UK Government

Scotland Office
and
Office of the Advocate General for Scotland

Annual Report and Accounts

1 April 2023 - 31 March 2024

Scotland Office
and
Office of the
Advocate General for Scotland

Annual Report and Accounts 2023-24
(For the year ended 31 March 2024)

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Foreword by The Director Of The Scotland Office

It is a great privilege to be presenting the 2023-24 Scotland Office and Office of the Advocate General (OAG) Annual Report and Accounts. For part of the 2023-24 reporting year, I took a period of Shared Parental Leave. Lyn McDonald was appointed to the position of the Scotland Office Director and assumed the responsibilities of Accounting Officer for the Scotland Office and Office of the Advocate General, on a temporary basis, for five months. I would like to take this opportunity to pay tribute to Lyn's leadership during this time, and for the achievements which she and the team have contributed to as a result.

Last year, I recorded the challenges that the Office had to face, and again this year I have been hugely impressed with the resilience and flexibility shown by Scotland Office colleagues in continuing to respond to a broad range of issues.

Over the past year, we have continued to see the presence of UK Government officials in Scotland grow. Thirty UK Government departments are now represented in the Edinburgh UK Government Headquarters, and the second Scotland-based Government hub in Glasgow has grown from less than 10 colleagues to over 570 Civil Servants. As Head of Place in Scotland, I have been delighted to see 2,179 roles - including Senior Civil Servants - relocate to Scotland in the past year.

The Scotland Office continued to enhance its collaboration across the UK Government and I am well supported in this work by the Offices' Non-Executive Directors. I would like to thank Tom Harris, Martin Dorchester and Stuart Patrick for all their work and support to the Senior Leadership Team, Ministers and colleagues in the past year. I am, as ever, very grateful to all my colleagues in the Scotland Office for all their work over the past year: their commitment and focus is second to none.

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

Departmental Overview

Queen Elizabeth House, the UK Government's headquarters in Edinburgh.

Part 1: The Scotland Office

The Scotland Office supports the Secretary of State for Scotland 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. The Scotland Office mission is to:

- Maintain the integrity of the Union;
- Promote the best interests of Scotland within a stronger and sustained 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.

The Scotland Office's Vision and Mission Statement underpin all three of the Scotland Office's Priority Outcomes and Strategic Enablers. For 2023-24 the Scotland Office delivered against three Priority Outcomes agreed at Spending Review 2020:

- 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.

The Scotland Office is also supporting the delivery of the following Priority Outcome - led by another UK Government Department:

Priority Outcome	Lead Department
Strengthen the Union to ensure that its benefits, and the impact of Levelling-Up across all parts of the UK, are clear and visible to all citizens.	The Department for Levelling Up Housing and Communities (DLUHC) with support from Scotland Office, Northern Ireland Office and Wales Office.

Scotland Office Performance Overview 2023-24

The Office has approved metrics to report delivery against performance across the three Priority Outcomes agreed as part of the 2021 Spending Review settlement. These metrics are set out below alongside a narrative and data report on performance over the 2023-24 reporting year. The Outcome Delivery Plan (ODP) framework was introduced across government in 2020-21 and UK Government departments have reported against this performance management framework since 2021-22.

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 [Scotland Office; Northern Ireland Office and the Wales Office]. 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 - GDP per capita 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 - Percentage of businesses that are innovation-active in Scotland
- Economic growth - Scotland - Fiscal deficit per capita in Scotland (£)

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

GDP Scotland Data is taken from the Scottish Government publication, 'GDP Quarterly National Accounts: 2023 Quarter 4 (October to December). The latest data for Q4 2023 shows a fall in GDP per capita to £30,900. The previous Quarter shows GDP per capita of £31,074.

- 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 in 2023 was £100.3 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 31 March 2024: 75.3%, 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 excluding North Sea Revenue: -£5,205 in April 2023 in comparison to -£4,990 in April 2022.

Revenue per head, including geographic share North Sea revenue: -£3,493. in April 2023 in comparison to -£4,544in April 2022.

Data taken from the Scottish Government publication, 'Government Expenditure Revenue in Scotland (GERS)'.

The latest data comes from the last publication from August 2023 for the last complete financial year, 2022-23. The data for the 2023-24 Financial Year will be available when the GERS report is published in August 2024.

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 Region 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 on the foundations of Scotland's distinctive low carbon and renewable energy resources, building on Scotland's strengths in offshore wind capabilities and low carbon hydrogen, The Scotland Office works to promote the use of various UK Government funding streams and initiatives to support the delivery of green energy policy and economic growth for Scotland and ensure crucial funding is provided for viable Scottish projects. These include the Levelling Up Fund, Community Ownership Fund, Glasgow Innovation Accelerator, Green Freeports, Green Industries Growth Accelerator, and City Region & Growth Deals programme.

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

The department supports the delivery of a number of the UK Government's constitutional commitments, including supporting departments to ensure that UK Parliament legislation takes account of the Scottish devolution settlement, and that the legislative consent of the Scottish Parliament is sought where the Legislative Consent Motion (LCM) process is engaged.The Scotland Office manages an ongoing programme of Scotland Act Orders to ensure the effective functioning of the devolution settlement, continues to oversee the implementation of the Scotland Act 2016 and Ministerial responsibilities regarding the competence of Scottish Parliament legislation under the settlement.

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

The increased provision of public information on the UK Government in Scotland, through media, digital channels, visits and events;

- An increased UK Government presence in Scotland, both Ministers and officials representing UKG departments in the Hubs in Edinburgh and Glasgow and elsewhere;
- Increased stakeholder outreach and accessibility, allowing better information and accessibility to UK policy decision-making;
- Tracking support for the Union through public domain research and polling.

The Scotland Office delivered a large and varied programme of engagement and communications throughout 2023-24. Working closely with departments from across Whitehall, we supported announcements, visits and events across the country and creative digital communications to the public. The office also delivered an international engagement programme which seized opportunities to effectively promote Scotland internationally and demonstrate the benefits back to a Scottish audience.

The Head of Place role undertaken by the Scotland Office Director, 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 builds 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 provides. The role is shared by the Permanent Secretaries for the Department for Energy Security and Net-Zero and Foreign Commonwealth and Development Office. They are responsible for driving enduring cultural change and ensure cross-department strategic alignment in Scotland alongside the Head of Place.

Constitutional Policy

Scotland Act Order Programme

Scotland Act Orders are pieces of secondary legislation made under the Scotland Act 1998. They are used to implement, update or adjust Scotland's devolution settlement. There are a whole range of powers in the Scotland Act 1998 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 on the implementation of its replacement benefit, Carer Support Payment. The pilot for this new benefit launched in November 2023 and it will be rolled out across Scotland later this year.

Officials across the UK and Scottish Governments continue to work in collaboration to maintain and update the Scottish devolution settlement. Between 1 April 2023 and 31 March 2024, one Scotland Act Order was laid in the UK Parliament by the Scotland Office:

- The Carer's Assistance (Carer Support Payment) (Scotland) Regulations 2023 (Consequential Modifications) Order 2023.

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 20 March 2024.

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. In May 2024, the Scotland Office published the Eighth Annual Report on the implementation of the Scotland Act 2016. This provides an update on another year of progress in transferring powers devolved under the Scotland Act 2016 to the Scottish Parliament and Scottish Government and can be found at:

https://www.gov.uk/government/publications/eighth-annual-report-on-the-implementation-of-the-scotland-act-2016

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. The Scotland Office works closely with other UK Government departments to ensure that the devolution settlement is respected and that UK Government policies work for Scotland.

In this reporting year, the Office worked with colleagues in the Office of the Advocate General in relation to the Scottish Government's petition for judicial review of the Secretary of State's order preventing the Gender Recognition Reform (Scotland) Bill from being submitted for Royal Assent. The Secretary of State made the order under section 35 of the Scotland Act on the basis that he believed the Bill would have adverse effects on the operation of the law as it related to reserved matters. On 8 December 2023, the Outer House of the Court of Session dismissed the judicial review petition, and ruled the UK Government order to be lawful. On 20 December 2023, the Scottish Government confirmed that they would not appeal the Outer House judgement. Subsequently, on 1 February the Court found the Scottish Government liable for expenses to UKG, with the amount to be determined.

The Scotland Office upholds the Sewel Convention and connects the UK and Scottish Governments in the Legislative Consent Motion (LCM) process. In the past year alone we have helped secure LCMs for 8 pieces of primary legislation intersecting with the devolution settlement for Scotland. The Scotland Office has also engaged with work across the UK Government in relation to issues relating to the UK's internal market, helping to ensure that constitutional rights to free trade within the UK are applied proportionately and fairly, whilst respecting the devolved administrations ability to innovate in devolved policy areas.

Strategic Enablers

Queen Elizabeth House, UK Government Headquarters, Edinburgh.

To deliver our objectives, we prioritise work under four key enablers. These Strategic Enablers are defined as key activities or operations that build capacity and capability, facilitating the department to execute its strategy and deliver outcomes.

The Scotland Office operates its corporate model using 4 key Strategic Enablers:

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

2023-24 Strategic Enabler Performance

Workforce

Our People Strategy is designed to support the Office in retaining a motivated and engaged workforce who have the right skills and capabilities to deliver our priorities. Our plan commits us to investing in developing our existing workforce and filling future vacancies quickly and efficiently.

We have enhanced governance and streamlined delivery of our People Strategy, with senior leader sponsorship to facilitate effective, tangible outcomes which create a workplace where people feel empowered and valued, increases capability and builds a culture where difference is valued, inclusion is at our core and diversity in all its forms is our ambition.

In this year's Civil Service People Survey the Scotland Office Employee Engagement Score was 63%.

Skills

The Scotland Office is committed to developing our people as our most valuable resource; providing all with the opportunities and tools to thrive. There are 3 areas of our People Strategy which focus on developing the skills of our people:

- Learning and Development;
- Career Management;
- Leadership.

Over the last year, the Scotland Office Learning and Development Working Group approved £22,146 worth of bids to target development at the skills which will support delivery of our objectives. On top of this, the Scotland Office Senior Leadership Team (SLT) approved £75,537 to ensure all our people are focused on their own leadership potential and build on the success of our talent pathway - by having a number of successful candidates on Civil Service-wide development programmes.

Our positive Learning and Development score in the People Survey was 59,%, an increase of 5% compared to the previous year. with 76% stating that they were able to access the right learning and development opportunities when they needed to.

Location

The Scotland Office continues to embrace the opportunities presented by our presence in the UK Government's flagship headquarters in Scotland, at Queen Elizabeth House, Edinburgh, and the Office's historic office in Dover House, London.

This year saw the culmination of our work with the Government Property Agency to transform our London office space into a modern working environment that matches our ambitions and supports delivery of our objectives.

Innovation

The Office works together to solve problems and identify how to work better. Our organisational culture encourages a workforce which generates ideas and new ways of working and challenges conventional norms. Influencing the priorities and delivery of UK government departments and our delivery partners in Scotland means that new ideas and challenging existing processes are part and parcel of our people's skill set.

In the 2023 UK Government Civil Service People Survey - Scotland Office staff reported that:

– *I believe I would be supported if I try a new idea, even if it may not work: 70%.*

– *The people in my team are encouraged to come up with new and better ways of doing things: 72%*

Technology

The Scotland Office uses the Cabinet Office IT system. We use our strong relationships with the Cabinet Office to ensure we are provided with optimal resources to deliver our objectives.

Data

The Scotland Office holds limited datasets - apart from staff data. We work with other UK government departments to strengthen and deepen UK Government research capabilities and data collection in regard to Scotland.

Delivery and Evaluation

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.

As we continue to embed the ODP performance management framework, we are looking further at how we can best use the metrics to show us a complete picture of the Offices' performance. We will continue to focus on the development of metrics which more closely align with the direct impact and work of the Scotland Office and which will support the JMB in assessing the performance and risk against delivery of the Offices' Priority Outcomes.

This is 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 Scotland Office strategy has at its centre, face-to-face engagement with key sectors and stakeholders. We continue to work with the other Territorial Offices; DLUHC and Cabinet Office.

The following section outlines in detail the outcomes delivered by the Scotland Office during 2023-24 in each of the Priority Outcomes in the Scotland Office 2023-24 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.

Sustainability

The Offices' Sustainability Report can be found at Part 3 of this report.

Part 2: Office of the Advocate General for Scotland

Delivery of Objectives in 2023-24

The Office of the Advocate General (OAG) set the following strategic objectives for 2023-24:

Objective 1. Providing Advice on Policy and Legislation.

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

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

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

Objective 3. Strengthening and Sustaining the Union.

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

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 Scotland Office.

The activity which OAG undertook in 2023-24 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 2023-24 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, including through the provision of training on devolution and Scots law.

OAG instructed Parliamentary Counsel to OAG in the drafting of provisions for Scotland in Bills before the UK Parliament; drafted subordinate legislation on behalf of UK Departments; and provided legal advice to UK Government departments on Bills and subordinate legislation. Support for the Scotland Office and other departments on issues of legislative consent remains a central part of our work.

