

The Scottish Government Consolidated Accounts for the year ended 31 March 2019

**Laid before the Scottish Parliament
By the Scottish Ministers
26 September 2019**

SG/2019/131



Scottish Government
Riaghaltas na h-Alba
gov.scot



Foreword

As the Scottish Government's Chief Financial Officer, it is my responsibility to oversee the processes that produce the consolidated accounts for the Scottish Government. I am supported by a highly performing team of finance professionals and advise Scottish Ministers in their financial decision-making to secure the regularity, propriety and value for money of the funds provided by taxpayers to deliver devolved government in Scotland.

I am pleased to introduce these accounts for financial year 2018-19, which are an important part of the reporting and transparency arrangements on the stewardship of the whole Scottish Budget approved by the Scottish Parliament. The accounts cover the bodies within the accounting boundary as defined within the introduction, and present the financial outturn compared to the spending plans of Scottish Ministers for those elements for the financial year 2018-19 authorised by the Budget (Scotland) Act 2018. They are prepared in accordance with international financial reporting standards and related accounting guidance.

The fiscal climate has changed very significantly in recent years. New financial powers and new approaches to policy delivery, including specific interventions in the private sector, have together resulted in consolidated accounts that are both significantly more complex and wide-ranging than when the Scottish Government was first established.

The accounts are not a Ministerial document: it is the Principal Accountable Officer's responsibility to produce them and a primary purpose, as noted above, is to report on the stewardship of the sums authorised. I am pleased that the Auditor General's opinion is, once again, unqualified.

These accounts are not, however, the full picture of the fiscal activity of Scottish Ministers. The Scottish Government's financial reporting outputs continue to develop alongside increasing fiscal responsibility and also now include:

- A separate statement to Parliament that brings together the Financial Outturn of the bodies within the Scottish Administration, to report against the statutory limit authorised by the Scottish Parliament in the Budget processes. This has been extended to include the other bodies funded from the Scottish Budget. These accounts together report on the spending authorised by the Scottish Parliament in the annual Budget Act.
- The wider picture of the funding available in the Scottish Budget is available in the separate account of the Scottish Consolidated Fund at gov.scot, which sets out all the cash sums paid into and out of the Scottish Consolidated Fund. This also includes a statement on the borrowing position. A more detailed accounting of the Devolved Taxes is also available, published by Revenue Scotland, available online at revenue.scot.
- The Fiscal Framework Outturn Report is published annually and was introduced last year providing information in relation to devolved taxes, the use of borrowing powers and the operation of the Scotland Reserve.
- A further consolidated account has been developed for the 2017-18 financial year which brings together the revenue-raising and spending elements for the devolved Scottish public sector as a whole. This has been a very significant and complex undertaking because of the number and diversity of organisations within the wider consolidation boundary. It also includes differences in applied financial reporting standards that have to be integrated on consolidation. This account is with Audit Scotland and I look forward to receiving their views on how we further develop our approach to support greater transparency.

These accounts also explain the context in which these accounts sit with the National Performance Framework and provide links to additional sources of reporting and disclosure and therefore do not repeat more specific performance information that can be found in the stand-alone accounts of delivery bodies within the consolidation boundary.

I hope users of these accounts will find them to be an extensive and useful tool for information and scrutiny.



Gordon Wales
Chief Financial Officer
19 September 2019

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Performance Report

About the Scottish Government

The Scottish Government is the devolved government for Scotland and has a range of responsibilities that include: the economy, education, health, justice, rural affairs, housing, environment, equal opportunities, consumer advocacy and advice, transport and taxation.

Some powers are reserved to the UK Government. These include: immigration, the constitution, foreign policy and defence. Further changes to the responsibilities devolved to the Scottish Government and Scottish Parliament have resulted from the Scotland Act 2012 and the Scotland Act 2016.

After a Scottish Parliamentary election, the First Minister is formally nominated by the Scottish Parliament and appointed by Her Majesty the Queen. The First Minister then appoints the Scottish Ministers to make up the Cabinet with the agreement of the Scottish Parliament and the approval of The Queen.

Scottish Cabinet Ministers and their responsibilities

The Cabinet is the main decision-making body of the Scottish Government. It is made up of the First Minister, all Cabinet Secretaries, the Minister for Parliamentary Business and the Permanent Secretary.

The First Minister appoints a Cabinet Secretary for each of the core portfolios described below, and additional Ministers to support the work of the Scottish Cabinet, and two Law Officers (Lord Advocate and Solicitor General for Scotland).

Nicola Sturgeon MSP **First Minister**

Head of the Scottish Government: responsible for development, implementation and presentation of Government policy, constitutional affairs, and for promoting and representing Scotland.

Following the Scottish Parliamentary election on 5 May 2016, the First Minister announced a new Scottish Cabinet, identifying education and the economy as priorities, along with the reform and improvement of public services and the ability to respond to challenges such as climate change in the years to come. There was a cabinet reshuffle in June 2018 with the appointment of 5 new cabinet secretaries and 3 departures. The Cabinet and Ministers from June 2018, the remainder of the reporting period 2018-19 and still in place at the date of signing of these accounts, were as follows:

John Swinney MSP

Deputy First Minister and Cabinet Secretary for Education and Skills

Responsibilities include:

- school standards, quality and improvement
- school infrastructure & staffing
- educational attainment, qualifications and closing the attainment gap
- National Improvement Framework

- teaching profession
 - behaviour and measures to combat bullying
 - modern languages and the Gaelic and Scots languages
 - Named Person
 - Skills Development Scotland
 - non-advanced vocational skills
 - historical abuse enquiry
-

Humza Yousaf MSP

Cabinet Secretary for Justice

Responsibilities include:

- police
 - courts, sentencing
 - justice system and criminal law procedure
 - violence reduction
 - criminal justice social work, victims, witnesses, female offenders
 - human rights
 - prisons and prisoners
 - reducing reoffending
 - security
 - youth justice
-

Shirley-Anne Somerville MSP

Cabinet Secretary for Social Security and Older People

Responsibilities include:

- welfare policy, social security
 - measures against poverty (with CSCLG)
 - Best Start Grant (replacing the UK Government's Sure Start Maternity Grant)
 - Funeral Expense Assistance (replacing the UK Government's Funeral Payment)
 - Carers Allowance (at which point we will stop paying Carers Allowance Supplement)
 - Young Carers Grant
 - Personal Independence Payments
 - Disability Living Allowance
 - Industrial Injuries Disablement Benefit
 - Attendance Allowance
 - Severe Disablement Allowance
 - Cold Weather Payments
 - Winter Fuel Payments
-

Derek Mackay MSP

Cabinet Secretary for Finance, Economy and Fair Work

Responsibilities include:

- Scottish economy
- Inclusive Growth
- managing the public finances
- fiscal policy and taxation
- Scottish budget, budgetary monitoring and reporting
- government procurement

- efficient government
- National Performance Framework
- public bodies policy
- Scottish Futures Trust
- Scottish Enterprise - national enterprise agency
- trade and inward investment
- trade unions
- public sector pay
- Scottish National Investment Bank
- Registers of Scotland

Roseanna Cunningham MSP

Cabinet Secretary for Environment, Climate Change and Land Reform

Responsibilities include:

- climate change and environmental protection
- biodiversity
- Crown Estate
- environmental and climate justice
- flood prevention & coastal erosion
- land use and land reform
- animal welfare
- wildlife crime
- water quality and Scottish Water

Fergus Ewing MSP

Cabinet Secretary for The Rural Economy

Responsibilities include:

- agriculture and crofting
- fisheries and aquaculture
- food and drink
- Highlands & Islands Enterprise
- South of Scotland Enterprise Agency
- rural Scotland
- animal health
- forestry

Jeane Freeman MSP

Cabinet Secretary for Health and Sport

Responsibilities include:

- NHS and its performance, staff and pay
- Health care and social integration
- patient services and patient safety
- primary care, acute services elective centres Implementing the 2020 Vision, national clinical strategy, quality strategy and national service planning
- allied Healthcare services
- carers, adult care and support
- child and maternal health
- dentistry
- medical records, health improvement and protection

Aileen Campbell MSP

Cabinet Secretary for Communities and Local Government

Responsibilities include:

- social justice
- tackling inequalities
- measures against poverty (with CSSS)
- community empowerment, devolution to communities and reform of local government
- democratic renewal
- third sector and social economy
- advocacy and advice
- religious and faith organisations

Fiona Hyslop MSP

Cabinet Secretary for Culture, Tourism and External Affairs

Responsibilities include:

- international relations
- creative industries
- culture and the arts
- architecture and built heritage
- broadcasting
- tourism
- co-ordination on bringing major events to Scotland
- National Records and national identity

Michael Russell MSP

Cabinet Secretary for Government Business and Constitutional Relations

Responsibilities include:

- The UK's exit from the European Union
- Government and parliamentary business
- Constitutional Relations and intra-governmental affairs

Michael Matheson MSP

Cabinet Secretary for Transport, Infrastructure and Connectivity

Responsibilities include:

- transport and public transport
- infrastructure investment policy
- cities & City Deals
- town centres

The Cabinet is supported by the following ministerial team, also appointed in June 2018:

Graeme Dey MSP:	Minister for Parliamentary Business and Veterans
Kevin Stewart MSP:	Minister for Local Government, Housing and Planning
Paul Wheelhouse MSP:	Minister for Energy, Connectivity and the Islands
Ash Denham MSP:	Minister for Community Safety

Maree Todd MSP:	Minister for Children and Young People
Jamie Hepburn MSP:	Minister for Business, Fair Work and Skills
Joe FitzPatrick MSP:	Minister for Public Health, Sport and Wellbeing
Clare Haughey MSP:	Minister for Mental Health
Ben Macpherson MSP:	Minister for Europe, Migration and International Development
Christina McKelvie MSP:	Minister for Older People and Equalities
Ivan McKee MSP:	Minister for Trade, Investment and Innovation
Kate Forbes MSP:	Minister for Public Finance and Digital Economy
Mairi Gougeon MSP:	Minister for Rural Affairs and the Natural Environment
Richard Lochhead MSP:	Minister for Further Education, Higher Education and Science

As noted above, the current Cabinet was appointed in June 2018, part way through the reporting period. Prior to that the Cabinet Secretaries were those reported in the 2017-18 accounts:

John Swinney:	Deputy First Minister and Cabinet Secretary for Education and Skills
Derek Mackay:	Cabinet Secretary for Finance and the Constitution
Keith Brown:	Cabinet Secretary for Economy, Jobs and Fair Work
Roseanna Cunningham:	Cabinet Secretary for Environment, Climate Change and Land Reform
Angela Constance:	Cabinet Secretary for Communities, Social Security and Equalities
Shona Robison:	Cabinet Secretary for Health & Sport
Michael Matheson:	Cabinet Secretary for Justice
Fiona Hyslop:	Cabinet Secretary for Culture, Tourism & External Affairs
Fergus Ewing:	Cabinet Secretary for Rural Economy and Connectivity

Supported by:

Mark McDonald (until Nov 2017):	Minister for Childcare and Early Years
Maree Todd (from Nov 2017):	Minister for Childcare and Early Years
Shirley-Anne Somerville:	Minister for Further Education, Higher Education and Science
Jamie Hepburn:	Minister for Employability and Training
Joe Fitzpatrick:	Minister for Parliamentary Business
Aileen Campbell:	Minister for Public Health and Sport
Maureen Watt:	Minister for Mental Health
Alasdair Allan:	Minister for International Development and Europe
Kevin Stewart:	Minister for Local Government and Housing
Jeane Freeman:	Minister for Social Security
Annabelle Ewing:	Minister for Community Safety and Legal Affairs
Paul Wheelhouse:	Minister for Business, Innovation and Energy
Humza Yousaf:	Minister for Transport and the Islands
Michael Russell:	Minister for UK Negotiations on Scotland's Place in Europe

Law Officers during 2018-19 (unchanged from 2017-18)

James Wolffe QC	Lord Advocate
Alison Di Rollo	Solicitor General

Further information on Cabinet and Ministerial responsibilities is available from the Scottish Parliament and Scottish Government websites, at parliament.scot and gov.scot respectively.

The Civil Service and Government Officials

The First Minister leads the Scottish Government, with the support of the Scottish Cabinet and Ministers. The civil service helps the government of the day develop and implement its policies as well as deliver public services. Civil servants are accountable to Ministers, who in turn are accountable to Parliament.

The Permanent Secretary leads the civil service in Scotland and supports the government in developing, implementing and communicating its policies; and is the principal policy adviser to the First Minister and Secretary to the Scottish Cabinet. The Permanent Secretary is also the Principal Accountable Officer with responsibility to ensure that the government's money and resources are used effectively and properly.

The government is structured into a number of directorates and their related public bodies. Directorates and agencies are managed by six Directors General (DGs).

Scottish Government Senior Management Team (Corporate Board)

The Scottish Government Senior Management Team are responsible for ensuring that the Scottish Government is organised and managed in the most effective way to support Ministers in the implementation of their policies. Further information on the management structure of the Scottish Government is available on the Scottish Government website at gov.scot.

The Non-Executive Directors bring an external perspective to the consideration of corporate management issues such as staffing, administration costs, monitoring of programme expenditure, training and development, accommodation strategy and relations with stakeholders. Janet Hamblin, non-executive director, is the Chair of the Scottish Government Audit and Assurance Committee.

Directors General in 2018-19 were:

Leslie Evans	Permanent Secretary
Sarah Davidson	DG Organisational Development and Operations
Liz Ditchburn	DG Economy
Paul Gray	DG Health & Social Care (until 31 March 2019)
Malcolm Wright OBE	DG Health & Social Care (from 11 February 2019)
Paul Johnston	DG Education, Communities & Justice
Alyson Stafford CBE	DG Scottish Exchequer
Ken Thomson	DG Constitution & External Affairs

Directors serving as members of Corporate Board during 2018-19 were:

Barbara Allison	Director of Communications, Ministerial Support and Facilities
Nicky Richards	Director of People
Gordon Wales	Chief Financial Officer

Non-executive members of the Corporate Board during 2018-19 were:

Janet Hamblin
Linda McKay
Ronnie Hinds
Hugh McKay
Annie Gunner Logan

Register of Interests

Members of the Corporate Board whom held company directorships and other significant interests during 2018-19 were:

Staff:

Leslie Evans, Permanent Secretary: Member of Institute of Directors.

