Connectivity Review: proposed transport investments for stronger and better-connected United Kingdom - GOV.UK](#)
3. [British energy security strategy - GOV.UK](#)



## Foreword by the Advocate General for Scotland

I was appointed to the role of Advocate General in the middle of the pandemic. It not only impacted our work as a department, but changed ways of working for all colleagues and those we work closely with outside of government. 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.



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 the Government, including this country's collective response in helping the people of Ukraine. I will also continue to support the UK Government on various pieces of legislation as they make their way through Parliament; participating in debates on various issues as a spokesperson for HM Government.

It has been another very busy year for my officials, who provide legal services to UK Government departments. OAG officials provide critical advice to the wider UK Government on Scots law and the Scottish devolution settlement. Legal advice and support has been provided on all Westminster Bills extending to Scotland, so as to ensure they operate smoothly within the framework of Scots law and the devolution settlement. I also continue to enjoy support from my officials in respect of the scrutiny of Bills passed by the Scottish Parliament. My statutory function under the Scotland Act 1998 to examine the legislative competence of those Bills is an important feature of the devolution settlement and is given careful consideration. Indeed, my Office worked closely with the Attorney General's Office, the Scotland Office and other departments to ensure that the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill and the European Charter of Local Self-Government (Incorporation) (Scotland) Bill. I am grateful for the work of all civil servants who helped prepare the Law Officers for the reference of those Bills to the Supreme Court and enabled it to provide a clear judgement on such important legal issues.

In addition to those significant constitutional cases, my Office continues to undertake a substantial amount of other litigation for UK Government departments in the Scottish courts and tribunals, principally but not confined to the Home Office, the Department for Work and Pensions and 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.

Another highlight of the year has been dialogue with my fellow Law Officers in Scotland, the Lord Advocate and the Solicitor General for Scotland. It has been a particular pleasure to have had meetings with them in the Crown Office in Edinburgh given the many happy years I spent working there.

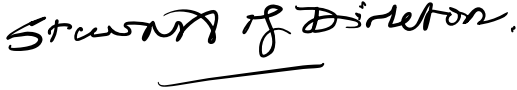
I was also pleased to be able to contribute to the Annual Conference of the Government Legal Service for Scotland (GLSS) and to get a sense of the excellent legal work taking



place across the wider GLSS. It has also been gratifying to have been able to speak at various external events to communicate the important role of the Law Officers as well as the UK Government's commitment to Scotland on various legal-policy issues. Highlights in this area have included speaking at the Law Society of Scotland's COP26 Conference and at the Conference of the Scottish Criminal Bar Association.

In addition to this work, and as we have emerged from lockdown, the department has begun to make greater use of the new UK Government hub in Edinburgh, Queen Elizabeth House (QEH). I have enjoyed working from QEH more regularly and representing the UK Government in the heart of Edinburgh. Queen Elizabeth House includes senior policy and stakeholder engagement teams from over a dozen 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, reading "Stewart of Dirleton". The signature is written in a cursive style and is positioned above a horizontal line.

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

## Foreword by the Director of The Scotland Office

The last year has been one of significant change. We started the year under COVID-19 pandemic restrictions and with a largely unvaccinated population. By the end of year, we saw the majority of the restrictions lifted as the benefits of the vaccine roll-out were realised across the UK and we started to return to a more normal way of life. Of course the spectre of the terrible events in Ukraine looms large and, as with the pandemic, the Scotland Office have taken a significant role in the UK Government's response, working closely and effectively with the Scottish Government throughout.



Once again, I have been hugely impressed with the resilience and flexibility shown by Scotland Office colleagues at this time in balancing this work with the work we're doing 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, fairer future. The UK Government set out its agenda in this respect in two recent publications. The Levelling-Up White Paper is an ambitious blueprint to improve lives and expand opportunities based on the firm belief that communities right across the UK should share in the economic opportunities that the UK Government is determined to deliver. The Energy Security Strategy aims for 95 percent of Britain's electricity to be low carbon by 2030, but does so in a way that ensures this transition is fair and that the UK's energy security is assured by making use of the oil and gas resources in the North Sea.

This reporting year also saw the successful hosting of the COP26 International Climate Change Conference. I'm proud of the contribution of the Scotland Office to bringing this event to Glasgow, working alongside the Host City Local Authority and a range of other partners and stakeholders. After being postponed due to the pandemic, the event took place in November 2021 and built on the Paris Climate Change Agreement to deepen and accelerate global commitments to reducing and phasing out carbon producing fossil fuels.

One of the most encouraging aspects of the past year has been our ability to return to the office and reap the benefits of face-to-face collaboration. In particular, making our vision for the UK Government's flagship hub in Edinburgh, Queen Elizabeth House, a reality.

Whilst the building was opened in the summer of 2020, it has only been in this year that we have started to see its full potential in joining up almost 3000 Civil Servants from a range of UK Government departments to deliver in Scotland. It has also been fantastic to host face to face meetings and events for our partners and stakeholders in both Queen Elizabeth House and in Dover House in London.

In addition to our hub in Edinburgh, we are delighted to introduce a second Scotland-based Government hub in Glasgow, offering further opportunity to relocate staff to Scotland – the Places for Growth agenda has so far seen over 1500 staff relocate to Scotland – including Senior Civil Servants and an increased Ministerial presence.

This remains a priority in my role as Head of Place and my responsibility for the maximisation of the opportunities presented by the Places for Growth agenda.

The Scotland Office continued to enhance its collaboration across all three Territorial Offices: the Office of the Secretary of State for Wales, the Northern Ireland Office and the Scotland Office, to support its delivery of the shared Priority Outcomes on the economy drivers across the United Kingdom, and the cornerstone policy of strengthening and protecting the Union. This collaboration also extends to the Territorial Offices' Corporate Shared Services Review to deliver efficiencies and increase resilience across the organisations. The Scotland Office has continued to play a key role supporting the delivery of the cross-cutting Union Priority Outcome, alongside the Territorial Offices, Cabinet Office and the Department for Levelling-Up Housing and Communities.

As an Office we are, once again, enjoying being able to work in our wonderful buildings, making sure that we learn lessons from how we worked during the pandemic whilst harnessing the benefits of face-to-face collaboration. I look forward to embedding this throughout the coming year as the Scotland Office delivers the UK Government's commitment to support citizens and businesses across Scotland in new and innovative ways as part of a successful and enduring United Kingdom.



**Laurence Rockey**

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

# Departmental Overview

## Part 1: The Scotland Office

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

### Scotland Office Vision and Mission Statement

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

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

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

For 2021-22, the Scotland Office delivered against three *Priority Outcomes agreed at Spending Review 2020* and set out in the 2021-22 Scotland Office Outcome Delivery Plan:

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

[Office of the Secretary of State for Scotland Outcome Delivery Plan - GOV.UK](#)

This report demonstrates how the Scotland Office has met those three Priority Outcomes in what remained a challenging period dominated not just by the ongoing COVID-19 pandemic, but also by Russia's invasion of Ukraine in February 2022. The year also saw the successful hosting of COP26 International Climate Change Conference in Glasgow.

The same Priority Outcomes were agreed as part of the Scotland Office's 2022-25 Spending Review settlement and will be reflected in the Scotland Office's 2022-25 Outcome Delivery Plan.

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

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

## Strategic Enablers

To deliver our Priority Outcomes - and reinforce the ambitions of the [Declaration on Government Reform](#) - we will use these 4 key Strategic Enablers:

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

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

## Scotland Office Performance Overview 2021-22

The first half of the 2021-22 reporting year was a hugely busy period for the Scotland Office as the Office continued to support the Government's response to the COVID-19 pandemic and subsequent recovery. The Scotland Office continued to play its part in supporting both the Scottish Government and the Department for Health and Social Care (DHSC) in relation to COVID-19; and the continued implementation of the Trade and Co-operation Agreement with the EU (TCA).

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

The year 2021-22 was an extraordinary one, for all parts of the UK and all sectors, due to the impact of COVID-19 and the end of the EU transition period. It is impossible to exaggerate the impact of COVID-19, or the extraordinary measures that were required to be taken by the UK Government, on the work of the Scotland Office, and the whole of Scottish society. The Scotland Office has promoted a co-ordinated, joined up approach across the UK, designed to protect lives and livelihoods. Taken together, the plans outlined in the Scotland Office's 2021-22 Outcome Delivery Plan, not only responded to the challenges of COVID-19 Pandemic, but also seized the opportunities to move the whole of the United Kingdom forward.

COP26 closed following a successful two-week event. The Scotland Office had spent the previous 18 months supporting the COP26 Unit in planning for the conference.

The City Deal Programme continued at pace with detailed negotiations regarding the heads of terms with Falkirk Local Authority at a decent stage of development. More broadly, the Scotland Office continued to work with the Scottish Government on wider delivery and has been busy reviewing progress with local partners across all the City and Regional Growth deals. Another Departmental priority throughout 2021-22 was the continued support for the successful transition of the North East from Oil and Gas to renewables. Prominent activities have included a series of renewable-energy and climate change themed visits for Ministers and a round table and reception for key stakeholders focussed on these matters. The Scotland Office had a particularly busy period with regard to our local economic growth activity.

The second half of the 2021-22 reporting year continued to be a hugely busy period for the Scotland Office. The publication of the Levelling-Up White Paper generated important stakeholder engagement and strategic planning across the department (including Green Freeports in Scotland).

The Scotland Office has focused in particular on the department's local economic growth activity and the start of the 2022-23 reporting year, will see specific sectoral deep-dives to ensure the department is working effectively and targeting its resources in key Scottish sectors.

Looking ahead to the 2022-23 reporting year, the Scotland Office remains on track to report against and deliver on its Priority Outcomes and metrics agreed as part of the 2021 Spending Review settlement. The Scotland Office Spending Review settlement which allocates funding for 2022-25 allows the department to continue its work on the three Priority Outcomes, and provides for additional resources to support the work of Priority Outcome One and the Levelling-Up Mission. As part of the preparation for the delivery and publication of the 2022-23 Scotland Office Public Outcome Delivery Plan, the Scotland Office is committed to continuing to work on the development of the metrics it will report against to directly link these to the work of the department over the whole of the Spending Review period from 2022-25.

The Scotland Office has agreed metrics to report delivery against performance in the three Priority Outcomes, as part of the 2020 and 2021 Spending Review settlements. These metrics are set out below along with both a narrative and data report on performance over the 2021-22 reporting year. The Outcome Delivery Plan framework was introduced across the UK Government in 2020-21 and this is the first year departments are being asked to report against this performance management framework. The data, which is collated as part of the quarterly performance reports across UK Government departments, will establish trend data and a baseline for future analysis, both internally and across the Territorial Offices. Some of the sources for performance reporting against Priority Outcome One are external publications and economic data which is subject to external deadlines for reporting.

## **Priority Outcome One: Support Economic Growth in Scotland**

### **Metrics and Performance Report**

- Economic Growth - Scotland - Gross Domestic Product (GDP) per capita in Scotland (£)
- Economic Growth - Scotland - Percentage of businesses that are innovation-active in Scotland
- Economic Growth - Scotland - Value of exports from Scotland

- Economic Growth - Scotland - Percentage of premises passed with a gigabit connection in Scotland
- Economic Growth - Scotland - Fiscal deficit per capita in Scotland (£)

The Scotland Office worked with HMT to deliver additional investment in Scotland at the recent fiscal events. At the Budget and Spending Review the Chancellor announced additional investments in Scotland to promote economic growth in different regions and sectors. This provides the Scottish Government with £1.9bn for farmers and land managers and £42.2m to support fisheries. It announced £172 million that will be allocated to 8 projects in Scotland in round one of the Levelling-Up Fund and £1.07 million will be allocated to five projects from the first round of the Community Ownership Fund.

There is also new funding for the British Business Bank to establish a £150 million fund for Scotland, working closely with local partners. Furthermore, the 2021 Spending Review also provides the largest annual Devolved Administration block grants, in real terms, of any Spending Review settlement since devolution in 1998.

In 2024-25, this Budget and Spending Review provides £41.8 billion to the Scottish Government.

Recent strong labour market performances and a return of the Scottish economy to pre-pandemic levels must be seen in the context of the UK Government's support schemes. The UK Government's furlough schemes supported more than 910,000 employments during the pandemic in Scotland alone. In addition, the self-employment scheme provided around £1.7 billion to more than 175,000 self-employed individuals in Scotland who have made 628,000 claims.

Scottish unemployment figures at 3.6% are low at historic standards and payroll employment levels are above pre-pandemic levels. The latest experimental GDP statistics released in November 2021 were published on 26 January 2022. The figures indicated that in monthly terms the level of GDP was back above the level of February 2020 by 0.6%.

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

GDP Scotland Data is taken from the Scottish Government publication, 'Government Expenditure Revenue in Scotland'. The latest data comes from the last publication from August 2021 for the last complete financial year - 2020-21. £29,595 per person, 30 June 2021 (excl. oil/gas) The data for the 2021-22 Financial Year will be available when this report is published in August 2022.

- Economic growth - Scotland - Value of exports from Scotland

Quarterly National Accounts Scotland (QNAS), Trade in Goods and Services. Total exports for Scotland, international and the rest of the UK as at October 2021 was £87.1 billion.

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



Figures provided show total Gigabit coverage of Scotland; 'Project Gigabit' is intended to target the final 20% of premises deemed economically unviable. Latest figure 07 December 2021: 60.32%, [Broadband Coverage and Speed Test Statistics for Scotland](#)

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

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

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

Revenue per head minus expenditure per head: Revenue per head minus North Sea Revenue: -£6,749.00 in April 2021 in comparison to -£3,500.00 in April 2020.

Revenue per head, Including geographic share North Sea revenue: -£2,369.00 in April 2021 in comparison to -£6,648.00 in April 2020.

Data taken from the Scottish Government publication, 'Government Expenditure Revenue in Scotland (GERS)'. The latest data comes from the last publication from August 2021 for the last complete financial year, 2020-21. The data for the 2021-22 Financial Year will be available when the GERS report is published in August 2022.

- Sustainable Development Goals Reporting

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

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

The Scotland Office works to promote the use of various UK Government funding streams, including the Levelling-Up Fund, Community Ownership Fund and Community Renewable Fund, to support the delivery of green energy policy and economic growth for Scotland and ensure crucial funding is provided for viable Scottish projects.

Examples of projects that the Scotland Office has worked to secure funding for include the Whithorn Town Hall renewable project in Dumfries and Galloway which will include showcasing energy efficiency innovation. Another example is the MACC Hydrogen Futures Viability study in Argyll and Bute funded through the Community Renewable Fund and the conversion of the Pollock Stables and Sawmill in Glasgow into a "net-zero" hydro-powered heritage and community centre funded by the Levelling-Up Fund.

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

### **Metrics and Performance Report**

- Publicly available indicators for support for the Union

New UK-wide funds, for example the Levelling-Up Fund, the Shared Prosperity Fund or the Union Connectivity Review, provide an opportunity for the UK Government to be active across Scotland, and the UK Internal Market Act gives the UK Government the powers to spend money in support of its objectives. Delivery of these programmes will be the responsibility of other Departments, but the Scotland Office is coordinating a strategy for the UK Government in Scotland and will support officials from across the UK Government in the UK Government Headquarters in Edinburgh, Queen Elizabeth House.

The Places for Growth Programme further supports the UK Government's work in Scotland by ensuring that key UK Government departments have a presence in our hubs in Edinburgh and Glasgow. The Scotland Office is also engaging with Departments across Whitehall and with HM Treasury to ensure that Union programmes receive continued resourcing to be able to deliver this work.

### **Sustainable Development Goals Reporting**

The Scotland Office supports BEIS in the development and implementation of all renewable energy policy that has relevance to Scotland, ensuring that Scotland's unique assets and potential are fully realised in this area. There are a number of areas where renewable energy policy is particularly relevant to Scotland which include the Government's Contracts for Difference policy which Scotland has benefited significantly from since the scheme's inception in 2015 with 34% of all successful projects located there. The latest allocation round included a ring fenced budget of £20 million per year for tidal stream technology which, considering almost 50% of the world's installed tidal stream capacity is in Scottish waters, represents an important investment from the UK Government in Scotland's energy sector.

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

- Publicly available indicators for support for the Union; and
- Edinburgh UK Government Hub, Queen Elizabeth House: other UK Government departments' staff numbers and type.

There was considerable success in the work of the Scotland Office to highlight the UK Government's commitment to Scotland throughout the 2021-22 reporting year. Working with the Cabinet Office and other UK Government departments to deliver media activity, engagement and digital content.

The Scotland Office promoted a range of activities including continuing COVID-19 support and UK Government investment in Scotland through the Levelling-Up funds. The proactive communications through the Scotland Office activity in this period, has focussed on the build up to and delivery of COP26 as well as the Scotland

Office business as usual work demonstrating the strength and value of the Union more generally.