In 2023-24, 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:

- Trade (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) Act 2024
- Post Office (Horizon System) Compensation Act 2024
- Economic Crime and Corporate Transparency Act 2023
- Levelling-up and Regeneration Act 2023
- Procurement Act 2023
- Energy Act 2023
- Worker Protection (Amendment of Equality Act 2010) Act 2023
- Online Safety Act 2023
- Workers (Predictable Terms and Conditions) Act 2023
- Animals (Low-Welfare Activities Abroad) Act 2023
- Northern Ireland Troubles (Legacy and Reconciliation) Act 2023
- Strikes (Minimum Service Levels) Act 2023
- Electronic Trade Documents Act 2023
- Illegal Migration Act 2023
- National Security Act 2023
- Retained EU Law (Revocation and Reform) Act 2023
- Automated Vehicles Bill
- Criminal Justice Bill
- Data Protection and Digital Information Bill
- Digital Markets, Competition and Consumers Bill
- Economic Activities of Public Bodies (Overseas Matters) Bill
- Investigatory Powers (Amendment) Bill
- Media Bill
- Post Office (Horizon System) Offences Bill
- Tobacco and Vapes Bill
- Victims and Prisoners Bill

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

We continue to see a return to pre-pandemic practices with more hearings in the Court of Session being heard in-person. Developments in the Scottish Courts and Tribunals IT infrastructure means that there has also been an increase in the number and type of cases being 'live streamed', allowing court proceedings to be viewed live, directly from the court's website.

The types of cases that have taken place this year include the Petition for Judicial Review raised by the Scottish Ministers challenging the decision of the Secretary of State for Scotland to prevent the Gender Recognition Reform (Scotland) Bill from receiving Royal Assent. The Advocate General for Scotland was successful at first instance in the Outer House of the Court of Session with Lady Haldane finding that there was no basis on which to challenge the Secretary of State's decision. The Scottish Ministers chose not to appeal Lady Haldane's decision to the Inner House of the Court of Session.

In the Petition for Judicial Review raised by Samuel Oludare Oluyemi Yerokun & Another against the Secretary of State for the Home Department, the Petitioners challenged the lawfulness of section 11A of the Tribunals, Courts and Enforcement Act 2007 (as inserted by section 2 of the Judicial Review and Courts Act 2022) which provides that it is not permissible to judicially review the Upper Tribunal's decision to refuse permission to appeal to the Upper Tribunal. The Advocate General for Scotland was successful at first instance in the Outer House of the Court of Session, (although the case has now been sisted pending determination of the application for legal aid for an appeal to the Inner House of the Court of Session).

The following table shows all the major OAG cases which were heard in the Court of Session and in The Supreme Court, along with the result in each case (successful in green and unsuccessful in red).

OAG Major Litigation Cases and Outcomes - 1 April 2023 to 31 March 2024

Case Name	Court	Date of Judgment	Outcome
Commissioners for His Majesty's Revenue and Customs (Respondent)(Scotland) v Vermilion Holdings Ltd (Respondent)(Scotland)	Supreme Court	25 October 2023	HMRC successful
The Scottish Ministers for Judicial Review of the Gender Recognition Reform (Scotland) Bill (Prohibition on Submission for Royal Assent) Order 2023	Outer House of the Court of Session	08 December 2023	UKG successful
SOOY v Secretary of State for the Home Department; RS and Others v Secretary of State for the Home Department	Outer House of the Court of Session	14 December 2023	UKG successful
Galbraith Trawlers Limited v The Advocate General for Scotland (as representing the Home Office)	Inner House of the Court of Session	10 January 2024	UKG unsuccessful

HMRC Division represented the Commissioners for His Majesty's Revenue and Customs in their Scottish litigation in the First-Tier Tribunal (Tax Chamber), the Upper Tribunal, the Sheriff Court, the Court of Session and the Supreme Court. We received a favourable judgment in the last of our recent Supreme Court cases (Vermilion), which protected £0.386m tax for HMRC. The final outstanding appeals by the Liquidators of RFC 2012 P.L.C. against HMRC's claim in liquidation in respect of income tax, national insurance contributions, inheritance tax, VAT and statutory interest were withdrawn following agreement on the sums due, which finally brought to an end the long running "Rangers" tax dispute. We continue to act for HMRC in ongoing complex and high value appeals related to avoidance of national insurance contributions by offshore manning companies. We have acted for HMRC across a diverse range of tax disputes concerning, for example: whether supply of fuel with plant machinery attracts VAT at the standard or reduced rate; whether cosmetic treatments such as botox and fillers are medical supplies exempt from VAT; whether the tests for employment are met in IR35 contractor cases.

A regular feature of our work this year has been close collaborative working with other agencies, notably COPFS and the Civil Recovery Unit. Some of our cases have parallel criminal proceedings covering the same subject matter and we have liaised effectively with COPFS to protect HMRC's interests. The Division has acted for HMRC in securing a number of Account Freezing Orders under the Proceeds of Crime Act 2002 to protect assets while investigations are ongoing and successfully resisted the first appeal to the Sheriff Appeal Court in connection with an AFO.

Aside from litigation we have provided advice to HMRC on a broad range of Scots law matters including bankruptcy and liquidation. Our support for HMRC's National Minimum Wage enforcement function included a novel case related to an employee holiday scheme, currently being appealed by HMRC to the Employment Appeal Tribunal.

Objective 3: Strengthening and Sustaining the Union

OAG works closely with other key departments (in particular Scotland Office and DLUHC) to support a range of UK Government activities designed to strengthen and sustain Scotland's continuing place within the UK.

Objective 4: Helping to Ensure that Devolution Works

OAG's legislative, advisory and litigation work was critical to meeting this objective in 2023-24. 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. In the time period covered by this report, one Order has been made under section 104 of the Scotland Act to make provision which is necessary or expedient in consequence of the creation of devolved Carer Support Payments.

Work on implementation of the Scotland Act 2016 also continued. In particular OAG continues to work 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. In 2023-24, this included the roll-out of Carer Support Payment and preparation for Pension Age Disability Payment.

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

Objective 5: Supporting Ministers

The Advocate General works with the Attorney General and the Solicitor General for England and Wales to provide formal advice on the most difficult and sensitive legal questions facing Government. OAG supports the Advocate General in performing that role. It is a long-standing convention followed by successive 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 2023-24, the Advocate General was a member of the Parliamentary Business and Legislation Committee which manages the UK Government's legislative programme.

Under section 33 of the Scotland Act 1998, the Advocate General may refer to the Supreme Court the question of whether a Bill of the Scottish Parliament, or any provision of such a Bill, is outside the legislative competence of the Scottish Parliament. OAG advised and supported the Advocate General in relation to this statutory function, which is one of the fundamental checks and balances of devolution. OAG assessed and provided advice on the legislative competence of the 6 Bills of the Scottish Parliament that completed their passage in the course of 2023-24. This included the first Bill to be considered by the Scottish Parliament under its Reconsideration Stage to deal with matters which had been found by the Supreme Court to be outside the legislative competence of the Scottish Parliament in the initial Bill: the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024.

Under section 35 of the Scotland Act 1998, the Secretary of State has powers to prevent a Scottish Parliament Bill proceeding to Royal Assent on policy grounds based on an assessment of its impact on reserved matters. OAG worked closely with the Government Equalities Office to successfully defend an Order made by the Secretary of State for Scotland under section 35 in relation to the Gender Recognition Reform (Scotland) Bill. Although this power of the Secretary of State has been part of the devolution settlement since its inception in 1999, this was the first time such an Order has been made.

Throughout 2023-24, the Advocate General has provided support on numerous pieces of Government legislation in the House of Lords. Amongst other Bills, these have included: the Safety of Rwanda (Asylum and Immigration) Bill and the Illegal Migration Bill.

Part 3: Sustainable Development

This sustainable development report has been prepared in accordance with 2023–24 guidelines laid down by HM Treasury in 'Sustainability Reporting' published at:

https://www.gov.uk/government/publications/sustainability-reporting-guidance-2023-2 4

The Scotland Office is committed to minimising the impact we have on our environment and supporting the wider UK Government's Net-Zero commitment. Our approach 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.

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 Scotland Office reports on the areas of the Government Greening Commitments set out in this table:

	2022-23	2023-24
Air Travel (CO2e tonnes)	117.51	75.42
Air Miles	294,938	291,080
Rail Travel (CO2e tonnes)	24.05	21.78
Rail Miles	421,058	381,551
Heating* (CO2e tonnes)	21.76	16.86
Electricity* (CO2e tonnes)	13.16	15.54
Waste* (CO2e tonnes)	44.26	1.91
Total CO2e Emissions (Tonnes)	220.74	131.51
Water Consumption* (Cubic Metres)	178	1,242
Paper (Reams)	50	145

* Information only available for Dover House, London. HMRC reports for Queen Elizabeth House, Edinburgh.

The Scotland Office and Office of the Advocate General for Scotland (OAG) are based in the modern UK Government Headquarters, Queen Elizabeth House, in Edinburgh that embraces the very latest in sustainable features and practices. The Scotland Office and OAG London Headquarters are based at Dover House, part of the Whitehall Campus, where an extensive 'Net-Zero Programme' is in place to upgrade buildings to meet environmental standards.

The Offices do not own and are not the sole occupants of either of their Headquarters in London or Edinburgh. 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 do not cover this area of policy.

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.

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;
- 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 2023-24 the Scotland Office spent £45.9 billion within Parliamentary Supply Estimates (Supplementary Estimate). The Scotland Office's own running cost outturn was £13.7 million and the payment to the Scottish Consolidated Fund totalled £45.9 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 £404 million from the National Loans Fund in 2023-24.

Movements in Estimate Provision During 2023-24

At the start of the year the department was voted £45.3bn in its Main Estimate. By the final Single Supplementary Estimate, this had increased by £1.273 billion due to an increase in the payment to the Scottish Consolidated Fund.

Explanation of Variances between Estimate and Net Resource Outturn

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	13,382	13,810	428	3%

The underspend of £428k against the Supply Estimate is mainly attributable to lower than expected IT and Accommodation costs.

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	302	412	110	27%

The Boundary Commission for Scotland's underspend is made up of lower than expected staff costs and lower administrative, travel and subsistence 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	30,564,563	31,132,634	568,071	2%
Scottish Rate of Income Tax	15,392,550	15,392,555	5	0%

Grant payable to the Scottish Consolidated Fund

The sum of £568.1 million is 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 2023-24. 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 His 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	25	450	425	94%

The underspend on capital is due to a delay in an upgrade of the Offices IT.

Summary of Key Terms in Government Budgeting

Departmental Resource budget covers the costs of the consumption of resources e.g. pay costs.

Capital budgets cover expenditure on new fixed assets e.g. Plant and machinery and equipment. Departmental Resource and Capital budgets are divided into:-

Departmental Expenditure Limit (DEL) budgets are for expenditure which is within the department's control. Limits are set in the Spending Review and Departments may not exceed the limits set.

Annually Managed Expenditure (AME) budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

The total Departmental Resource budget is the total of the resource DEL and resource AME budget. The total of the Departmental Capital budget is the total of the Capital DEL and AME budget.

Within the Resource budget there are separate administration controls set in the Spending Review:-.

Administration Budgets cover the costs of all central government administrations e.g. staff salaries and travel and subsistence costs.

Programme Budgets cover the costs of support activities that are directly associated with front line activities.

The Scotland Office and Office of the Advocate General does not have any AME budget. More information on the budgeting framework can be found at:

https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2023-to-2024

Statement of Financial Position

The net liabilities at 31st March 2024 are £2.285m (2022-23 £2.466m). The significant balances on the Statement of Financial Position are:

- Property, plant and equipment £0.277m. (This principally compromises of IT, equipment, furniture and fittings);
- Right of Use Assets of £5.183m. The lease contracts comprise leased buildings.
- Financial assets and liabilities are £2.312m (2022-23 £2.192m). The financial assets and liabilities are loans issued from the National Loans Fund (NLF) to the Scottish Government.