Sarah Davidson, Director General Organisational Development and Operations: Member of Advisory Board for Business in the Community Scotland (representing SG). Shares held with CO Funds.

Paul Johnston, Director General Education, Communities and Justice: Trustee of Bruntsfield Evangelical Church. Stocks and shares held with Virgin Money.

Alyson Stafford CBE, Director General Scottish Exchequer: Member of Institute of Chartered Accountants in Scotland, Chartered Institute of Public Finance and Accountancy and Institute of Chartered Accountants in England and Wales. Trust Investments with Origen Financial Services.

Malcolm Wright OBE, Director General Health and Social Care: Honorary Fellowship of the Royal College of General Practitioners, Fellow of the Royal Society of Arts, Honorary Fellowship of the Royal College of Physicians of Edinburgh and Winston Churchill Fellow.

Barbara Allison, Director of Communications, Ministerial Support and Facilities: Treasurer for Women of Scotland Luncheon and member of Board of Scottish Ballet. Judge on HR Network Awards Competition.

Nicola Richards, Director of People: Shares held with Hargreaves Lansdown and Fidelity.

Gordon Wales, Chief Financial Officer: Non-Executive Director and Chairman of Enjoy East Lothian Ltd. Shares held with Halifax PLC.

Non-Executive Directors:

Janet Hamblin: Partner of RSM; Member of the Education Board of Merchant Company of Edinburgh; Chair of Castle Rock Edinvar Housing Association Audit and Risk Committee.

Ronnie Hinds: Deputy Chair of the Accounts Commission for Scotland and Chair of the Local Government Boundary Commission for Scotland.

Hugh McKay: Non-Executive Director at Lloyds Development Capital; and Non-Executive Director - Trustee at The Chartered Bankers Institute (non-remunerated position).

Annie Gunner Logan: Director and Company Secretary at Coalition of Care and Support Providers in Scotland (CCPS).

SG2020 Transformation Programme

Over the next parliament the Scottish Government faces the biggest ever shift in responsibilities - raising taxes as well as spending them. To meet the challenges ahead, the organisation is committed to being:

Open

- accessible, trusted, an engaged and credible partner;
- clear about roles and expectations of others; and
- valuing diversity and representative of the communities served.

Capable

- world class in the approach to government, transforming Scotland by designing and delivering excellent public services and supporting ministers;
- accountable, efficient and effective in performance and approach to tax-raising and spending;
- competent, professional, inclusive, skilled and knowledgeable: an exemplar of fair work and an employer of choice; and
- well-led with consistently good management of people and change.

Responsive

- ambitious for Scotland and confident about improving outcomes;
- focused on priorities, flexible and effective in matching resources and capabilities; and
- designing better places, networks and systems.

More detailed information about the actions planned by the Scottish Government to meet the challenges ahead is provided in the publication of the Programme for Government¹

How the Scottish Budget is funded

There are a number of sources of funding to support the expenditure planned and approved by the Scottish Parliament in the Scottish Budget Act. The majority of the receipts reported in these accounts are transferred to bodies within the Scottish Consolidated Accounting Boundary from the Scottish Consolidated Fund.

The Scottish Consolidated Fund was set up following devolution in 1999 and received its statutory powers under the Scotland Act 1998. The Scottish Consolidated Fund receives, from the Office of the Secretary of State for Scotland, sums which have been voted by the UK Parliament for the purpose of "grant payable to the Fund". Funding is drawn down by the Scottish Government from the Scottish Consolidated Fund to support the spending plans laid out in the draft budget.

The primary receipts to the Scottish Consolidated Fund are from: the block grant from HM Treasury; receipts collected by HMRC on behalf of the Scottish Government under the provisions for Scottish Income Tax; Devolved taxes collected by Revenue Scotland which are currently Land and Buildings Transaction Tax and Landfill Tax; and borrowing.

The block grant from UK Government is allocated to the Secretary of State for Scotland through the approval of the UK Parliament, and forms part of the UK public expenditure control regime. This requires the Scottish Government to plan, monitor and report its spending against the control aggregates set by the UK Parliament and HM Treasury alongside those set by the Scottish Parliament.

The Scotland Act 2016 empowered the Scottish Parliament to set Scottish Income Tax rates and bands. During 2018-19, £12.2 billion in income tax revenues derived from Scottish Income Tax were assigned to the Scottish Administration and paid to the Scottish Consolidated Fund. Identification of Scottish taxpayers and administering the tax are matters for the UK Government and Her Majesty's Revenue and Customs (HMRC).

¹ <https://www.gov.scot/programme-for-government>

Under devolved powers from the 2012 Scotland Act, 2018-19 was the fourth year in which devolved taxes in respect of Land and Buildings Transactions and Landfill Tax have been managed in Scotland. A total of £699 million has been collected, £5 million above the initial estimates, which has been managed within the in-year budget. The block grant has been adjusted to take account of these locally raised tax receipts.

Revenue Scotland was established by the Revenue Scotland and Tax Powers Act 2014 to administer and collect both fully devolved taxes. Revenue Scotland is responsible for preparing an account of the devolved taxes (The Devolved Taxes Account). The taxes collected by Revenue Scotland are paid to the Scottish Consolidated Fund. The Devolved Taxes Account and the Scottish Consolidated Fund Account are prepared and published separately and can be accessed online at revenue.scot and gov.scot.

From the 2016 Scotland Act, the Scotland Reserve, effective from 1 April 2017, provides the Scottish Government with a limited feature to manage the smoothing of all types of spending and to assist with the management of tax volatility and determine the timing of expenditure.

As further powers are devolved to Scotland, and the ability to use the existing fiscal levers to influence the funds available is increasing, the impact of accurate tax forecasting becomes greater. As a consequence, the institutional landscape of Scotland required a new body to support this growing fiscal responsibility and The Scottish Fiscal Commission was established in June 2014 as a non-statutory body to provide independent scrutiny of Scottish Government forecasts of receipts from taxes devolved to Scotland. By March 2016 the Scotland Act 2016² devolving more fiscal powers to Scotland was passed, and the associated Fiscal Framework³ was agreed between the Scottish Government and UK Government. The Fiscal Framework changed the remit of the Scottish Fiscal Commission as reflected in the Scottish Fiscal Commission Act 2016⁴ which received Royal Assent on 14 April 2016. Further information about the Scottish Fiscal Commission can be found at fiscal.scot.

Further information can be found in the Scottish Budget: 2019-20⁵.

The total budget approved by the Scottish Parliament includes activities not included in these accounts. Note 21 to these accounts (page 131) provides a reconciliation to the total budget.

The fiscal activity of the Scottish Government is described in a suite of accounts information: the Scottish Consolidated Fund account, incorporating additional reporting on the use of borrowing powers and the related Devolved Taxes Account report on the funding available to the Scottish Government in the financial year; the Scottish Government Consolidated Accounts, the annual accounts of the other bodies within the Scottish Administration and of the bodies funded directly from the Scottish Budget together report on the use of resources authorised by the Scottish Parliament for the financial year.

²<http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

³<http://www.gov.scot/Publications/2016/02/3623/0>

⁴<http://www.legislation.gov.uk/asp/2016/17/contents/enacted>

⁵<https://www.gov.scot/publications/scottish-budget-2019-20/>

Accounting Boundary

These accounts reflect the consolidated assets and liabilities and the results of all entities within the Scottish Government consolidation accounting boundary as required by and defined in the Government Financial Reporting Manual (FRm). This consists of ten internal Portfolios, supported by Administration, their Executive Agencies (each linked to a specific portfolio), the Crown Office and Procurator Fiscal Service and the NHS Bodies responsible for the planning, promotion, commissioning and the delivery of healthcare. The portfolio analysis in these accounts reflects the portfolios designated by the First Minister from 27 June 2018. The consolidation boundary includes the following:

Finance, Economy and Fair Work Portfolio

Executive Agencies: Scottish Public Pensions Agency (<https://pensions.gov.scot/>)
Accountant in Bankruptcy (<https://www.aib.gov.uk>)

Health and Sport Portfolio

Other Consolidated Bodies: The NHS Bodies in Scotland
Mental Welfare Commission (<https://www.mwscot.org.uk/>)

Education and Skills Portfolio

Executive Agencies: Disclosure Scotland
(<https://www.mygov.scot/organisations/disclosure-scotland>)
Education Scotland (<https://education.gov.scot>)
Student Awards Agency Scotland (<https://www.saas.gov.uk>)

Justice Portfolio

Executive Agency: Scottish Prison Service (<https://www.sps.gov.uk/>)

Social Security and Older People Portfolio

Executive Agency: Social Security Scotland (<https://www.socialsecurity.gov.scot/>)
(established 1 September 2018)

Environment, Climate Change and Land Reform Portfolio

Rural Economy Portfolio

Communities and Local Government Portfolio

Culture, Tourism and External Affairs Portfolio

Government Business and Constitutional Relations Portfolio

Transport, Infrastructure and Connectivity Portfolio

Executive Agency: Transport Scotland (<https://www.transport.gov.scot/>)

Other Consolidated Bodies: The Crown Office and Procurator Fiscal Service
(<https://www.copfs.gov.uk/>)

In addition to inclusion within these consolidated accounts, the executive agencies and other bodies detailed above also publish separate accounts providing greater detail about their

income and expenditure and assets and liabilities. The accounts can be accessed at the websites noted above.

The Scottish Government is also the sole shareholder of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Limited, Scottish Futures Trust and Prestwick Holdco Limited, and sponsor of a number of executive, advisory and tribunal Non-Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year, but do not fall within the Scottish Government consolidation accounting boundary. Further details of Scottish Public Bodies are available on our website⁶.

The financial statements of NHS Boards include NHS Endowment Funds. These Endowment Funds are Registered Charities with the Office of the Scottish Charity Regulator (OSCR) and they are also required by OSCR to prepare audited financial statements. NHS Endowment Funds are not part of the Scottish Government accounting boundary, and therefore they have not been included in Scottish Government consolidated accounts. These accounts report actual outturn compared to the budget authorised by the Scottish Parliament. The Scottish Government also routinely reports to Parliament each year on the Final Outturn for the Scottish Administration in an additional statement. This brings together the audited information from the bodies within the Scottish Administration to show this against the Budget limit authorised by the Scottish Parliament.

⁶ www.gov.scot/Topics/Government/public-bodies

Performance Overview

The Budget Framework

The Scottish Government set out its spending plans for 2018-19 in December 2017 in The Draft Budget⁷. Approval for a detailed budget for 2018-19 was given by the Parliament in March 2018 in the Budget (Scotland) Act 2018. The annual Budget is refined through in-year budget revisions, Parliamentary approval for which is given by statutory instrument.

The Scottish Government's Purpose

The Scottish Government's purpose is to focus government and public services on creating a more successful country with opportunities for all of Scotland to flourish, through increased wellbeing, and sustainable and inclusive economic growth.

The Programme for Government

Through the Programme for Government⁸ the plans for the year are set out, including the Bills to be introduced to the Scottish Parliament.

Exit from the EU

Following the referendum held on UK membership of the EU held in June 2016, in which the UK voted to leave the EU by 52% to 48%, the UK Government has given notice of intention to withdraw from the European Union - the triggering of article 50.

As negotiations between the UK government and the European Union around the settlement arrangements continue. It is not yet possible to fully quantify the impact of this decision on Scotland but the fluctuations in exchange rates and other economic features will inevitably be reflected in the financial performance reported in these and future accounts.

There remains a level of uncertainty on the impact of the referendum result on jobs and the economy in the medium to long-term.

The Scottish Government has been engaging with the UK Government to ensure that Scotland's fiscal interests are safeguarded as the UK leaves the European Union.

National Performance Framework

In June 2018 the First Minister launched the new National Performance Framework⁹ (NPF). Through this framework, the Government sets out:

Purpose

The framework is for all of Scotland. The Government aims to:

- create a more successful country;
- give opportunities to all people living in Scotland;
- increase the wellbeing of people living in Scotland;
- create sustainable and inclusive growth; and

⁷ <https://www.gov.scot/publications/scottish-budget-draft-budget-2018-19>

⁸ <https://www.gov.scot/programme-for-government>

⁹ <https://nationalperformance.gov.scot/>

- reduce inequalities and give equal importance to economic, environmental and social progress.

Values

The values guide the Government's approach to:

- treat all our people with kindness, dignity and compassion;
- respect the rule of law; and
- act in an open and transparent way.

National outcomes

To help achieve its purpose, the framework sets out 'national outcomes'.

These outcomes describe the kind of Scotland it aims to create.

The outcomes:

- reflect the values and aspirations of the people of Scotland;
- are aligned with the United Nations Sustainable Development Goals; and
- help to track progress in reducing inequality.

These national outcomes are that people:

- grow up loved, safe and respected so that they realise their full potential;
- live in communities that are inclusive, empowered, resilient and safe;
- are creative and their vibrant and diverse cultures are expressed and enjoyed widely;
- have a globally competitive, entrepreneurial, inclusive and sustainable economy;
- are well educated, skilled and able to contribute to society;
- value, enjoy, protect and enhance their environment;
- have thriving and innovative businesses, with quality jobs and fair work for everyone;
- are healthy and active;
- respect, protect and fulfil human rights and live free from discrimination;
- are open, connected and make a positive contribution internationally; and
- tackle poverty by sharing opportunities, wealth and power more equally.

National Indicators

The framework measures Scotland's progress against the national outcomes. To do this, it uses 'national indicators'.

These indicators give a measure of national wellbeing. They include a range of economic, social and environmental indicators.

More information about performance against outcomes can be found at National Indicator Performance¹⁰.