Prominent activities have included a series of renewable-energy and climate change themed visits for UK Government Ministers and a round table and reception for key stakeholders focussed on these matters. The Scotland Office also focussed on COVID-19 recovery, climate change (COP26) and economic recovery and Levelling-Up. Ministers undertook a range of visits and diverse events such as: the Scotland Office, 'Taste of Scotland' showcase for Scottish producers, fishing industry roundtables, receptions with the Scotch Whisky Association and the Church of Scotland.

The Scotland Office Digital Team is leading the Union Directorate on the Connections Campaign which continues to have considerable reach and the team have also created considerable content for Levelling-Up announcements and those linked to COP26. Other highlights have included promotion of all of the different funding streams announced in the 2021 Spending Review and Budget.

The Cabinet Office announced in March 2021 that it will establish a second flagship Head Quarters with Ministerial offices based in Glasgow. FCDO also plans to strengthen their joint-headquarters in East Kilbride with 500 extra staff by 2025. A number of departments are also expected to relocate a number of roles to the UK Government Hub, Queen Elizabeth House, in Edinburgh. Department announcements for growth in Edinburgh are currently Foreign, Commonwealth and Development Office (FCDO); Department for Business, Energy and Industrial Strategy (BEIS); Cabinet Office (CO); Department for International Trade (D.I.T) and Department for Environment, Food and Rural Affairs (DEFRA).

## **Sustainable Development Goals Reporting**

The Scotland Office ensures the visibility of the UK Government's significant investments it is making in the Scottish Renewable energy sector. It achieves this through a number of mediums including its communications strategy which coordinates public announcements with BEIS as well as ensuring a strategic stakeholder engagement programme. Scotland Office Ministers have regular meetings and discussions with important industry stakeholders to ensure their views and concerns are heard and that they are aware of key support the UK Government is providing. This UK Government investment and policy is also promoted by the department's Ministers through public speaking events where Ministers are given the opportunity to outline relevant Government policy and support. The COP26 Summit and events leading up to this, including the Secretary of State for Scotland's green energy event in Queen Elizabeth House with industry representatives, offered plenty of opportunities to promote the UK Government's work in this way.

## **Strategic Enablers: Workforce; Skills; Location/Innovation; Technology and Data**

To deliver our Priority Outcomes - and reinforce the ambitions of the Declaration on Government Reform - we will continue to use these 4 key enablers. The Scotland Office is committed to minimising the impact we have on our environment and supporting the wider UK Government's Net-Zero commitment.

We have moved our Edinburgh Office to a modern UK Government Hub, Queen Elizabeth House, that embraces the very latest in sustainable features and practices.

The Scotland Office also continues to work with the UK Government's 'Places for Growth' initiative to relocate other UK Government Departments from existing sub-optimal estate to Government Hubs. Our London Office is part of the Whitehall Campus where an extensive 'Net Zero' programme is in place to upgrade buildings to meet environmental standards.

We are developing a Sustainability Strategy that encourages sustainable decision making and establishes greener ways of working; increases inclusive staff engagement and communication of our ambitions; supports our building owners to meet Government targets and ensures people are making good choices; reduces waste, promotes recycling and sustainable repurposing of equipment, and greener procurement. Our ambition is to lead the way in sustainability within the UK Government, working with, and challenging, our colleagues and other departments.

## **2021-22 Strategic Enabler Performance**

### **Workforce, Skills and Location**

There was an Increase of 9% on the Learning and Development (L&D) metric in the People Survey compared to the 2020 People Survey - this was 2% above the Civil Service average, with additional funding allocated to the Learning and Development budget to provide coaching and leadership training. The Scotland Office People Strategy was signed off and moved into the delivery phase with focus on L&D, Career Management, Leadership, Wellbeing and Diversity & Inclusion. The Career Management strand is building on the success of taking ownership of our talent pathway from parent departments.

Following the 2021 Spending Review settlement, risk in this area is assessed as low but continues to be managed. There has also been additional resources allocated to Learning and Development to increase Leadership capability.

Following the removal of the majority of the restrictions put in place across the UK to manage the response to COVID-19, the Scotland Office is embracing the opportunities presented through staff returning to the office. The benefits of being able to fully utilise the UK Government's flagship headquarters in Scotland, at Queen Elizabeth House, Edinburgh, and the Office's historic office in Dover House, London are being explored. The Office will continue to evolve its ways of working in support of all of its people in 2022/23.

### **Innovation, Technology and Data**

The Scotland Office is consolidating its relationship with, and utilisation of Cabinet Office I.T as we reach the end of our first year using their I.T services. The latter part of 2021-22 has seen progression in our use of collaboration tools to improve processes and delivery of key activities.

Cyber security is a key priority for the Scotland Office and in Quarter 3 we have worked closely with our Security Adviser, Cabinet Office and our Audit and Risk Assurance Committee to mitigate and provide assurances on this risk. We are working to mitigate associated risks by building strong relationships, reporting mechanisms and assurance frameworks.

## **Delivery, Evaluation and Collaboration**

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

**Evaluation:** As we continue to embed the Outcome Delivery Plan (ODP) performance management framework we are looking further at how we can best use the metrics to show us a complete picture of our performance and for the 2022-23 ODP we are looking at specific Scotland Office metrics and Board reviews, in addition to those metrics which will support continued and enhanced collaboration of the work on shared Priority Outcomes and Strategic Enablers across the Territorial Offices.

**Collaboration:** The Office is building back into the Scotland Office strategy, face to face engagement with key sectors and stakeholders. We continue to work with the other Territorial Offices; Levelling-Up, Housing and Communities (DLUHC) and Cabinet Office.

The reorganisation and recruitment of additional resources as a result of the 2021 Spending Review settlement has ensured that the appropriate resources are allocated in the right way to achieve the Priority Outcomes.

The following narrative section outlines in detail the outcomes delivered by the Scotland Office during 2021-22 in each of the Priority Outcomes in the Scotland Office 2021-22 Outcome Delivery Plan. This is complemented with case studies as well as reports on policy deliverables for the Scotland Office with the delivery of the Legislative Consent Motion and Scotland Act Order Programmes - key aspects of the work of the department.

## **COVID-19**

The COVID-19 pandemic continued to have a significant impact on the work of the UK Government in 2021-22, affecting all parts of the UK. The UK Government supported the development of vaccines and, with the agreement of all of the Devolved Administrations, was able to use its resources to procure vaccines for the whole of the UK.

The UK was the first country in the world to authorise a COVID-19 vaccine, and now we have six fully licensed vaccines. The Medicines and Healthcare products Regulatory Agency (MHRA) was the first regulator globally to authorise a COVID-19 vaccine, which was managed by prioritising effort on COVID-19 vaccines and adapting working processes. The MHRA is the UK's independent regulator and its role is to ensure medicines, devices and vaccines work effectively and are safe for use. The UK has some of the highest safety standards in the world and the MHRA is globally recognised for requiring high standards for quality, safety and medicines regulation.

Adapted working processes included:

- Offering early regulatory discussions to vaccine developers in order to reach rapid decisions on clinical trial applications;
- Instituting 'rolling reviews' (i.e. evaluated data as it came in, rather than when it all had been received); and

- Ensuring that all other regulatory actions, for example inspections of manufacturing plants and independent batch testing, were wherever possible completed in parallel.

The strength and breadth of the UK approach has been decisive in enabling the UK Government and the three Devolved Administrations to relax restrictions and manage the transition to living with COVID-19 and to ensuring that economic recovery from the pandemic reaches all parts of the UK.

The devolved administrations across the UK have chosen to adopt different combinations of countermeasures, and to relax them according to different timescales.

Throughout the period of the pandemic the UK Government has respected the right of the devolved administrations to make their own decisions in matters of public health, while ensuring that the capacities of the UK Government as a whole have been available to support the economy, procure vaccines and antivirals, and provide testing facilities on a UK-wide basis. The UK Government has also ensured that military personnel have been able to support the Scottish Government and NHS Health Boards in providing logistics support, setting up vaccination centres and administering vaccines, establishing and running testing centres, supporting the Scottish Ambulance Service, and indeed critical care to patients in three Health Boards' hospitals.

Throughout this period, the Scotland Office promoted a co-ordinated, joined up approach to protecting lives and livelihoods. During 2021-22, over 141 million doses of vaccine had been given across the UK, reaching an estimated 93.9% of over 12s in Scotland, with at least a first dose, and estimated 87.5% of over 12s in Scotland with second doses, ensuring that all those aged 12 and over had the opportunity to be fully vaccinated.

The UK Government also had to respond quickly to the highly contagious Omicron variant by increasing capacity and speeding up the roll-out of the booster programme.

Over 39 million booster or third doses were administered in the UK, with an estimated 73.3% of over 12's in Scotland vaccinated. By the 18 April 2022, the UK Government had also delivered over 2.3 million 4th doses to vulnerable people in England and over 250,000 in Scotland.

The UK Government's range of unprecedented measures to support the UK economy and employment continued, for example: the furlough scheme alone, which benefited over 910,000 employments in Scotland; the UK Government's organisation of fixed and mobile testing sites across Scotland which carried out 2,959,179 tests in 2021-22; and a range of other tax and benefits measures to support people and businesses in Scotland and across the UK. For example, around 100,000 Scottish businesses have received over £4 billion of UK Government loans. The tourism and hospitality industry benefited from cuts in VAT and the 'Eat Out to Help Out' scheme, which applied at different times and different levels of tax relief at different stages throughout the 2020-21 and the 2021-22 financial years. VAT registered Scottish businesses were able to defer their taxes.<sup>4</sup> The Scottish Government received additional funding as a result of business rates relief in England.

In order to support the Scottish Government's efforts to tackle the pandemic, the UK Government made around £15.7 billion extra available to the Scottish Government in

4. [Introduction of a new reduced rate of VAT for hospitality, holiday accommodation and attractions - GOV.UK](#)





Secretary of State for Scotland Alister Jack visits a UK Government-funded COVID-19 test centre in Moffat, at which military personnel supported testing programmes.

Barnett consequentials, since the start of the pandemic. This is equivalent to around £2,800 for every man, woman and child in Scotland, in total additional spending. This support 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.

### **COVID-19 Business Support Measures**

Around 100,000 Scottish businesses have benefitted from £4 billion of UK Government loans provided by the British Business Bank:

[Analysis of final Coronavirus loan scheme data shows £79.3bn of loans to 1.67m businesses, evenly distributed across whole of the UK](#)

### **Business Rates Relief and Grants**

Retail, hospitality and leisure businesses in England received a 100% business rates holiday through the expanded retail relief in 2020/21. The holiday was extended for the first three months of 2021/22. A 66% relief followed from 1 July 2021 to 31 March 2022.

The Devolved Administrations have received additional funding through the Barnett formula because of the UK Government's spending on the expanded retail relief. In addition to this support, the Scottish Government set up their own COVID-19 business rates relief schemes.



## **Priority Outcome 1: 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, sustain and create jobs. Throughout this crisis the UK Government has helped millions of people through; our Plan for Jobs, 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. During the pandemic we have worked side by side with the Scottish Government and provided a record funding of £41bn.

The Scotland Office uses its voice in Whitehall to promote UK Government policies and activities which generate economic growth, prosperity and employment in Scotland. It also plays a key role in the implementation of City and Regional Growth deals. In 2021-22, as COVID-19 restrictions have come to an end, the Government has started to set the foundations to Build-Back-Better and to harness the benefits of leaving the EU.

The Scotland Office has been supporting economic growth right across Scotland, empowering communities and Levelling-Up. We have supported the many UK Government economic initiatives and funds including; the Plan for Jobs, Levelling-Up Fund, UK Community Renewal Fund, UK Infrastructure Bank, and City, Regional and Growth Deals. Action has also been taken to strengthen Scotland's key economic sectors such as green energy, food and drink, and fintech.

### **City and Regional Growth Deals**

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

There are twelve City and Growth Deals covering the whole of Scotland that include more than 130 locally-driven initiatives worth £4.8 billion in total with combined investment from partners. Over the past year the UK Government has signed the Full Deal for the Moray Growth Deal, and agreed Heads of Terms for the Falkirk Growth Deal. It is anticipated that by the end of 2022, that Full Deals will have been signed for the Islands Growth Deal and the Argyll & Bute Growth Deal, with the Falkirk Full Deal likely to be agreed in early 2023.

### **Freeports for Scotland**

On 25 March this year, the UK Government published in partnership with the Scottish Government the Green Freeports bidding prospectus for Scotland. The long-term strength and sustainability of Scotland's economy is crucial to ensure economic recovery from the COVID-19 pandemic and to tackle climate change. Green Freeports will help Scotland overcome these challenges and respond to the economic shocks of COVID-19 by helping Scotland secure a globally competitive, entrepreneurial, inclusive and sustainable economy which makes a positive contribution internationally, and delivers high quality, fair work for everyone.

This will particularly benefit the disadvantaged communities that are often located close to ports.



Minister Iain Stewart visits Pollok Stables and Sawmill in Glasgow, which has received £13m in Levelling Up Funding.

## **Levelling-Up**

Levelling-Up is at the heart of the Government's agenda to Build-Back-Better after the pandemic and its programme to deliver for the people of the UK. It is also about strengthening community and local leadership, restoring pride in place, and improving quality of life in ways that are not just about the economy.

The Levelling-Up White Paper was published in February of this year and provides a clear plan to level up every corner of the UK, including a focus on delivering across Scotland's regions.

The Scotland Office has over the past year promoted the opportunities and success of the different UK Government Funds in order to maximise the economic growth in Scotland and promote the work of the UK Government. These include the Levelling-Up Fund, UK Community Renewal Fund and the UK Shared Prosperity Fund, Community Ownership Fund and UK Infrastructure Bank.

## **Building Back Greener**

COP26 was held in Glasgow between 31 October and 13 November 2021. It began with the World Leaders' Summit attended by 120 global leaders, including the President of the USA, the President of France, and the Prime Minister of India. COP26 represented a number of very significant operational challenges. The safety and security of all conference delegates had to be maintained while the right to lawful protest was facilitated. The conference delegates and the people of Glasgow had to be protected from the risk of COVID-19 proliferating as a consequence of thousands of delegates and campaigners visiting the city.

The successful running of the event required the combined resources of all parts of the UK working in concert. That operational success was achieved because of collaborative working between: UK Government departments, the Scottish Government, Glasgow City Council, NHS Greater Glasgow and Clyde, Police Scotland and the National Police Chiefs Council, and many other bodies. The collaborative working was structured around the Scottish devolution settlement. For instance, every police force in the UK provided officers towards one of the largest policing operations in recent UK history, under the command of the Chief Constable of Police Scotland.

Scotland Office and OAG Ministers and officials played instrumental roles in facilitating that collaborative working between a wide range of reserved and devolved bodies.

Scotland Office officials facilitated crucial dialogue between the Cabinet's COP 26 Unit and important Scottish stakeholders in the run up to, and throughout, the event. This helped ensure stakeholders were kept informed of the Government's plans and were encouraged to join the various different campaigns and events that were run in the lead up to the summit as well as submit bids to participate in the summit through the expression of interest process. This also helped provide reassurance to Scottish stakeholders that their views were sufficiently considered by the UK Government. Scotland Office Ministers attended a wide range of events during the summit where they joined roundtable discussions and made speeches championing the UK Government's role in facilitating the event and its negotiated outcomes as well as the Government's world-leading climate change and energy transition programme. The Scotland Office's stakeholder engagement and policy teams worked together to create and deliver a varied and relevant ministerial programme for the summit.

The Scotland Office is working to build back greener on the foundations of Scotland's distinctive low carbon and renewable energy resources, building on Scotland's strengths in offshore wind capabilities, low carbon hydrogen, and building upon the outcomes of COP 26 as part of the Glasgow Climate Pact.



Secretary of State for Scotland Alister Jack is shown a model of a proposed SSE Hydrogen project in the Highlands at COP 26.

## **Well-Connected Communities**

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

### **Borders Railway**

It was announced as part of the Borderlands Growth Deal which was signed on March 18 2021 that up to £10m of funding would be made available. This would be comprised of £5m from the UK Government (Department for Transport) and £5m from the Scottish Government, to develop a shared understanding of the benefits and challenges of options to extend the Edinburgh – Tweedbank Borders Railway to Carlisle.

### **Digital Connectivity**

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

### **Union Connectivity Review**

Last year, the Prime Minister asked Sir Peter Hendy CBE to undertake an independent review into transport connectivity between Scotland, Wales, Northern Ireland, and England. The Scotland Office worked in partnership with the Department for Transport (DfT) on this review, including developing the Terms of Reference, stakeholder engagement plans and raising any projects that could be under the remit of the review. Scotland Office Ministers also wrote to all Local Authorities in Scotland to ensure their participation in the review, and also co-chaired with Baroness Vere, Parliamentary Under Secretary of State at DfT, a roundtable with relevant Scottish stakeholders. Now the Union Connectivity Review has concluded, Scotland Office officials will continue to work with DfT officials on the UK Government response to the review, due to be published later in 2022.