In 2023-24, two new loans totalling £404m 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

	2023-24 £000	2022-23 £000
Net Resource Outturn (Estimates)	45,970,797	42,364,884
Adjustments to remove non budget items	(45,957,113)	(42,352,198)
Total Resource Budget Outturn	13,684	12,686
Of which		
Departmental Expenditure Limit (DEL)	13,684	12,686
Adjustments include		
Non Budget items*	45,957,113	42,352,198
Net Operating Costs (Accounts)	45,970,797	42,364,884

* Non Budget items are the Grant Payable to the Scottish Consolidated Fund and Payover of Scottish Rates of Income Tax to the Consolidated Fund. See Statement of Outturn against Parliamentary Supply SOPS1

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

24 July 2024

Chapter 2: The Accountability Report

Director's Report Corporate Performance

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 2023-24 are shown below:

Membership and Business of the Joint Management Board 2023-24

Ministerial
Chair – SofS Scotland, **Rt Hon. Alister Jack MP**
Lord Offord – PUSofS for Scotland (until 9 February 2024)
Lord Cameron – PUSofS for Scotland (from 9 February 2024)
John Lamont MP – PUSofS for Scotland
Lord Stewart – Advocate General for Scotland

Non-Executive Director
Tom Harris – Lead NED (until 18 June 2024)
Stuart Patrick – NED and Chair of ARAC
Martin Dorchester – NED

Senior Officials
Laurence Rockey – Director, SO (period of Shared Paternity Leave from March to August 2023)
Lyn McDonald – Director, SO (Temp. from March to August 2023)
Neil Taylor – 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 Head of Litigation, 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 2023-24, 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 2023-24
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 1380 pieces of correspondence and replied to 1307 pieces (95%) within the target time in 2023-24. In comparison to 1126 pieces of correspondence and replied to 1048 (93%) within the target time in 2022-23. OAG did not receive any pieces of correspondence in 2023-24. This is in comparison to 2022-23 when OAG did not receive any pieces of correspondence.
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 268 FoI requests of which 257 (96%) were replied to within the 20 day target, either substantively or explaining the reason for an extension in 2023-24. This is in comparison to the Office receiving 175 FoI requests in 2022-23 - 173* of which were replied to within the 20 day target (99%), either substantively or explaining the reason for an extension in 2022-23. OAG received 44 FoI requests in 2023-24 and 44 were replied to within the 20 day target (100%), either substantively or explaining the reason for an extension. This is in comparison to OAG receiving 45 FoI requests in 2022-23 43 were replied to within the 20 day target (95.6%), either substantively or explaining the reason for an extension.
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 97.3% of invoices within five days in 2023-24. OAG paid 98.9% of invoices within five days in 2023-24. This is in comparison to the Scotland Office paying 99.1% of invoices within five days and OAG paying 99.3% of invoices within five days in 2022-23.

* An extension of 20 days to the deadline was made for two FoI responses and both were responded to on time within the new deadline.

Parliamentary Questions

The following table shows the total number of ordinary written Parliamentary Questions received by both Offices and the percentage answered within five sitting days in the Commons, and ten sitting days in the Lords; and the total number of named day Parliamentary Questions received and the percentage answered on that named day. In total, 70 out of 70 (100%) of written Parliamentary Questions tabled to the department were answered on time in 2023-24.

This is in comparison to, a total of 95 out of 95 (100%) of written Parliamentary Questions tabled to the department were answered on time in 2022-23.

	1 April 2023 to 31 March 2024		
	Total Received	No. within Target	% within Target
Commons Ordinary Written PQs	44	44	100%
Commons Named Day PQs	26	26	100%
Lords Ordinary Written PQs	0	0	N/A
Total	70	70	100%

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 6 occasions during the reporting year 2023-24, on:

- 17 May 2023
- 28 June 2023
- 13 September 2023
- 29 November 2023
- 24 January 2024
- 6 March 2024

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' SLT monthly meetings and periodic reports to the Offices' Audit and Risk Assurance Committee and periodic reviews by the Government Internal Audit Agency.

In general, the risk carried by the Offices in this area is very low since neither the 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 UK GDPR.

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 (UK 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 Working Group continues to embed and implement the set of standards on the use of information on the Google IT platform.

Following the onboarding of new Information Managers, the working group will complete internal team audits against this set of standards for the summer recess 2024. 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 2023-24 reporting year, there have been no reported data protection breaches under the Offices' Data Protection Policy and the General Data Protection Policy [GDPR] that have been referred to the Information Commissioner's Office.

Anti-Fraud and Whistleblowing

The Offices have robust 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 Managing Public Money and the Civil Service Employee Model Whistleblowing Policy.

The Offices' Whistleblowing Policy and processes underwent a review at the Audit and Risk Assurance Committee meeting on the 28 March 2023 with the ARAC reviewing this again on the 9 October 2024.

There were no whistleblowing instances recorded either in the Scotland Office or OAG in 2023-24.

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 2023-24.

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 2023-24 (together with data for 2022-23 and 2021-22) can be found in Chapter 4 of this report. Alongside this grant, the Scottish Government's funding in 2023-24 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 2023-24 was £45,957,113,000.

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 2023-24 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, Ministry of Justice 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 Office of the Advocate General 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;
- Make judgements and estimates on a reasonable basis;
- 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
- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scotland Office and Office of the Advocate General’s auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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

24 July 2024

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 2023 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). 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; I can provide assurance on the stewardship of public resources for the whole of the year 2023-24.

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 Executive Committee 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 subcommittees to carry out some of its activities. There are four sub-committees that support the work of the Board in this way: the Executive Committee and 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.

The Board has had a change in its composition in the 2023-24 reporting year: Lord Offord left the department on the 9 February and was replaced by Lord Cameron as the PUSofS for Scotland on the 9 February 2024. Laurence Rockey - SO Director took a period of Shared Parental Leave from March to August 2023 during which time Lyn McDonald became temporary Scotland Office Director and joint Accounting Officer for the Scotland Office and OAG. Tom Harris stepped down from this role as the Offices' Lead NED on the 18 June 2024. A recruitment campaign for the new Scotland Office and OAG Lead Non-Executive Director will take place in the Summer and Autumn of 2024.

The visibility of the Non-Executive Board Members has continued to increase across the UK Government, and will continue to do so. 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 a joint Scotland Office and OAG written Strategic Finance Report to the Board. Papers tabled for the Board specifically related to the Scotland Office focus on: 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. Reports relating to the work of OAG are tabled on: performance relating to OAG workstreams; and the management of risk to delivery of OAG objectives in the risk landscape in which OAG is operating.

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 to 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 the Scotland Office Outcome Delivery Plan 2022-25 - at each meeting, as well as discussing any 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 2023-24 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.

The Scotland Office also reported on the Office's Priority Projects during the 2023-24 reporting year. Priority Projects are key work streams which underpin delivery of the overarching three Scotland Office Priority Outcomes:

1. Stimulate growth in Scotland's economy and enable priority sectors to grow;
2. Delivering City and Growth Deals and Levelling Up across all of Scotland;
3. Ensure the Scottish devolution settlement works effectively; and
4. Promote Scotland's position within the UK and maximise the visibility and impact of the UK Government's presence, policies and programmes in Scotland.

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 Lead Non-Executive Director is a member of the UK Government Union NED Network. This network is overseen by DLUHC and has representatives from every Whitehall department at NED level. The network is tasked with supporting the UK Government's Union policy at Board level and exploring devolution capability issues across Whitehall that NEDs can take back and discuss at departmental Board level.

The JMB formally met on 3 separate occasions during the 2023-24 reporting year, and the Non-Executive Board Members continued to provide advice on a number of occasions outside of meetings, most notably on the Offices' 2023-24 Civil Service People Survey results; the Scotland Office People Strategy; stakeholder engagement; communication strategies; the Offices' Business Plans and performance and risk management.

In addition to the formal corporate governance structure, in my role as the Scotland Office Director and the Offices' Accounting Officer, 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.

I continue to be supported in this work, as well as the broader performance management responsibilities of the Offices' Joint Management Board, by the Offices' Non- Executive Directors, the Members of both the Scotland Office Executive Committee and OAG Senior Leadership Team and Senior Governance Team. It is through their assurances, briefings and the work of the Offices' Audit and Risk Assurance Committee, that I am in a position to provide the appropriate and necessary assurances and sign off on the Offices' 2023-24 Annual Report and Accounts.

The papers that are tabled for the JMB and ARAC meetings underpin and reference the ongoing effective governance framework and allow me to cross reference reports from both internal and external function leads. All these assurances from Executive and Non-Executive functions of the Offices, are from those who were in post throughout the period of the 2023-24 reporting year.

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. The reporting arrangement between the BCS and the Scotland Office has been embedded, and the ARAC have confirmed that this level of oversight by the Committee was sufficient. Officials from the Scotland 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.

Membership and Business of the Joint Management Board and Audit and Risk Assurance Committee, 2023-24

Role	Number of Board meetings attended (Total of 3 in 2023/24)	Number of ARAC meetings attended (Total of 3 in 2023/24)
Ministerial		
Chair – SofS Scotland, **Rt Hon. Alister Jack MP**	3 (out of a possible 3)	N/A
Lord Offord – PUSofS for Scotland (until 9 February 2024)	2 (out of a possible 2)	N/A
Lord Cameron – PUSofS for Scotland (from 9 February 2024)	1 (out of a possible 1)	N/A
John Lamont MP – PUSofS for Scotland	3 (out of a possible 3)	N/A
Lord Stewart – Advocate General for Scotland	3 (out of a possible 3)	N/A
Non-Executive Director		
Tom Harris – Lead NED (until 18 June 2024)	3 (out of a possible 3)	N/A
Stuart Patrick – NED and ARAC Chair	3 (out of a possible 3)	3 (out of a possible 3)
Martin Dorchester – NED	3 (out of a possible 3)	N/A
Dermot Grenham – ARAC Member	N/A	3 (out of a possible 3)
Rachel Grant – ARAC Member	N/A	3 (out of a possible 3)
Senior Officials		
Laurence Rockey – Director, Scotland Office	2 (out of a possible 2)	2 (out of a possible 3)
Lyn McDonald – Director (Temp.) Scotland Office (from March to August 2023)	1 (out of a possible 1)	1 (out of a possible 1)
Neil Taylor – Director, OAG	2 (out of a possible 3)	2 (out of a possible 3)

The Scotland Office and OAG Directors were supported by the Scotland Office Deputy Director for Policy and the Deputy Directors for Corporate Services and the OAG Legal Secretary who attends 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 2023-24, there were:

- 3 formal JMB meetings;
- 10 monthly Corporate Meetings of the Scotland Office Senior Leadership Team;
- 3 meetings of the Audit and Risk Assurance Committee;
- 6 meetings of the OAG Governance Group [approximately 6 times per annum, at about 6 weekly intervals]; and
- 2 meetings of the JMB 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

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; Special Advisers and Senior Officials are published by the Scotland Office. The latest Transparency returns can be found at:

https://www.gov.uk/government/publications/senior-officials-quarterly-transparency-data

https://www.gov.uk/government/publications/special-advisers-quarterly-transparency-return

https://www.gov.uk/government/publications/ministerial-quarterly-transparency-return-oct-2023-dec-2023

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 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 2023-24 reporting year.

Tom Harris - Lead Non-Executive Director
Appointed: 14 October 2021. Tenure ended on the 18 June 2024.
Position/Interest: – Non-Executive Director of HS2 Ltd (June 2020 to present) – Member of the independent Advisory Board for the West Coast Partnership (April 2020 - present) – Senior counsel to Message Matters Ltd (public affairs company) – Associate director of Cogitamus Ltd (public affairs company)

Stuart Patrick - Non-Executive Director
Appointed: 15 September 2020
Position/Interest: Directorships held in private/public limited companies: – Chief Executive, Glasgow Chamber of Commerce – British Chambers of Commerce (Board Member) – Clyde Gateway Limited (Board Member) – City of Glasgow College (Board Member) Positions of authority held in charities/ voluntary bodies: – The Enterprise Foundation (Director) – Four Acres Charitable Trust (Chair)

Martin Dorchester - Non-Executive Director
Appointed: 15 September 2020
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 Executive Committee;
- 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 Scotland Office and OAG 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 2023-24 reporting year the Audit and Risk Assurance Committee met on 3 separate occasions. A separate report by the Chair of the Audit and Risk Assurance Committee on the Committee's work in 2023-24 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 SO and the Office of the Advocate General.

Office of the Advocate General JMB sub-committee

The OAG JMB sub-committee has met twice during 2023-24. Stuart Patrick, Non-Executive Director and ARAC Chair and Rachel Grant, Member of the ARAC, are the Non-Executive Members of the JMB OAG Sub-committee.The OAG Director, Neil Taylor, Chaired both meetings of the OAG JMB 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 and OAG both have a Risk Management Framework, developed in consultation with Internal Audit and has been the subject of periodic review by the Scotland Office SLT and the OAG SLT respectively, including an annual review by the ARAC.

These frameworks satisfy 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 Scotland Office and OAG risk management policies and processes are proportionate to the size of the organisations. The Offices' Senior Leadership Teams review the risk registers at their meetings and deep-diving into risks, 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 by the Scotland Office 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.

The Scotland Office and OAG put in place for both Offices, Risk Appetite and Tolerance Policies. Those policies help to embed the risk management frameworks across both Offices, making it explicit where the JMB has agreed different levels of risk tolerance according to the issues. The OAG Risk Register also reflects the level of risk appetite against the relevant risk category on the risk register. This now aligns both the SO and OAG in the application and assessment of risk.

This gives assurance to the Board that SO and OAG Management are taking decisions within their levels of agreed risk appetite and tolerance - and where not - that the JMB has oversight and approval of any deviation from that agreement. The Board approved and signed off on the Offices' risk appetite and tolerance policies for risk across both the Offices.