¹⁰ <https://nationalperformance.gov.scot/measuring-progress>

Performance Analysis

Performing for outcomes

As set out in the National Performance Framework (NPF) section of these accounts, the NPF is for all of Scotland, not just the Scottish Government, and the NPF website¹¹ provides an overview of how Scotland is progressing towards our national outcomes through a range of social, environmental and economic indicators. Scotland's Wellbeing – Delivering the National Outcomes¹², published in May 2019, is a report drawing together trends and data from the NPF national indicators and other sources. It provides a broad overview of key evidence sources on national performance, and highlights some of the challenges faced in improving wellbeing in Scotland.

In terms of Scottish Government performance, a range of performance information in a variety of forms, reflecting the breadth of Scottish Government activity, is published on the Scottish Government website¹³.

Some of the deliverables enabled by Scottish Government funding this year include:

- Established Social Security Scotland: since it opened, the Agency has supported over 91,000 people, providing £190 million in support in 2018-19;
- Increased early learning and childcare: 20,000 children accessed expanded funded early learning and childcare in the 2018-19 school year, including more than 2,000 eligible 2 year olds;
- Invested in education: once the 117 new schools funded as part of the £1.8 billion Schools for the Future programme are complete they will benefit 60,000 pupils. £182 million of funding through the Scottish Attainment Challenge and Pupil Equity funding has provided additional funding for schools and local authorities to help them tackle the poverty related attainment gap and increase support for families;
- Passed fuel poverty legislation: this sets a target date of 2040 to address the root causes of fuel poverty;
- Provided access to free sanitary products: this has utilised £8.8 million of funding to provide access to free sanitary products across Scotland's schools, universities, colleges and across wider communities;
- Improved provisions for the victims of crime: the Victims Taskforce was established, which will focus on improving the experience of victims and witnesses. The passage of the Vulnerable Witness (Criminal Evidence) Bill will expand the opportunity for child and other vulnerable witnesses to provide pre-recorded evidence;
- Continued to shift the share of the frontline NHS budget dedicated to mental health and to primary, community, and social care. Committed £50 million to improve perinatal and infant mental healthcare and £5 million to support the work and recommendations of the new CAMHS taskforce;
- Pursued greener transport: more than 1,500 new electric vehicle charge points have been installed and, working with Glasgow City Council, Scotland's first Low Emission Zone has been introduced;
- Promoting Fair Work: a Fair Work Action Plan was published, setting out plans to deliver on fair work across Scotland. The devolved employment support service - Fair Start Scotland - is being delivered and the first steps to creating a new employability system have been taken; and
- Improving Scotland's housing provision: Over half of the 2021 target of 50,000 affordable homes, including 35,000 for social rent, have been delivered.

¹¹ <https://nationalperformance.gov.scot>

¹² <https://nationalperformance.gov.scot/scotlands-wellbeing-report>

¹³ <https://www.gov.scot>

For this year's accounts, an initial step towards better demonstrating how money that is provided to the Government is spent on progressing toward the longer term outcomes contained within the NPF, is presented below. This signposts to existing performance reporting on some areas of major spend within each portfolio.

This does not provide a complete picture of performance reporting, but it is a step towards the longer-term aim of better linking spend and outcomes. Due to the timing of publications, the majority of the performance reports signposted below refer to the previous financial year (2017-2018).

Performance Reports by Portfolio

Health and Sport Portfolio:

- [NHS Scotland Chief Executive's Annual Report](#)
- [NHS Scotland and Integration Authorities monthly consolidated financial reporting](#)
- [Performance Reports from Integration Authorities](#)
- [Social Care and Social Work Improvement Scotland](#)
- [Independent Living Fund Scotland Annual Report and Accounts](#)
- [Support in the Right Direction Programme](#)
- [Short Breaks Fund reports](#)
- [Child and adolescent health and wellbeing: evidence review](#)

Communities and Local Government Portfolio:

- [Local Government Finance Statistics](#)
- [Non-domestic rates \(business rates\) accounts](#)
- [Non-Domestic Rates Revaluation Appeals](#)
- [Fairer Scotland Action Plan progress report](#)
- [Review of the Fair Food Transformation Fund](#)
- [Tackling child poverty progress report](#)
- [Scottish Housing Regulator Annual Report and Accounts](#)
- [More Homes Division Affordable Housing Supply Programme \(AHSP\) Annual Out-turn Report](#)

Education and Skills:

- [Scottish Funding Council Annual Report and Accounts](#)
- [Education Scotland's Annual Report and Accounts](#)
- [The 15-24 Learner Journey Review Report](#)
- [Scottish Qualifications Authority, Vocational Qualifications and Skills - SQA Annual Report and Accounts](#)
- [Scottish Credit and Qualifications Framework - SCQF Annual Impact Report](#)
- [Student Awards Agency Scotland \(SAAS\) Annual Report and Accounts](#)

Justice:

- [Justice Analytical Services Division publications](#)
- [Scottish Police Authority Annual Report and Accounts](#)
- [Scottish Fire and Rescue Service \(SFRS\) Annual performance review](#)
- [Scottish Public Pensions Agency \(SPPA\) annual report and accounts](#)

Transport Infrastructure and Connectivity:

- [Transport Scotland Annual Report and Accounts](#)

Finance Economy and Fair Work:

- [State of the economy report](#)
- [Economic Growth statistics](#)
- [Productivity statistics](#)
- [The Business, Enterprise and Energy statistics](#)
- [Businesses in Scotland 2018](#)
- [Business, Enterprise, Research & Development Report](#)
- [Export statistics](#) and [Export Performance Monitor](#)
- [Regional Employment Patterns](#) and Scotland's [Labour Market Tables & Charts](#)
- [Annual Survey of Hours and Earnings](#)
- [Trade Union Statistics](#)
- [Government Expenditure and Revenue Scotland](#)
- [Annual Implementation Reports \(AIR\)](#)
- [Skills Development Scotland Annual Report – 2018/19](#)
- [Fair Start Scotland Evaluation Report 1: Implementation and Early Delivery](#)
- [Scotland's devolved employment services: statistical summary](#)
- [Modern Apprenticeship statistics 2019/20 Quarter 2](#)
- [Employability Fund statistics 2019/20 Quarter 2](#)
- [Other Skills Initiatives 2019/20 Quarter 2](#)
- [Graduate Apprenticeships – Early Progress and Learning Insights](#)

Environment Climate Change and Land Reform:

- [Natural Capital Accounts for Scotland](#)
- [Scottish Energy Statistics](#)
- [Aichi Interim Report](#)
- [Natural Capital Asset Index](#)
- [Spotlight on Scottish Environment, Food and Agriculture Research Institutes \(SEFARI\) and the Strategic Research Programme](#)
- [Performance Measure Report, Scottish Environment Protection Agency \(SEPA\)](#)

Culture, Tourism and External Affairs:

- [Scotland's international indicator for reputation](#)
- [Contribution to International Development](#)
- [Scottish Annual Business Survey and Business Register & Employment Survey](#)

Social Security and Older People:

- [Social Security Statistics and Research](#)
- [Social Security Scotland's first Business Plan](#)

Rural Economy:

- [Agricultural payments: Common Agricultural Policy \(CAP\) & Payments progress reports](#)
- [Scottish Rural Development Programme \(SRDP\) 2014-2020 annual implementation reports](#)

Crown Office and Procurator Fiscal Service:

- [The Crown Office and Procurator Fiscal Service Statistics](#)

Government Business and Constitutional Relations:

- [Freedom of Information performance and response time](#)

Outturn against Budget

These accounts report actual outturn compared to the budget authorised by the Scottish Parliament. The annual budget authorised by the Scottish Parliament is the budget for the wider Scottish Administration and includes the funding of activities which are not within the Scottish Government, and therefore outside the required accounting boundary of these accounts. There are also some differences between the HMT required budgeting rules and the government financial reporting accounting requirements that have to be accommodated in any comparison. These accounts therefore compare the actual outturn to the budget, both stated on the same accounting basis. There is a reconciliation and explanation of the budget reflected in the accounts with that shown in the annual budget documents provided in Note 21.

As described above, spending plans for financial year 2018-19 were set out in Scottish Budget: Draft Budget 2018-19 published in December 2017. After consideration by the Scottish Parliament Finance and Constitution Committee and other Committees, these plans were presented in the Budget Bill introduced in January 2018 and received Royal Assent as the Budget (Scotland) Act 2018 in March 2018. Parliamentary approval for the in-year revisions to the plans set out in the Budget (Scotland) Act was granted in the Autumn Budget Revision made in November 2018 and Spring Budget Revision, made in March 2019.

The budget of £36,915 million reported in these accounts is net of adjustments to reflect those activities not included in the accounting boundary as described above. This is made up of an operating budget of £35,109 million and a capital budget of £1,806 million.

The financial results for the year are reported in the attached accounts. They record a Net Resource Outturn of £34,601 million resulting in an underspend of £508 million, of which £255 million relates to amounts for student loan impairments budgeted in 2018-19 but charged against previous years. The Net Capital Outturn for the year was £1,536 million resulting in an underspend of £270 million. Total underspend of £778 million, adjusted to £523 million to exclude the element relating to prior year charges represents approximately 1.42 per cent of the total budget. An explanation of the major variances is included in these accounts in the portfolio outturn statements. Of the total outturn of £36,137 million, £10,705 million (30 per cent) is funding to local government.

Under the current devolution settlement, the Scottish Parliament is not allowed to overspend its budget. As a consequence, the Scottish Government consistently adopted a position of controlling public expenditure to ensure we live within the budget caps that apply, but remain able to carry forward some spending power resources for use in a future year.

The provisional outturn announcement made by the Cabinet Secretary for Finance and the Constitution in June 2019 indicated that the fiscal cash budget in 2018-19 would be underspent by £449 million. The announcement reported the position in terms of Scottish Government expenditure against totals as set by HM Treasury. The two sets of outturn information are not strictly comparable. The scope of what is included in these accounts is determined by the requirements of the Government's Financial Reporting Manual (FRoM) and covers elements that are not included in the HM Treasury figures.

Statement of Financial Position

The primary purpose of these accounts is to reflect the use of resources. The Statement of Financial Position reflects the assets held and liabilities arising from the spending plans which support policy choices. Assets are held not for their income generation capability or their inherent value but for their service potential or as a direct consequence of particular policies, for example providing healthcare in hospitals and the provision of funding to students in the form of loans. Similarly, liabilities arise as a consequence of the timing of commitments relating to spending and policy choices.

The Consolidated Statement of Financial Position, (page 78) is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the Scottish Government. This shows taxpayers' equity – an accounting measurement of the amount invested by taxpayers that has continuing public benefit. It shows how much of this has arisen from the application of revenues (including the Scottish Block Grant) and that which has resulted through changes over time in the value of physical assets.

It is important to note that the consolidated accounts bring together the “balance sheets” of bodies that are significant in their own right. Detailed financial and narrative information on the major items, for example the road network, is available in the accounts and related reports of the relevant body - Transport Scotland; similarly, information about NHS bodies is in the detailed accounts for each body; the Student Awards Agency also provides separate reporting around student loans i.e. the loans are not within SAAS' accounts but they do provide information about their administration, and the loans themselves are reported within these consolidated accounts.

The Statement of Financial Position includes:

- items which are owned, have already been funded from revenues and will provide continuing economic benefit in future periods. These increase taxpayers' equity;
- items which are owed and expected to require to be funded from future revenues. These decrease taxpayers' equity;
- items owed to the Scottish Government; and
- an analysis between amounts that will release or require funding within a year and those which will be carried into future years.

Assets and liabilities

Physical assets are the highest value group of assets in the Consolidated Accounts with a value of £30,463 million at 31 March 2019, of which 67 per cent (£20,545 million) relates specifically to the road network. The Consolidated Accounts provide details of changes in the year. There were additions of £560 million that resulted from capital investment, offset by disposals and the net effect of depreciation and revaluations.

Most physical assets are valued by professional valuers in line with recognised methodologies. This provides an assessment of the continuing benefit they provide in financial terms. Where these assets have been funded by traditional means through capital then there are no continuing liabilities relating to them (maintenance and repair costs will arise). Those funded through other means (such as Public Finance Initiatives, Non Profit Distributing Projects and Scottish Government borrowed funds) also lead to liabilities representing the amounts that will require to be met from future budgets. Only physical assets that are deemed surplus and 'held for sale' (£17 million) will release resources previously invested for future use.

Financial assets include loans made directly to other organisations and individuals, investment funds used to deliver development programmes and investments in nationalised industries plus fully or part owned companies. These assets are of continuing benefit to the Scottish Government, and have the potential over time to release the resources currently invested for future use – including reinvestment, in accordance with the terms of the loan or other investment made.

Where Scottish Ministers decide to make investments directly through the Scottish Government, Accountable Officers must ensure that appropriate diligence and consideration is carried out before any commitment is made to invest in accordance with the detailed guidance

in the Scottish Public Finance Manual¹⁴, support specific economic objectives and are in line with the outcomes set out in the National Performance Framework.

Such investments are exceptional in nature and investment is in accordance with Scottish Ministers' purpose of achieving a commercial outcome; this means that the investment should be able to demonstrate a potential return commensurate with the risk associated with the proposal.

For the purposes of assessing the valuation of such investment for accounting purposes, IFRS 9 applies an "expected credit loss model". This is not a write-off of those investments or a prediction of loss but a measure of the risk in the investment which means that the assessment for accounts purposes has to take a prudent view of whether a positive outcome can yet be substantiated.

Burntisland Fabrications Limited (BiFab): Over the past two financial years the Scottish Government has advanced loans on a commercial basis to BiFab totalling £37.4 million. Of this total £37.4 million was convertible to equity in the company and as a result of the conversion of these loans the Scottish Government now holds a 32.4% stake in the company. As part of year end processes the Scottish Government commissioned a formal valuation of its equity holding which resulted in a valuation of £2.0 million. While this valuation is significantly lower than the sums advanced, Scottish Ministers' investment in, and commitment to, BiFab is a long term one, and they remain of the view that BiFab will have a prosperous future as a key business in Scottish renewables sector supply chain. We continue to work collaboratively with BiFab's majority shareholder and board of directors, together with other stakeholders, in pursuit of a strong future pipeline of works for BiFab to deliver economic benefit and increased skilled employment opportunities.