### **Research and Innovation in Scotland**

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

The COVID-19 pandemic has shown all of us the vital importance of science and innovation.

The Scotland Office is working with other UK Government departments to maximise the impact of innovation spending in Scotland. This includes, but is not restricted to the following areas: UKRI investments in Scotland; Innovation Accelerator in Glasgow; Spaceports; and Artificial Intelligence.



## The Importance of the Defence Sector in Scotland

The latest figures available show that, in 2019/20, the MOD spent nearly £2.07 billion with Scottish businesses supporting 12,400 jobs. This is equivalent to £380 per person in Scotland, above the UK average of £300. RAF Lossiemouth, Her Majesty's Naval Base Clyde and other key sites are an integral part of what keeps the UK and our allies safe.

### Shipbuilding in Scotland

Scotland is also important to the UK's naval shipbuilding expertise. Our new aircraft carriers were assembled at Rosyth and our cutting-edge Type 26 and Type 31 Frigates are being built in Scotland. The latest figures available show that, in 2019/20, MOD shipbuilding and repair spend supported 7,500 direct jobs in Scotland, an increase of over 20% from the previous year. The Scotland Office works closely with the defence industry and the Armed Forces in Scotland. Ministers regularly visit key sites to highlight the importance of defence to Scotland and to listen to concerns and new ideas. The Scotland Office also supported the establishment of a branch of the new National Shipbuilding Office in Edinburgh which is due to become operational this year and reflects the importance of shipbuilding in Scotland. This was announced in the recent National Shipbuilding Strategy Refresh, published in January 2022. [Refresh to the National Shipbuilding Strategy - GOV.UK](#)



Secretary of State for Scotland Alister Jack visits BAE Systems in Govan to see HMS Glasgow, the first Class Type 26 Frigate being built for the Royal Navy.

### Protecting the UK Internal Market

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

### Championing Scotland's International Reach and Global Trade

Scotland delivers two of the UK's largest food and drink exports - Scotch Whisky and salmon. It also makes more small satellites than any other country in Europe, and is home to the UK's second-largest finance services hub. The Scotland Office works closely with the Department for International Trade to ensure the opportunities being created through Trade Deals and the services provided to businesses are understood in Scotland. Including UK Export Finance in Scotland; Opportunities for Exports; High Potential Opportunities; Office for Investment; Global Entrepreneurs Programme.



Minister Malcolm Offord visits Mumbai to promote trade links between Scotland and India.

Working with the Foreign, Commonwealth and Development Office (FCDO), Scotland Office Ministers have started an ambitious programme of overseas visits to support Scottish exports and inward investment. Recent visits to Mumbai, to coincide with the visit of the UK Carrier Strike Group, and Finland and Norway have promoted industries such as defence, shipbuilding, food and drink and renewable energy. Further visits are planned for 2022/23.

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

## **Priority Outcome 2: Strengthen and Sustain the Union and Scotland's role within it**

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

### **Intergovernmental Relations**

Over the past year, the Scotland Office has continued to play a central role in leading, facilitating and supporting engagement between the UK Government and the Scottish Government, including through intergovernmental structures covering areas of mutual

interest. [The UK Government Annual Report on Intergovernmental Relations](#) sets out the breadth of this engagement, including engagement led and supported by the Scotland Office, with the devolved governments in 2021. Engagement spanned a wide range of policy areas and issues, such as COVID-19 recovery and City and Regional Growth Deals.

The Scotland Office also continued to contribute to The Intergovernmental Relations Review which was published in January 2022 and sets out new structures and arrangements for intergovernmental cooperation in the years ahead.

### **Scotland Act Order Programme**

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

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

Progress this year has continued. The UK Government has worked closely with the Scottish Government to ensure the successful introduction of the Scottish Government’s first replacement disability benefit, Child Disability Payment, in November 2021. The two Governments have also worked together on the implementation of the Scottish Government’s Adult Disability Payment, which began its pilot in March 2022 and will be introduced across Scotland in the summer.

Officials across the UK and Scottish Governments continue to work in collaboration to maintain and update the Scottish devolution settlement. Between 1 April 2021 and 31 March 2022, 12 Scotland Act Orders were laid in UK Parliament by the Scotland Office:

- The Social Security (Scotland) Act 2018 (Disability Assistance, Young Carer Grants, Short-term Assistance and Winter Heating Assistance) (Consequential Provision and Modifications) Order 2021;
- The UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021 (Consequential Provisions and Modifications) Order 2021;
- The Age of Criminal Responsibility (Scotland) Act 2019 (Consequential Provisions and Modifications) Order 2021;
- The Social Security (Scotland) Act 2018 (Disability Assistance for Children and Young People) (Consequential Modifications) Order 2021;
- The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021 (Consequential Provisions) Order 2021;
- The Social Security (Scotland) Act 2018 (Disability Assistance for Children and Young People) (Consequential Modifications) (No. 2) Order 2021;
- The Social Security (Scotland) Act 2018 (Information-Sharing and Disability Assistance) (Consequential Provision and Modifications) Order 2021;



- The Environmental Authorisations (Scotland) Regulations 2018 (Consequential Modifications) Order 2021;
- The Environmental Authorisations (Scotland) Regulations 2018 (Transitional and Savings Provisions) Order 2021;
- The Consumer Scotland Act 2020 (Consequential Provisions and Modifications) Order 2022;
- The Civil Partnership (Scotland) Act 2020 and Marriage and Civil Partnership (Scotland) Act 2014 (Consequential Modifications) Order 2022; and
- The Social Security (Scotland) Act 2018 (Disability Assistance and Information Sharing) (Consequential Provision and Modifications) Order 2022.

## **Scotland Act 2016**

The Scotland Office remains committed to delivering the Smith Commission Agreement and implementing the Scotland Act 2016 in full. We continue to work closely with the Scottish Government and are making significant progress transferring the powers devolved to the Scottish Parliament. The Joint Ministerial Working Group for Welfare was established in February 2015 to provide a forum for discussion and decision-making to ensure the implementation of welfare and employment-related aspects of the Scotland Act 2016. Meetings are held biannually, with the latest meeting held on 16 May 2022. The Scotland Office has worked hard to support the devolution of welfare powers under the Scotland Act 2016, and to support collaborative working between the Scottish Government and DWP, in the interests of all citizens living in Scotland. The Scotland Office published the Sixth Annual Report on the implementation of the Scotland Act 2016 on 28 April 2022 to provide an update on another year of progress in transferring powers devolved under the Scotland Act 2016 to the Scottish Parliament and Scottish Government: [Sixth Annual Report on the implementation of Scotland Act 2016 - GOV.UK](#)

## **Maintaining and Upholding the Devolution Settlement**

The success of devolution in delivering government closer to the citizen on issues such as health and education, while retaining the strength and solidarity of the United Kingdom, continues to underpin the Union. The Scotland Office facilitates and encourages that collaborative spirit through its work on the UK Government's legislative programme. We work closely with other UK Government departments to ensure that the devolution settlement is respected and that UK Government policies work for Scotland. The Scotland Office upholds the Sewel Convention and connects the UK and Scottish Governments in seeking Legislative Consent Motions (LCMs) from the Scottish Parliament. In the past year alone we have helped secure LCMs for 9 pieces of primary legislation intersecting with the devolution settlement for Scotland.

## **Cases before the Courts**

In this reporting year the Office worked with colleagues in the Office of the Advocate General regarding cases before the courts. This included *Keatings v the Advocate General, the Lord Advocate and Others*, where the UK Government successfully defended its position. In addition, in view of a reference to the Supreme Court by the Advocate General and the Attorney General under section 33 of the Scotland Act 1998 for a decision on the question of whether various provisions of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill and the European

Charter of Local Self Government (Incorporation) (Scotland) Bill, the Scotland Office engaged with Scottish Government ahead of the referral and, following the Supreme Court's decision, ensured the UK Government's position and rationale for referring the bills were clear to Parliament.

### **Priority Outcome 3: Increase the Visibility of the UK Government's Commitment to Scotland**

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

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



Minister Iain Stewart visits Skara Brae in the Orkney Islands.

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

The Scotland Office, often working in partnership with others, promotes and highlights the role of the UK Government and the support it provides to businesses and people in Scotland. The Scotland Office Communications Team uses traditional media, social media activity and events and direct engagement in this work. This year, during periods where restrictions were in place, they embraced the virtual environment to facilitate extensive stakeholder engagement activity for Ministers as well as working with third parties to run webinars and events to reach wider audiences. However, this year also saw a welcome return to face-to-face engagement and events. Scotland Office Ministers met with people, businesses and organisations from across Scotland. Ministers have made visits from Shetland to Innerleithen, from Musselburgh to Cairndow.

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



Secretary of State for Scotland Alister Jack attends the COP26 Summit in Glasgow.



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: [UK Government Support for Business in Scotland](#)

## **COP 26**

The Scotland Office worked hard, alongside the Host City Local Authority, to help bring the COP 26 International Climate Change Conference to Glasgow. After being postponed due to the pandemic, the event took place in November 2021 and built on the Paris Climate Change Agreement, welcoming scores of world leaders to Glasgow to deepen and accelerate global commitments to reducing and phasing out carbon producing fossil fuels. 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.

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

### Delivery of Objectives in 2021-22

The Office of the Advocate General (OAG) set the following strategic objectives for 2021-22:

#### 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 1998 and engage with UK Government departments and the Scottish Government to ensure implications of Scottish legislation are understood and competence issues are addressed.

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

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

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

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

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

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

#### Objective 5. Supporting Ministers.

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

The activity which OAG undertook in 2021-22 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 2021-22 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 deliver an effective service, 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. OAG instructed Parliamentary Counsel in the drafting of provisions for Scotland in Bills before the UK Parliament; drafted subordinate legislation on behalf of UK Departments; and provided legal advice to UK Government departments on Bills and subordinate legislation. Support for the Scotland Office and other departments on issues of legislative consent remain a central part of our work.

In 2021-22, 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:

- Economic Crime (Transparency and Enforcement) Act 2022
- Public Service Pensions and Judicial Offices Act 2022
- Dormant Assets Act 2022
- Advanced Research and Invention Agency Act 2022
- Armed Forces Act 2021
- Telecommunications (Security) Act 2021
- Environment Act 2021
- Overseas Operations (Service Personnel and Veterans) Act 2021
- Domestic Abuse Act 2021
- British Library Board (Power to Borrow) Act 2021
- Air Traffic Management and Unmanned Aircraft Act 2021
- Trade Act 2021
- Telecommunications Infrastructure (Leasehold Property) Act 2021
- Ministerial and other Maternity Allowance Act 2021
- Police Crime, Sentencing and Courts Bill
- Professional Qualifications Bill
- Elections Bill
- Building Safety Bill
- Nationality and Borders Bill
- Health and Care Bill
- Subsidy Control Bill
- Judicial Review and Courts Bill
- High Speed Rail (Crewe-Manchester) Bill
- Online Safety Bill
- Marriage and Civil Partnership (Minimum Age) Bill
- British Sign Language Bill

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

This has been a challenging year for litigation work, with the majority of cases continuing to be heard by Scottish Courts and Tribunals on a remote or hybrid basis. Over the last couple of months, some progress has been made in moving towards in-person hearings, particularly for those dealing with substantive issues.

The number of immigration litigations was slightly lower this year than in previous years, largely due to a lack of removals by the Home Office during the course of the pandemic. Work in this area has however continued, with new cases being raised every week, and hearings taking place on a regular basis.

Other types of cases that have taken place this year include a reference to the Supreme Court by the Advocate General and the Attorney General under section 33 of the Scotland Act 1998 for a decision on the question of whether various provisions of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill and the European Charter of Local Self Government (Incorporation) (Scotland) Bill would be within the legislative competence of the Scottish Parliament. The UK Government was successful on all fronts, with the Supreme Court finding that all of the provisions referred would be outwith the legislative competence of the Scottish Parliament.

In the action of *Keatings v the Advocate General, the Lord Advocate and Others*, the Advocate General represented the UK Government in an action raised by a Scottish independence campaigner who sought a declarator from the Court that the Scottish Parliament has the power to legislate for the holding of a second independence referendum without requiring the consent of the UK Government. The Court dismissed the action.

The Office has also represented the UK Government in a statutory appeal in the Court of Session brought by Greenpeace challenging decisions of the UK Government and the Oil and Gas Authority to grant consent to exploit the Vorlich oil field in the North Sea. The Inner House of the Court of Session has refused both the appeal and an application for permission to appeal to the Supreme Court, although Greenpeace has applied directly to the Supreme Court for permission to appeal to it on this matter.

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

The HMRC Division are legal staff who provide legal services to HMRC, predominantly in the conduct of litigation in Scotland. This also extends to: legal advice on Scots Law; devolution and the application of tax law in Scotland; legal advice on Scottish aspects of Finance Bills and other UK legislation in which HMRC has an interest; and legal work to recover sums on behalf of employees who have been paid less than the minimum wage.

The landscape remains a changing one for HMRC litigation Division. Work in the Sheriff Court has continued at a lower level as the suspension of winding-up petitions remained in place. In person hearings have returned in both the Supreme Court and the Inner House of the Court of Session and the HMRC division have appeared in both.

Work in the Outer House of the Court of Session and Tax Tribunals have continued remotely, with high profile challenges to off payroll working being present again this year.

The Division has continued to assist HMRC in their work to collect the National Minimum Wage on behalf of workers in Scotland. In addition the Division has been at the forefront of a new area of work, Labour Market Enforcement Orders. These were introduced by the Immigration Act 2016, and gave additional powers to HMRC to deal with serious and persistent breaches of requirements to pay workers the National Minimum Wage. OAG assisted in drawing up the guidance for the use of these orders and in November 2021 the division obtained the first ever UK order under this legislation. Additionally, the division have obtained an increased number of Account Freezing Orders, these orders allow the freezing of bank accounts to assist in the investigation of money laundering, corruption and terrorist financing, by giving relevant agencies an opportunity to investigate the provenance of suspected funds.

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

OAG undertook a variety of work in 2021-22 to support Scotland's continuing place within the UK. In particular, we have worked on the framework for proposed Green Freeports in Scotland. We provided legal support in preparation for the successful COP 26 conference in Glasgow, to ensure that Scots law and procedure was properly factored into the plans and contingency arrangements for that event.

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

OAG's legislative, advisory and litigation work was critical to meeting this objective in 2021-22. OAG's day to day work advising UK Government departments to help ensure their policies and legislation take proper account of Scots law and the devolution settlement helped ensure that all of the primary Westminster legislation mentioned above operates effectively within the UK constitutional framework.

Additionally, OAG played a leading role, in close conjunction with the Scotland Office, in continuing to advise on Orders needed under the Scotland Act 1998. This has included 13 Orders made under section 104 of the Scotland Act to make provision which is necessary or expedient in consequence of Acts of the Scottish Parliament (ASP). For example, an Order was made in consequence of the Consumer Scotland Act 2020 to allow Consumer Scotland to fulfil its new role in dealing with consumer advocacy and advice in relation to certain reserved subject areas.

Work on implementation of the Scotland Act 2016 also continued. In particular OAG has worked with the Department of Work and Pensions and the Scottish Government to ensure that new devolved social security benefits interact appropriately with the reserved social security system and other passported benefits.

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

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



## **Objective 5: Supporting Ministers**

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

OAG also assisted the Advocate General in relation to Parliamentary and Cabinet Committee business. In 2021-22, 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. The UK Supreme Court determined, in its judgment on 6 October 2021, that parts of those Bills were outside the legislative competence of the Scottish Parliament. It is for the Scottish Government to consider their next steps if they wish the Bills to proceed to Royal Assent.

Throughout 2021-22, the Advocate General has supported on numerous pieces of Government legislation in the House of Lords. Amongst other Bills, these have included: The Economic Crimes (Transparency and Enforcement) Act 2022, the Nationality and Borders Bill, and the Overseas Operations (Service Personnel and Veterans) Act (Ministry of Defence).

## **Part 3: Sustainable Development**

The Scotland Office 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 Scotland Office Headquarters in London is leased from the Government Property Agency and Queen Elizabeth House, the Scotland Office 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. The Scotland Office and OAG do not report on environmental protection and social responsibility as the work and remit of the Offices does not cover this area of policy.

### **Greening Government Commitments**

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

[Greening Government Commitments 2021 to 2025 - GOV.UK](#)

The exemption previously applied to the Scotland Office by Department for Environment, Food and Rural Affairs (DEFRA), exempting the Scotland Office from being required to report against the GGCs, has recently been lifted in line with changes to minimum reporting requirements for smaller sized UK Government departments. Therefore, the Scotland Office has not been reporting against the GGCs in the 2021-22 reporting year and as a result have no baseline data to report. In 2022-23 the Office will work with DEFRA to identify and agree areas in the GGCs that the we can baseline and report against with a view to reporting against these areas in 2022-23. This will likely include reporting transport emissions and the reduction of paper use.