Both the Scotland Office and OAG have also improved and enhanced the mechanisms of reporting up of risk throughout both organisations. This has taken the form of new risk reports that the SO and OAG Directors submit to ARAC each quarter reporting on SLT decisions in the SO and OAG risk landscapes and which supports the ARAC Chair's report to the JMB each quarter. This should provide more effective and enhanced reporting from ARAC to the JMB and an enhanced awareness of the Board to the risks that the Scotland Office and OAG are facing in the delivery of its Priority Outcomes.

During the 2023-24 reporting year, the Scotland Office and OAG identified and mitigated risks related to the core delivery of the OAG Objectives and the Scotland Office's Priority Outcomes.[1] This was in addition to managing other significant and competing priorities and risks to delivery across both Offices.

The Scotland Office considers the following to be the key principal risks to delivery of the Scotland Office's 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.

[1] – 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.

Scotland Office Risks

Workforce Strategy

Key Risk:

- The Office does not have the resources in terms of workforce to deliver the Scotland Office Priority Objectives.
- The Scotland Office are not sufficiently prepared to fully support all health and wellbeing needs of colleagues.
- Our current structure is not designed to deliver our current and future priorities.

Mitigating Actions:

- The Scotland Office will continue to implement a People Strategy. The People Strategy work strands all have a budget allocated.
- The People Strategy is underpinned by deliverable actions to ensure improvements are achieved across the key areas: leadership; diversity; talent management; learning and development; well-being and fairness.
- 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.
- Targeted use of funding available for wellbeing.
- Organisational changes to support our delivery in a changing landscape are being discussed across the Office.

This is based on the following evidence:

- Increased knowledge and awareness across the department.
- Colleagues have avenues of support. Line Managers are better able to identify issues and offer guidance. Strong departmental focus on health and well-being.
- People Group developing and advocating colleague-led wellbeing activities.
- Additional Deputy Director support and Senior Leadership Team oversight.
- Increased resilience.
- Additional finance expertise.

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:

- Regular evaluation of activity to assess impact and agree necessary adjustments.
- Promote the work of the UK Government in Scotland, supported by effective communication campaigns and messaging on social media channels.
- Continually refresh and review our engagement approach to ensure we are meeting the right people and organisations.

This is based on the following evidence:

- Regularly review and update overall communications and stakeholder engagement strategy and processes, including ongoing work to update our agreed key contacts, Ensure a robust programme of activity is in place for engagement but also on wider communications in terms of campaigns and media work.

Joint Scotland Office and OAG Risk

Financial Environment

Key Risks

- Our resources are insufficient to deliver on current and future priorities.

Mitigating Actions:

- Continually prioritise to ensure our resources are allocated to the right priorities at the right time, whilst ensuring the well-being of staff.

This is based on the following evidence:

- Regular meetings with HM Treasury
- Clear Ministerial priorities.

Sources of Assurance

Review of Effectiveness

As Accounting Officer I have a number of sources of assurance, some internal, and some external to the Offices.

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 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 2023-24 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 Wales Office and their analysis is therefore informed by their knowledge of our closest comparators in Government.

During 2023-24 Internal Audit reports were produced on the following subjects and made available to the Audit and Risk Assurance Committee:

Quarter 2: City and Growth Deals: - *Substantial opinion;*

Quarter 3: Risk Management: - *Substantial opinion;* and

Quarter 4: Net-Zero: - *Substantial opinion*.

Internal Audit uses a four level system for rating levels of assurance provided by its audits. Our Internal Auditors undertook 3 individual audit assignments during the year which all received Substantial assurance ratings, this is the highest rating 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; there is no evidence of a deterioration compared with the last three 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. In conclusion, the Offices' framework of governance, risk management and control is adequate and effective.

External audit is provided by the National Audit Office on behalf of the Comptroller and Auditor General. This is the sixth 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.

Government Functional Standards

The Scotland Office has reviewed its compliance with applicable Government Functional Standards. This review has shown that we are compliant with the minimum requirements.

The Comptroller and Auditor General's certificate and report on these accounts is at Page 70. I am very grateful to his staff for the advice they have given to the Offices and to the Audit and Risk Assurance Committee throughout the year. In addition to these departmental accounts the National Audit Office also audited the National Loans Fund accounts 2023-24.

Propriety and Assurance

In the Scotland Office, the Office of the Advocate General, and the Boundary Commission for Scotland, during 2023-24, 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 2023-24 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, The Scotland Office and Accounting Officer for the
Scotland Office and OAG

24 July 2024

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

Composition

The 2023-24 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" or "the JMB"). Lord Offord left the department on the 9 February and was replaced by Lord Cameron as the PUSofS for Scotland on the 9 February 2024. Laurence Rockey - SO Director took a period of Shared Parental Leave from March to August 2023 during which time Lyn McDonald became temporary SO Director and joint Accounting Officer for the SO and OAG.

I also took the decision that, following the calling of a General Election on the 4 July, that I should not seek an extension to my tenure as the Offices' Lead Non-Executive Board Member. I stood down from the Board as Lead Non-Executive Director from the 18 June 2024. I would like to place on the record my sincere thanks and appreciation to the Secretary of State for Scotland, the Advocate General, Scotland Office Ministerial Team and Scotland Office and OAG officials for their support and professionalism they have all shown to me during my time as Lead NED. I wish them all the best for the future.

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

Quality

The logistics of meetings and communications were well managed with effective support from the Board Secretariat, with meetings of the JMB and its sub-committees, as well as a number of meetings between senior leadership teams and Board members. The Secretary of State as Chair encouraged contribution and challenge from all Board Members and from individuals invited to present papers to the Board. The Lead NED also attended various sessions with members of the Scotland Office SLT to discuss the strategy and risks to the delivery of the Scotland Office Outcome Delivery Plan.[2]

Departmental Involvement of Non-Executive Directors (NEDs)

The major focus in the current year for NEDs continued to be supporting officials in relation to maintaining Scotland at the centre of UK Government work and enhancing devolution capability across the UK Government.

Non-Executive Directors added significant value and input into the operational and corporate elements of the Offices' governance. The NEDs supported the process to secure the best possible outcome for the Offices' from the HMT Spending Review process and Supplementary Estimates reserve claim bid with advice and challenge on the approach to handling of the additional and unanticipated legal costs for the constitutional legal cases that the Scotland Office and OAG co–ordinated the UK Government's response to, across Whitehall. The NEDs in particular provided advice on the Offices' approach and submissions to HM Treasury. This was a regular item

[2] The Outcome Delivery Plan framework was introduced across government in 2020-21 and UK Government departments have reported against this performance management framework since 2021-22

of discussion at the NED and Offices' Directors' monthly meetings. The NEDs advice and challenge on the Offices' handling of this financial event helped to secure the best possible funding settlement for the ongoing successful delivery of the Offices' business plans up until 2025.

The Offices' NEDs have continued to support the Scotland Office and OAG outside formal Board meetings, to encourage continued focus on priorities including: the development of the Scotland Office Outcome Delivery Plan; workforce planning; resourcing and resilience; and the Scotland Office Communications Strategy; and the targeting of key messages at the right stakeholder groups and the nature of the measurement of success in targeting the right audiences with the UK Government's messages. The NEDs also supported and mentored the following policy areas and work streams over the 2023-24 reporting year:

- 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; Whistleblowing; and third sector champion.
- Stuart Patrick: ARAC Chair; Member of the OAG JMB sub-board; lead NED on Net-Zero and regional infrastructure; and member of the cross-UK Government NED Net-Zero Network.

As Lead NED, Tom Harris attended 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, as the Scotland Office Lead NED on the Union, attended the UK Government Union NED Network. This is chaired by DLUHC and its remit is to champion the UK Government's policy on the Union at Board level in every Whitehall department. This network supports the work of the Union Senior Responsible Officers' Network. Senior level UK Government officials who are tasked with responsibility for the Union in their departments, meet to discuss devolution capability and areas of shared interest from their departmental policy perspective, in order to reflect the devolution settlements across the whole of the UK in the work that their department is taking forward.

In order to enhance the work of the NEDs across the Offices in 2023-24, the JMB Secretariat worked with the NEDs to continue to embed the NED Engagement Action Plan. This used as the framework the central guidance - the Cabinet Office Corporate Governance Code on the roles and responsibilities of NEDs on UK Government Boards to frame an action plan which targeted each of the NEDs skill sets to support the work of the Offices. This covered the following areas:

- Internal Engagement across both the Scotland Office and OAG
- Whitehall Networks and Portfolios
- Stakeholder Strategy

- Key Policy Areas/Major Projects where NEDs could be assigned to support teams and produce reports for Ministers.

The SO SLT are now taking forward the action plan and the monthly Corporate SLT meetings review progress.

This will continue to 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.

Conclusion

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.

Plans for the continued and ongoing development of the role of NEDs are being implemented with the NED Engagement Action Plan, with a view to ensuring that skills and expertise of the Non-Executive Directors continue to be fully utilised.

Tom Harris
Lead Non-Executive Director (up to the 18 June 2024)
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 2023-24 from the Chair of the Committee

Introduction

This annual report of the Audit and Risk Assurance Committee ("the Committee" or "ARAC") covers the 2023-24 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. This report provides a brief summary of the main activities of the Committee and the main issues it has addressed.

The Committee is satisfied that the systems in place in the Offices over 2023-24 in relation to governance, risk and financial management were in general appropriate and fit for purpose.

Membership, Attendance and Reporting

The Committee is Chaired by Stuart Patrick, a Non-Executive Member of the Committee. In addition, there are two external Committee Members, Rachel Grant and Dermot Grenham.

Routinely in attendance at each meeting are: the Accounting Officer and Director of the Scotland Office; Director of the Office of the Advocate General; the Scotland Office, OAG and Wales Office 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 Committee reports its work to the JMB through updates provided at meetings of the JMB by the ARAC Chair and the Accounting Officer. These update reports form part of the Non-Executive Directors' update reports to the JMB. This is in addition to the minutes of the previous meeting of the ARAC tabled on the JMB agenda.

Main Issues

The Audit and Risk Assurance Committee for the Scotland Office and OAG met 3 times from 1 April 2023 - 31 March 2024 to carry out its main business: October and June 2023 and January 2024.

These meetings have continued to follow the ARAC Work Plan approved by the Joint Management Board which reflects and complies with the requirements for Audit

Committees across the UK Government which are set out in the HMT ARAC Handbook. The Committee's Terms of Reference and Annual Work Plan were reviewed by the Committee on an annual basis, and at each meeting of the Committee respectively, 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 and progress on management actions from internal audit reviews;
- Updates on external audit progress and issues;
- Risk reports and key risks reported on for each Office;
- Reviews of key risks; and
- Updates as required on proprietary issues.

Risk Management Report

The ARAC has paid particular attention to the evolution of the SO/OAG approach to risk management. Most recently this has involved supporting the Offices' Senior Leadership Teams in putting in place a Risk Appetite and Tolerance Policy. That policy helps to embed a risk management framework making it explicit where the JMB has agreed different levels of risk tolerance according to the issues.

This gives assurance to the Board that SO and OAG Management are taking decisions within their levels of agreed risk appetite and tolerance - and where not - that the JMB has oversight and approval of any deviation from that agreement.

Both the Scotland Office and OAG have also improved and enhanced the mechanisms of reporting up of risk throughout both organisations. This has taken the form of new risk reports that the SO and OAG Directors submit to ARAC each Quarter reporting on SLT decisions in the SO and OAG risk landscapes and which supports the ARAC Chair's report to the JMB each Quarter. This should provide more effective and enhanced reporting from ARAC to the JMB and an enhanced awareness of the Board to the risks that the Scotland Office and OAG are facing in the delivery of its Priority Outcomes and strategic objectives.

OAG has adopted a Risk Appetite and Tolerance Policy and the OAG Risk Register reflects the level of risk appetite against the relevant risk category on the risk register. This now aligns both the SO and OAG in the application and assessment of risk.

In its work with both internal audit and external audit providers over the last reporting year, the Audit and Risk Assurance Committee has sought to support the Accounting Officer and JMB to formulate their assurance needs, and then consider how well these assurances actually meet the needs and requirements of the Offices, by gauging the extent to which assurance on the management of risk is comprehensive and reliable.

During the 2023-24 reporting year, the Scotland Office and OAG identified and mitigated risks related to the core delivery of the OAG Objectives and the Scotland Office's

Priority Outcomes.[3] This was in addition to managing other significant and competing priorities and risks to delivery across both Offices.

The mitigating actions which the Committee reviewed or provided, included:

- Resourcing levels were met and sustained;
- The Offices put forward the best possible business cases to HM Treasury to secure the budget required, as part of the Spending Review, Supplementary Estimate to deliver on the Priority Outcomes in their business plans;
- Appropriate and effective governance arrangements are in place to allow the Offices' Senior Leadership Teams and the JMB to discharge their leadership and executive functions.
- Effective risk management policies and processes are in place to mitigate risks to delivery of the Offices' business plans and to report to the JMB at each meeting of the Board on the work of the Committee.
- The provision of appropriate levels of assurance to the JMB and Accounting Officer on key systems of control which underpin the effective operation of the Offices.