Ferguson Marine Engineering Limited: On 16 August 2019 Ferguson Marine shipyard in Port Glasgow was placed in administration. The Scottish Government reached an agreement with the Administrator to run operations at the yard to provide continuity of employment and continue work on the vessels under construction, whilst the marketing process by the Administrator is undertaken. This intervention by Scottish Ministers and the previous loans of £15 million and £30 million to the company underlines their confidence for a long-term future for the yard and its employees. The approach taken to impairment, with impairment of 100%, is a prudent one and reflects instead the current administration process.

Lochaber: In December 2016 the Scottish Government entered into a 25-year financial guarantee relating to the hydro plant and aluminium smelter at Lochaber. This involved guaranteeing the power purchase obligations of the smelter if the business does not fulfil its obligations to pay for contracted power. The guaranteed annual amounts vary between £14m and £32m over the life of the contract. The Scottish Government receives an annual fee in return for the guarantee. The carrying value of this financial asset in the accounts was reduced to nil as a result of the implementation of the new accounting standard.

The Consolidated Accounts show that the largest financial assets are voted loans of £3,083 million that have been made to Scottish Water, to finance its capital investment programmes (an increase of £288 million from 31 March 2018), and student loans valued at £3,459 million (an decrease of £232 million from 31 March 2018). The latter are made under the terms of the student loans scheme, administered by the Student Loans Company Limited.

The total value of taxpayers' equity, reported in the Statement of Financial Position, is £33,293 million at 31 March 2019, an increase of £687 million (2.1 per cent) from 31 March 2018.

¹⁴<https://www.gov.scot/publications/scottish-public-finance-manual/borrowing-lending-and-investment/annex-a-investment-in-businesses-by-scottish-ministers/>

The elements of the Statement of Financial Position are measured and disclosed in accordance with accounting standards and notes to the accounts provide analysis and explanation. More detailed information on the Statements of Financial Position of the individual entities included within these consolidated accounts can also be found in the entity's published accounts by following the links provided on page 14 above.

Pensions

The SG consolidated accounts include as expenditure the employers' contributions payable for the financial year. Staff in the Core Scottish Government, Executive Agencies and Crown and Procurator Fiscal Service are members of the Principal Civil Service Pension Scheme (PCSPS). There is no pension liability in respect of the PCSPS within the SG consolidated accounts, because it is a UK scheme, administered by the Cabinet Office and it is not possible to identify the "Scottish share" of the underlying assets and liabilities of the scheme. The Cabinet Office produces separate pension scheme accounts, covering all members across the UK.

Staff in the NHS consolidated bodies can choose between the PCSPS and the NHS Superannuation Scheme for Scotland, which is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The NHS scheme is administered by the Scottish Public Pensions Agency and annual scheme accounts are produced.

The liabilities to be met over time are not met from investments but paid out each year from the funding of the relevant schemes. The NHS scheme is funded within the Scottish Administration in the Scottish Budget; the PCSPS is dealt with through the UK annual process.

Capital Borrowing

Under Section 32 of the Scotland Act 2012, as amended by Scotland Act 2016 Section 20, additional borrowing powers were conferred on Scottish Ministers with effect from 1 April 2015. Any sums borrowed and repaid under these provisions must do so via the Scottish Consolidated Fund and hence be reflected in those accounts. The first exercise of the borrowing powers took place in 2017-18 where £450 million (the maximum available) has been drawn down to the Scottish Consolidated Fund from the National Loans Fund. This was followed by borrowing of further £250 million in 2018-19.

The repayment of borrowing outstanding as at 31 March 2019 is scheduled as follows:

	Principal	Interest	Total
	£m	£m	£m
<1 year	26.3	10.4	36.7
1 – 5 years	157.8	38.0	195.8
>5 years	508.8	78.2	587.0
			0
Total	692.9	126.6	819.5

An arrangement was agreed with HM Treasury for notional borrowing in 2015-16 and 2016-17 to meet the budget implications of the classification decision related to the introduction of The European System of National and Regional Accounts (ESA10) which required the capital value of a small number of NPD projects to be budgeted for in the years of asset construction. This required the notional amounts borrowed to be recorded against the Scottish

Government's borrowing cap in each of these years, however no actual borrowing was undertaken.

Payment Policy

The Scottish Government policy requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract. The Scottish Government aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms.

The Scottish Government has a 10-day target for paying bills to businesses in Scotland. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business.

For financial year 2018-19, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 99.0% of all payments within 10 days (2017-18: 98.2%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.3% of payments within 10 days (2017-18: 98.8%). The NHS bodies in Scotland made 82.6% of all payments within 10 days (2017-18: 82.9%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2018-19 was 99.7% (2017-18: 99.5%) of all transactions settled within the terms of its contractual 30 day payment policy. The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.7% (2017-18: 99.7%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 92.5% (2017-18: 92.7%) of all payments within the terms of their contractual 30 day payment policy.

Sustainability and Environmental Reporting

The Scottish Government recognises that it has a responsibility to achieve the best results in terms of meeting sustainability criteria., and has set ambitious targets for improving the environmental performance of our estate.

The Scottish Government has developed guidance for central government and the wider public sector on the preparation of sustainability reports to complement Annual Reports and Accounts. The guidance is intended to form a key element of a sustainability reporting framework for the Scottish public sector (referred to as the Scottish Sustainability Reporting Framework). The Framework will aim to inform best-practice across the public sector and demonstrate a coherent approach which meets statutory and non-statutory sustainability reporting requirements in the most cost effective and least burdensome manner to help drive improvements in sustainability performance.

The guidance relates specifically to information to be included in Scottish Public Sector Sustainability Reports¹⁵ intended to complement Annual Reports and Accounts and expected to be consistent with the reporting requirements flowing from the Climate Change (Scotland) Act 2009 and the principles for sustainability reporting contained in HM Treasury guidance.

The Scottish Government's current reporting on sustainability is focused on the environmental aspects of sustainability; it currently publishes an annual report¹⁶ on environmental

¹⁵ <https://www.gov.scot/policies/sustainable-performance/sustainable-performance-reports/>

¹⁶ <https://www.gov.scot/publications/the-scottish-civil-estate-efficiency-and-sustainability-reports/>

performance against a range of targets in respect of the core estate including emissions from energy use, waste arisings and recycling rates, transport & travel emissions, water consumption and biodiversity.

The Scottish Government annually publishes a Climate Change Duties report¹⁷.



Principal Accountable Officer
23 September 2019

¹⁷ <https://sustainablescotlandnetwork.org/reports/the-scottish-government>

Accountability Report

Corporate Governance

Information about the structure of the Scottish Government and details of the Scottish Government Ministers and senior officials can be found in the Performance Report and in the Governance Statement.

Statement of Accountable Officer's Responsibilities

In accordance with the accounts direction (reproduced on page 134) issued under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers are required to prepare resource accounts for each financial year in the form and on the basis set out in the Government Financial Reporting Manual, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Scottish Ministers during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scottish Government, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Permanent Secretary is the most senior member of the staff of the Scottish Administration and as the Principal Accountable Officer is the Accountable Officer responsible for preparing the accounts and submitting them to the Auditor General for Scotland.

In preparing the accounts the Principal Accountable Officer was required to comply with the Government Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction 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 FReM have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Principal Accountable Officer confirms that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

The responsibilities of the Principal Accountable Officer are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual¹⁸.

For the purposes of the audit, so far as the Principal Accountable Officer is aware, there is no relevant audit information of which the auditors are unaware and all necessary steps have been taken by the Principal Accountable Officer to ensure awareness of relevant audit information and to establish that the Scottish Government's auditors are aware of that information.

The Principal Accountable Officer authorised these accounts for issue on 23 September 2019.

¹⁸<https://www.gov.scot/publications/scottish-public-finance-manual/background-and-applicability/background-and-applicability/>

Governance Statement

Scope of Responsibility

As Permanent Secretary to the Scottish Government I am responsible for ensuring that appropriate arrangements are in place for governance; that these arrangements support the Scottish Government's purpose and the achievement of Scottish Ministers' policies, aims and objectives.

As Principal Accountable Officer (PAO) for the Scottish Administration (under the terms of the Public Finance & Accountability (Scotland) Act 2000), I am also responsible for ensuring the propriety and regularity of finances and the economic, efficient and effective use of resources. In discharging these overall responsibilities I am supported by the designated Portfolio Accountable Officers within the core Scottish Government; the Crown Office and Procurator Fiscal Service (COPFS); Scottish Government Executive Agencies and Health Bodies.

Detailed information on the role and responsibilities of Accountable Officers is set out in the Accountability chapter¹⁹ of the Scottish Public Finance Manual (SPFM) and further detail on the context and purpose of the Governance Statement can be found in the Governance Statement chapter²⁰ of the SPFM.

Governance System

It is my duty as PAO to ensure that the Scottish Government delivers the ambitions and outcomes in line with the National Performance Framework (NPF), in an open, capable and responsive manner. As the Scottish Government's role evolves and responsibilities increase, it is vital that its corporate governance structures operate effectively to demonstrate the economic, effective and efficient use of the resources.

The Scottish Government's corporate governance system has been designed in order to provide me with support and advice in relation to strategic issues of organisational health, performance, vision and strategy and effective governance.

The Scottish Government's governance arrangements provide for clear lines of accountability, effective reporting and appropriate escalation routes. It enables scrutiny and oversight of the Scottish Government's activities and provides me with an independent source of assurance on the effectiveness of the governance arrangements in place. In addition, it complies with all governance-related guidance in the SPFM, the Civil Service Code²¹ and relevant elements of the Good Governance Standard for Public Services²² produced by the Independent Commission on Good Governance in Public Services. The framework is set out at Figure 1.

Governance arrangements for separate accounting entities

The separate accounting entities within the Scottish Government consolidation boundary have corporate governance arrangements in place appropriate to their individual circumstances and in compliance with relevant guidance. The effectiveness of governance arrangements for the separate accounting entities is addressed in the Governance Statements provided by the entities concerned as part of their annual accounts. As with the Scottish Government, these arrangements comply with relevant guidance in the Scottish Public Finance Manual and generally accepted best practice principles.

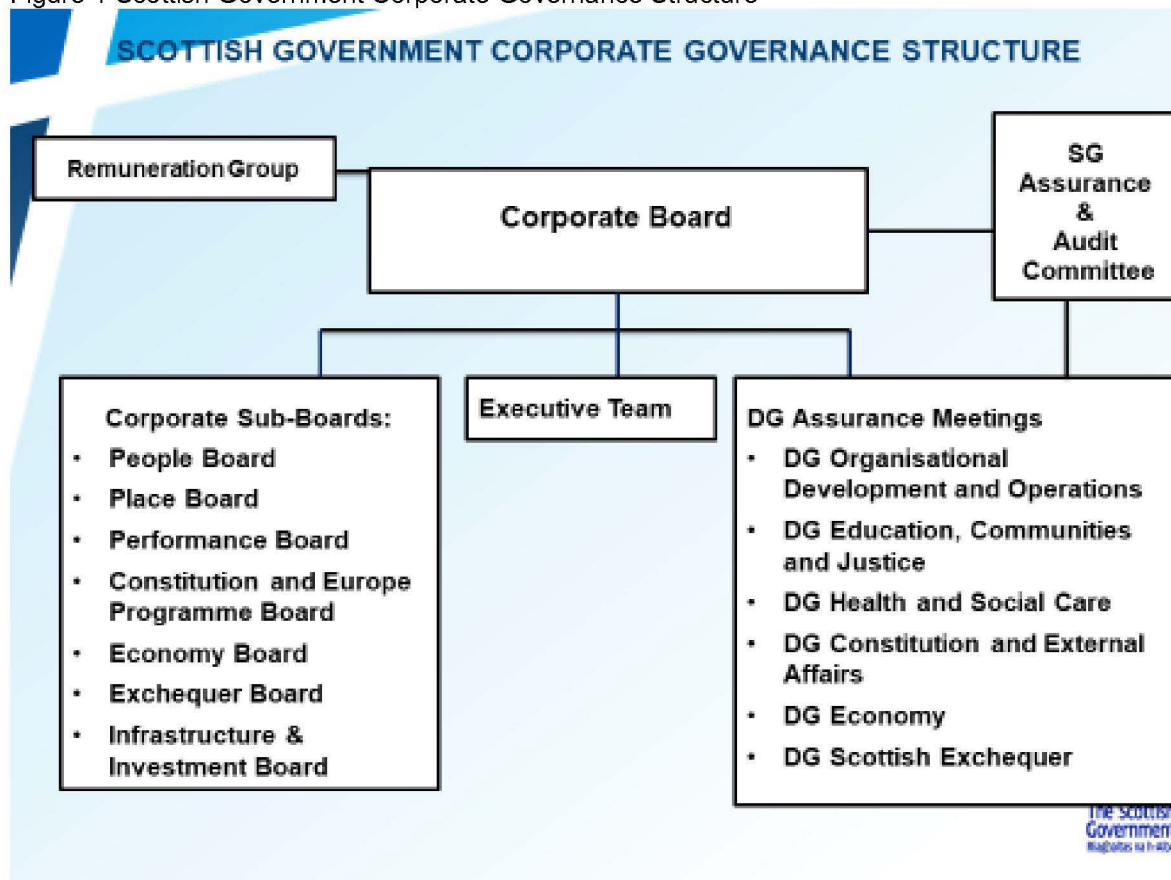
¹⁹ <http://www.gov.scot/Topics/Government/Finance/spfm/Accountability>

²⁰ <https://www.gov.scot/publications/scottish-public-finance-manual/governance-statements/governance-statements/>

²¹ <https://beta.gov.scot/publications/civil-service-code/>

²² <https://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services>

Figure 1 Scottish Government Corporate Governance Structure



Corporate Board

The Corporate Board's purpose is to provide me with support as I discharge my responsibilities as PAO with objective strategic oversight, guidance and advice in relation to the Scottish Government's organisational performance and the effectiveness of its governance arrangements. It consists of myself, Directors-General (DGs), as my Portfolio Accountable Officers; five Non-Executive Directors (NXDs); the Chief Financial Officer; Director of People; the Director for Communications, Ministerial Support and Facilities and the Board Secretary²³. The Solicitor to the Scottish Government joined the Corporate Board in September 2019.