### **Carbon Reduction Commitment**

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

The Offices are committed to reducing their environmental impact by:

- Encouraging the use of video conferencing and dial-in facilities rather than travelling to meetings - this has been embed as a way of working throughout the organisation due to the pandemic and the hybrid approach to working adopted following the lifting of the majority of the COVID-19 restrictions is continuing to support this commitment;
- Using recycled paper and other stationery;
- Using public transport rather than cars when travelling to meetings; and
- Ensuring that our printers and photocopiers are all energy efficient models which reduce paper wastage.

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

In 2021-22 the Scotland Office spent £43.1 billion within Parliamentary Supply Estimates (Supplementary Estimate). The Scotland Office's own running cost outturn was £11 million and the payment to the Scottish Consolidated Fund totalled £43.1 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 £469 million from the National Loan Fund in 2021-22.

### Movements in Estimate Provision During 2021-22

At the start of the year the department was voted £31.7 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased by £12.8 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 Outturn against Parliamentary Supply demonstrates that overall there was an underspend of 2.91% (£1.290 billion) on the Estimate provision of £44.4 billion. The Statement of Outturn against Parliamentary Supply 1.1: Analysis of net resource outturn by section, and The Statement of Outturn against 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
Scotland Office and Office of the Advocate General	11,205	11,717	512	4%

The underspend of £0.512m 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	343	408	65	16%

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	31,479,277	32,769,002	1,289,725	4%
Scottish Rate of Income Tax	11,641,545	11,641,545	-	0%

### Grant payable to the Scottish Consolidated Fund

The sum of £1.290 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 2021-22. It is the responsibility of the Scotland Office to transfer funding from the Consolidated Fund to the Scottish Consolidated Fund monthly ensuring that the Scottish Government does not draw down funding in advance of need.

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

### Scottish Rate of Income Tax

The Scottish Rate of Income Tax (SRIT), identification of Scottish taxpayers and administering the tax are all matters for the UK Government and 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.

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

Capital Spending in Departmental Expenditure Limit (CDEL)	Outturn £000	Estimate £000	Underspend £000	Percentage of Estimate
Scotland Office and Office of the Advocate General	-	50	50	100%

The Offices moved into the new UK Government's Edinburgh hub, Queen Elizabeth House and transferred onto a new IT platform during the previous financial year. As a result, did not require to spend any of its capital provision in 2021-22.

## Scotland Office 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
Scotland Office and Office of the Advocate General	0	260	260	100%

The Annually Managed Expenditure relates to the potential for future dilapidations should we exit our accommodation in Edinburgh.

### Statement of Financial Position

The net liabilities at 31st March 2022 are £1.614m (2020-21 £2.859m). The significant balances on the Statement of Financial Position are:

- Property, plant and equipment £0.453m. (This principally comprises of IT, equipment, furniture and fittings); and
- Financial assets and liabilities £2,126m (non-current element). The financial assets and liabilities are loans issued from the National Loans Fund (NLF) to the Scottish Government.

In 2021-22, three new loans totalling £469m 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)	44,422,932	43,132,370
Net Operating Cost (Accounts)	44,422,932	43,132,370
Voted expenditure outside the budget	44,410,547	43,120,822
Resource Budget Outturn (Budget)	12,125	11,547



**Laurence Rockey**

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

1 July 2022

# Chapter 2: The Accountability Report

## Director's Report

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

The Ministers and officials of the Scotland Office and Office of the Advocate General (OAG) who were members of the Joint Management Board at various times during 2021-22 are shown below:

### Membership and Business of the Joint Management Board 2021-22

Ministerial
Chair – SofS Scotland, <b>Rt Hon. Alister Jack MP</b>
<b>Lord Offord</b> – PUSofS for Scotland (from 4 October 2021)
<b>David Duguid MP</b> - PUSofS for Scotland (until September 2021)
<b>Iain Stewart MP</b> - PUSofS for Scotland
<b>Lord Stewart</b> - Advocate General for Scotland

Non-Executive Director
<b>Tom Harris</b> - Lead NED (from October 2021)
<b>Ross Finnie</b> - NED and Chair of ARAC
<b>Stuart Patrick</b> - NED
<b>Martin Dorchester</b> - NED

Senior Officials
<b>Laurence Rockey</b> - Director, SO
<b>Neil Taylor</b> – Director, OAG

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

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



# Our Corporate Performance

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

## Performance Targets

In 2021-22, 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 2021-22
We will respond to ministerial correspondence within 20 working days of receipt or we will send an interim reply explaining the reasons for the delay and indicating when a full reply will be sent.	Percentage of correspondence replied to within 20 working days.	The Scotland Office received 1350 pieces of correspondence and replied to 1209 (89.5%) within the target time in 2021-22, in comparison to 1534 and 1225 (80%) in 2020-21.  OAG did not receive any pieces of correspondence in 2021-22 and there were no pieces of correspondence received by OAG 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 working days.	The Scotland Office received 107 FOI requests all of which were replied to within the 20-day target, either substantively or explaining the reason for an extension in 2021-22.  This is in comparison to the Office receiving 168 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 25 FOI requests in 2021-22 (42 in 2020-21) and replied to 23 within 20 working days (92%). This is in comparison to OAG received 42 FOI requests in 2020-21 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 Scotland Office paid 98.8% of invoices within five days in 2021-22. OAG paid 99.3% of invoices within five days in 2021-22.  This is in comparison to the Scotland Office paying 95.1% of invoices within five days and OAG paying 98.7% of invoices within five days in 2020-21.

## 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 House of 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, 82 out of 82 (100%) of written Parliamentary Questions tabled to the department were answered on time.

This is in comparison to, in total, 86 out of 87 (99%) of written Parliamentary Questions tabled to the department were answered on time in 2020-21.

Ministers have also answered oral questions on many occasions in both Houses. The Scotland Office responded to Oral Questions in the House of Commons on 7 occasions during the reporting year 2021-22, on:

- 28 April 2021
- 23 June 2021
- 8 September 2021
- 3 November 2021
- 15 December 2021
- 2 February 2022
- 16 March 2022

## Ordinary Written Parliamentary Questions and Named Day Parliamentary Questions

	11 May 2021 to 28 April 2022		
	Total Received	No. within Target	% within Target
Commons Ordinary Written PQs	76	76	100%
Commons Named Day PQs	28	28	100%
Lords Ordinary Written PQs	4	4	100%
Total	108	108	100%

## Freedom of Information Act 2000

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

## Information Management Assurance

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

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

The Government Internal Audit Agency (GIAA) conducted an internal audit into Information Management across both the Scotland Office and OAG in Quarter 4 of 2021-22 and this was awarded a substantial rating and made two low rated recommendations:

- 1) The OAG Information Assurance Policy is updated to reference the role of the Senior Information Responsible Officer (SIRO) and consideration is given to enhancing the periodic assurances provided to the SIRO on the management of information assurance risks within OAG; and
- 2) Consideration is given to how to best gain assurance that all staff are completing mandatory information assurance training. In the absence of robust records available on Civil Service Learning this could include line management reporting, maintenance of local records or provision of screenshot of relevant completion certificates. (Scotland Office and OAG).

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

The Offices have followed best practice and comply with central government data protection requirements and data protection legislation. The Offices fully comply with the General Data Protection Regulations (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. This year we have focused on improving and enhancing the resilience and retaining corporate knowledge in the IM Working Group.

The IMs continue to support the Offices on the implementation and relevance of the Offices' Records Management Policy and processes, ensuring these reflect best practice and manage effectively the information the department holds and for which it has responsibility. The Information Managers are continuing the work to oversee the implementation of a new set of standards on the use of information on Google IT platform and have begun internal team audits against this set of standards.

Any recommendations resulting from these team audits will form part of a management action plan and the work plan for the IM Working Group going forward.

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

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

During the 2021-22 reporting year, there has been one reported data protection breach under the Offices' Data Protection Policy. This case has been reported to the Information Commissioner's Office (ICO). The Offices have taken all appropriate measures and mitigating actions under the Offices' Data Protection Policy and the General Data Protection Regulations (GDPR) in relation to this data protection breach, and to prevent similar data protection breach occurrences happening again.

## **Whistleblowing**

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

The Audit and Risk Assurance Committee (ARAC) conducted the Committee's annual review of the Offices' Whistleblowing Policy and processes at the Committee meeting on the 23 March 2022. As a result of this review, two further Nominated Whistleblowing Officers have been assigned - Martin Dorchester, Non-Executive Director and Rachel Grant, ARAC Member. The Committee also discussed further staff awareness raising opportunities and ensuring that staff are aware of all means of speaking to Nominated Whistleblowing Officers. Access to the Whistleblowing mailboxes was also reviewed and the policy updated to reflect these changes. The revised guidance has been circulated to all-staff. 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 Scotland Office or OAG in 2021-22.

## **Fraud**

Any form of fraud, corruption or bribery affects the Department's ability to meet its objectives by diverting resources away from delivery. The Scotland Office and OAG's Counter-Fraud Policy requires staff at all times to act honestly, with integrity and to safeguard the public resources for which they are responsible. A zero-tolerance policy applies to those found guilty of fraud.

The Offices' Counter-Fraud Policy was refreshed during the 2021-22 reporting year and sets out the Offices' approach and commitments regarding counter-fraud, bribery and corruption to improve fraud awareness and detection. The Scotland Office and OAG ARAC will be reviewing assurances around the Offices' Counter-Fraud Policy as part of the Committee's session on the Scotland Office Annual Security Review at its meeting in September 2022.

## **Health and Safety**

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

There were no adverse health and safety issues reported during 2021-22.

## **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 2021-22 (together with data for 2020-21 and 2022-23) can be found in Chapter 4 of this report. Alongside this grant, the Scottish Government's funding in 2021-22 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 2021-22 was **£43,120,822,461**. (2020-21 £43,371,428,363)

## **Efficient Use of Resources**

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

We are committed to achieving efficiency and effectiveness in all areas of our activities. Throughout 2021-22 the Offices have sought ways of making more efficient use of resources and reducing costs.

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

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

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

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

## Statement of the Accounting Officer's Responsibilities

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

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

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

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

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

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

I hereby confirm that so far as I am aware, there is no relevant audit information of which the department's auditors are unaware and that I have taken all 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 Scotland Office and Office of the  
Advocate General for Scotland

1 July 2022

# 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 2021 up until the approval of the Financial Statements. I sought assurance from Ministers, the Audit and Risk Assurance Committee, Internal Audit and senior staff in both the Scotland Office and the Office of the Advocate General for Scotland (OAG), and I am confident that I can in turn provide assurance to Parliament and others that robust systems of governance which meet best practice have been in place in the Offices and assurance on the stewardship of public resources for the whole of the year 2021-22.

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

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

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

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

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

The Board has chosen for its committees to carry out some of its activities. There are four sub-committees that support the work of the Board in this way: the Senior Leadership Teams for the Scotland Office and OAG; the Scotland Office and OAG Audit and Risk Assurance Committee and the OAG JMB sub-committee. The ARAC reviews the comprehensiveness of assurances and integrity of financial statements, and ensures that governance arrangements are sufficiently scrutinised. 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 had a change in its composition in the 2021-22 reporting year. David Duguid MP left government on 17 September 2021 and Lord Offord was appointed as Parliamentary Under Secretary of State for Scotland on 4 October 2021. The Board then had a further change in its membership with Tom Harris being appointed to the Board in October 2021 as the Scotland Office and OAG Lead Non-Executive Director.

The visibility of the Non-Executive Board Members has continued to increase across the UK Government, and will continue to do so with the recent appointment on the 31 March 2022 of Michael Jary, the former Lead NED at Department for Levelling-Up, Housing and Communities (DLUHC). The Scotland Office and OAG Lead NED continued as a member of the UK Government Lead Non-Executive Network. The network will continue to meet on a monthly basis to discuss how to deliver the Government's cross-cutting priorities. The Non-Executive Directors attend periodic conferences which bring together NEDs from across the UK Government to discuss how they can provide independent, expert advice, and challenge to support Ministers in delivering their departmental objectives. The Director of OAG, the Senior Leadership Team members and the Scotland Office Director have frequent engagement with the Non-Executive Board Members both as a group and on a one-to-one basis.

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

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

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

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

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

which the Board signs off ahead of this going to the Cabinet Secretary. The Board commissions papers related to this approach and has a template for Board papers to ensure that officials are asking the right questions of Board Members and being specific in what they need the Board to discuss and provide a steer on. These papers are cleared at Deputy Director level and presented at meetings of the Board by the lead official. There have been no Ministerial directions during the 2021-22 reporting year.

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

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

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

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

The JMB formally met on 3 separate occasions during the 2021-22 reporting year, and the Non-Executive Board members continued to provide advice on a number of occasions outside of meetings, most notably on: the Scotland Office and OAG 2022-25 Spending Review bid; corporate work streams; the Offices' 2021 Civil Service People Survey results; the Scotland Office People Strategy; stakeholder engagement; communications; the Offices' Business Plans and performance and risk management.

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

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

Various means are available to provide me with assurances about the BCS management of public resources. A member of Scotland Office staff is in regular contact with the Secretary to the Commission and there is an established good working relationship between the Lead NED and 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 Scotland Office and the effectiveness of their governance arrangements.

The reporting arrangement between the BCS and the Scotland Office has been embedded over this reporting year, in which officials from the Office and the BCS meet quarterly with a formal report on the activity of the BCS being presented to the ARAC twice a year. This report includes: membership changes; current and recent BCS boundary reports and reviews; and a financial management report. The discussion around the BCS report is detailed in the Committee minutes which are tabled for the Board at their meetings.

The most recent appointment to the Boundary Commission for Scotland was made by the Secretary of State who appointed Dr Susan Walker OBE to the Boundary Commission for Scotland. The appointment commenced in January 2021 for a period of four years. The appointment process was managed by the Scotland Office using the Public Appointments process.

## Membership and Business of the Joint Management Board and Audit and Risk Assurance Committee, 2021-22<sup>1</sup>

Role	Number of Board meetings attended (Total of 3)	Number of ARAC meetings attended (Total of 5)
<b>Ministerial</b>		
Chair – SofS Scotland, Rt Hon. Alister Jack MP	2 out of a possible 3	N/A
Lord Offord – PUSofS for Scotland from 4 October 2021	1 out of a possible 2	N/A
David Duguid MP - PUSofS for Scotland until September 2021	1 out of a possible 1	N/A
Iain Stewart MP - PUSofS for Scotland	2 out of a possible 3	N/A
Lord Stewart - Advocate General for Scotland	3 out of a possible 3	N/A
<b>Non-Executive Director</b>		
Tom Harris - Lead NED from October 2021	2 out of a possible 3	N/A
Ross Finnie - NED and Chair of ARAC	3 out of a possible 3	5 out of a possible 5
Stuart Patrick - NED	3 out of a possible 3	N/A
Martin Dorchester - NED	3 out of a possible 3	N/A
Dermot Grenham - ARAC Member	N/A	5 out of a possible 5
Rachel Grant - ARAC Member	N/A	5 out of a possible 5
<b>Senior Officials</b>		
Gillian Carty - ARAC Member until May 2021	N/A	0 out of a possible 0
Laurence Rockey - Director, Scotland Office	3 out of a possible 3	5 out of a possible 5
Neil Taylor, Director, OAG	3 out of a possible 3	4 out of a possible 5

<sup>1</sup> Rachel Grant and Dermot Grenham were appointed to the Audit and Risk Assurance Committee on the 1 June 2021. Gillian Carty left the Committee on the 31 May 2021.

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

In 2021-22, there were:

- 3 formal JMB meetings;
- 11 Corporate Meetings and 9 Strategy meetings of the Scotland Office Senior Leadership Team;
- 8 six-weekly meetings of the OAG Senior Management Team;
- 5 meetings of the Audit and Risk Assurance Committee; and
- There were no meetings of the OAG sub-committee.

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

- Business Plans and Risk and Performance Management
- Communications Capability and Stakeholder Engagement
- UK Government Departmental Devolution Capability
- Union Strategy
- People Survey Response and Organisational Cultural Change
- Corporate Projects - including the Territorial Offices' Shared Services Review

## **Register of Public Interest of Board Members**

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

Transparency returns for Scotland Office Ministers and Special Advisers are published by Scotland Office on [www.GOV.UK](http://www.GOV.UK) and [Scotland Office - Special Advisers Quarterly Transparency Return: July - September 2021 - GOV.UK](#).

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

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



## House of Commons

The Register of Members' Financial Interests can be found on the UK Parliament website: [House of Commons - UK Parliament](#)

## House of Lords

The Register of Lords' Interests can be found on the UK Parliament website: [House of Lords - UK Parliament](#)

In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers. These rules apply to Civil Servants at SCS1/2 or equivalent grades, including special advisers of equivalent standing. The meetings of the Offices' ARAC include a standing agenda item for declarations of business appointments and none have been made in the 2021-22 reporting year.