Going forward into 2024-25, the Scotland Office considers the following to be the principal risks to delivery of the department's Priority Outcomes:

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

External Influences

The key external influences on delivering the Scotland Office's Priority Outcomes include the effects of global economic pressures (including inflation) on the delivery of regional and local growth programmes.

Opportunities and Threats

Delivery of the Scotland Office 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; and
- A resurgence of a COVID 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. The Scotland Office is focused on working to minimise these threats and maximise the opportunities.

[3] – 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.

Annual Report and Accounts and External Audit

The Committee undertook a review of the draft Annual Report and Accounts with a particular focus on key judgements, accounting policies and the Governance Statement.The Committee discussed the findings of this review with those charged with governance in the Scotland Office and OAG. The Committee was satisfied with the explanations it received with regard to the financial statements and the Governance Statement 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 (EY).

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 2023-24, GIAA conducted three internal audits and all reports were reviewed by the Committee, which also followed up recommendations made and agreed to by management in action plans.

During 2023-24 Internal Audit reports were produced on the following subjects and made available to the Committee:

- **Quarter 2:** City and Growth Deals: - Substantial opinion;
- **Quarter 3:** Risk Management: - Substantial opinion; and
- **Quarter 4:** Net-Zero: - Substantial opinion.

The Committee reviewed the Head of Internal Audit's Annual Report and noted the overall evaluation for 2023-24 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 three-years of internal audit by the GIAA.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. In conclusion, the Offices' framework of governance, risk management and control is adequate and effective.

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 GIAA three-year Internal Audit Plan gives assurance that key controls are generally operating effectively.

The ARAC received reports at each of its Committee meetings in 2023-24 from the Government Internal Audit Agency covering delivery of the SO and OAG Internal Audit Plan. The Scotland Office and OAG continue to comply with the GIAA minimum sized audit plans for UK Government departments. The Committee regularly reviews the Offices' Internal Audit Plan to ensure this continues to be relevant against the Offices' risk landscape and is providing the SO Accounting Officer and the ARAC with an opinion of the adequacy and effectiveness of the systems of control within the Scotland Office and OAG.

The Committee meets with the GIAA outside of the formal ARAC meetings, on an annual basis, to review the current SO/OAG Internal Audit Plan and to discuss the proposals for the areas to be audited over the coming reporting year. This helps maintain the important synergy between the the role of ARAC and Internal Audit and to ensure the Committee supports the GIAA in its production of the GIAA Annual Opinion for the Governance Chapter in the SO/OAG Annual Report.

At the Committee meeting on the 28 March 2023, the Committee approved the GIAA three-year Scotland Office and OAG Internal Audit Plan, with a particular focus on the systems of control to be audited in 2023-24. The plan provides for coverage of three key risk areas per year with 35 days of audit coverage per annum. The Offices' three-year Internal Audit Plan is approved and signed off by the Head of Internal Audit at the GIAA to demonstrate that the audit plan provides sufficient assurances on key systems of control over this timeframe, whilst implementing a proportionate response for smaller organisations to the GIAA's minimum sized audit plans.

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 that reviews the NAO and Ernst and Young 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 of the Committee.

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 2023-24 reporting year, the GIAA made a total of 8 recommendations to management over the three internal audits [In comparison with 11 in 2022-23]. Out of these recommendations 6 are currently outstanding - with recommendations due for Implementation by the end of 2024.

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 and supports the Governance Statement and the integrity of the Annual Report and Accounts.

The Committee also considers that 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

360 degree appraisals of the ARAC Members were conducted in September 2023.

Committee Members were asked to complete checklists and asked to nominate an external ARAC Member; an executive ARAC Member [for example internal or external audit] and themselves completed the checklist.

The appraisal checklists were based on the core good practice principles set out in the 2017 National Audit Office's Effectiveness Evaluation Checklist:

- *Risk Management:* Contributions towards setting the risk appetite for ARAC and demonstrating good risk management.
- *Supporting the Accounting Officer.*
- *Financial Reporting:* Evidence of contributions and assurance provided to the Accounting Officer on adequacy of financial systems; understanding of the reliability and effectiveness of internal and external auditing. Understanding of Government accounting and processes for reporting accounts for year-end.
- *Effectiveness:* Demonstrates a wide range of relevant experience, including rigorous challenge.
- Identifying and creating an action plan for any development needs.

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 Committee ensures that the recommendations made following the previous Committee Effectiveness evaluation review continue to be embedded. These recommendations related to:

1. Membership, Independence, Objectivity and Understanding
2. The Role and Scope of the Committee; and
3. Communication and Reporting.

Throughout 2023-24, the Committee continued to: record its oversight of the Scotland Offices' Arms-Length Body, The Boundary Commission for Scotland; ensure the Joint Management Board officially approved the work of the Offices' ARAC by approving the Committee's Annual Work Plan; tabled a quarterly report detailing the work and reporting on risk management and levels of assurance across key systems of controls in the SO and OAG in the ARAC Chair's Report to the JMB. The ARAC Chair spoke to this paper at each meeting of the Board, officially capturing the Committee's oversight of counter-fraud and cyber-security risk work. In 2024-25, the Committee will look at how to communicate its work and that of its Members to the wider Scotland Office and OAG.

Committee Matters

As ARAC Chair, I continue to participate in cross-Government networks, including the UK Government ARAC Chair's Network. This allows for the sharing of best practice across government ARACs, and to explore solutions and approaches to shared issues that audit committees and departments are experiencing across government - such as the rise in cost of external audit services.

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.

Stuart Patrick
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 .

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 .

Ministers' salaries and pension entitlements

This section and the related tables 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 £86,584 (from 1 April 2023) 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 2023-24 or 2022-23.

Remuneration (salary, and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000)[1]		Total (to nearest £1,000)[1]	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Rt Hon Alister Jack MP Secretary of State for Scotland	67,505	67,505	18,000	19,000	86,000	87,000
JR Lamont MP Parliamentary Under Secretary of State for Scotland (from 28 October 2022) [2]	22,375	9,624	6,000	2,000	28,000	12,000
David Duguid MP Parliamentary Under Secretary of State for Scotland (from 20th September 2022 to 27 October 2022) [4]	n/a	8,015	n/a	nil	n/a	8,000
Iain Stewart MP Parliamentary Under Secretary of State for Scotland (to 8 September 2022) [3]	n/a	15,351	n/a	2,000	n/a	17,000
Lord Cameron of Lochiel Parliamentary Under Secretary of State for Scotland (from 9 February 2024) [5]	5,225	n/a	n/a	n/a	5,000	n/a
Lord Offord Parliamentary Under Secretary of State for Scotland to 1st March 2024 [4]	n/a	n/a	n/a	n/a	n/a	n/a
The Rt Hon The Lord Stewart of Dirleton KC, Advocate General for Scotland [6]	131,138	131,138	25,000	27,000	157,000	158,000

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. Full year equivalent £22,375
3. Includes severance payment of £5,593. Full year equivalent £22,375
4. Unpaid by the SO.
5. This includes the House of Lords Office Holders Allowance of £36,366
6. This includes the House of Lords Office Holders Allowance of £36,366

Pension Benefits

Ministers	Accrued Pension at age 65 as at 31 March 2024	Real increase in pension at age 65	CETV at 31 March 2024	CETV at 31 March 2023	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	90	62	15
JR Lamont MP Parliamentary Under Secretary of State for Scotland (from 27 October 2022) [2]	0-5	0-2.5	9	2	4
David Duguid MP Parliamentary Under Secretary of State for Scotland (from 20th September 2022 to 27 October 2022)	n/a	n/a	n/a	n/a	n/a
Iain Stewart MP Parliamentary Under Secretary of State for Scotland (to 8 September 2022) [2]	n/a	n/a	n/a	20	n/a
Lord Cameron of Lochiel Parliamentary Under Secretary of State for Scotland (from 9 February 2024)	n/a	n/a	n/a	n/a	n/a
Lord Offord Parliamentary Under Secretary of State for Scotland to 1st March 2024 [4]	n/a	n/a	n/a	n/a	n/a
The Rt Hon The Lord Stewart of Dirleton KC, Advocate General for Scotland	5-10	0-2.5	117	79	20

*** The 'CETV at the Start Date' figure is different to the figure disclosed in the previous year's accounts for the end date on the 2022/23 annex return. This is due to a change in the factors used in part of the calculation since the previous figures were run.

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%20 MINISTERIAL%20S CHEME%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 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 2023-24 relate to performance in 2022-23 and the comparative bonuses reported for 2022-23 relate to performance in 2021-22.

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)(2)		Pension benefits (to nearest £1000)(1)		Total (£'000)	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Laurence Rockey Scotland Office Director and Accounting Officer (from 23 August 2023) (2)(4)	105-110	105-110	10-15	Nil	9,600	11,000	***	41,000	125-130	155-160
Lyn McDonald Scotland Office (Temporary) Director and Accounting Officer (to 22 August 2023) (3)(4)	55-60	Nil	Nil	Nil	Nil	Nil	***	Nil	55-60	Nil
Neil Taylor Office of the Advocate General Director (4)	110-115	105-110	Nil	Nil	Nil	Nil	***	1,000	110-115	105-110

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. Lyn McDonald on loan from the Cabinet Office. FTE equivalent £105-£110k
4. Accrued pension benefits for directors are not included in this table for 2023/24 due to an exceptional delay in the calculation of these figures following the application of the public service pensions remedy.

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)	
	2023-24	2022-23	2023-24	2022-23
Tom Harris Lead Non-Executive Director	0-5	0-5	0-5	0-5
Stuart Patrick Chair of the Audit and Risk Assurance Committee and Non-Executive Director (1)	0-5	Nil	0-5	Nil
Rachel Grant Non-Executive Director	0-5	Nil	0-5	Nil
Dermot Grenham Non-Executive Director	0-5	Nil	0-5	Nil
Martin Dorchester Non-Executive Director	0-5	0-5	0-5	0-5

Stuart Patrick waived his salary in 2022-23.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2024	Real increase in pension and related lump sum at pension age at 31 March 2024	CETV at 31 March 2024	CETV at 31 March 2023	Real increase/ decrease in CETV
	£'000	£'000	£'000	£'000	£'000
Laurence Rockey Scotland Office Director and Accounting Officer (from 23 August 2023) (1)	***	***	***	180	***
Lyn McDonald Scotland Office (Temporary) Director and Accounting Officer (to 22 August 2023) (1)	***	***	***	***	***
Neil Taylor Office of the Advocate General Director (1)	***	***	***	769	***

Notes to the table:
(1) Accrued pension benefits for directors are not included in this table for 2023/24 due to an exceptional delay in the calculation of these figures following the application of the public service pensions remedy.

* Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

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

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 2023-24 was £125-130k (2022-23, £115-120k). This was 2.2 times (2022-23, 2.2 times) the median remuneration of the workforce was £58.0k (2022-23, £52.2k). The salary component of the median was £58.0k. The increase in pay multiple is due to above average pay awards.

In 2023-24, no employees (2022-23, nil) received remuneration in excess of the highest paid Director. Remuneration ranged from £22.0k to £129.1k (2022-23, £22.1k to £115.3k).

There was a 12% percentage change in the highest paid director's salary and allowance (2022-23, nil). There was a 100% percentage change in performance pay and bonuses paid to the highest paid director (2022-23, nil).

The implementation of the Department's pay award in 2023-24 increased average staff remuneration. The ratio between the highest paid Directors' remuneration and the staff lower quartile and upper quartile remained the same. Staff median pay increased at a higher rate than the banded remuneration of the highest paid director, leading to no change 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 10% and the percentage change in performance pay and bonuses payable was (13%).

The ratio between the highest paid director's remuneration and the pay and benefits of the employee on the 25th percentile and 75th 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 £40.9k (the salary component of this was £40.9k) and the upper quartile remuneration (representing the 75th percentile of the linear distribution) was £69.8k (the salary component of this was £69.8k).

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.

	2023-24	2022-23
Band of highest paid board member's total remuneration (£000)	125-130	115–120
Median remuneration (£000)	58.0	52.2
Ratio	2.2	2.2
25th percentile remuneration (£000)	40.9	36.4
Ratio	3.2	3.2
75th percentile remuneration (£000)	69.8	63.2
Ratio	1.8	1.8

Compensation for loss of office (Subject to audit)

No staff left the Office under Voluntary Exit terms in 2023-24 or 2022-23.

Ministers (Subject to audit)

There were no severance payments in 2023-24. In 2022-23 there was one severance payment of £5,593 made payable to Minister Iain Stewart MP who left the office on the 8th of September 2022.