The Corporate Board has met six times since over the course of the period which this Governance Statement covers. Over the period it has considered issues including: financial performance; digital; workforce planning; the Annual Consolidated Accounts and this companion Governance Statement; the implications of new powers under the Scotland Act (2016); European Union (EU) Exit, as well as its annual review of corporate risk. A Balanced Scorecard is used by the Board to scrutinise the organisation's key performance metrics. The Board also undertakes a programme of regular development activity, with a minimum of two sessions each calendar year.

The Board, and wider corporate governance strategy, is supported by the Board Secretary. This role which has significantly strengthened corporate governance through the implementation of the 2017 Governance Review recommendations²⁴, a programme of

²³ The Board Secretary has overall responsibility for the Scottish Government's corporate governance structures.

²⁴ The 2017 Governance Review was undertaken by the Director of Internal Audit and Assurance and the Crown Agent in October 2017.

improvement across all elements of the governance system and with the wider organisation. The role was made permanent in March 2019.

Corporate sub-boards

The Corporate Board is supported by a number of corporate sub-boards as set out at Figure 1. Over the reporting year each of these boards have met at least once a quarter and have conducted a review of their terms of reference and work-plan with clear routes for escalation and accountability set out. The Corporate Governance Manual was last updated by the Board Secretary in August 2019 as part of its annual review.

People Board: chaired by DG Organisational Development & Operations:

The People Board's role is to create the culture and conditions for individuals to thrive and be successful in Scottish Government. The People Board focuses on delivering the People Plan and the aspirations set out.

Place Board - chaired by DG Education, Communities & Justice and DG Economy:

"Place" is defined as the physical and digital space which supports people, visitors and the wider community to work together effectively to support the SG2020 vision and deliver the Scottish Government's purpose. The Place Board supports the delivery of the Smarter Workplaces programme, Corporate Systems and the Digital programme; assuring that investment decisions support the delivery of the Place Board's vision and anticipates and responds effectively to future challenges in terms of our workplace and our systems.

Performance Board - chaired by DG Scottish Exchequer:

The Board looks across the whole system of government to ensure Ministerial priorities are delivered with measurable progress and that performance is focused on outcomes. The Performance Board monitors the progress of the delivery of the National Performance Framework (NPF) and provides support and guidance to develop the capacity, capability and culture required to deliver the National Outcomes. It also ensures effective governance in relation to the delivery of the Programme for Government (PfG) and reviews and advises on governance, structures and behaviours needed to optimise the delivery of the NPF and PfG.

Economy Board - chaired by DG Economy:

The Economy Board provides strategic oversight on the economy across Scottish Government's activities by coordinating economic policy across portfolios to optimise opportunities while managing risk; identifying significant cross-cutting issues and issuing subsequent calls for evidence to understand the nature of those; commissioning and gaining assurance on large scale projects related to the economy; continuing to drive improved economic capacity and capability across Scottish Government and strengthening cross-Scottish Government Ministerial action through a coherent message on economic policy.

Exchequer Board - chaired by DG Scottish Exchequer:

The Exchequer Board was established in the course of the reporting year and provides strategic assurance, advice and challenge on Exchequer governance within Scottish Government. This enables DG Scottish Exchequer to provide advice on the medium and long-term sustainability of Scotland's public finances and on the resilience of Scotland's fiscal landscape to the Permanent Secretary, Corporate Board and Ministers.

Infrastructure Investment Board - chaired by DG Scottish Exchequer:

The Infrastructure Investment Board (IIB) strengthens strategic direction, prioritisation and oversight to ensure coherent advice and aligned delivery of an effective, fiscally sustainable programme which maximises Ministers' ambition for infrastructure investment. It is concerned with the impact of overall investment on the economy; how best and by whom major and critical infrastructure is financed as much as that infrastructure is directly funded or financed by Scottish Government.

Constitution & Europe Programme Board - chaired by DG Constitution & External Affairs:

The Constitution & Europe Programme Board's role is to ensure that, following the EU referendum result, the Scottish Government brings clarity and leadership to its engagement with: citizens, the UK Government, other administrations, the European Institutions and civic and business organisations. Further, its role is to protect and advance Scotland's interests e.g. economic, financial, social, environmental and constitutional and ensure that, whatever happens, Scotland is ready and responds effectively.

DG Assurance

DG Assurance meetings take place quarterly and in line with recommendations from the Governance Review, relevant issues are escalated for awareness, discussion and action to the Scottish Government Audit & Assurance Committee where appropriate. Assurance meetings are attended by each Director from the DG family; NXDs; Audit Scotland; Internal Audit and Assurance; the Board Secretary and relevant officials as appropriate.

Improvements to the Scottish Government's assurance arrangements continue, particularly in relation to how the identification and management of risk and how the stewardship of the Scottish Government's finances and people are evidenced, monitored and improved. Issues escalated to the Scottish Government Assurance and Audit Committee (SGAAC) this reporting year have included EU Exit preparedness and its impact on the Scottish Government and a number of other areas I have included as significant controls issues later in this Statement.

Scottish Government Audit and Assurance Committee

The role of SGAAC is to support me by providing assurance on governance, risk management and scrutinising financial processes through constructive challenge, advice and support. Its membership consists of NXDs, including a newly appointed Deputy Chair and I attend along with Directors-General; the Chief Financial Officer; the Director for Internal Audit and Assurance; Audit Scotland, as the Scottish Government's external Auditors and the Board Secretary. The Auditor General attends the meeting in September to coincide with SGAAC's consideration of the Annual Accounts and Governance Statement.

The process for the provision of annual assurances by senior staff within the core Scottish Government (and the other constituent parts of the Scottish Administration) is set out in the SPFM²⁵.

The assurance provided by SGAAC on the 23 September 2019 is timed to support the PAO's signature of the Scottish Government consolidated accounts and the associated Governance Statement, following consideration of the accounts by Corporate Board on 3 September 2019.

In line with recommendations from the 2017 Governance Review, relevant issues discussed at DG Assurance meetings are now escalated for awareness and discussion (and if appropriate,

²⁵ <https://www.gov.scot/Topics/Government/Finance/spfm/assuranceceerts>

action) to SGAAC. The issues raised throughout this year, alongside the DG Certificates of Assurance have been discussed at SGAAC in the period up to my signature of this Statement and the Scottish Government Accounts which supported me in my consideration of the issues included in this Statement. SGAAC subsequently considered the Statement and the draft Consolidated Accounts on 23 September 2019 and no significant control weaknesses were raised other than those disclosed in the significant control issues section of this Statement.

A similar process is in place in each of the separate accounting entities within the Scottish Government consolidation boundary.

Internal Audit

From 1 April 2019 the Scottish Government introduced a new Directorate of Internal Audit and Assurance. This brought together three independent assurance teams - Internal Audit, Digital Assurance Office and the Portfolio, Programme and Project Assurance. While the services provided by each of the teams will continue independently, an enhanced integrated approach to assurance will be provided to support the Scottish Government's expanding responsibilities through a proportional provision of assurance activities throughout the policy to delivery lifecycle.

Audit Scotland as the Scottish Government's external Auditors, assess the extent to which they will use the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, and meet their wider responsibilities, depending on their direct relevance to their work. Each year they also undertake a review of the Scottish Government's Internal Audit arrangements. Audit Scotland confirmed that their review found clear improvements in the work of Internal Audit compared to the previous year and did not find any areas of significant non-compliance with standards. Their review has given them assurance that, in general, the work of Internal Audit is of a sufficient standard to consider using it to support their own audit work and conclusions.

Public Sector Internal Audit Standards require that an independent External Quality Assessment is undertaken of the Internal Audit function every five years. In February 2019 the Institute of Internal Auditors undertook this assessment and confirmed that the Internal Audit Directorate generally conforms to Public Sector Internal Audit Standards.

Audit Scotland

Audit Scotland attend DG Assurance meetings and provide updates in relation to current and future work plans. I have agreed with the Auditor General that bi-annual meetings should take place between Executive Team, the Auditor General and Audit Scotland as part of the Scottish Government's wider commitment to working together. Two such meetings have taken place since January 2019.

In addition, regular engagement has taken place between Audit Scotland and the Directors General, the Chief Financial Officer, the Director of Internal Audit and Assurance, NXDs, Board Secretary and others as required.

DG Education, Communities and Justice, working in partnership with Audit Scotland and Internal Audit has also held two workshops in June and July 2019 focussing on the role of sponsor teams with reference to the support for, and the understanding of the governance and accountability of, public bodies. Further work to support sponsor teams in their roles is also being undertaken following these sessions and this joint working has been very much welcomed, not just by the DG Education, Communities and Justice Family but by all of Executive Team.

Non-Executive Directors (NXDs)

There has been a strengthening of independent scrutiny within the Scottish Government's governance structure over the reporting year, particularly with the recruitment of four additional NXDs and two deputy NXDs²⁶ being appointed on 1 March 2019. The NXDs provide the Scottish Government with constructive challenge, advice and support through the governance structures as well as direct support to the Executive Team through their membership of corporate boards as well as attendance at DG Assurance meetings. Improvements have been made to the support provided to NXDs including regular briefings on key developments, priorities and bespoke NXD Network meetings. New NXDs have undergone a full induction programme and will be supported in their roles over the next year by the Board Secretary.

Development of the Scottish Exchequer Function

2018-19 was an important year for the continued evolution of the DG Scottish Exchequer function. As the organisation's functions and responsibilities have evolved, so too have its requirements to ensure the most effective stewardship of the public funds for which the Scottish Government is now responsible.

Over the period of this Governance Statement, the DG Scottish Exchequer function delivered and supported a range of activity, including:

- The delivery the draft Budget for 2019-20;
- The first Medium Term Financial Strategy (MTFS);
- The first Fiscal Outturn Report; and
- The launch of a refreshed National Performance Framework (NPF) which has been welcomed across Scotland.

Significant investment in capacity and capability has taken place – particularly at senior level. In addition to the Director for Budget & Sustainability, there is now a Director for Tax and a Director of Performance and Strategic Outcomes, whose role is to support the delivery of the National Outcomes as set out in the NPF in conjunction with the wider public sector. This investment in staff has been complemented by a programme of work to inform and deliver an enhanced DG Scottish Exchequer to manage fiscal risks, including longer-term sustainability and realise the opportunities arising from new financial powers. This programme has drawn on stakeholder input and international best practice in areas such as strategic risk, transparency and fiscal sustainability.

National Performance Framework

Scotland's National Performance Framework²⁷ has been the foundation for a transformative shift in how policy is developed and delivered since 2007, focussing the Scottish Government's collective efforts on the delivery of the outcomes for Scotland.

Through the Community Empowerment (Scotland) Act 2015, this outcome-based approach has been put on a statutory footing and the Scottish Government took this opportunity to undertake a wholesale review of the NPF, in partnership with civic Scotland, culminating in the launch of a renewed NPF in June 2018. The renewed NPF not only guides the activities of the Scottish Government but now puts collective action across the public and private sectors and wider civic society, at the centre of the Scottish Government's efforts. The renewed NPF puts increased wellbeing at the heart of the Scottish Government's collective national

²⁶ This is a newly created role providing support for 20 days a year, rather than 40 days as the NXDs undertake.

²⁷ <https://nationalperformance.gov.scot/>

endeavours, alongside sustainable and inclusive economic growth. It includes a statement of the values that will guide the Scottish Government's activities and approaches, including with kindness, dignity, compassion and transparency.

These objectives are threaded through the corporate governance system, and are specifically monitored through the Performance sub-board, chaired by DG Scottish Exchequer, using the Scottish Government's risk management and assurance arrangements. Further work is underway to support this monitoring at an organisation-wide level for Corporate Board and will strengthen the ability of the Scottish Government to track its delivery.

In May 2019, the Scottish Government published Scotland's first Wellbeing Report²⁸, pulling together key trends and data across the National Outcomes, and drawing on additional existing sources of evidence. The resultant overall picture of wellbeing should encourage decision makers across all sectors to dig deeper into the evidence and look across the National Outcomes.

Creation of Social Security Scotland

One of the key changes to the Scottish Government during the course of the year has been the creation of Social Security Scotland, an Executive Agency that will deliver those benefits devolved under the Scotland Act 2016. The Agency was established on 1 September 2018. The Agency is responsible for ensuring that those benefits are administered in accordance with the Social Security (Scotland) Act 2018 and the values of dignity, fairness and respect which Scottish Ministers have decided should underpin the devolved social security system. They have in place a system of internal control and assurance in line with the Scottish Public Finance Manual. As Accountable Officer for Social Security Scotland, the Chief Executive has responsibility for ensuring that system of risk management and internal control is sound and robust, and identifies the principal risks to the achievement of the Scottish Government's social security policies, aims and objectives.

Scottish Government's Assurance Framework

Annual assurance on the adequacy and effectiveness of the core Scottish Government's internal control system, including risk management, safeguards against losses and the extent to which it can be relied upon is provided through the professional opinion of the Scottish Government's Director of Internal Audit and Assurance. In the annual assurance report submitted to the Scottish Government Assurance and Audit Committee meeting on 24 June 2019 the Director of Internal Audit and Assurance confirmed that reasonable assurance could be placed on the internal control arrangements

Risk Management Arrangements

Effective risk management is at the heart of the Scottish Government's Assurance Framework. The Scottish Government's approach is published on the Scottish Government website²⁹. It is consistent with the principles highlighted in the Scottish Public Finance Manual which was reviewed in March 2019 and it is also consistent with the UK Government's refreshed Orange Book³⁰.