<b>Tom Harris - Lead Non-Executive Director</b>
Appointed: 14 October 2021 (first term).
Position/Interest: <ul style="list-style-type: none"><li>– Non-Executive Director of HS2 Ltd (June 2020 to present)</li><li>– Member of the independent Advisory Board for the west Coast Partnership (April 2020 - present)</li><li>– Senior counsel to Message Matters Ltd (public affairs company)</li><li>– Associate director of Cogitamus Ltd (public affairs company)</li></ul>

<b>Ross Finnie - Non-Executive Director</b>
Appointed: 15 September 2020 (first term)
Position/Interest: <ul style="list-style-type: none"><li>– From 2015 to 31 March 2022, Chair of Food Standards Scotland. A Non-Executive position.</li></ul>

<b>Stuart Patrick - Non-Executive Director</b>
Appointed: 15 September 2020 (first term)
Position/Interest: Directorships held in private/public limited companies: <ul style="list-style-type: none"><li>– Chief Executive, Glasgow Chamber of Commerce</li><li>– British Chambers of Commerce (Board Member)</li><li>– Clyde Gateway Limited (Board Member)</li><li>– City of Glasgow College (Board Member)</li></ul> Positions of authority held in charities/ voluntary bodies: <ul style="list-style-type: none"><li>– The Enterprise Foundation (Director)</li><li>– Four Acres Charitable Trust (Chair)</li></ul>

## Martin Dorchester - Non-Executive Director

Appointed: 15 September 2020 (first term)

Position/Interest:

- Chief Executive of Includem.

Positions of authority held in charities/ voluntary bodies in fields:

- Coalition of Care and Support Providers (CCPS) (Vice Convener)

Connections with voluntary, or other bodies:

- Children in Scotland Strategic Forum (Member)
- Scottish Leaders Forum (Member)

## Joint Management Board Sub-Committees

The Joint Management Board has four sub-committees:

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

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

The remit of the Audit and Risk Assurance Committee is to advise the Accounting Officer and provide assurance on the way that the Offices are being managed. The Audit and Risk Assurance Committee operates in accordance with the Treasury's Audit Committee Handbook and meets at least quarterly, and in the 2021-22 reporting year the Audit and Risk Assurance Committee met on 5 separate occasions. A separate report by the Chair of the Audit and Risk Assurance Committee on the Committee's work in 2021-22 is annexed to this Governance Statement.

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

## Office of the Advocate General JMB Sub-Committee

The OAG JMB sub-committee last met formally in January 2021. Both Non-Executive Members (Joyce Cullen, Non-Executive Director and Gillian Carty, ARAC Member) have since come to the end of their appointments. OAG issues have been dealt with by JMB in the normal way in the interim. New Non-Executive Directors were appointed to

the JMB on the 15 September 2020 and the Lead Non-Executive Director, Tom Harris appointed to the JMB on 14 October 2021. The decision of who was to sit on the OAG sub-committee was left until the Lead Non-Executive Director had been appointed and meetings of the OAG JMB sub-committee will now resume, shadowing dates of the JMB. It has been decided that Stuart Patrick, Non-Executive Director and Rachel Grant, Member of the ARAC, will join the sub-committee.

## **Risk Management**

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

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

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

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

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

During the 2021-22 reporting year, the Offices identified and mitigated risks related to the delivery of the Offices' Priority Outcomes. This was in addition to managing other significant and competing priorities and risks to their delivery, including: managing the Offices' response and the impact of COVID-19.

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

## **External Influences**

### **Key Risks:**

- Queen Elizabeth House, the UK Government's flagship Headquarters in Scotland, doesn't achieve the level of expected occupancy due to delays in UK Government departmental appointments and relocations, in large part due to the impact of COVID-19.
- UK Government Departments do not maintain the required level of devolution capability and Scotland specific expertise needed to keep Scotland at the centre of UK Government policy and decision making.
- The Office is unable to respond effectively to immediate or emerging priorities or critical events, and at the same time, continue to deliver business as usual and maintain delivery of its business plan and Priority Outcomes.

### **Key mitigations include:**

- Using the UK Government Headquarters in Edinburgh, Queen Elizabeth House to support the delivery of the Office's Union objectives and continue to encourage other government Departments to commit to locating staff in Scotland;
- The Office working directly with the Places for Growth Team and UK Government Departments to increase awareness for relocation opportunities in Scotland to support local delivery;
- Linking into cross government networks and working with the Constitution Group and the Union Directorate in the Cabinet Office, No.10 and the other Territorial Offices, to deliver on a cross UK Government policy on the Union;
- Use temporary resilience structures, operational delivery structures and best practice - to ensure we can manage the response to emerging critical issues (such as managing our response to the period after EU transition and to COVID-19 global pandemic as in 2020-21);
- Enacting the Scotland Office and OAG Business Continuity Plans (BCP). These well-established and tested plans were enacted to support the smooth transfer at short notice of business delivery to staff and Ministers' homes instead of from departmental offices, in 2020-21;
- Re-focusing our business plan and strategic priorities to support Ministers on their response to and decision-making about critical or major incidents.
- Create hybrid models and ways of working and training up of staff to be able to pivot to respond and deliver on emerging priorities or challenges, whilst maintaining delivery of business as usual.

### **Workforce Strategy:**

#### **Key Risk:**

- The Office does not have the resources in terms of workforce to deliver its Priority Outcomes.

## **Mitigating Actions:**

- The Office will deliver a People Strategy co-created with involvement from the People Working Group as representatives of colleagues across the office and direction from the Senior Leadership Team - aligning the People Strategy with the Scotland Office Vision and Strategic Business Plan.
- The People Strategy will be underpinned by deliverable actions to ensure improvements are achieved across the key areas: Diversity and Inclusion; Health and Wellbeing; Leadership; Learning and Development; and Career Management.
- The outcome will be a skilled and highly motivated workforce, able to flexibly pivot to deliver business as usual and emerging challenges and priorities, whilst feeling valued and able to progress their own personal development and careers.

## **Financial Environment**

### Key Risks

- The Scotland Office does not have enough funding to meet the current resourcing model and deliver its Priority Outcomes or immediate and emerging priorities and challenges.

## **Mitigating Actions:**

- Review, maintain and improve existing organisational structures and our governance framework.
- Continually prioritise to ensure our resources are allocated to the right priorities at the right time, whilst ensuring the well-being of staff.
- Share best practice and resourcing models across Territorial Offices on shared projects and work streams to maximise resources and resilience.
- Continue to align with the work of the Union Directorate and with the work of Department for Levelling-Up, Housing and Communities (DLUHC).

## **Stakeholders**

### Key Risk

- We do not influence or get input from the right stakeholders at the right level at the right time and do not succeed in persuading other UK Government Departments to recognise the need to engage with stakeholders on Scotland, Scottish issues or policy delivery.

## **Mitigating Actions:**

- Promote the work of the UK Government in Scotland, supported by effective communication campaigns and messaging on social media channels;
- Encourage departments to use Scotland Office expertise to help land announcements effectively in Scotland and treat the Office's communications team as an internal partner in planning.
- Provide training, support and insight for communications specialists in other departments to improve understanding of devolution, the Union, and of Scotland.

- Continually refresh and review our engagement approach to ensure we are meeting the right people and organisations.

## **Our Resources**

- The mitigating actions included:
- ensuring resourcing levels were met and sustained;
- that the Offices were linked into cross Government networks and into the Union Directorate in the Cabinet Office and DLUHC and No.10, as well as the other Territorial Offices to deliver on a cross UK Government policy on the Union;
- Use of structures, operational delivery and best practice, from managing the response to COVID-19;
- Using the UK Government Edinburgh Hub, Queen Elizabeth House 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 business plan - the Outcome Delivery Plan which set out how it would deliver on its objectives and Priority Outcomes 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 and reviewed throughout the year at the monthly meetings of the Scotland Office SLT. The ARAC reviewed this twice a year as part of the Committee's Annual Work Plan - 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. This will allow for further investigation and identification of possible solutions to increase the levels of assurance.

During the 2021-22 reporting year the ARAC asked the GIAA to undertake an internal audit into staff resilience and wellbeing by means of an external and independent assessment of the work that the Offices had already put in place to monitor and manage the wellbeing 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 Scotland Office Deputy Directors, both through the regular meetings of the Scotland Office Senior Leadership Team and through the close and routine contact with all of them which is greatly facilitated by the small size of the two Offices.



The recommendations of the external Board effectiveness evaluation formed part of the Governance Proposals for the Board for 2021-22.

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 2021-22 is in **Annex B** to this Chapter.

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

During 2021-22 Internal Audit reports were produced on the following subjects and made available to the Audit and Risk Assurance Committee:

- **Quarter 1:** Staffing Resilience - Moderate opinion;
- **Quarter 2:** Business Continuity Planning (operations) - Moderate opinion;
- **Quarter 3:** OAG Accruals (Advisory) (financial) - Moderate opinion; and
- **Quarter 4:** Information Management (security) - Substantial opinion.

Internal Audit uses a four level system for rating levels of assurance provided by its audits. Our Internal Auditors undertook 4 individual audit assignments during the year which all received Substantial or Moderate assurance ratings, these are the highest two ratings available.

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

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

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

The Comptroller and Auditor General's certificate and report on these accounts is at Page 86. 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 2021-22.

## **Propriety and Assurance**

In the Scotland Office, the Office of the Advocate General, and the Boundary Commission for Scotland, during 2021-22, 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 2021-22 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 Scotland Office and Accounting Officer for the Scotland Office and OAG

1 July 2022

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

## Composition

The 2021-22 reporting year saw changes in the Scotland Office Ministerial and Non-Executive Director team and this was reflected in the membership of the Scotland Office ("the Office") and the Office of the Advocate General (OAG) Joint Management Board ("the Board"). David Duguid MP left government on the 17 September 2021 and Lord Offord was appointed as Parliamentary Under Secretary of State for Scotland on 4 October 2021. On 14 October 2021 Tom Harris was appointed as the Scotland Office Lead Non-Executive Director.

There were 5 meetings of the ARAC and 3 meetings of the Offices' Joint Management Board during the reporting year.

## 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. We are continuing with this engagement in 2021-22 with meetings to take place each quarter in Scotland, Wales and Northern Ireland. Arrangements for the provision of corporate shared services across the Territorial Offices as part of the Spending Review settlement 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 Team and Board Members. The Secretary of State as Chair encouraged contribution and challenge from all Board Members and from individuals invited to present papers to the Board.

## JMB Board Effectiveness Evaluation Review 2021-22

Due to a change in the Offices' Lead Non-Executive Director mid-way through the reporting year in 2021-22, we are conducting an internal Scotland Office and OAG Board effectiveness evaluation review which will report in 2022. This review will be in line with the Cabinet Office's central Corporate Governance Code and requirements and the responsibility for the review will be delegated by the Secretary of State for Scotland to the Offices' Lead Non-Executive Director. The Board effectiveness appraisal will review the status of the implementation of the recommendations made in the previous Board effectiveness evaluation review.

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

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

devolution capability across the UK Government. There was a focus on:resources planning within the Offices to address planning and strategy for the delivery of the Scotland Office Priority Outcomes; support the Spending Review Bid for the necessary resources to deliver on the Scotland Office Outcome Delivery Plan for 2022-25 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, including: the formation and monitoring of City and Regional Growth Deals; development of the Scotland Office Outcome Delivery Plan; finance and reorganisation of the department; the Scotland Office Communications Strategy; and the targeting of key messages at the right stakeholder groups. The NEDs are also supporting and mentoring the following policy areas and workstreams:

- Tom Harris - Scotland Office and OAG Lead NED and lead NED on the Union on the cross UK Government NED Union and Levelling-Up NED network;
- Martin Dorchester: Corporate Champion; People Strategy; and Whistleblowing.
- Ross Finnie: Lead NED on Risk Management, attends cross UK Government Risk Management Network and ARAC Chair; and
- Stuart Patrick: Member of the OAG JMB sub-board; lead NED on Net-Zero member of the cross UK Government NED Net-Zero Network; and NED mentor to the Policy Delivery Division.

Further advice has been given in relation to the opportunities that will arise from 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, to fully explore these opportunities following the lifting of the majority of the lockdown restrictions imposed to manage the COVID-19 pandemic, which had resulted for part of the 2021-22 reporting year with staff working from home for a significant period of time.

Non-Executive Directors contributed to the development of the Scotland Office, The Office of the Secretary of State for Wales and NIO Corporate Shared Services Review and continued to attend UK Government NED Network events.

Following appointment as Lead NED, Tom Harris has attended several remote meetings of the UK Government Lead NED Network meetings. These cross UK Government meetings of Lead Non-Executive Directors discussed Government priorities and proposals for review and reform of the way in which Non-Executive Directors should be appointed and be operating within Departments.

The outcomes of these discussions were shared with the Scotland Office and OAG SLTs and other Non-Executive Directors. In addition, Tom Harris has also attended meetings Chaired by the Lead NED at the Department of International Trade (D.I.T) to take forward work to develop the role of NEDs in UK Government departments.

This will help shape and form the work being done in the Scotland Office to develop further the role of the NEDs in the Offices' to ensure their expertise and value can be fully utilised to support Ministers and the Executive in their work. NEDs have continued to participate in All-Staff Away Days and Ministerial Strategy Planning Sessions to agree

priorities and strategy for delivery, and the mentoring of individuals and work streams across both Offices has continued, with plans for the allocation of additional mentoring relationships in train, necessitated by the changes in personnel within the SLTs and Scotland Office Divisions and a revised approach to the strategy for policy delivery.

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

The JMB continues to be an effective forum and decision-making body. The Scotland Office and Office of the Advocate General have sought to enable the NEDs to remain engaged in the work of each Office and to contribute their expertise and experience, notwithstanding the changes in personnel at both SLT and NED level and the requirement for all meetings to take place remotely over the majority of the 2021-22 reporting year - although two Board meetings have now been held in person. Plans for the ongoing development of the role of NEDs are continuing to be discussed extensively both with the SLT and with the Joint Management Board, with a view to ensuring that skills and expertise of the Non-Executive Directors are fully utilised.

### **Tom Harris - Lead Non-Executive Director**

The Scotland Office and Office of the Advocate General

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

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

### **Report for the year 2021-22 from the Chair of the Committee**

#### **Introduction**

This annual report of the Audit and Risk Assurance Committee (“the Committee” or “ARAC”) covers the 2021-22 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**

At the beginning of the 2021-22 reporting year, the Committee had two Members, but remained quorate: Ross Finnie (Chair) and Gillian Carty until the latter’s second term of appointment expired on 31 May 2021 and Rachel Grant and Dermot Grenham were appointed to the Committee on 1 June 2021.

Routinely in attendance at each meeting are the Accounting Officer, Director of the Scotland Office, Director of the Office of the Advocate General, the Scotland Office and The Office of the Secretary of State for Wales 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 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. Specifically, in response to the external audit recommendations on the need to enhance the capacity and capability of the Scotland Office Finance Team, a Chief Accountant and Head of Finance shared with the Office of the Secretary of State for Wales has been appointed. During 2022-23, Stage 2 of the merging of the Office of the Secretary of State for Wales and Scotland Office Finance Teams will be completed. This will enhance and strengthen the finance function of both Offices.

The Committee reports its work to the JMB through updates provided at meetings of the JMB, by the Lead Non-Executive Director, the ARAC Chair and the Accounting Officer, in addition to a written report on the work undertaken by the Committee - in the form of minutes of the previous meeting of the ARAC. The Committee will be reviewing the effectiveness of this reporting mechanism early in the 2022-23 financial year.



## **Main Issues**

The ARAC met 5 times from 1 April 2021 - 31 March 2022 to carry out its main business. The Committee's Terms of Reference and Annual Work Plan were reviewed by the Committee during the year, and at each meeting of the Committee, and approved by the Accounting Officer.

The Committee's regular business included the following items:

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

During the 2021-22 reporting year, the Scotland Office identified and mitigated risks related to the core delivery of the Office's strategic objectives. This was in addition to managing other significant and competing priorities and risks to their delivery. The Scotland Office has been working in, and continues to operate in, a challenging political context, with significant focus on the Scottish Government's wish to secure a second independence referendum and build support for independence.

The mitigating actions which the Committee reviewed included ensuring:

- Resourcing levels were met and sustained;
- That the Offices were linked into cross Government networks, the Union Directorate in the Cabinet Office, No.10 and DLUHC, as well as the other Territorial Offices to deliver on a cross UK Government policy on the Union;
- The use of structures, operational delivery and best practice to continue the response to COVID-19 recovery;
- The use of the UK Government Edinburgh Hub, Queen Elizabeth House to support the delivery of the Union objective; and
- The promotion of the work of the UK Government in Scotland.