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 2023-24 is shown in the following table:

	2023-24					2022-23
	£000					
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries	-	8,697	226	-	**8,923**	**7,911**
Social security costs	-	910	28	-	**938**	**817**
Other pension costs	-	2,154	-	-	**2,154**	**1,798**
Total	**-**	**11,761**	**254**	**-**	**12,015**	**10,526**

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
	2023-24		2022-23	
	£000		£000	
Core Department	11,794	-	10,320	-
Other Designated Bodies	-	221	-	206

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit scheme but the SO is unable to identify its share of the underlying assets and liabilities.The Scheme Actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation .

For 2023-24, employers' pension contributions of £2,154k (2022-23: £1,798k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2022-23: 26.6% to 30.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2022-23: £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% (2022-23: 8.0% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £0k 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £0k. Contributions prepaid at that date were £0k.

Staff Numbers (subject to audit)

	2023-24					2022-23
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Scotland Office	-	80	3	4	**87**	**85**
Office of the Advocate General	-	50	1	-	**51**	**50**
Boundary Commission	-	3	-	-	**3**	**3**
Total	**-**	**133**	**4**	**4**	**141**	**138**

The department had 4 special advisers in post at the 31 March 2024.

Staffing Levels

The actual number of staff in post at 31 March 2024 in the Scotland Office totalled 81, of which 48% were based in Edinburgh and 52% in London. OAG had 48 staff in post on 31 March 2024, 92% of which were based in Edinburgh and 8% in London.

The department had a staff complement of 74 (SO) and 49 (OAG) , totalling 123 staff at the beginning of the 2023-24 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 90% in staffing levels across the year.

Month	Apr -23	May -23	Jun -23	Jul -23	Aug -23	Sep -23	Oct -23	Nov -23	Dec -23	Jan -24	Feb -24	Mar -24
Vacancy Rate %	9%	9%	10%	12%	13%	11%	9%	9%	11%	9%	11%	8%

The annual turnover of staff is estimated at around 24% SO (22 leavers vs 90 complement) and 24% OAG (13 leavers vs 55 complement), Total Department SO/OAG combined 24% (35 leavers vs 145 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 2023-24 or 2022-23.

Senior Civil Service

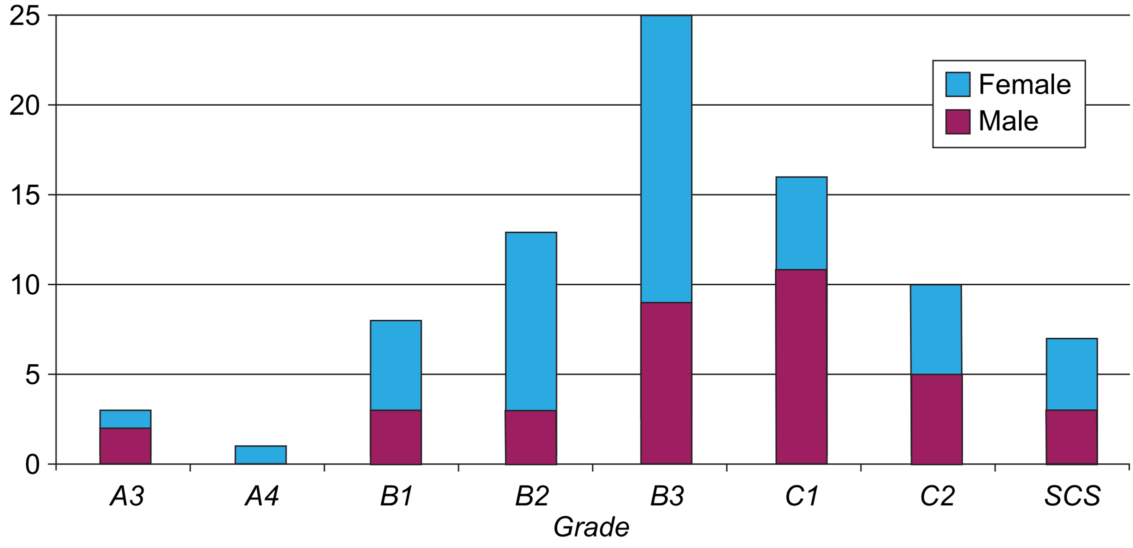
At 31st of March 2024 there were six senior civil service posts in the SO and five posts in the OAG.

	2023-24		2022-23	
	Pay Band 1	Pay Band 2	Pay Band 1	Pay Band 2
SO	5	1	5	1
OAG	4	1	4	1

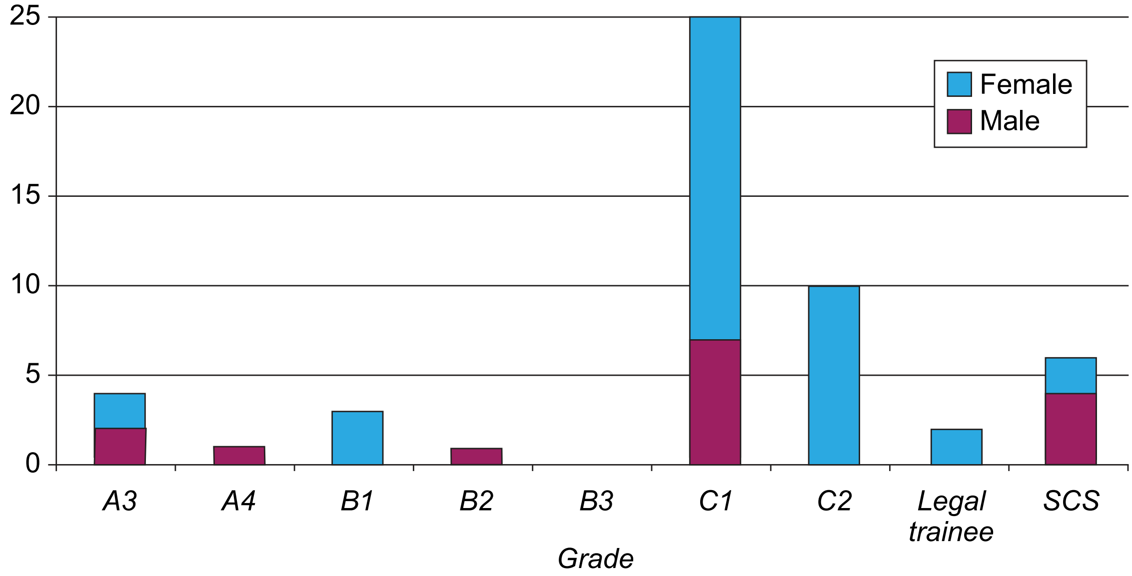
Diversity

Women make up 57% of staff in the SO and 71% of staff in OAG. The following charts show the number of women and men in each grade in the two Offices.

Scotland Office



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 2023-24 was 1.78 days (3.96 days in 2022-23).

Spend on Consultancy and Temporary Staff

The SO and OAG had no spend on consultancy in 2023-24 (nil in 2022-23). 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 2023-24 was £254,712 (2022-23 £320,560).

Off Payroll Appointments

In 2023-24 the SO had no off payroll appointments for more than £245 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 63%.

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

24 July 2024

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 Scotland Office 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 cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

Summary table 2023-24, all figures presented in £000

		Outturn			Estimate			Outturn v's Estimate, saving / (excess)		Prior Year Outturn Total 2022-23
	SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental Expenditure Limit										
- Resource	1.1	**13,684**		**13,684**	14,222		**14,222**	538	538	**12,686**
- Capital	1.2	**25**		**25**	450		**450**	425	425	**35**
Total		**13,709**		**13,709**	**14,672**		**14,672**	963	963	**12,721**
Total Budget										
- Resource	1.1	**13,684**		**13,684**	**14,222**		**14,222**	**538**	**538**	**12,686**
- Capital	1.2	**25**		**25**	**450**		**450**	**425**	**425**	**35**
Total Budget Expenditure		**13,709**		**13,709**	**14,672**		**14,672**	**963**	**963**	**12,721**
Non-Budget Expenditure	1.1	**45,957,113**		**45,957,113**	46,525,189		**46,525,189**	568,076	568,076	**42,352,198**
Total		**45,970,822**		**45,970,822**	**46,539,861**		**46,539,861**	**569,039**	**569,039**	**42,364,919**

Net Cash Requirement 2023-24, all figures presented in £000

Item	*SOPS Note*	Outturn	Estimate	Outturn v's Estimate, saving / (excess)	Prior Year Outturn Total 2022-23
Net Cash Requirement	2	**45,970,767**	**46,539,633**	**568,866**	**42,363,969**

Administration costs 2023-24, all figures presented in £000

Type of Spend	*SOPS Note*	Outturn	Estimate	Outturn v's Estimate, saving / (excess)	Outturn
Administration Costs	1.1	**13,382**	**13,810**	**428**	**12,402**

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 administation budget will also result in an excess vote.

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

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate as an introduction to the SOPS disclosures.

Notes to the Statement of Outturn against Parliamentary Supply 2023-24 (£000's)

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of resource outturn by Estimate line

	Resource Outturn							Estimate			Variance	Prior Year Outturn Total 2022-23
	Administration			Programme								
	Gross	Income	Net Total	Gross	Income	Net Total	Total	Total	Virements	Total Including Virements	Net total compared to Estimate	Total
Spending in Departmental Expenditure Limits (DEL)												
Voted Expenditure												
A Scotland Office & Office of the Advocate General	16,739	3,357	13,382		-	-	**13,382**	**13,810**	-	13,810	428	12,402
B Boundary Commission for Scotland		-	-	302	-	302	**302**	**412**	-	412	110	284
Total Voted Expenditure in DEL	**16,739**	**3,357**	**13,382**	**302**	**-**	**302**	**13,684**	**14,222**	**-**	**14,222**	**538**	**12,686**
Non-Budget												
Voted Expenditure												
D Grant Payable to the Scottish Consolidated Fund	-	-	-	30,564,563	-	30,564,563	**30,564,563**	**31,132,634**	-	31,132,634	568,071	28,532,513
E Payover of Scottish Rate of Income Tax to Scottish Consolidated Fund	-	-	-	15,392,550	-	15,392,550	**15,392,550**	**15,392,555**	-	15,392,555	5	13,819,685
Total Non-Budget	**-**	**-**	**-**	**45,957,113**	**-**	**45,957,113**	**45,957,113**	**46,525,189**	**-**	**46,525,189**	**568,076**	**42,352,198**
Total for Estimate	**16,739**	**3,357**	**13,382**	**45,957,415**	**-**	**45,957,415**	**45,970,797**	**46,539,411**	**-**	**46,539,411**	**568,614**	**42,364,884**

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

SOPS 1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn v's Estimate, saving / (excess)	Prior Year OutturnTotal 2022-23
	Gross	Income	Net Total	Net	Virements	Total including virements		
Spending in Departmental Expenditure Limit (DEL)								
Voted expenditure								
A Scotland Office & Office of the Advocate General	25	0	25	450	0	450	425	35
Total Voted Expenditure in DEL	**25**	**0**	**25**	**450**	**0**	**450**	**425**	**35**
Total	**25**	**0**	**25**	**450**	**0**	**450**	**425**	**35**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Manual available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 2. Reconciliation of 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
Resource Outturn	SOPS	45,970,797	46,539,412	568,615
Capital Outturn	SOPS 1.2	25	450	425
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Depreciation		(585)	(595)	(10)
Other non-cash items		(79)	(63)	16
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		(115)	0	115
Increase/(decrease) in Payables		296	0	(296)
increase/(decrease) in creditors [1]		428	429	1
Total		**45,970,767**	**46,539,633**	**568,866**
Removal of non-budget items:				
Consolidated Fund Standing Services		-	-	-
Net Cash Requirement		**45,970,767**	**46,539,633**	**568,866**

[1] As reflected in the Supplementary Estimate

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

SOPS 4. Income Payable to the Consolidated Fund

SOPS 4.1 Analysis Income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund.(cash receipts being shown in italics).

Item Reference	Outturn		Prior Year 2022-23	
	Accruals	Cash Basis	Accruals	Cash Basis
Income outside the ambit of the Estimate	-	-	-	-
Total Income payable to the Consolidated Fund	**-**	**-**	**-**	**-**

SOPS 4.2 Consolidated Fund Income

Consolidated Fund income shown in note 4.1 does not include any amounts collected by the Scotland Office where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

Income collected by the Scottish Government and due to the Consolidated Fund is shown in the table below.

Item	Outturn total	Prior Year Outturn Total 2022-23
Fines and penalties	471	-
Amount payable to the Consolidated Fund	**471**	**-**
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	338	-
Balance held on trust at the end of the year	133	-
The total income paid into the Consolidated Fund as at 31st March 2023 and 31 March 2024 were:		
Income from 2022-23	-	-
Income from 2023-24	338	-

Parliamentary Accountability Disclosures

This information has been subject to audit.

Regularity of Expenditure

We are custodian of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with HM Treasury's Managing Public Money. The disclosures made within the Parliamentary Accountability and Audit Report are indicative of this.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in Managing Public Money.