Following an extensive review during 2017-18 which looked to improve consistency and accessibility of the internal Scottish Government risk management process and guidance, the Scottish Government published its new internal risk guidance and approach on 8th May 2018. This approach has been reinforced by investment in training for staff throughout 2018-19 and

²⁸ <https://nationalperformance.gov.scot/scotlands-wellbeing-report>

²⁹ <https://www.gov.scot/Topics/Government/Finance/spfm/risk>

³⁰ <https://www.gov.uk/government/publications/orange-book>

work is currently underway to provide me with recommendations on how to further strengthen the Scottish Government's risk management approach. Findings will be reported to the Executive Team later in 2019.

Scottish Government Corporate Risks

The Scottish Government operates in an increasingly volatile, uncertain, complex and ambiguous environment, delivering the priorities of the Scottish Ministers whilst managing associated risks and opportunities. The Scottish Government's corporate governance system has been designed to ensure that risks to its organisational health and performance in this environment are identified, managed and mitigated effectively.

Over the last year a number of policy-specific corporate risks have been identified, managed and monitored through the assurance processes and included in the Scottish Government's Corporate Risk Register. The register is a living document and is updated on an ongoing basis. A snapshot of the risks as at the end of the period covering this Statement (March 2019) is included below:

- The Scottish Government strategy to ensure that Scotland's interests are protected in the UK withdrawal from the European Union. (DGCEA)
- Resilience arrangements are sufficient to deal with major and sustained incidents in a changing threat landscape and that disrupt everyday activities in Scotland. (DGECJ)
- The Scottish Government ensures the long term sustainability of the public finances through effective budget-setting and medium term strategic financial planning. (DGSE)
- The Scottish Government has the capability and capacity to deliver the Government's priorities while maintaining high standards of competence. (DGODO)
- New powers over social security are successfully implemented, with smooth transition from the Department of Work and Pensions to new Scottish policies and administrative arrangements. (DGODO)
- We have the systems, personnel and processes to ensure the Scottish Government IT system's infrastructure and services are protected from cyber threats, ensuring that the Scottish Government can play its part in the development of the wider cyber community. (DGODO)
- We have the capacity to support the Scottish Government's business critical IT systems and robustly deliver business critical IT/digital dependent projects. (DGODO)
- Culture in Scottish Government supports and enables greater diversity and inclusion, demonstrating it is an exemplar employer by committing to and working towards the published equality outcomes for 2017-20. (DGODO)
- Maintaining the confidence of survivors in the independence and efficiency of the Scottish Child Abuse Inquiry.(DGECJ)
- Ensuring the Scottish Government's capacity to deliver the financial redress scheme for victims/survivors of in-care child abuse.(DGECJ)
- Ensuring we respond effectively to the European Audit criticisms relating to 2015 implementation of the Common Agricultural Policy. (DGEcon)

- Coherent actions by core Scottish Government and agencies are appropriately developed, targeted and implemented to strengthen inclusive sustainable economic growth. (DGEcon)
- Health and Social Care Partnerships are able to meet the objectives of the Health & Social Care Delivery Plan. (DG Health & Social Care)
- Public Service Reform and Improvement: We have a coherent framework of activities, centred on the people who need and use public services, promoting partnership working and preventative approaches so that we are better placed to improve outcomes and reduce inequalities in a sustainable way. (DGECJ)

These risk management arrangements have also surfaced two emerging cross-cutting risks, which are also reflected in the Certificates of Assurance provided to me by my Directors General.

As previously noted, separate accounting entities within the Scottish Government consolidation boundary have corporate governance arrangements in place appropriate to their individual circumstances and in compliance with relevant guidance. However, the work being undertaken by DG Education, Communities and Justice alongside Audit Scotland, Internal Audit and the Board Secretary in relation to public body sponsorship has surfaced the importance of strengthening the understanding of the roles and responsibilities in governance across the public sector and I therefore consider it a cross-organisational priority.

In addition, it is clear that there will be significant and unprecedented challenges facing the Scottish Government and Scotland more widely as a result of EU Exit. There will be resourcing impacts for the Scottish Government, both in terms of the skills, capacity and wellbeing of staff, but also the demands placed on those corporate services and systems that support the daily running of the organisation. This risk is regularly considered by the Corporate Board, Executive Team and People Board to ensure that EU Exit planning is robust and appropriately resourced.

Significant Internal Control Issues

The process for the provision of annual assurances by senior staff within the core Scottish Government (and the other constituent parts of the Scottish Administration) is set out in the Scottish Public Finance Manual³¹.

The culmination of this process is the provision of Certificates of Assurance from Directors-General that reflect any internal control issues raised by Directors, as well as any other issues raised throughout the course of the year in either the DG Assurance process; by the Scottish Government Assurance and Audit Committee; by NXDs; the annual assurances by Internal Audit and consideration of information on control issues received in respect of any associated executive agencies, non-ministerial departments, and, sponsored bodies.

In preparing this Statement, my assessment of whether an issue represents a significant internal control issue is based on a review of their materiality, relevance and their impact on the organisation and its governance as a whole. It is also based on the assurances provided by the Directors-General, including whether they believe they have been able to effectively discharge their responsibilities as Portfolio Accountable Officers. On this basis, the issues I have identified are as follows:

³¹ <https://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts>

Corporate Systems: Each year Internal Audit provides an assessment of the Scottish Government's corporate systems. Last year's report provided a reasonable assurance opinion, alongside the need for improvements in relation to a number of those systems, namely the Scottish Government's Accounting System (SEAS) capacity and capability and payroll, to ensure a reasonable assurance opinion could be provided again.

The demands of large-scale external recruitment and internal movement continue to create challenges for the Scottish Government's legacy systems and services. I am content that corporate services are putting in place short term improvements and developing the investment case to ensure underlying risks can be addressed. I remain mindful of the pressures on corporate services, particularly in the context of the implementation of Social Security and the impact of EU Exit, and the importance of ensuring that they are fit for purpose and able to support the operation of the Scottish Government. The Internal Audit 2019/20 plan provides robust coverage of the 'business as usual' elements of the core systems within the Scottish Government which are critical to ensure that the key controls for the day to day business continue to function.

European Structural Funding (ESF): The European Social Fund programme within the ESF is currently in 'pre-suspension' status due to audit issues identified during a 2018 audit. As a result the Scottish Government is not yet in a position to have these claims refunded by the European Commission (EC) and in turn are also unable to pay out funding to lead partners who are affected by these audit issues, one of which is Skills Development Scotland. The potential financial exposure to the Scottish Government if pre-suspension is not lifted is the loss of the re-imbursments and a penalty imposed by the EC of up to 25% of value of the whole programme.

The Scottish Government is therefore working with lead partners and the EC to address these issues with the aim of having the pre-suspension lifted as soon as possible (the pre-suspension period expires in November 2019). Additionally, performance in respect of audits carried out on behalf of the EC into the verification of claims for EU-funding is subject to a range of urgent improvement actions. These include additional training, updating documentation, guidance and instructions, management information and benchmarking of the systems used against industry standards.

Freedom of Information (FOI) Performance: Last year my statement highlighted the Scottish Information Commissioner's two interventions into Freedom of Information performance across the Scottish Government and the associated FOI processes in place.

On performance, the Scottish Government achieved 91% of FOI responses on time in 2018, exceeding the 90% target set by the Commissioner, despite a 12% increase in caseload compared to 2017. While performance has been maintained during the first part of 2019, it will be challenging to meet the revised target of 95%. Although this intervention formally ended due to the 2018 performance, the Scottish Government continues to provide monthly reports to the Commissioner.

On processes, the Scottish Government has in place action plan agreed with the Commissioner in November 2018. This is being implemented across all Directorates and Agencies, led by an improvement project. The Commissioner carries out quarterly monitoring and published a progress report on 29th July 2019. The progress report highlighted the positive steps taken towards improving practice, while noting the Commissioner's concerns about maintaining consistency in performance. The report also confirms that the Commissioner will expect the monthly reports to continue.

While performance and process improvements remain live issues, both are being pursued within robust governance processes and controls in place, both internally and through the Commissioner's role, from which I take assurance.

European Union (EU) Exit: Preparation and planning in relation to EU Exit continues in the Scottish Government following extensions to the Article 50 period. Whilst uncertainty continues as to whether, when and how, the United Kingdom will leave the EU, there is an extensive and co-ordinated governance structure in place, and supported by programme and project management structures in place, appropriately scaled and tailored for the nature of the challenge, and linking with the Scottish Government's existing governance arrangements. These are set out below:

- The Constitution & Europe Programme Board brings together DGs, lead Directors and portfolio lead NXDs to provide me with advice, support and challenge;
- EU exit preparedness, risk management, resourcing and associated governance requirements has been a standing item at each DG Assurance meeting;
- EU exit preparations have also been considered by the Scottish Government Audit and Assurance Committee, the Executive Team and at Corporate Board;
- In the course of the year, these structures were augmented by use of a Scottish Government Resilience Room (SGoRR)- style meeting format and process in order to bring together Cabinet Ministers, their lead officials and representatives of partner organisations, under the direction of the Deputy First Minister and First Minister, in order to bring rigour and assurance to EU exit preparations; and,
- Scottish Government officials and Ministers have taken part directly in the governance processes of the UK Government, through attendance at meetings of the European Union Exit and Trade (Preparedness) (EUXT (P)) Cabinet Sub-Committee and its officials' group.

These governance processes support the assessment that the Scottish Government was prepared for EU exit by the end of 2018-19, in that it had identified the likely major risks and issues, assessed their impact on and within Scotland, identified and made preparations to mitigate impacts where it is feasible and proportionate to do so, and highlighted the impact of risks that could not be fully mitigated to support preparations by organisations and individuals in Scotland.

This work continues in the current year and is dependent on receiving information and co-operation from the UK Government, the European Commission, and partner organisations in Scotland. It remains the case that preparing for and managing the impact of EU Exit, in particular a disorderly "no-deal" exit, will impact on the ability to deliver the daily business of government and requires Ministers and officials across the Scottish Government to deploy resources flexibly and re-assess priorities, including to ensure that the wellbeing and resilience of staff is maintained.

Post- 31 March event – Royal Hospital for Children and Young People and the Department of Clinical Neuroscience: Following the signing of NHS Lothian annual accounts in June 2019, the Scottish Government was alerted to an issue with the ventilation system at the Royal Hospital for Children and Young People (RHCYP) in Edinburgh, resulting in the halting of planned patient moves to the new building.

Two independent reports were commissioned by the Cabinet Secretary. The first by NHS National Services Scotland (NSS) to undertake a detailed assessment of all systems in the new hospital that could impact on safe operation for patients and staff. NSS will also provide assurance on current and recently completed capital projects to ensure that these are compliant with national standards. In addition, KPMG were engaged to conduct an

independent audit of the governance arrangements for RHCYP, ensuring a full understanding of the factors that led to the delay in the hospital's opening on 4 July 2019.

On 11 September the Cabinet Secretary updated parliament on the outcome of the first phase of the NHS NSS work - a review of water, ventilation, drainage and plumbing – and on the findings from the KPMG review.

The NSS report sets out 11 issues to be addressed, 2 of which are categorised as Priority 2: Major – Absence of key controls, major deviations from guidance. Remedial action is now required to address all 11 issues in the report. As a result of the NSS review the estimated timeline for services to migrate to the new hospital is for commencement in spring 2020, with full migration by autumn 2020. The cost of remedial works, maintenance of existing sites and project costs is estimated at £16 million. Given that NHS Lothian took possession of the building in February 2019 the unitary payment will continue to be made, even though the building is not occupied, however these payments have been budgeted for.

The KPMG report into the facts that led to the delay sets out a picture of human error and confusion over interpretation of standards and guidance and missed opportunities to spot and rectify that error.

NHS Lothian had been escalated to Level 3 in July 2019 on a range of performance measures. An Oversight Board was established which includes senior figures from Scottish Government Health and Social Care Directorate, NHS National Services Scotland, Scottish Futures Trust and NHS Lothian and what has overall responsibility for the completion of the works and opening of the hospital, reporting directly to the Cabinet Secretary.

The Health and Social Care Management Board reviewed the level of escalation on 11 September, given the further information available from the NSS and KPMG reports and the Director General took the decision to escalate NHS Lothian to Level 4 for the RHCYP project only. As such a Senior Programme Director has now been appointed and will report directly to Scottish Government and will be a member of the Oversight Board.

A new national body is being established to provide oversight for the design, planning, construction and maintenance of major NHS infrastructure. While it is important to note that not all infections are preventable, this work will focus in particular on mitigating infection risks posed by the built environment.

Queen Elizabeth's University Hospital (QEUH) and Royal Hospital for Children (RHC):

Over the past year there have been a number of high-profile infection incidents and outbreaks at the QEUH and RHC within NHS Greater Glasgow and Clyde. The management of the recent issues and concerns expressed have been risk rated as high by the Board.

A range of measures have now been implemented to mitigate the effects of these risks and the Board is working on additional actions to strengthen controls. In response to the infection incidents and outbreaks, a number of investigations have taken place in relation to the QEUH, the RHC and the Institute of Neurosciences including: the Healthcare Environment Inspectorate's report and the Board's resulting action plan following an unannounced inspection; Health Protection Scotland's investigation and subsequent report into the water contamination incident; and the Health and Safety Executive's investigation into the deaths of two patients from *Cryptococcus neoformans*. The outputs from these investigations will help to inform the Scottish Government's wider Independent Review into QEUH, commissioned by the Cabinet Secretary in January 2019.

A wider programme of work is under way within Scottish Government to consider ways to further strengthen infection prevention and control in healthcare settings across NHS

Scotland. While it is important to note that not all infections are preventable, this work will focus in particular on mitigating infection risks posed by the built environment.

It was announced on 17 September 2019 that a public inquiry will be held to examine issues at the new Royal Hospital for Children and Young People (RHCYP) and the Queen Elizabeth University Hospital (QEUH) sites following recent concerns from affected parents over safety and wellbeing. The inquiry will determine how vital issues relating to ventilation and other key building systems occurred, and what steps can be taken to prevent this being repeated in future projects.