The Committee and Non-Executive Directors added significant value and input into the process to secure the best possible 2021 Spending Review bid. This was a challenge and risk for the Offices to secure the best possible funding settlement that would ensure the successful delivery of the Offices' business plans for the next three-years. The Office underpinned all this work with a business plan, which set out how it would deliver on its objectives supported by a robust and effective governance framework.

Going forward into 2022-23, the Scotland Office considers the following to be the key principal risks to delivery of the department's Priority Outcomes:

- External influences;
- Union Strategy - cross-cutting government working;

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

### **External influences**

The key external influences on delivering the Scotland Office's priorities include the effects of global economic pressures (including inflation) on the delivery of regional and local growth programmes. The Scotland Office encourages UK Government departments to engage positively with the Scottish Government in line with the principles and structures agreed in the Intergovernmental Relations Review. If differences emerge between departments and the Scottish Government, we advise departments to seek to ensure that delivery of the UK Government's priorities in Scotland are not impacted.

### **Opportunities and Threats**

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

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

The second threat is 'internal', with the UK Government failing to work successfully with partners in Scotland to make the most of the many opportunities arising from delivering our priorities, including the opportunities arising from the UK again being a trading nation outside of the confines of the EU.

The Scotland Office is focused on working to minimise these threats and maximise the opportunities.

The Committee is satisfied that the systems in place in the Offices over 2021-22 in relation to governance, risk and financial management were in general appropriate and fit for purpose.

### **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 LLP.

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

## **Internal Audit**

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

In line with the GIAA Internal Audit plan for 2021-22, GIAA conducted four internal audits and all reports were reviewed by the Committee, which also followed up recommendations made and agreed to by management in action plans.

These audits focussed on:

- Quarter 1: Staffing Resilience - Moderate opinion;
- Quarter 2: Business Continuity Planning (operations) - Moderate opinion;
- Quarter 3: OAG Accruals (Advisory) (financial) - Moderate opinion; and
- Quarter 4: Information Management (security) - Substantial opinion.

The Committee reviewed the Head of Internal Audit's Annual Report and noted the overall evaluation for 2021-22 of a rating indicating a Moderate Annual Assurance Opinion, which means although their work has identified some areas of weakness in control, these have not been pervasive and there is no evidence of a deterioration compared with the last two years of internal audit by the GIAA.

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.

GIAA has revised its approach to minimum sized internal audit plans for smaller sized customers. In general, customers operating with an audit plan of 100 internal audit days or less and would require a three-year baseline plan of a minimum of 60 days of internal audit coverage per annum. As a result, at the Committee meeting on the 23 March 2022, the Committee approved the GIAA three-year Scotland Office and OAG Internal Audit Plan. The plan provides for coverage of three key risk areas per year with 35 days of audit coverage per annum. The GIAA have recognised that some smaller departments and other bodies, only undertake relatively narrow functions or receive services from elsewhere in government.

This means that some of the core audits on the minimum plan are not applicable or relevant, or in some instances other sources of assurance are available to the Accounting Officer meaning that providing internal audit coverage of them would not be proportionate or appropriate. The Committee agreed to this assessment of reliability of assurance and will review the Offices' three-year internal audit plan at meetings of the Committee to ensure the relevance of the assurances and systems of control being tested throughout the reporting year.

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

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

In the 2021-22 reporting year, the GIAA made a total of 13 recommendations to management over three internal audits: Business Continuity; OAG Accruals; and Information Management. Out of these 13 recommendations, 5 are currently outstanding - with 2 of the recommendations due for Implementation in June 2022.

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

## **Annual Effectiveness Review**

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

Following a discussion with the Scotland Office and OAG ARAC Chair, it was agreed to create a tailored and proportionate approach for the ARAC annual effectiveness appraisal taking into account the fact that two new members joined the Committee part way through the reporting year. This resulted in a collective ARAC assessment appraisal based on the 2017 NAO's Effectiveness Evaluation Checklist which was approved by the ARAC Chair. In addition, a 360 appraisal of the ARAC Chair was conducted.

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

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

Committee Members were asked for a view on whether the Committee meets the required standard for good practice, and to provide any relevant comments for further improvements they consider appropriate to its work to enhance its effectiveness. The Committee concluded that, based on its responses to the Effectiveness Evaluation Checklist, it was operating effectively and discharging its responsibilities to provide assurance to the Accounting Officer and the Offices' Joint Management Board. The report on the review together with its three recommendations as agreed at the Committee meeting on the 17 January 2022:

### **Recommendations**

- Counter fraud arrangements should be reviewed more regularly by the Committee;
- The department's response to the Cabinet Office's Counter Fraud Standards should be more regularly reviewed by the Committee to consider the sufficiency of this response; and
- A senior Board member should be charged with overall responsibility for whistleblowing arrangements within the organisation.

### **Executive Response**

There has already been significant progress in addressing these recommendations: the Committee conducted their annual review of the Offices' Whistleblowing Policy and processes and two additional Non-Executive Members, Martin Dorchester and Rachel Grant have been allocated as Whistleblowing Nominated Officers, in addition to those at official level.

Both the counter-fraud recommendations are being addressed as part of the Scotland Office and OAG Annual Security Health Check which will be brought to the September meeting of the ARAC and this has been added as a standing annual item for review as part of the ARAC Annual Work Plan. There is also a cross Territorial Office review of the department's counter-fraud policies to ensure best practice and continuous learning is reflected.

## **Future Work**

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

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

### **Ross Finnie**

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



# Remuneration and Staff Report

## Remuneration Report

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

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

## Remuneration Policy

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

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

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

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

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

[www.gov.uk/government/organisations/review-body-on-senior-salaries](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 and the related tables below have been subject to audit.**

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

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

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister received benefits in Kind in 2021-22 or 2020-21.

## Remuneration (salary, and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (to nearest £1,000) <sup>(1)</sup>	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Rt Hon Alister Jack MP Secretary of State for Scotland <sup>(2)</sup>	67,505	67,505	17,000	11,000	85,000	79,000
Ian Stewart MP Parliamentary Under Secretary of State for Scotland (since 2 June 2020) <sup>(3)</sup>	22,375	18,584 <sup>(4)</sup>	6,000	5,000	28,000	24,000
Douglas Ross Parliamentary Under Secretary of State for Scotland (16 December 2019 to 26 May 2020) <sup>(3)</sup>	n/a	9,021 <sup>(4) (8)</sup>	n/a	1,000	n/a	10,000
Lord Offord <sup>(5)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
David Duguid MP Parliamentary Under Secretary of State for (since 2 June 2020) <sup>(5)</sup>	n/a	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) <sup>(6)</sup>	131,138	60,105 <sup>(9)</sup>	24,000	12,000	155,000	72,000
The Rt Hon The Lord Keen of Elie QC, Advocate General for Scotland (until 16 September 2020) <sup>(6) (7)</sup>	n/a	60,469 <sup>(9)</sup>	n/a	n/a	n/a	60,000

### 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. The Parliamentary Under Secretary of State waived his increase.
4. Full year equivalent £22,375.
5. Unpaid by the SO.
6. This includes the House of Lords Office Holders Allowance of £36,366.
7. The Minister waived the right to his pension entitlement.
8. includes severance payment of £5,593.
9. 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 2022	Real increase in pension at age 65	CETV at 31 March 2022	CETV at 31 March 2021	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Alister Jack MP Secretary of State for Scotland	0-5	0-2.5	31	12	11
Ian Stewart MP Parliamentary Under Secretary of State for Scotland (since 2 June 2020)	0-5	0-2.5	17	11	3
Douglas Ross Parliamentary Under Secretary of State for Scotland (16 December 2019 to 26 May 2020)	n/a	n/a	n/a	1	n/a
Lord Offord	n/a	n/a	n/a	n/a	n/a
David Duguid MP Parliamentary Under Secretary of State for (since 2 June 2020)	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	38	12	15
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 the accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

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

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

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the Office and thus recorded in these accounts.

Salary figures include all allowances payable by the Department, whereas full year equivalents are calculated net of allowances, bonuses and ex gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2021-22 relate to performance in 2020-21 and the comparative bonuses reported for 2020-21 relate to performance in 2019-20.

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

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

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100) <sup>(2)</sup>		Pension benefits (to nearest £1000) <sup>(1)</sup>		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Laurence Rockey Office of the Secretary of State for Scotland Director and Accounting Officer (since 21 November 2020)	100-105	40-45 <sup>(3)</sup>	nil	nil	11,000	4,200	40,000	117,000	150-155	65-70
Gillian McGregor Office of the Secretary of State for Scotland Director and Accounting Officer (until 8 December 2020)	n/a	60-65 <sup>(4)</sup>	n/a	nil	n/a	21,300	n/a	107,000	n/a	190-195
Neil Taylor Office of the Advocate General Director	100-105	95-100	nil	nil	nil	23,400	24,000	36,000	125-130	150-155

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

**Notes to the table:**

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

## Non-Executive Directors

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

Remuneration	Salary (£000)		Total (£000)	
	2021-22	2020-21	2021-22	2020-21
Tom Harris Lead Non-Executive Director (from October 2021)	0-5	N/A	0-5	N/A
Ross Finnie Chair of the Audit and Risk Assurance Committee and Non-Executive Director (from 15 September 2020)	5-10	0-5	5-10	0-5
Stuart Patrick Non-Executive Director (from 15 September 2020)	0-5	0-5	0-5	0-5
Martin Dorchester Non-Executive Director (from 15 September 2020)	0-5	0-5	0-5	0-5
Shonaig Macpherson Lead Non-Executive Director (until August 2020)	N/A	0-5	N/A	0-5
Jayne Scott Interim Chair of the Audit and Risk Assurance Committee (from September 2019 until December 2020)	N/A	5-10	N/A	5-10
Joyce Cullen Non-Executive Director and interim Lead Non-Executive Director (until March 2021)	N/A	0-5	N/A	0-5

## Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2022	Real increase in pension and related lump sum at pension age at 31 March 2022	CETV at 31 March 2022	CETV at 31 March 2021	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)	15-20	0-2.5	150	126	13
Neil Taylor Office of the Advocate General Director	40-50 plus lump sum of 75-80	0-2.5 plus a lump sum of 0	701	652	9

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because

the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

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

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

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

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

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

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

## **Fair Pay Disclosure**

**(This section is subject to audit.)**

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

The banded remuneration of the highest-paid director in the department in the financial year 2021-22 was £110k-115k (2020-21, £120k-125k). This was 2.3 times (2020-21, 2.6 times) the median remuneration of the workforce, which was £49.9k (2020-21, £46.6k). The salary component of the median was £49.9k. The decrease in pay multiple is due to a decrease in the banded remuneration of the highest paid individual and an increase in median remuneration of the workforce.

In 2021-22, no employees (2020-21, nil) received remuneration in excess of the highest paid director. Remuneration ranged from £21.0k to £114.6k (2020-21, £20.1k to £123.1k).

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

The banded remuneration of the highest paid director decreased due to lower benefits in kind payments.

The implementation of the Department's pay award in 2021-22 increased average staff remuneration and reduced the ratio between the highest paid directors' remuneration and the staff lower quartile and upper quartile. Staff median pay increased at a lower rate than the banded remuneration of the highest paid director, leading to an increase in the median pay ratio.

For employees of the entity taken as a whole, the average percentage change from the previous financial year of salary and allowances was 4.96% and the percentage change in performance pay and bonuses payable was -6.21%.

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

The lower quartile remuneration (representing the 25th percentile of the linear distribution) was £34.3k (the salary component of this was £34.3k) and the upper quartile remuneration (representing the 75th percentile of the linear distribution) was £62.2k (the salary component of this was £62.2k).

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

	2021-22	2020-21
Band of highest paid board member's total remuneration (£000)	110-115	120-125
Median remuneration (£000)	49.9	46.6
Ratio	2.3	2.6
25th percentile remuneration (£000)	34.3	-
Ratio	3.3	-
75th percentile remuneration (£000)	62.2	-
Ratio	1.8	-

### **Compensation for loss of office (subject to audit)**

No staff left the Office under Voluntary Exit terms in 2021-22 or 2020-21.

### **Ministers (subject to audit)**

No minister received a severance payment during 2021-22. 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

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

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

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

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

The SO and OAG expenditure on staff during 2021-22 is shown in the following table:

	2021-22					2020-21
	£000					
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries	-	7,459	221	-	<b>7,680</b>	<b>7,280</b>
Social security costs	-	760	28	-	<b>788</b>	<b>768</b>
Other pension costs	-	1,828	-	-	<b>1,828</b>	<b>1,775</b>
<b>Total</b>	-	<b>10,047</b>	<b>249</b>	-	<b>10,296</b>	<b>9,823</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
	2021-22		2020-21	
	£000		£000	
Core Department	10,088	-	9,626	-
Other Designated Bodies	-	208	-	197

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SO 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 2021-22, employers' pension contributions of £1,828k (2020-21: £1,775k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2020-21: 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 (2020-21: £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% (2020-21: 8.0% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

## Staff Numbers (subject to audit)

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

	2021-22					2020-21
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Scotland Office	-	78	3	4	85	86
Office of the Advocate General	-	54	1	-	55	50
Boundary Commission	-	3	-	-	3	3
<b>Total</b>	-	<b>135</b>	<b>4</b>	<b>4</b>	<b>143</b>	<b>140</b>

The department had 4 special advisers in post at the 31 March 2022.

## Staffing Levels

The actual number of staff in post at 31 March 2022 in the Scotland Office totalled 77, of which 54% were based in Edinburgh and 46% in London. OAG had 54 staff in post on 31 March 2022, 89% of which were based in Edinburgh and 11% in London.

The department had a staff complement of 85 (SO) and 56 (OAG), totalling 141 staff at the beginning of the 2021-22 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 94% in staffing levels across the year.

Month	Apr -21	May -21	Jun -21	Jul -21	Aug -21	Sep -21	Oct -21	Nov -21	Dec -21	Jan -22	Feb -22	Mar -22
Vacancy Rate %	4%	6%	5%	8%	4%	5%	5%	4%	4%	9%	10%	10%

The annual turnover of staff is estimated at around 34% SO (29 leavers vs 85 complement) and 28% OAG (16 leavers vs 56 complement), Total Department SO/OAG combined 32% (45 leavers vs 141 complement)

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

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

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

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

The SO and OAG incurred no exit package costs during 2021-22 or 2020-21.

### **Senior Civil Service**

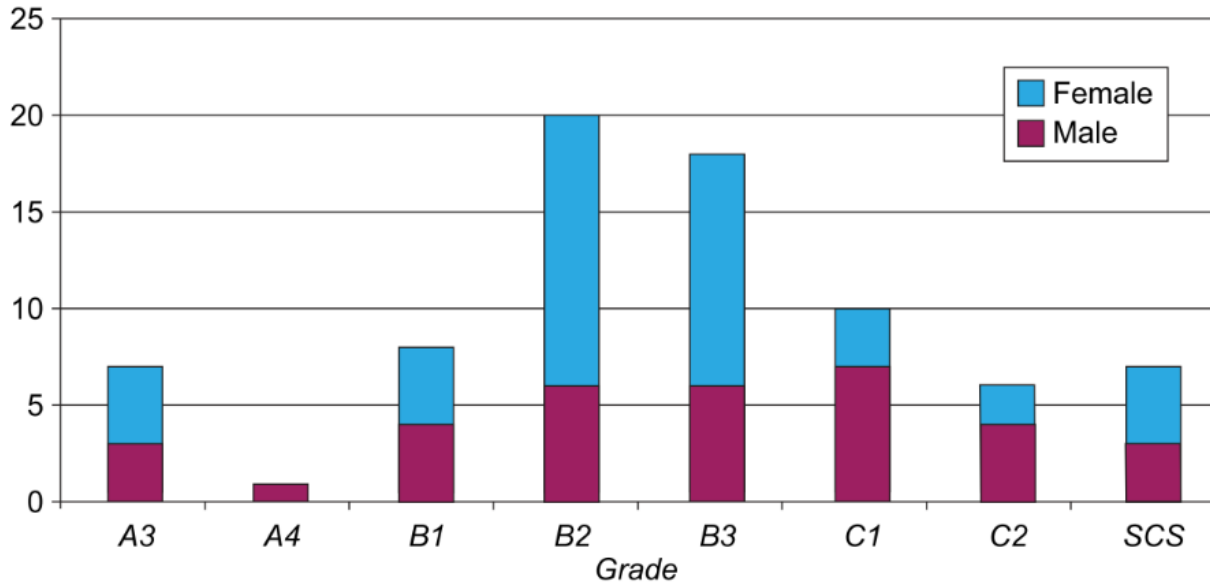
At 31 March 2022 there were six senior civil service posts in the SO and five posts in the OAG.