The manner in which the Accounting Officer and the wider department discharges its responsibilities in the administration of public resources are detailed within the Statement of Accounting Officer Responsibilities and the Governance Statement

Losses and Special Payments

There were no losses or special payments that require disclosure because of their size or nature in 2023-24 (nil 2022-23).

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 2023-24 (Nil 2022-23). The full costs of our operating segments are disclosed in Note 2.

Notation of Gifts

There were no gifts made over the limits prescribed in Managing Public Money and in 2023-24 (2022-23: nil).

Remote Contingent Liabilities

There were no remote contingent liabilities in 2023-24 (nil in 2022-23).

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

24 July 2024

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 (‘the Department’) for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000. The financial statements comprise the Department’s:

- Statement of Financial Position as at 31 March 2024;
- 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 2024 and its net operating 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 2024 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 Bodies in the United Kingdom (2022). 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 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 is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 issued 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 issued 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 Department and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- adequate accounting records have not been kept by the Department or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 is 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department’s accounting policies.
- inquired 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 on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of 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, the Scotland Act 1998, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2023.
- inquired of management, the Department’s head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with 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 and expenditure recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department's framework of authority and other legal and regulatory frameworks in which the Department operates. I focused 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, the Scotland Act 1998, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2023, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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 communicated relevant identified laws and regulations and potential risks of fraud 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 . 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 required to obtain sufficient appropriate audit evidence 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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **24 July 2024**
Comptroller and Auditor General

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 2024

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.

	Note	2023-24 £000	2022-23 £000
Revenue from contracts with customers	4	(2,275)	(2,063)
Other operating income	4	(1,082)	(1,254)
Total operating income		**(3,357)**	**(3,317)**
Staff Costs	3	12,015	10,526
Purchase of goods and services	3	4,392	4,817
Depreciation and impairment charges	3	585	607
Finance charges	3	49	53
Grant to the Scottish Consolidated Fund	3	30,564,563	28,532,513
Payover of Scottish Rate of Income Tax to Scottish Government	3	15,392,550	13,819,685
Total operating expenditure		**45,974,154**	**42,368,201**
NLF interest receivable		(56,435)	(49,925)
NLF interest payable		56,435	49,925
Net expenditure for the year		**45,970,797**	**42,364,884**
Other Comprehensive Net Expenditure		-	-
Net (gain) loss on revaluation of property, plant and equipment		-	-
Comprehensive net expenditure for the year		**45,970,797**	**42,364,884**

The notes on pages 80 to 95 form part of these accounts.

Statement of Financial Position as at 31 March 2024

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.

	Note	31 March 2024 £000	31 March 2023 £000
Non-current assets:			
Property, plant and equipment	5	277	359
Intangible assets	6	39	66
Right of use assets	7	5,183	5,634
Financial assets (NLF)	9	2,312,261	2,192,255
Total non-current assets		**2,317,760**	**2,198,314**
Current Assets:			
Trade and other receivables	11	332	447
NLF receivables	11	294,184	290,648
Cash and cash equivalents	10	246	164
Total current assets		**294,762**	**291,259**
Total Assets		**2,612,522**	**2,489,573**
Current liabilities			
Trade and other payables	12	(3,561)	(3,904)
NLF payables	12	(294,184)	(290,648)
Total current liabilities		**(297,745)**	**(294,552)**
Non-current assets plus/less net current assets/liabilities		**2,314,777**	**2,195,021**
Non-current liabilities			
Lease obligations	12	(4,800)	(5,232)
Other payables (NLF)	12	(2,312,261)	(2,192,255)
Total non-current liabilities		**(2,317,061)**	**(2,197,487)**
Assets less liabilities		**(2,284)**	**(2,466)**
Taxpayers' Equity and other reserves			
General fund		(2,290)	(2,472)
Revaluation Reserve		6	6
Total equity		**(2,284)**	**(2,466)**

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

24 July 2024

The notes on pages 80 to 95 form part of these accounts.

Statement of Cash Flows for the Period Ended 31 March 2024

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	2023-24 £000	2022-23 £000
Cash flows from operating activities			
Net operating cost	SOCNE	(45,970,797)	(42,364,884)
Adjustments for non-cash transactions	3	664	670
(Increase)/Decrease in trade and other receivables	11	(123,428)	(175,691)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure (1)	11	123,543	176,010
Increase/(Decrease) in trade payables	12	122,900	182,211
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure (1)	12	(123,329)	(181,819)
Net cash outflow from operating activities		**(45,970,447)**	**(42,363,503)**
Cash flows from investing activities			
Purchase of Plant & Machinery and Fixtures and Furnishings	5	(25)	(35)
(Repayments) from other bodies (interest)		(56,435)	(49,925)
(Repayments) from other bodies (capital)	8	(281,083)	(171,389)
Loans to Scottish Government		(404,000)	(347,000)
Net cash outflow from investing activities		**(741,543)**	**(568,349)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - Current Year (2)	3	45,970,849	42,364,123
From the Consolidated Fund (Non-supply)		-	-
Advance from the Contingencies Fund		703,711	2,813,000
Repayment of advance from the Contingencies Fund		(703,711)	(2,813,000)
Payment of lease liabilities	SOPS 2&3	(477)	(484)
Finance expense on lease liabilities		49	53
Repayment of loans from the National Loans Fund (interest) (3)		56,435	49,925
Repayment of loans from the National Loans Fund (capital) (3)	8	281,083	171,389
Loans received from National Loans Fund		404,000	347,000
Net Cash Inflow from Financing Activities		**46,711,939**	**42,932,006**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	10	**(51)**	**154**
Income payable to the Consolidated Fund	SOPS 4	471	-
Income paid to the Consolidated Fund (4)	SOPS 4	(338)	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**82**	**154**
Cash and cash equivalents at the beginning of the period	10	164	10
Cash and cash equivalents at the end of the period	10	246	164

(1) 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.

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

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

(4) Cash paid over to the Consolidated Fund under any category.

The notes on pages 80 to 95 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2024

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
Balance at 31 March 22	**(1,620)**	**6**	**(1,614)**
Net Parliamentary Funding	42,364,123	-	42,364,123
Deemed Supply (voted)	10	-	10
Deemed Supply (non voted)	-	-	-
Unused election funding	-	-	-
Supply Payable	(164)	-	(164)
CFER transferred to CF	-	-	-
Net expenditure for the year	(42,364,884)	-	(42,364,884)
Auditors Remuneration	63	-	63
Transfer of fixed assets	-	-	-
Other	-	-	-
Balance at 31 March 23	**(2,472)**	**6**	**(2,466)**
Net Parliamentary Funding	45,970,849	-	45,970,849
Deemed Supply (voted)	164	-	164
Deemed Supply (non voted)	-	-	-
Unused election funding	-	-	-
Supply Payable	(246)	-	(246)
CFER transferred to CF	133	-	133
Net expenditure for the year	(45,970,797)	-	(45,970,797)
Auditors Remuneration	79	-	79
Transfer of fixed assets	-	-	-
Balance at 31 March 24	**(2,290)**	**6**	**(2,284)**

The notes on pages 80 to 95 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2024

1a) Statement of Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2023-24 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. These are included within the Parliamentary accountability section in this report.

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

1.2 Going Concern

The accounts for 2023-24 have been prepared on a going concern basis, the period considered to be 12 months from the approval of these accounts to July 2025. 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 2025 will be approved by Parliament in July 2024. For financial year 2025-26 the funding for the Department will be confirmed in the 2024 Comprehensive Spending Review.

Until the 2025-26 funding is approved by Parliament, HM Treasury publishes a "Vote on Account" before Parliament which provides authority for spending on continuing services by departments in the early part of the following financial year (until the legislation authorising the Main Estimates obtains Royal Assent). The amounts required in the Vote on Account are normally a standard 45 per cent of the amounts already voted the corresponding services in the current year, taking account of the Main Estimates and any Revised or Supplementary Estimates already approved by Parliament.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue. For the above reasons it has been 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 where material for the revaluation of property, plant and equipment, and certain financial assets and liabilities.

1.4 Changes in accounting policies

Accounting policies are unchanged compared to those in the 2022-23 financial statements.

1.5 New accounting standards adopted in the year and FREM changes

No new accounting standards have been adopted in these financial statements.

1.6 Applicable accounting standards issued but not yet adopted

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 'Insurance Contracts', which requires reporters to identify insurance contracts, and for those contracts recognise an insurance contract liability. The insurance contract liability is calculated as the present value of future insurance cash flows (the fulfilment cash flows) plus a subsequent risk adjustment. IFRS 17 is to be applied by entities for accounting periods beginning on or after 1 January 2023. The earliest implementation date in the central government is 1 April 2025.

IFRS 17 will have no impact on future Scotland Office and Office of the Advocate General accounts.

1.7 Operating segments

The 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.

1.8. Property, plant and equipment and intangible assets

Valuation basis

Property, plant and equipment assets (PPE) are stated at fair value. On initial recognition PPE assets are measured at cost including any costs directly attributable to bringing them into working condition.

The Office does not have any land and building assets.

Valuation method

Non-property assets are included at cost upon purchase and are restated if material at each reporting date using the Producer Price Index produced by the Office for National Statistics.

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 group 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.
- Assets under construction – Not Depreciated.
- Intangible Assets – 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 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.

1.9 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.

In 2023-24 the SO & OAG did not have any assets under construction.

1.10 Leases

The Office adopted IFRS 16 “leases” from 1st April 2022 in accordance with the FReM.

Initial recognition

At the commencement of a lease, the Office recognises a right of use asset and a lease liability.

Under IFRS 16 the definition of a contract was 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.

Lease liability

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease or, where this is not readily determinable, the department’s incremental rate of borrowing. This rate is advised annually by HM Treasury (0.95% for leases that commenced, transitioned, or were re-measured in the calendar year 2022, 3.5% for those commencing or re-measured in 2023). Measurement of right-of-use assets.

Right of use asset

The right of use asset is measured at the value of the lease liability, adjusted for:

- any lease payments made before the commencement date.
- any lease incentives received.
- any incremental costs of obtaining the lease, and
- any costs of removing the asset and restoring the site at the end of the lease.

However, in accordance with the FReM, where the lease requires nil or nominal consideration (usually referred to as a ‘peppercorn’ lease) the asset will instead be measured at its existing use value, using market prices or rentals for equivalent land and properties, with the difference between the carrying amount of the right of use asset and lease liability treated, upon transition, as notional income.

Subsequent measurement

Right-of-use assets are subsequently measured in line with the class of PPE asset to which the lease relates. The cost model for IFRS 16 is used as a proxy for valuation except where:

- A longer-term contract that has no provisions to assess lease payments for market conditions.
- There is a significant period of time between these assessments.
- The valuation of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The value of the asset is adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described below. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised as expenditure in the CSoCNE.

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, for example where we no longer expect to exercise an option; modifications are changes to the lease contract. Reassessments and modifications are accounted for by either by:

- recalculating the lease term under any new contract terms, taking account of the reasonable certainty or otherwise of exercising an option; or
- applying a new discount rate where applicable.

Expenditure charged to the CSoCNE for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right of use. Lease payments are debited against the liability.

Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of:

- Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates.
- Lease term.

Measurement of lease liability

New leases are measured in the way set out above.

Lessor

When the Office acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the Office makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

The Office recognises lease payments under operating leases as income on a straight-line basis over the length of the lease terms.

The accounting policies applicable to the lessor are largely unchanged by IFRS 16.

1.11 Investments

National Loans Fund (NLF)

Advances from the National Loans Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Scotland to the Registers of Scotland and Scottish Water prior to devolution. With 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 and Financial Liabilities.

1.12 Employee benefits

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 in real terms if material.

1.13 Operating income

Operating income includes income appropriated in aid to offset related expenditure.

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.

1.14 Consolidated Fund Extra Receipts (CFERs)

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

1.15 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.

1.16 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.

The Department did not have any provisions in 2023-24.

1.17 Value Added Tax (VAT)

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

1.18 Financial instruments

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

Financial Assets

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment. Interest is recognised by applying the effective interest rate. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

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

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

The SO & OAG, acting as Sponsor Department, provides a letter of guarantee signed by its Director, to the Treasury Accountant at Her Majesty's Treasury (HMT), standing behind all NLF loans made to the Scottish Government and confirming that the NLF will be repaid in full by the SO & OAG in case of default by the Scottish Government. This effectively means the NLF loans will be repaid from the Departments Estimate

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

Financial Liabilities

Trade and Other payables

Financial liabilities within trade and other payables are recognised at fair value, which is usually the original invoiced amount.

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs.

1.19 Significant accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. There are no reported estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

	2023-24 (£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 Loan Fund	Total
Gross Expenditure	9,749	6,990	302	30,564,563	15,392,550	56,435	46,030,589
Income	-	(3,357)	-	-	-	(56,435)	(59,792)
Net Expenditure	**9,749**	**3,633**	**302**	**30,564,563**	**15,392,550**	**-**	**45,970,797**

	2022-23 (£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 Loan Fund	Total
Gross Expenditure	9,362	6,357	284	28,532,513	13,819,685	49,925	42,418,126
Income	-	(3,317)	-	-	-	(49,925)	(53,242)
Net Expenditure	**9,362**	**3,040**	**284**	**28,532,513**	**13,819,685**	**-**	**42,364,884**

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 Loan Fund

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

Reporting

The Department does not provide segmented balance sheet information to the board.