Cultural Issues related to allegations of Bullying and Harassment in NHS Highland: On 9th May 2019 the Scottish Government published the findings of a review by John Sturrock QC into allegations of a culture of bullying within NHS Highland³². The review considered testimony from current and former staff across various staffing levels, geographic areas, disciplines and departments of NHS Highland. A total of 66% of the 340 people who made contact with the review wished to report experiences of what they described as bullying. The review found that there were weaknesses in governance, culture, leadership, systems and behaviours.

The Scottish Government published its response to the Review alongside the report³³. A number of initiatives are now in train to strengthen the existing policy architecture in NHS Scotland in relation to bullying, harassment and whistleblowing. All NHS Scotland Boards have been asked to report on the implementation of local staff governance and assurance mechanisms in light of the review findings, while NHS Highland have been formally asked to produce an action plan which responds to all 65 substantive recommendations included in the report.

Notwithstanding that, the Review only examined matters in NHS Highland; it should be acknowledged that there is important learning and reflection for other NHS Scotland health boards and for the Scottish Government. In many respects, what the Review states about working to build supportive cultures that engender and encourage the right behaviours, is of general application. The Ministerially-led Short-Life Working Group, will examine how we collectively take forward measures that support open and honest workplace cultures. In particular, this group will look specifically at what more we need to do to effectively deliver the behavioural and attitudinal approach to leadership and management that is at the heart of the Sturrock Review.

The Financial Position of NHS Boards: In 2018-19 in order to deliver a breakeven position, four NHS Boards required additional financial support in the form of brokerage. The level of brokerage amounts to £65.7 million across the following Boards: NHS Tayside (£17.6 million); NHS Ayrshire and Arran (£20.0 million); NHS Highland (£18.0 million); and NHS Borders (£10.1 million). This compares with the level of brokerage required in 2017-18 of £50.7 million, and represents an improvement of £8.8 million on the original forecast for the year.

The financial progress of each of the NHS Boards is published on a monthly basis.³⁴

NHS Board Compliance with General Data Protection Regulations (GDPR): The compliance with GDPR (2016) and the Data Protection Act (2018) has been identified as a

³² <https://www.gov.scot/publications/report-cultural-issues-related-allegations-bullying-harassment-nhs-highland/>

³³ <https://www.gov.scot/publications/scottish-government-response-report-bullying-harassment-nhs-highland/>

³⁴ <https://www.gov.scot/publications/nhs-scotland-and-integration-authorities-consolidated-financial-reporting-2019-2020/>

high risk in most health boards' Governance Statements. This is due to incomplete preparation for the new legislation and a lack of awareness and understanding amongst staff members. The Boards have acknowledged that further work is required to ensure that appropriate improvement plans are in place, with a particular focus on ensuring all staff members fully understand this new legalisation and their responsibilities to comply with it. The Digital Health and Care Strategy³⁵ sets out Scottish Government's programme of activities for delivering by 2020 a simplified and consistent national approach for Information Assurance, Governance and Security. This will take into account the different needs of users and citizens, and provide clarity with regards to information sharing across health and social care to help minimise the information risk across NHS Scotland.

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the SPFM³⁶. The Integrity Group is responsible for improving fraud prevention measures across the Scottish Government as well as monitoring relevant cases of suspected external and internal wrongdoing made through formal reporting lines. This includes supporting and reporting on the concerns that are raised under the Public Interest Disclosure Act 1998. The Group is also available to provide advice on the handling of specific allegations of external and internal wrongdoing where required.

An annual report on fraud within the Scottish Government's consolidation boundary is prepared annually for SGAAC. Within the 2018-19 financial year 38 cases were reported, this number excludes those where subsequent investigations indicated that no actual or attempted fraud had taken place.

The Scottish Government also continues to also participate in the biennial National Fraud Initiative (NFI) exercise led by Audit Scotland to help public bodies minimise fraud and error in their organisations, the 2018-19 NFI exercise identified 3,407 matches of which 805 were recommended for follow up action. The Scottish Government have to date reviewed 1,282 matches of which no frauds or errors were detected.

The Scottish Government has continued to engage with cross-government groups, sharing the approach taken and supporting the prevention agenda through the Fraud, Error and Debt Team within the UK Cabinet Office.

Data Security Framework

Information assurance and security are strategic risks for the Scottish Government. Director General Organisational Development and Operations, as the Senior Information Risk Owner, is the owner for these risks at Executive Team level. Corporate policies and guidance are in place to ensure that the Scottish Government meets its legislative and procedural obligations to protect the information assets and minimise the likelihood of a data loss incident.

Fifty seven data security incidents were internally reported to the Scottish Government Data Protection and Information Assets team in 2018-19, of which four were reported to the Information Commissioner's Office (ICO) during the year. While no enforcement action was taken by the Commissioner, appropriate actions were taken in each case to ensure that the probable impact of any loss was minimised. Additional local procedures were also put in place to minimise the likelihood of any future recurrence.

³⁵ <https://www.gov.scot/publications/scotlands-digital-health-care-strategy-enabling-connecting-empowering/>

³⁶ <http://www.gov.scot/Topics/Government/Finance/spfm/fraud>

A dedicated Data Protection Officer has been in place since the introduction of the General Data Protection Regulations (GDPR) in May 2018 and registration with the ICO is up to date. In addition, the Scottish Government has continued to make good progress towards implementing actions set out in the Public Sector Action Plan on Cyber Resilience³⁷, which will enhance the cyber and information security controls already.

Written Authority

Under the terms of the Public Finance & Accountability (Scotland) Act 2000 there is a statutory duty on the Principal Accountable Officer and designated Accountable Officers to obtain written authority from Ministers or governing boards before taking any action which is considered to be inconsistent with the proper performance of the functions of an Accountable Officer.

No such written authority was required during the 2018-19 financial year, or the period up to the signature of the accounts, by Accountable Officers within the Scottish Government consolidation boundary.

³⁷ <https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/>

Remuneration and Staff Report

The information in the Performance and Accountability Reports is reviewed by the external auditors for consistency with the financial statements, and the information relating to the remuneration and pension benefits of ministers, law officers, senior management and non-executive directors; staff numbers; staff costs and number of exit packages has been audited by them.

Appointments

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

Directors-General members of the Scottish Government Corporate Board are appointed following approval by the Head of the Home Civil Service, following consultation with the First Minister in accordance with the Constitutional Reform and Governance Act 2010. Prior to the introduction of the Constitutional Reform and Governance Act 2010, appointments were approved by the Prime Minister.

All of the Executive members of the Scottish Government Corporate Board, covered by this report, hold appointments which are open-ended until they choose to retire. The rules for termination of appointments are set out in chapter 11 of the Civil Service Management Code. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The Scottish Government, its Agencies and the Crown Office and Procurator Fiscal Service, in line with the rest of the UK Civil Service, introduced a policy of no mandatory retirement age for the Senior Civil Service from 1 October 2009, in line with the implementation of the Employment Equality (Age) Regulations 2006. Under current arrangements, an individual's pension will become payable from age 60 if they were employed in the Civil Service prior to 30 July 2007, and in these circumstances that employee can choose to leave work and collect his or her pension at any time from age 60, subject only to compliance with the basic notice of leave requirements. The Government announced a number of reforms to civil service pensions which were applied from 1 April 2015.

The Civil Service Commissioners website³⁸ provides further information about their work.

The Non-Executive Directors bring an external perspective to the consideration of corporate management issues such as staffing, administration costs, monitoring of programme expenditure, training and development, accommodation strategy and relations with stakeholders. Janet Hamblin, non-executive director, is the Chair of the Scottish Government Audit and Assurance Committee.

Independent non-executive members of the Scottish Government are appointed by the Permanent Secretary for an initial period of two to three years (normally up to a maximum of six years via re-appointment). Such appointments can be terminated with one month's notice period.

³⁸ civilservicecommission.independent.gov.uk

Remuneration Policy

The salaries of the Scottish Government Ministers were established under section 81(1) and (2) of the Scotland Act 1998. They are paid through the Scottish Parliamentary Corporate Body (SPCB).

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code³⁹ and with independent advice from the Review Body on Senior Salaries (SSRB).

In reaching its recommendations, the SSRB is to have regard to the following considerations:

- The need to recruit, retain, motivate and where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits; and
- The Government's inflation target.

Further information about the work of the SSRB can be found via the Office of Manpower Economics⁴⁰.

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the Directors-General, Chief Executive of the Crown Office and Non-executive members of the Corporate Board, ensures that the Pay and Performance Management policy falls within the parameters set by the SSRB and Cabinet Office. The Scottish Government's Top Level Pay Committee has agreed that for SCS pay in 2018-19:

Consolidated pay:

- all SCS staff, apart from poor performers and those near the maximum of the pay range will receive a 1% uplift to their consolidated pay;
- SCS staff at the lowest end of the Deputy Director 1 pay band will receive a slightly higher increase, with salaries lifted to a revalorised minimum consolidated pay rate of £74,200.

Non-consolidated pay:

- all SCS staff will receive a 1% non-consolidated payment;
- those SCS staff furthest below the median of their pay range and/or with longer service in the grade will receive a further non-consolidated payment.

The Permanent Secretary's salary and performance-related pay are set as part of a UK Cabinet Office framework and agreed by the Prime Minister.

Non-executive members receive fees for attendance at the relevant Scottish Government Corporate Boards which they are appointed to as well as the Scottish Government Audit and Assurance Committee (SGAAC) meetings. Non-executive members expenses incurred in attending these meetings are also reimbursed.

³⁹ <http://www.civilservice.gov.uk/>

⁴⁰ <http://www.ome.uk.com>

Remuneration

The remuneration of the Ministers who served over the year to 31 March 2019 and members of the Scottish Government Corporate Board is noted below.

Ministers and Law Officers

The remuneration of the First Minister and the Cabinet Ministers during the year to 31 March 2019 is shown in the table below. Ministerial salaries are additional to salaries and entitlements as MSPs. The full year salary rate for the First Minister is £90,030 (2017: £89,493) and for all other Cabinet Ministers is £46,705 (2017: £46,426).

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2018-19	2017-18	*2018-19	*2017-18	2018-19	2017-18
	£	£	£	£	£	£
Nicola Sturgeon, MSP (1)	93,903	92,680	26,721	29,937	120,624	122,618
John Swinney, MSP	46,705	46,426	13,865	15,530	60,570	61,956
Roseanna Cunningham, MSP	46,705	46,426	16,558	17,461	63,263	63,887
Michael Matheson, MSP	46,705	46,426	16,812	17,461	63,517	63,887
Fiona Hyslop, MSP	46,705	46,426	13,814	15,530	60,519	61,956
Derek Mackay, MSP	46,705	46,426	17,433	17,868	64,138	64,294
Fergus Ewing, MSP	46,705	46,426	17,433	17,868	64,138	64,294
Humza Yousaf, MSP (2)	35,317	-	13,777	-	49,094	-
Michael Russell, MSP (2)	35,317	-	13,777	-	49,094	-
Shirley-Anne Somerville, MSP (2)	35,317	-	13,777	-	49,094	-
Aileen Campbell, MSP (2)	35,317	-	13,777	-	49,094	-
Jeane Freeman, MSP (2)	35,317	-	15,542	-	50,859	-
Keith Brown, MSP (3)	11,132	46,426	2,299	17,461	13,431	63,887
Angela Constance, MSP (3)	11,132	46,426	2,110	19,622	13,242	66,048
Shona Robison, MSP (3)	11,132	46,426	2,691	15,530	13,823	61,956

(1) The First Minister's salary and total remuneration includes a benefit-in-kind for 2018-19 of £3,873 arising from the provision of accommodation at Bute House (2017-18: £3,187).

(2) Humza Yousaf, Michael Russell, Shirley-Anne Somerville, Aileen Campbell and Jeane Freeman were appointed as Cabinet Ministers on 29 June 2018. The full year equivalent salary in 2018-19 is £46,705. Pension benefits information was not gathered in 2017-18 and therefore is not available to publish as a prior year figure.

(3) Keith Brown, Angela Constance and Shona Robison resigned as Cabinet Ministers on 26 June 2018. The full year equivalent salary is £46,705.

* Pension benefits are calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Scottish Government Ministers' Pay Freeze Commitment

The Scottish Parliament Corporate Body (SPCB) is required under Chapter 46, Section 81 of the Scotland Act 1998 to make provision for the payment of salaries to MSPs, Officeholders of the Parliament and Ministers. A resolution of the Parliament to pay salaries in accordance with the Scottish Parliamentary Salaries Scheme was passed by the Parliament on a free vote on 21 March 2002. The Scheme determines that the Scottish Parliamentary Corporate Body should decide the salary levels for Members and Officeholders including the Law Officers. The Scheme determines that Members' and Officeholders' salary rates should be increased annually from 1 April in line with public sector pay rises in Scotland, using the Annual Survey of Hours and Earnings published by the Office for National Statistics.

Scottish Government Ministers and the Law Officers have previously agreed to freeze pay as at their April 2009 pay level. The Salaries Scheme does not give the power to withhold an annual increase. To achieve the required reduction, pay increases are deducted from the Ministers' and the Law Officers' net salaries and repaid to the Scottish Consolidated Fund. The disclosure reflects the salary awarded under the Scottish Parliamentary Salaries Scheme.

Law Officers

The remuneration, comprising of salary and pension benefits, of the serving Law Officers for the year to 31 March 2019 is shown below:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2018-19	2017-18	*2018-19	*2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000	£'000	£'000
James Wolfe, QC	123	122	46	47	169	169
Alison Di Rollo, QC	106	106	40	41	146	147

*Pension benefits are calculated as real increase in pension multiplied by 20 plus the real increase in any lump sum 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.

No Law Officers received benefits-in-kind.