	2021-22		2020-21	
	Pay Band 1	Pay Band 2	Pay Band 1	Pay Band 2
OSSS	5	1	6	1
OAG	4	1	4	1

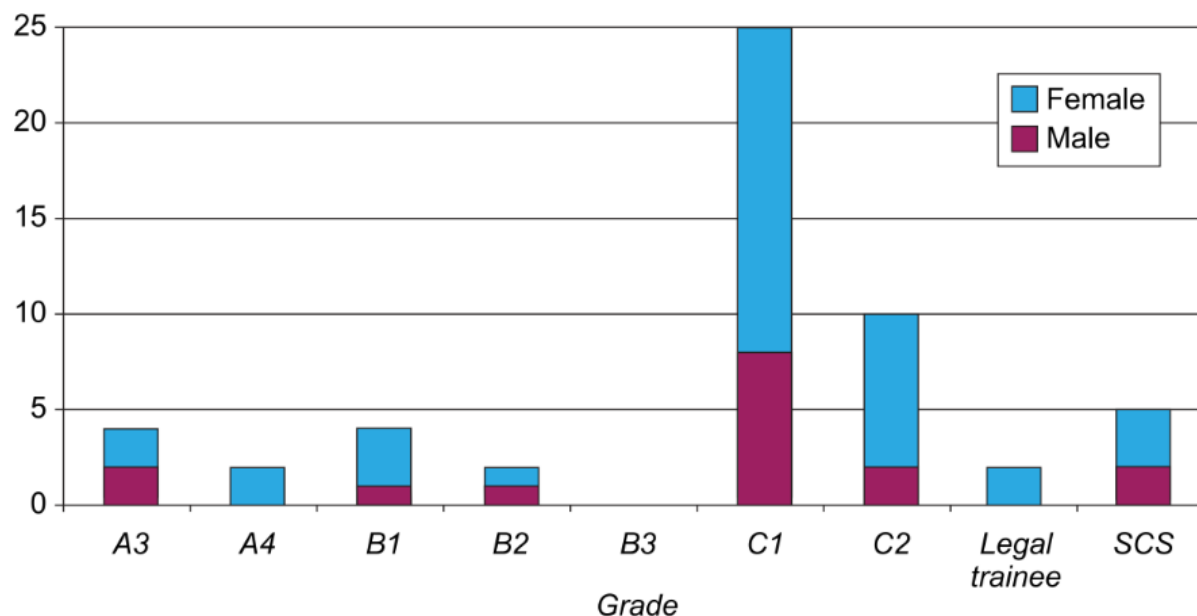
## Diversity

Women make up 56% of staff in the SO and 70% of staff in OAG. The following charts (over) show the number of women and men in each grade in the two Offices. Diversity is the only protected characteristic that the Offices can report on due to the smaller number of staffing levels. This is to ensure that no member of staff can be identified from the extrapolated data.

### Office of the Secretary of State for Scotland



### Office of the Advocate General



## Equal Opportunities

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

## **Employment of disabled persons**

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

## **Human Rights and Anti-Slavery**

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

## **Sick Absence Data**

The average number of working days lost in the financial year 2021-22 was 3.96 days (4.4 day in 2020-21).

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

The SO and OAG had no spend on consultancy in 2021-22 (nil in 2020-21). 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 2021-22 was £520,580 (2020-21 ££362,446).

## **Off Payroll Appointments**

In 2021-22 the SO had no off payroll appointments for more than £220 per day and for a duration of six months or longer.

## **Staff Engagement Survey**

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

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

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



### **Laurence Rockey**

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

1 July 2022



# Parliamentary Accountability and Audit Report

## Statement of Outturn against Parliamentary Supply

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

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

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

### Summary table 2021-22, all figures presented in £000

	SOPS Note	Outturn			Estimate			Outturn v's Estimate, saving / (excess)		Prior Year Outturn Total 2020-21
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
<b>Departmental Expenditure Limit</b>										
- Resource	1.1	<b>11,548</b>	-	<b>11,548</b>	12,125	-	<b>12,125</b>	577	577	<b>13,252</b>
- Capital	1.2	-	-	-	50	-	<b>50</b>	50	50	<b>385</b>
<b>Total</b>		<b>11,548</b>	-	<b>11,548</b>	<b>12,175</b>	-	<b>12,175</b>	627	627	<b>13,637</b>
<b>Annually Managed Expenditure</b>										
- Resource	1.1	-	-	-	260	-	<b>260</b>	260	260	<b>(852)</b>
- Capital	1.2	-	-	-	-	-	-	-	-	-
<b>Total</b>		-	-	-	<b>260</b>	-	<b>260</b>	<b>260</b>	<b>260</b>	<b>(852)</b>
<b>Total Budget</b>										
- Resource	1.1	<b>11,548</b>	-	<b>11,548</b>	12,385	-	<b>12,385</b>	837	837	<b>12,400</b>
- Capital	1.2	-	-	-	50	-	<b>50</b>	50	50	<b>385</b>
<b>Total Budget Expenditure</b>		<b>11,548</b>	-	<b>11,548</b>	<b>12,435</b>	-	<b>12,435</b>	<b>887</b>	<b>887</b>	<b>12,785</b>
<b>Non-Budget Expenditure</b>	1.1	<b>43,120,822</b>	-	<b>43,120,822</b>	44,410,547	-	<b>44,410,547</b>	1,289,725	1,289,725	<b>43,371,428</b>
<b>Total</b>		<b>43,132,370</b>	-	<b>43,132,370</b>	<b>44,422,982</b>	-	<b>44,422,982</b>	<b>1,290,612</b>	<b>1,290,612</b>	<b>43,384,213</b>

### Net Cash Requirement 2021-22, all figures presented in £000

Item	SOPS Note	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Prior Year Outturn Total 2020-21
<b>Net Cash Requirement</b>	2	<b>43,133,559</b>	<b>44,422,517</b>	<b>1,288,958</b>	<b>43,383,333</b>

### Administration costs 2021-22, all figures presented in £000

Type of Spend	SOPS Note	Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn
<b>Administration Costs</b>	1.1	<b>11,043</b>	<b>11,567</b>	524	<b>12,892</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 Outturn against Parliamentary Supply 2021-22 (£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 2020-21		
	Administration		Programme		Total Including Virements	Total				
	Gross	Net Total	Gross	Net Total						
<b>Spending in Departmental Expenditure Limits (DEL)</b>										
<b>Voted Expenditure</b>										
A Scotland Office & Office of the Advocate General	14,660	3,617	11,043	162	-	11,205	11,717	-	512	13,014
B Boundary Commission for Scotland	-	-	-	343	-	343	408	-	65	238
<b>Total Voted Expenditure in DEL</b>	<b>14,660</b>	<b>3,617</b>	<b>11,043</b>	<b>505</b>	<b>-</b>	<b>11,548</b>	<b>12,125</b>	<b>-</b>	<b>577</b>	<b>13,252</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	-	-	-	-	-	-	260	-	260	(852)
<b>Total Voted AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260</b>	<b>-</b>	<b>260</b>	<b>(852)</b>
<b>Non-Budget</b>										
<b>Voted Expenditure</b>										
D Grant Payable to the Scottish Consolidated Fund	-	-	-	31,479,277	-	31,479,277	32,769,002	-	1,289,725	31,947,738
E Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	-	-	-	11,641,545	-	11,641,545	11,641,545	-	-	11,423,690
<b>Total Non-Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,120,822</b>	<b>-</b>	<b>43,120,822</b>	<b>44,410,547</b>	<b>-</b>	<b>1,289,725</b>	<b>43,371,428</b>
<b>Total for Estimate</b>	<b>14,660</b>	<b>3,617</b>	<b>11,043</b>	<b>43,121,327</b>	<b>-</b>	<b>43,132,370</b>	<b>44,422,932</b>	<b>-</b>	<b>1,290,562</b>	<b>43,383,828</b>

An explanation of the variances can be found in Part 4 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 2020-21
	Gross	Income	Net Total	Net	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	-	-	-	50	-	50	50
<b>Total Voted Expenditure in DEL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>385</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>385</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.

## SOPS2. Reconciliation of outturn to net operating expenditure

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

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

	Reference	Outturn total £000	Estimate £000	Outturn v's Estimate, saving / (excess) £000
<b>Resource Outturn</b>	SoPS 1.1	43,132,370	44,422,932	1,290,562
<b>Capital Outturn</b>	SoPS 1.2	-	50	50
<b>Accruals to cash adjustments</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(162)	(150)	12
New provisions		-	(260)	(260)
Other non-cash items		(56)	(55)	1
<b>Adjustments to reflect movements in working balances:</b>				
Increase/(decrease) in receivables		202	-	(202)
Increase/(decrease) in Payables		1,205	-	(1,205)
<b>Total</b>		<b>43,133,559</b>	<b>44,422,517</b>	<b>1,288,958</b>
<b>Removal of non-budget items:</b>				
Consolidated Fund Standing Services		-	-	-
<b>Net Cash Requirement</b>		<b>43,133,559</b>	<b>44,422,517</b>	<b>1,288,958</b>

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.

## SOPS4. Income Payable to the Consolidated Fund

### 4.1 Consolidated Fund Income

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

Item	Outturn 2021-22 £000	Prior Year Outturn Total 2020-21 £000
Forfeited election deposits and interest	-	-
Fines and penalties	(166)	(181)
Other income (unused election costs)	-	-
<i>Less:</i>		
Costs of collection - where deductible	-	-
Uncollectible debts	-	-
Amount payable to the Consolidated Fund	(166)	(181)
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	166	181
Balance held on trust at the end of the year	-	-

The Consolidated Fund receipts paid to the State for Scotland Office 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 2021-22. (Nil 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 2021-22 (Nil 2020-21). The full costs of our operating segments are disclosed in Note 2.

### Remote Contingent Liabilities

There were no remote contingent liabilities in 2021-22 (nil in 2020-21).



**Laurence Rockey**

Accounting Officer for the OSSS & OAG

1 July 2022

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Scotland Office and Office of the Advocate General for Scotland for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise the Department's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector 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 Department in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Conclusions relating to going concern**

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

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

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

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

## **Other information**

The other information comprises information included in the Performance Report and Accountability Report, but does not include the financial statements nor my auditor's certificate. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

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

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

In the light of the knowledge and understanding of the Scotland Office and Office of the Advocate General for Scotland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

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

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

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

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



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

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

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the Department's accounting policies.
- Inquiring of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department's policies and procedures 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 Department's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Scotland Act 1998, Managing Public Money and Supply and Appropriation (Main Estimates) Act 2021
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of the Department's framework of authority as well as other legal and regulatory frameworks in which the Department operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Scotland Act 1998, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, employment law, pensions legislation and tax legislation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance, the Joint Management Board and internal audit reports; 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 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.

### **Other auditor's responsibilities**

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

I am 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

**5 July 2022**

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 2022

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>2021-22</b>	<b>2020-21</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
Revenue from contracts with customers	4	(2,008)	(994)
Other operating income	4	(1,609)	(1,875)
<b>Total operating income</b>		<b>(3,617)</b>	<b>(2,869)</b>
Staff Costs	3	10,296	9,823
Purchase of goods and services	3	4,707	5,373
Depreciation and impairment charges	3	162	73
Grant to the Scottish Consolidated Fund	3	31,479,277	31,947,738
Payover of Scottish Rate of Income Tax to Scottish Government	3	11,641,545	11,423,690
<b>Total operating expenditure</b>		<b>43,135,987</b>	<b>43,386,697</b>
NLF interest receivable		(48,467)	(48,908)
NLF interest payable		48,467	48,908
<b>Net expenditure for the year</b>		<b>43,132,370</b>	<b>43,383,828</b>
Other Comprehensive Net Expenditure		-	-
Net (gain) loss on revaluation of property, plant and equipment		-	-
<b>Comprehensive net expenditure for the year</b>		<b>43,132,370</b>	<b>43,383,828</b>

The notes on pages 96 to 109 form part of these accounts.

## Statement of Financial Position as at 31 March 2022

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

		31 March 2022	31 March 2021
		£000	£000
	Note		
<b>Non-current assets:</b>			
Property, plant and equipment	5	453	588
Intangible assets	6	93	121
Financial assets (NLF)	8	2,126,338	1,828,711
<b>Total non-current assets</b>		<b>2,126,884</b>	<b>1,829,420</b>
<b>Current Assets:</b>			
Trade and other receivables	10	765	563
NLF receivables	10	180,555	139,733
Cash and cash equivalents	9	10	87
<b>Total current assets</b>		<b>181,330</b>	<b>140,383</b>
<b>Total Assets</b>		<b>2,308,214</b>	<b>1,969,803</b>
<b>Current liabilities</b>			
Trade and other payables	11	(2,935)	(4,218)
NLF payables	11	(180,555)	(139,733)
<b>Total current liabilities</b>		<b>(183,490)</b>	<b>(143,951)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>2,124,724</b>	<b>1,825,852</b>
<b>Non-current liabilities</b>			
Other payables (NLF)	11	(2,126,338)	(1,828,711)
<b>Total non-current liabilities</b>		<b>(2,126,338)</b>	<b>(1,828,711)</b>
<b>Assets less liabilities</b>		<b>(1,614)</b>	<b>(2,859)</b>
<b>Taxpayers' Equity and other reserves</b>			
General fund		(1,620)	(2,865)
Revaluation Reserve		6	6
<b>Total equity</b>		<b>(1,614)</b>	<b>(2,859)</b>

Signed:



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

1 July 2022

The notes on pages 96 to 109 form part of these accounts.

## Statement of Cash Flows for the Period Ended 31 March 2022

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	2021-22 £000	2020-21 £000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(43,132,370)	(43,383,828)
Adjustments for non-cash transactions	3	218	130
(Increase)/Decrease in trade and other receivables	10	(41,024)	(43,978)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	10	40,822	45,015
Increase/(Decrease) in trade payables	11	39,539	45,091
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>(1)</sup>	11	(40,744)	(44,761)
Increase/(Decrease) in provisions		-	(852)
<b>Net cash outflow from operating activities</b>		<b>(43,133,559)</b>	<b>(43,383,183)</b>
<b>Cash flows from investing activities</b>			
Purchase of Plant & Machinery and Fixtures and Furnishings	5	-	(150)
(Repayments) from other bodies (interest)		(48,467)	(48,908)
(Repayments) from other bodies (capital)	8	(130,517)	(85,049)
Loans to Scottish Government		(469,000)	(407,000)
<b>Net cash outflow from investing activities</b>		<b>(647,984)</b>	<b>(541,107)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - Current Year <sup>(2)</sup>	3	43,133,482	43,382,844
From the Consolidated Fund (Non-supply)		-	-
Advance from the Contingencies Fund		12,000,000	3,537,561
Repayment of advance from the Contingencies Fund		(12,000,000)	(3,537,561)
Repayment of loans from the National Loans Fund (interest) <sup>(3)</sup>		48,467	48,908
Repayment of loans from the National Loans Fund (capital) <sup>(3)</sup>	8	130,517	85,049
Loans received from National Loans Fund		469,000	407,000
<b>Net financing</b>		<b>43,781,466</b>	<b>43,923,801</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>(77)</b>	<b>(489)</b>
<b>Income payable to the Consolidated Fund</b>	SOPS 3	(166)	(181)
<b>Income paid to the Consolidated Fund <sup>(4)</sup></b>		166	181
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(77)</b>	<b>(489)</b>
Cash and cash equivalents at the beginning of the period	10	87	576
Cash and cash equivalents at the end of the period	10	<u>10</u>	<u>87</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 96 to 109 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2022

This statement shows the movement in the year on the different reserves held by the Scotland Office and Office of the Advocate General, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). 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 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)	-	-	-
unused election funding	-	-	-
Supply Payable	(87)	-	(87)
CFER transferred to CF	-	-	-
Net expenditure for the year	(43,383,828)	-	(43,383,828)
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>(2,859)</b>
Net Parliamentary Funding	43,133,482	-	43,133,482
Deemed Supply (voted)	87	-	87
Deemed Supply (non voted)	-	-	-
Supply Payable	(10)	-	(10)
CFER transferred to CF	-	-	-
Net expenditure for the year	(43,132,370)	-	(43,132,370)
Auditors Remuneration	56	-	56
Transfer of fixed assets	-	-	-
<b>Balance at 31 March 22</b>	<b>(1,620)</b>	<b>6</b>	<b>(1,614)</b>

The notes on pages 96 to 109 form part of these accounts.



# Notes to the Accounts for the Year Ended 31 March 2022

## Statement of Accounting Policies 2021-22

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context.

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

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

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

### 1.2 Going Concern

The accounts for 2021-22 have been prepared on a going concern basis, the period considered to be 12 months from the approval of these accounts, to July 2023. 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 2023 was approved on 12 May 2022. For financial years 2023-24 and 2024-25 expected funding levels are those included in the Comprehensive Spending Review 2021-25 (SR 21) which set Departmental budgets up to 2024-25. For these reasons it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1.3 Accounting convention

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

### 1.4 Operating segments

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

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

### Valuation basis

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

### Valuation method

The SO & OAG has no property assets.