3.Expenditure

Staff Costs[(1)]

	2023-24 £000	2022-23 £000
Wages and salaries	8,923	7,914
Social security costs	938	815
Other pension costs	2,154	1,797
Sub Total	12,015	10,526
Goods and Services		
Accommodation Costs	1,220	1,859
Legal Costs	1,883	1,576
Travel and Subsistence Costs	582	613
Other Expenditure	628	706
Finance Expense on Lease Liabilities	49	53
Grants		
Grant paid to Scottish Consolidated Fund	30,564,563	28,532,513
Payover of Scottish Rate of Income Tax to Scottish Government	15,392,550	13,819,685
Non-cash items:		
Auditors' remuneration and expenses	79	63
Depreciation and amortisation	585	607
Total Operating Expenditure Costs	**45,974,154**	**42,368,201**

(1) Further analysis of staff costs is located in the Accountability Report (on page 21).

Footnote: The Consolidated Statement of Comprehensive Net Expenditure staff costs figure includes administration and Boundary Commision 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. (2022-23 nil)

4. Income

	2023-24 £000	2022-23 £000
Legal fees and charges to clients	(2,275)	(2,063)
Recovery of legal outlays from other Government Bodies	(1,082)	(1,254)
Total	(3,357)	(3,317)

5. Property, Plant and Equipment

2023-24	Information Technology £000	Plant Machinery & Equipment £000	Furniture & Fittings £000	Total £000
Cost or valuation				
At 1 April 2023	462	128	110	700
Additions	-	25	-	25
At 31 March 2024	**462**	**153**	**110**	**725**
Depreciation				
At 1 April 2023	(199)	(121)	(21)	(341)
Charged in year	(92)	(4)	(11)	(107)
At 31 March 2024	**(291)**	**(125)**	**(32)**	**(448)**
Carrying amount at 31 March 2024	**171**	**28**	**78**	**277**
Carrying amount at 31 March 2023	**263**	**7**	**89**	**359**

All assets are owned by the department

2022-23	Information Technology	Plant Machinery & Equipment	Furniture & Fittings	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**
At 1 April 2022	462	122	81	665
Transfers	-	6	29	35
At 31 March 2023	**462**	**128**	**110**	**700**
Depreciation				
At 1 April 2022	(107)	(92)	(13)	(212)
Charged in year	(92)	(29)	(8)	(129)
At 31 March 2023	**(199)**	**(121)**	**(21)**	**(341)**
Carrying amount at 31 March 2023	**263**	**7**	**89**	**359**
Carrying amount at 31 March 2022	**355**	**30**	**68**	**453**

All assets are owned by the department.

6. Intangible Assets

2023-24	Software licences £000	Total £000
Cost or valuation		
At 1 April 2023	137	137
At 31 March 2024	**137**	**137**
Amortisation		
At 1 April 2023	(71)	(71)
Charged in year	(27)	(27)
At 31 March 2024	**(98)**	**(98)**
Carrying amount at 31 March 2024	**39**	**39**
Carrying amount at 31 March 2023	**66**	**66**

All assets are owned by the department

6a. Intangible Assets

2022-23	Software licences £000	Total £000
Cost or valuation		
At 1 April 2022	137	137
At 31 March 2023	**137**	**137**
Amortisation		
At 1 April 2022	(44)	(44)
Charged in year	(27)	(27)
At 31 March 2023	**(71)**	**(71)**
Carrying amount at 31 March 2023	**66**	**66**
Carrying amount at 31 March 2022	**93**	**93**

All assets are owned by the department

7. Right of Use Leased Assets

2023-24	Buildings £000	Total £000
Cost or valuation		
At 1 April 2023	6,085	6,085
At 31 March 2024	**6,085**	**6,085**
Depreciation		
At 1 April 2023	(451)	(451)
Charged in year	(451)	(451)
At 31 March 2024	**(902)**	**(902)**
Net book value at 31 March 2024	**5,183**	**5,183**
Net book value at 1 April 2023	**5,634**	**5,634**

8. Financial Instruments

8.1 Categories of Financial Instruments

Financial Assets

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

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

9. Investments in Other Public Sector Bodies

	Loans funded from National Loans Fund £000
Cost or valuation	
At 1 April 2022	2,126,338
Adjustment to NLF payable	-
Additions	**347,000**
Loans repayable within 12 months transferred to debtors	(281,083)
Balance at 31 March 2023	**2,192,255**
Additions to Scottish Government	404,000
Loans repayable within 12 months transferred to debtors	(283,994)
Balance at 31 March 2024	**2,312,261**

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 £347,000,000 from the National Loan Fund in 2022-23 (£300,000,000 resource and £47,000,000 capital)

(2) The Scottish Government borrowed a further £404,000,000 from the National Loan Fund in 2023-24 (£104,000,000 resource and £300,000,000 capital)

10. Cash and Cash Equivalents

	2023-24 £000	2022-23 £000
Balance at 1 April 2023	164	10
Net change in cash and cash equivalents	82	154
Balance at 31 March 2024	**246**	**164**
The following balances at 31 March 2024 were held at:		
Government Banking Service	246	164
Balance 31 March 2024	**246**	**164**

11. Trade Receivables Financial and Other Assets

	2023-24 £000	2022-23 £000
Amounts falling due within one year:		
Trade receivables	199	259
VAT	48	80
Prepayments and accrued income	85	108
NLF interest receivables	10,190	9,565
Current part of NLF loan	283,994	281,083
Total	**294,516**	**291,095**

	2023-24 £000	2022-23 £000
Amounts falling due after more than one year:		
NLF loans	2,312,261	2,192,255
Total	**2,312,261**	**2,192,254**

12. Trade Payables and Other Current Liabilities

	2023-24 £000	2022-23 £000
Amounts falling due within one year:		
Trade payables	1	-
Accruals and deferred income	2,882	3,312
Lease obligations	432	428
NLF interest payable	10,190	9,565
Current part of NLF loans	283,994	281,083
Amounts issued from the Consolidated Fund for supply but not spent at year end	246	164
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	133	-
Total	**297,878**	**294,552**

	2023-24 £000	2022-23 £000
Amounts falling due after more than one year:		
Lease obligation > 1 year	4,800	5,232
NLF loans	2,312,261	2,192,255
Total	**2,317,061**	**2,197,487**

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 ISA 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 and Scottish Government who are regarded as related parties.

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

15. Entities within the departmental boundary

The entities within the boundary during 2023–24 were as follows:

List of entities analysed between:

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

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 & Scottish Government 2021-22 to 2024-25

	2021-22 Outturn £'000	2022-23 Plans £'000	2022-23 Outurn £'000	2023-24 Plans £'000	2023-24 Outurn £'000	2024-25 Plans £'000
Scotland Office Expenditure						
Resource expenditure within Administration Costs	11,043	12,922	12,402	13,155	13,382	13,164
Other resource expenditure	505	412	284	413	302	413
Scotland Office Resource (2)	**11,548**	**13,334**	**12,686**	**13,568**	**13,684**	**13,577**
Scotland Office Capital	0	45	35	450	25	50
Scotland Office Resource + Capital DEL (2)	**11,548**	**13,379**	**12,721**	**14,018**	**13,709**	**13,627**
less depreciation & impairments	*(162)*	*(608)*	*(607)*	*(593)*	*(585)*	*(593)*
Scotland Office DEL (3)	**11,386**	**12,771**	**12,114**	**13,425**	**13,124**	**13,034**
Scottish Government Expenditure (The Scottish Block) (6)						
Scottish Government Resource (Before Block Grant Adjustment) (2)	37,471,309	38,117,663	36,987,727	40,131,297	38,858,072	40,459,167
less Block Grant Adjustment	*(8,914,026)*	*(11,173,751)*	*(11,173,751)*	*(11,261,510)*	*(11,261,510)*	*(14,676,993)*
Scottish Government Resource (2)	28,557,283	26,943,912	25,813,976	28,869,787	27,596,562	25,782,174
Scottish Government Capital	5,224,299	6,412,370	6,175,597	6,423,560	5,966,668	5,629,781
Scottish Government Resource + Capital DEL (3) (5)	**33,781,582**	**33,356,282**	**31,989,573**	**35,293,347**	**33,563,230**	**31,411,955**
less depreciation & impairments	*(532,759)*	*(2,087,547)*	*(1,207,524)*	*(2,522,605)*	*(1,411,358)*	*(2,112,858)*
Scottish Government Total DEL(3)(5)	**33,248,823**	**31,268,735**	**30,782,049**	**32,770,742**	**32,151,872**	**29,299,097**

(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 2022-23: Provision & Final Outturn

	Original Provision £million	Final Provision £million	Final Outturn £million
Expenditure Classified as Departmental Expenditure Limit [2]	34,208	33,340	31,990
Expenditure Classified as Annually Managed Expenditure	6,968	7,948	7,384
Expenditure Financed by Scottish Taxes	14,670	14,770	14,780
Expenditure Financed by Borrowing	465	465	347
Fiscal Framework Funding	0	103	298
Repayment of Principal on Loans	(145)	(145)	(160)
Drawdown from the Scotland Reserve	0	699	699
Non Domestic Rates	2,766	2,766	2,766
Total Managed Expenditure	**58,931**	**59,946**	**58,104**
Adjustments to cash requirement			
Non-budgetary cash items	148	924	924
Depreciation and Impairments	(2,807)	(1,942)	(1,267)
Other Cash to accruals adjustments	(8,447)	(8,377)	(7,697)
Non Domestic Rates Income	(2,766)	(2,766)	(2,766)
National Insurance Fund Payments towards Scottish NHS	(4,036)	(3,508)	(3,508)
Income from Scottish Taxes	(14,670)	(14,770)	(14,780)
Repayment of Principal on Loans	145	145	160
Borrowing	(465)	(465)	(347)
Fiscal Framework Funding	0	(103)	(298)
Change to balance held in Scottish Consolidated Fund	0	0	8
Cash Grant payable to Scottish Consolidated Fund by Scotland Office [3]	**26,032**	**29,085**	**28,533**

Notes

(1) Totals may not sum due to rounding.

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

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

Table 3 - Cash grant paid to the Scottish Consolidated Fund 2023-24: Provision and Provisional Outturn

	Original Provision	Final Provision	Provisional Outturn
	£million	£million	£million
Expenditure Classified as Departmental Expenditure Limit (2)	34,354	35,255	33,563
Expenditure Classified as Annually Managed Expenditure	7,450	5,011	4,668
Expenditure Financed by Scottish taxes and other Fiscal Framework transactions	16,555	16,894	16,311
Expenditure Financed by Capital Borrowing	450	450	300
Expenditure Financed by Resource Borrowing	41	41	104
Repayment of Principal on Loans	(217)	(217)	(217)
Drawdown from the Scotland Reserve	-	327	327
Expenditure Financed by Non Domestic Rates	3,047	3,047	3,047
Total Managed Expenditure	**61,680**	**60,808**	**58,103**
Adjustments to cash requirement			
Non-budgetary cash items	546	346	346
Depreciation and Impairments	(2,832)	(2,481)	(1,597)
Other Cash to accruals adjustments	(6,989)	(4,512)	(3,905.1)
Non Domestic Rates Income	(3,047)	(3,047)	(3,047)
National Insurance Fund Payments towards Scottish NHS	(2,670)	(2,815)	(2,815)
Income from Scottish Taxes and other Fiscal Framework transactions	(16,555)	(16,894)	(16,311)
Repayment of Principal on Loans	217	217	217
Borrowing	(491)	(491)	(404)
Change to balance held in Scottish Consolidated Fund	-	-	(23)
Cash Grant payable to Scottish Consolidated Fund by Scotland Office (3)	**29,860**	**31,132**	**30,564**

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 2024-25: Provision

	Original Provision £million
Scottish Block Grant [2]	31,412
UK Government Funded AME	4,336
Expenditure Financed by Scottish taxes and other Fiscal Framework transactions	21,324
Expenditure Financed by Capital Borrowing	338
Expenditure Financed by Resource Borrowing	458
Repayments of Principal on Loans	(265)
Expenditure Financed by Non Domestic Rates	3,068
Total Managed Expenditure	**60,671**
Adjustments to cash requirement	
Non-budgetary cash items	746
Depreciation and Impairments	(1,957)
Other Cash to accruals adjustments	(3,738)
Non Domestic Rates Income	(3,068)
National Insurance Fund Payments towards Scottish NHS	(2,845)
Income from Scottish Taxes and other Fiscal Framework transactions	(21,324)
Repayments of Principal on Loans	265
Borrowing	(796)
Cash Grant payable to Scottish Consolidated Fund by Scotland Office [3]	**27,955**

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).

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