### Capitalisation threshold – individual assets

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

### Capitalisation threshold – grouped assets

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

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

### Capitalisation threshold – Intangible Assets

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

### Depreciation/Amortisation

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

Estimated useful asset lives are within the following ranges:

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

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

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

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

## **1.6 Assets under construction**

Assets under construction are valued at historical cost within property, plant and equipment and Intangible assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy. Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. If expenditure is deemed as not attributable to the asset it is expensed to the Statement of Comprehensive Net Expenditure. The department current has no assets under construction.

## **1.7 Leases**

### **Finance Leases**

The SO & 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 SO & 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 4 (International Financial Reporting Interpretations Committee).

‘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.

## **1.8 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 SO and OAG are surrendered to the NLF.

Outstanding loan balances are included within trade and other payables.

## **1.9 Employee benefits**

### **Employee leave accruals**

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

### **Pensions**

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

### **Early departure costs**

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

## **1.10 Operating income**

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

The department's material revenue falls into two categories:

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

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

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

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

### **1.12 Administration and Programme expenditure**

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

### **1.13 Provisions**

Provisions are recognised when the SO & OAG has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation. Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury.

### **1.14 VAT**

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

### **1.15 Financial instruments**

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

### **1.16 Cash and cash equivalents**

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

### **1.17 Significant accounting estimates and assumptions**

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.

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

### **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 'Leases' and is generally effective for periods beginning on or after 1 January 2019. Implementation of IFRS 16 in the public sector has been delayed; Government departments are required to adopt IFRS 16 from 1 April 2022 in accordance with the FReM.

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

IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e., those with lease terms of less than 12 months. This will result in the recognition of a right of use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP).

The Office will be adopting IFRS 16 on the cumulative catch-up basis as mandated in the FReM, and therefore the cumulative impact on previous years' results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be restated. Under Financial Statements 145 the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16, a right of use asset and lease liability will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17. The right of use asset is initially measured at cost (using the cost measurement model), which comprises the initial amount of the lease liability adjusted for payments already made, initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

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

### **Impact of the new standard**

The Office identified three intra-Government agreements which meet the definition above of a lease. The agreements are Memorandum of Terms of Occupations (MOTOs)

with the Government Property Agency (GPA) for Dover House (London Office) and with HMRC for specified space in the UK Government Hub in Edinburgh (The Scotland Office and Office of the Advocate General have their own MOTO agreements with HMRC).

At the date of application of IFRS 16 the Office has no intention to exercise the break clauses in these agreements. The decisions on future occupancies are down to factors outside of our control and as such it is not possible at this time to take a view on the potential of vacating the buildings.

We have assessed the estimated impact of IFRS 16 on the Statement of Financial Position (SoFP) as at 1st April 2022 and on the Statement of Comprehensive Net Expenditure (SoCNE) for the financial year ending 31 March 2023. See tables 1 and 2.

The figures in the tables are for leases that have commenced as at 1st April 2022 with residual asset values and lease periods at that date. The Office applied the HM Treasury central internal rate of borrowing which on transition to IFRS 16 for the Office is 0.95%.

**Table 1: Estimated impact on the SoFP arising from IFRS 16**

**Draft SoFP impacts arising from IFRS 16**

Description	1st April 2022 £,000 Estimated
Right of use assets commenced at 1 April 2022 (NBV)	6,085
<b>Total</b>	<b>6,085</b>
Lease liabilities commenced at 1 April 2022	(6,085)
<b>Total</b>	<b>(6,085)</b>

**Table 2: Draft SoCNE impacts arising from IFRS 16**

Description	2021-22 £,000 Estimated	2022-23 £,000 Estimated	Increase/Decrease expected £,000 Estimated
Asset depreciation	-	444	444
Interest expense on discounted lease liability	-	57	57
IAS 17 basis rental payments	477	-	(477)
<b>Total</b>	<b>477</b>	<b>501</b>	<b>24</b>

**IFRS 17 Insurance contracts**

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

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

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

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

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

2021-22 (£000)							
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National Loans Fund	Total
Gross Expenditure	7,941	6,881	343	31,479,277	11,641,545	48,467	43,184,454
Income	-	(3,617)	-	-	-	(48,467)	(52,084)
Net Expenditure	<b>7,941</b>	<b>3,264</b>	<b>343</b>	<b>31,479,277</b>	<b>11,641,545</b>	<b>-</b>	<b>43,132,370</b>
2020-21 (£000)							
	Scotland Office	Office of the Advocate General	Boundary Commission	Grant to the Scottish Consolidated Fund	Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	National 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>

### Description of segments

#### Scotland Office

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

#### Office of the Advocate General

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

#### Boundary Commission

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

#### Grant to the Scottish Consolidated Fund

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

#### The Scottish Rate of Income Tax

The Scottish Rate of Income Tax (SRIT), identification of Scottish taxpayers and administering the tax are all matters for the UK Government and 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>

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	7,680	7,280
Social security costs	788	768
Other pension costs	1,828	1,775
<b>Sub Total</b>	<b>10,296</b>	<b>9,823</b>

#### Goods and Services

Rentals under operating leases	1,201	2,739
Accommodation Costs	664	721
Legal Costs	1,818	1,162
Travel and Subsistence Costs	297	119
Other Expenditure	671	575

#### Grants

Grant paid to Scottish Consolidated Fund	31,479,277	31,947,738
Payover of Scottish Rate of Income Tax to Scottish Government	11,641,545	11,423,690

#### Non-cash items:

Auditors' remuneration and expenses	56	57
Depreciation and amortisation	162	73
<b>Total Operating Expenditure Costs</b>	<b>43,135,987</b>	<b>43,386,697</b>

<sup>(1)</sup> Further analysis of staff costs is located in the Accountability Report (on page 77).

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 Scotland Office and Office of the Advocate General did not purchase any non-audit services from the National Audit Office. (2020-21 nil)

### 4. Income

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000</b>	<b>£000</b>
Hire of Office Facilities	-	(55)
Legal fees and charges to clients	(2,008)	(994)
Recovery of legal outlays from other Government Bodies	(1,609)	(1,820)
<b>Total</b>	<b>(3,617)</b>	<b>(2,869)</b>

## 5a. Property, Plant and Equipment

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

All assets are owned by the department

## 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
Additions	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>-0</b>	<b>99</b>	<b>83</b>	<b>77</b>	<b>259</b>

All assets are owned by the department.

## 6a. Intangible Assets

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

## 7. Financial Instruments

### 7.1 Categories of Financial Instruments

#### Financial Assets

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

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

## 8. Investments in Other Public Sector Bodies

	<b>Loans funded from National Loans Fund £000</b>
<b>Cost or valuation</b>	
At 1 April 2020	1,552,228
Adjustment	
Additions	<b>407,000</b>
Loans repayable within 12 months transferred to debtors	(130,517)
<b>Balance at 31 March 2021</b>	<b>1,828,711</b>
Adjustment to NLF payable	16
Additions to Scottish Government	469,000
Loans repayable within 12 months transferred to debtors	(171,389)
<b>Balance at 31 March 2022</b>	<b>2,126,338</b>

### History of Accounts

The Scotland Office 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 Scotland Office and Office of the Advocate General. Post devolution loans to the Scottish Government are made under the terms of the Scotland Act 2016.

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

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

(2) The Scottish Government borrowed a further £469,000,000 from the National Loan Fund in 2021-22( £319,000,000 resource and £150,000,000 capital).

## 9. Cash and Cash Equivalents

	<b>2021-22 £000</b>	<b>2020-21 £000</b>
Balance at 1 April 2021	87	576
Net change in cash and cash equivalents	(77)	(489)
<b>Balance at 31 March 2022</b>	<b>10</b>	<b>87</b>
The following balances at 31 March 2022 were held at:		
Government Banking Service	10	87
Commercial banks	-	-
<b>Balance 31 March 2022</b>	<b>10</b>	<b>87</b>

## 10. Trade Receivables Financial and Other Assets

	2021-22 £000	2020-21 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	259	233
VAT	83	60
Prepayments and accrued income	423	270
NLF interest receivables	9,166	9,216
Current part of NLF loan	171,389	130,517
<b>Total</b>	<b>181,320</b>	<b>140,296</b>
	<b>2021-22 £000</b>	<b>2020-21 £000</b>
<b>Amounts falling due after more than one year:</b>		
Instalments due on NLF loans	2,126,338	1,828,711
<b>Total</b>	<b>2,126,338</b>	<b>1,828,711</b>

## 11. Trade Payables and Other Current Liabilities

	2021-22 £000	2020-21 £000
<b>Amounts falling due within one year:</b>		
Trade payables	-	49
Accruals and deferred income	2,925	4,082
NLF interest payable	9,166	9,216
Current part of NLF loans	171,389	130,517
Amounts issued from the Consolidated Fund for supply but not spent at year end	10	87
<b>Total</b>	<b>183,490</b>	<b>143,951</b>
	<b>2021-22 £000</b>	<b>2020-21 £000</b>
<b>Amounts falling due after more than one year:</b>		
NLF loans	2,126,338	1,828,711
<b>Total</b>	<b>2,126,338</b>	<b>1,828,711</b>

## 12.1 Operating leases

	2021-22 £000	2020-21 £000
Buildings		
Obligations under operating leases for the following periods comprise		
Not later than one year	477	490
Later than one year and not later than five years	1,910	1,959
Later than five years	4,133	4,095

The buildings leases are for the Offices accommodation in London and Edinburgh.

### **13. Contingent Liabilities Disclosed Under IAS 37**

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

### **14. Related-party Transactions**

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

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

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

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

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

The entities within the boundary during 2021–22 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>Scotland Office</i></b>
<b><i>Office of the Advocate</i></b>	<b><i>General for Scotland</i></b>

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

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

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

There are no material events to report.

# Chapter 4: Public Expenditure Financial Tables

**Table 1 - Spending by Scotland Office (SO) and Office of the Advocate General (OAG) & Scottish Government 2019-20 to 2022-23**

	2019-20 Outturn £'000	2020-21 Plans £'000	2020-21 Outturn £'000	2021-22 Plans £'000	2021-22 Outturn £'000	2022-23 Plans £'000
<b>SO &amp; OAG Expenditure</b>						
Resource expenditure within Administration Costs	10,684	13,342	12,941	11,567	11,043	12,778
Other resource expenditure	268	474	311	558	505	562
<b>SO &amp; OAG Resource <sup>(2)</sup></b>	<b>10,952</b>	<b>13,816</b>	<b>13,252</b>	<b>12,125</b>	<b>11,548</b>	<b>13,340</b>
<b>SO &amp; OAG Capital</b>						
	343	834	385	50	0	50
<b>SO &amp; OAG Resource + Capital DEL <sup>(2)</sup></b>	<b>11,295</b>	<b>14,650</b>	<b>13,637</b>	<b>12,175</b>	<b>11,548</b>	<b>13,390</b>
<i>less depreciation &amp; impairments</i>	<i>(40)</i>	<i>(60)</i>	<i>(73)</i>	<i>(150)</i>	<i>(162)</i>	<i>(150)</i>
<b>SO &amp; OAG DEL <sup>(3)</sup></b>	<b>11,255</b>	<b>14,590</b>	<b>13,564</b>	<b>12,025</b>	<b>11,386</b>	<b>13,240</b>
<b>Scottish Government Expenditure (The Scottish Block) <sup>(6)</sup></b>						
Scottish Government Resource (Before Block Grant Adjustment)	29,639,450	41,708,268	39,912,334	40,061,543	37,524,700	38,229,767
<i>less Block Grant Adjustment</i>	<i>(11,903,479)</i>	<i>(8,874,984)</i>	<i>(8,874,984)</i>	<i>(8,914,026)</i>	<i>(8,914,026)</i>	<i>(11,214,484)</i>
Scottish Government Resource <sup>(6)</sup>	17,735,971	32,833,284	31,037,350	31,147,517	28,610,674	27,015,283
Scottish Government Capital	4,260,497	5,448,743	5,230,499	5,561,996	5,143,000	7,192,629
<b>Scottish Government Resource + Capital DEL <sup>(3) (5)</sup></b>	<b>21,996,468</b>	<b>38,282,027</b>	<b>36,267,849</b>	<b>36,709,513</b>	<b>33,753,674</b>	<b>34,207,912</b>
<i>less depreciation &amp; impairments</i>	<i>(1,018,614)</i>	<i>(2,498,053)</i>	<i>(1,060,015)</i>	<i>(2,518,289)</i>	<i>(411,932)</i>	<i>(2,951,055)</i>
<b>Scottish Government Total DEL <sup>(3)(5)</sup></b>	<b>20,977,854</b>	<b>35,783,974</b>	<b>35,207,834</b>	<b>34,191,224</b>	<b>33,341,742</b>	<b>31,256,857</b>

(1) Totals may not sum due to roundings.

(2) Including depreciation & impairments.

(3) Total DEL = Resource + capital – (depreciation & impairments).

(4) As set out in the Written Ministerial Statement of the 24 March 2021, 2020-21 funding has been revised down since Supplementary Estimates 2020-21 to reflect the carry forward of funding from 2020-21 in to 2021-22. This funding is included in 2021-22 plans.

**Table 2 - Cash grant paid to the Scottish Consolidated Fund 2020-21: 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>	31,053	39,434	36,268
Expenditure Classified as Annually Managed Expenditure	5,878	6,146	4,853
Expenditure Financed by Scottish Taxes	12,181	12,036	12,048
Expenditure Financed by Borrowing	450	507	407
Repayment of Principal on Loans	(52)	(52)	(52)
Drawdown from the Scotland Reserve	-	287	315
Non Domestic Rates	2,790	1,868	1,868
<b>Total Managed Expenditure</b>	<b>52,299</b>	<b>60,226</b>	<b>55,706</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	150	(250)	(250)
Depreciation and Impairments	(1,246)	(2,626)	(1,060)
Other Cash to accruals adjustments	(5,130)	(5,950)	(5,874)
Non Domestic Rates Income	(2,790)	(1,868)	(1,868)
National Insurance Fund Payments towards Scottish NHS	(2,300)	(2,217)	(2,240)
Income from Scottish Taxes	(12,181)	(12,036)	(12,048)
Repayment of Principal on Loans	52	52	52
Borrowing	(450)	(507)	(407)
Change to balance held in Scottish Consolidated Fund	-	-	(65)
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>28,405</b>	<b>34,824</b>	<b>31,948</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) Final provision includes £1,152m carry forward to 2021-22.



**Table 3 - Cash grant paid to the Scottish Consolidated Fund 2021-22: 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>	35,536	37,005	33,745
Expenditure Classified as Annually Managed Expenditure	6,370	6,767	6,342
Expenditure Financed by Scottish Taxes	12,316	12,565	12,575
Expenditure Financed by Capital Borrowing	450	250	150
Expenditure Financed by Resource Borrowing	319	319	319
Repayment of Principal on Loans	(80)	(80)	(80)
Drawdown from the Scotland Reserve	-	608	608
Expenditure Financed by Non Domestic Rates	2,090	2,090	2,090
<b>Total Managed Expenditure</b>	<b>57,000</b>	<b>59,525</b>	<b>55,749</b>
<b>Adjustments to cash requirement</b>			
Non-budgetary cash items	162	162	162
Depreciation and Impairments	(2,570)	(2,545)	(231)
Other Cash to accruals adjustments	(5,566)	(6,782)	(6,937)
Non Domestic Rates Income	(2,090)	(2,090)	(2,090)
National Insurance Fund Payments towards Scottish NHS	(2,276)	(2,446)	(2,353)
Income from Scottish Taxes	(12,316)	(12,565)	(12,516)
Repayment of Principal on Loans	80	80	80
Borrowing	(769)	(569)	(469)
Change to balance held in Scottish Consolidated Fund	-	-	83
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>31,656</b>	<b>32,769</b>	<b>31,479</b>

**Notes**

(1) Totals may not sum due to rounding.

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

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

## Table 4 - Cash grant paid to the Scottish Consolidated Fund 2022-23: Provision

	<b>Original Provision</b>
	<b>£m</b>
Scottish Block Grant <sup>(2)</sup>	34,208
UK Government Funded AME	6,968
Expenditure Financed by Scottish taxes	14,670
Expenditure Financed by Capital Borrowing	450
Expenditure Financed by Resource Borrowing	15
Repayments of Principal on Loans	(145)
Expenditure Financed by Non Domestic Rates	2,766
<b>Total Managed Expenditure</b>	<b>58,931</b>
<b>Adjustments to cash requirement</b>	
Non-budgetary cash items	148
Depreciation and Impairments	(2,807)
Other Cash to accruals adjustments	(8,447)
Non Domestic Rates Income	(2,766)
National Insurance Fund Payments towards Scottish NHS	(4,036)
Income from Scottish Taxes	(14,670)
Repayments of Principal on Loans	145
Borrowing	(465)
<b>Cash Grant payable to Scottish Consolidated Fund by Scotland Office <sup>(3)</sup></b>	<b>26,033</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).