Senior Management Team

The remuneration for the Permanent Secretary and members of the Scottish Government Corporate Board for the year to 31 March 2019 were as follows:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2018-19	2017-18	*2018-19	*2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	170-175	165-170	64	22	230-235	185-190
Sarah Davidson	120-125	115-120	40	40	160-165	155-160
Liz Ditchburn	120-125	115-120	23	30	140-145	145-150
Paul Gray	150-155	145-150	-	-	150-155	145-150
Malcom Wright OBE (1)	50-55	-	-	-	50-55	-
Paul Johnston	120-125	115-120	41	41	160-165	155-160
Ken Thomson	125-130	120-125	20	21	145-150	140-145
Alyson Stafford CBE	145-150	140-145	-	45	145-150	185-190
Barbara Allison	100-105	95-100	12	15	110-115	110-115
Nicola Richards	95-100	90-95	31	37	125-130	130-135
Gordon Wales	105-110	105-110	26	29	130-135	130-135

*Pension benefits are calculated as real increase in pension multiplied by 20 plus the real increase in any lump sum 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.

(1) Malcolm Wright was appointed on secondment on 11 February, but through an agreed arrangement whereby the Scottish Government funded Malcolm's salary in January, to allow for transition days with Paul Gray in advance of the start date.

No members of the Scottish Government Corporate Board received performance pay or benefits-in-kind.

In accordance with the FReM, reporting bodies are required to disclose the relationship between the remuneration of the highest-paid member of the Senior Management Team in their organisation and the median remuneration of the organisation's workforce. The median calculation includes directly employed staff paid through SG Core payroll. It covers both permanent staff and those on fixed term contracts. It does not include temporary agency staff paid locally by invoice, as these invoices are not processed through the payroll system. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration.

The pay system within Scottish Government is such that there are a large number of staff on relatively few pay steps with significant gaps between some of them, resulting in a median pay figure occasionally changing markedly from one year to the next.

	2018-19	2017-18
	£'000	£'000
Minimum Total Remuneration	18	18
Maximum Total Remuneration	165	165
Band of Highest Paid member of the Corporate Board Total Remuneration	165-170	165-170
Median Total Remuneration	36,328	34,764
Ratio	4.6	4.8

Equivalent information relating to senior managers of the other bodies consolidated within these accounts is given in their respective annual accounts.

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

Non-Executive Directors

Remuneration

Fees are paid on a quarterly basis for their position as Scottish Government Non-Executive Director.

Benefit-in-Kind

The monetary value of benefits-in-kind covers any benefits provided by the Scottish Government and treated by HM Revenue and Customs as a taxable emolument.

No Non-Executive members of the Scottish Government Corporate Board received benefits-in-kind. The Non-Executive members do not participate in the Civil Service Pension Scheme.

The fees for the Non-Executive Directors who are members of the Scottish Government Corporate Board are as follows:

	2018-19	2017-18
	Fees	Fees
	£'000	£'000
Janet Hamblin	10-15	5-10
Linda McKay	5-10	5-10
Ronnie Hinds	5-10	5-10
Hugh McKay (from January 2018)	5-10	0-5
Annie Gunner Logan (from January 2018)	5-10	0-5

*Pension Benefits**Ministers and Law Officers*

The pension entitlements of the Cabinet Team for the year to 31 March 2019 are shown below:

	Accrued pension at age 65 as at 31-Mar-19 £'000	Real increase in pension at age 65 £'000	CETV at 31-Mar-19 £'000	CETV at 31-Mar-18 £'000	Real Increase in CETV £'000
Nicola Sturgeon	25-30	0-2.5	354	314	22
John Swinney, MSP	10-15	0-2.5	209	186	14
Fiona Hyslop, MSP	10-15	0-2.5	209	186	14
Angela Constance, MSP	0-5	0-2.5	53	49	2
Shona Robison, MSP	0-5	0-2.5	73	67	3
Keith Brown, MSP	0-5	0-2.5	70	64	3
Michael Matheson, MSP	5-10	0-2.5	70	52	11
Roseanna Cunningham, MSP	5-10	0-2.5	100	77	16
Derek Mackay, MSP	0-5	0-2.5	39	25	9
Fergus Ewing, MSP	0-5	0-2.5	62	39	17
Humza Yousaf, MSP	0-5	0-2.5	9	-	5
Michael Russell, MSP	0-5	0-2.5	17	-	14
Shirley-Anne Somerville, MSP	0-5	0-2.5	11	-	7
Aileen Campbell, MSP	0-5	0-2.5	10	-	6
Jeane Freeman, MSP	0-5	0-2.5	17	-	15

New factors are used in the calculator for the CETV values at the start and end of the period. This means CETV values shown at 31 March 2018 may not match those shown in last year's accounts.

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, and not just their current appointment as a Minister. The Ministers are members of the Scottish Parliamentary Pension Scheme, full details are available on the scheme website⁴¹.

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 pension entitlements of the Law Officers are shown below:

⁴¹ <https://pensions.gov.scot/>

	Accrued pension at pension age as at 31-Mar-19	Real increase in pension at pension age	CETV at 31-Mar-19	CETV at 31-Mar-18	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
James Wolffe, QC	5-10	2.5-5	143	90	38
Alison Di Rollo, QC	5-10	2.5-5	126	79	33

Senior Management Team

The pension entitlements of the Permanent Secretary and executive members of the Scottish Government Corporate Board are as follows (equivalent information relating to senior managers of other bodies consolidated within these accounts is given in their respective annual accounts):

	Accrued pension at pension age and related lump sum as at 31-Mar-19	Real increase in pension and related lump sum at pension age	CETV at 31-Mar-19	CETV at 31-Mar-18	Real Increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	75-80 plus lump sum 225-230	2.5-5 plus lump sum 10-12.5	1,832	1,649	67	-
Sarah Davidson	40-45 plus lump sum 85-90	0-2.5 plus lump sum 0	672	566	17	-
Liz Ditchburn	35-40 plus lump sum 15-20	0-2.5 plus a lump sum 0	803	704	24	-
Paul Johnston	30-35 plus lump sum 65-70	2.5-5 plus lump sum 0	482	395	16	-
Alyson Stafford CBE ¹	-	-	-	-	-	21.8
Ken Thomson	55-60	0-2.5	1,155	1,019	18	-
Gordon Wales	45-50 plus lump sum 110-115	0-2.5 plus lump sum 0	830	726	8	-
Nicola Richards	30-35 plus lump sum 15-20	0-2.5 plus lump sum 0	501	427	14	-
Barbara Allison	30-35 plus lump sum of 90-95	0-2.5 plus lump sum 0-2.5	712	631	11	-

Paul Gray and Malcolm Wright, Directors General for Health & Social Care, chose not to be covered by the Civil Service pension arrangements during the reporting year.

(1) Alyson Stafford chose not to be covered by the Primary Civil Service Pension Scheme arrangements during the reporting year.

There is no automatic right to a lump sum for officials who are members of the Premium Pension Scheme or the Nuvos Pension Scheme.

New factors are used in the calculator for the CETV values at the start and end of the period. This means CETV values shown at 31 March 2018 may not match those shown in last year's accounts.

Civil Service Pensions

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

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

Employee contributions are salary-related and range between 4.6% and 8.05% 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details regarding the Civil Service pension arrangements are available on the scheme website⁴².

Cash Equivalent Transfer Values for Civil Service pensions

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.

Real increase in 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.

For 2018-19 Scottish Government employers' contributions of £64m (2017-18: £61m) were payable to PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2018-19 the value of Scottish Government employers' contributions relating to the partnership pension account is £313k (2017-18: £391k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

⁴² www.civilservicepensionscheme.org.uk

Court of Appeal judgement on public sector pension reforms

In 2015 the government introduced reforms to public sector pensions. Most civil servants were moved into a new (“alpha”) pension scheme. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judicial and fire fighters’ schemes as part of the reforms amounted to unlawful age discrimination. The judgement is expected to have an impact on other public sector groups who have seen similar changes to their pension schemes. As the courts must agree the next steps, it may be some time before the position becomes clear and it is not possible to say what impact, if any, this will have on the Scottish Government.

People and Culture

Staff numbers and related costs

	No. of Special Advisers	Perman -ent Staff	Other	2018-19 Total	Restated 2017-18 Total
Staff numbers (Full time equivalent)					
Administration	14	1,331	186	1,531	1,253
Communities & Local Government		422	12	434	446
Culture, Tourism & External Affairs		100	17	117	113
Education & Skills		1,253	248	1,501	1,293
Environment, Climate Change & Land Reform		148	14	162	182
Finance Economy & Fair Work		1,007	58	1,065	909
Government Business & Constitutional Relations		42	3	45	81
Health & Sport		144,126	2,709	146,835	146,532
Justice		4,576	28	4,604	4,633
Rural Economy		1,597	177	1,774	1,451
Social Security & Older People		661	74	735	361
Transport Infrastructure & Connectivity		448	38	486	490
Crown Office and Procurator Fiscal Service		1,625	87	1,712	1,598
Executive Board		7	-	7	7
Total	14	157,343	3,651	161,008	159,349

	2018-19 £'m	Restated 2017-18 £'m
Staff costs		
Wages and Salaries (Permanent staff)	5,914	5,708
Social security costs (Permanent staff)	608	582
Other pension costs (Permanent staff)	797	769
Sub-total	7,319	7,059
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)	317	224
Total	7,636	7,283
Less recoveries in respect of outward secondments	(99)	(45)
Total net costs	7,537	7,238

Number and cost of exit packages

Exit Packages Cost Band	No of departures agreed 2018-19	Cost of exit packages 2018-19 £000	No of departures agreed 2017-18	Restated Cost of exit packages 2017-18 £000
<£10,000	19	106	22	138
£10,000 to £25,000	21	377	17	269
£25,000 to £50,000	24	961	30	1,098
£50,000 to £100,000	30	1,931	15	1,047
£100,000 to £150,000	2	249	4	474
£150,000 to £200,000	2	374	0	0
£200,000 to £250,000	-	-	0	0
£250,000+	1	421	1	274
Total number / cost of exit packages	99	4,419	89	3,300

There were no compulsory redundancies in 2018-19 or 2017-18.

Staff Relations, Diversity and Equal Opportunities

In the Scottish Government our ambition is to be a world-leading, diverse employer where people can be themselves at work. We are committed to building a workforce of people with a wide range of backgrounds, perspectives, and experiences, who are valued for their unique contributions in an environment, that is respectful and free of discrimination, harassment or bullying.

To realise this ambition, we have developed two key Equality Outcomes in April 2017 through extensive consultation with external stakeholders and Ministers:

- The Scottish Government's workforce increases in diversity to reflect the general Scottish population by 2025; and
- The Scottish Government fosters an inclusive workforce culture and values the contribution of employees from all backgrounds.

In April 2019 we published our Equality Outcomes and Mainstreaming Report 2019 providing a comprehensive assessment of our progress towards mainstreaming equality and delivering on these equality outcomes⁴³.

In 2018-19 an average of 7.6 working days (2017-18: 7.6) were lost per staff year for the Scottish Government. The NHS Bodies in Scotland report their sickness absence rates based on contracted hours lost rather than days lost due to different shift patterns in the NHS Scotland workforce. The sickness absence rate across NHS Scotland for the year to 31 March 2019 was 5.4% of total contracted hours (2017-18: 5.4% of total contracted hours). Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

During 2018-19 there were 46,591 male staff, 151,467 female staff and 17 who prefer not to say (2017: 45,697 male, 148,017 female and 9 prefer not to say staff). Within these totals were 1,818 male and 1,442 female Senior Civil Servants or equivalent (2017-18: 1,619 male and 1,282 female Senior Civil Servants). These are measured as head count numbers and not full time equivalents as used in the staff numbers table.

Facility time used by recognised trade union representatives of the Scottish Government has been reported for the period between 1 April 2017 and 31 July 2018⁴⁴.

The average number of disabled employees employed by the Scottish Government, its Executive Agencies, Health Bodies and the Crown Office and Procurator Fiscal Service over the year to 31 March 2019 was 2,728 (2017-18: 2,492).

⁴³<https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2019>

⁴⁴<https://www.gov.scot/publications/facility-time-by-scottish-government-trade-union-representatives-2018-2019/>

Losses and special payments

The following losses and special payments have been audited by the Scottish Government's auditors. Losses and special payments are in the nature of transactions which Parliament cannot be supposed to have contemplated when approving the annual Budget Act and subsequent Amendment Orders. The Scottish Public Finance Manual requires a formal approval procedure to regularise such transactions and their notation in the annual accounts.

Losses Statement

Portfolio	2018-19	2018-19	2017-18
	No of Cases	£m	£m
Finance, Economy and Fair Work	1,085	1.76	4.48
Health and Sport	4,252	3.66	3.64
Education and Skills	719	0.05	0.22
Justice	458	0.13	0.06
Transport, Infrastructure and Connectivity	-	-	0.07
Communities and Local Government	-	-	0.002
Rural Economy	41	0.02	0.97
Culture, Tourism and External Affairs			0.01
Environment, Climate Change and Land Reform	27	0.33	-
Social Security and Older People	10	0.004	-
Administration	35	.05	0.01

Details of cases over £0.30m:

Portfolio	Details	2018-19 £m
Finance, Economy and Fair Work	Reinstatement of an individual's membership of the National Health Service Pension Scheme (Scotland)	0.37

There were two cases over £0.30m in 2017-18.

Special Payments

Portfolio	2018-19 No of Cases	2018-19 £m	2017-18 £m
Finance, Economy and Fair Work	15	0.37	0.02
Health and Sport	1,079	44.9	32.53
Education and Skills	2	0.01	-
Justice	322	3.61	3.67
Rural Economy	2	0.06	-
Administration	28	0.83	0.14

Details of cases over £0.30m:

Portfolio	2018-19 No of Cases	Details	2018-19 £m	2017-18 £m
Health and Sport: NHS Boards:	4	Clinical Compensation Payments:		
		NHS Ayrshire and Arran	4.94	2.27
	1	NHS Dumfries and Galloway	0.40	1.90
	2	NHS Fife	1.35	2.76
	1	NHS Forth Valley	0.50	-
	2	NHS Grampian	1.09	2.02
	4	NHS Lanarkshire	2.55	1.89
	4	NHS Lothian	2.70	1.29
	3	NHS Tayside	4.42	0.80
	1	NHS 24	0.64	-
Administration	1	Payment to former First Minister (1)	0.51	-

(1) The accounts contain an accrual in respect of a subsequent payment of £512,250, made in accordance with a decision of the Court of Session to award expenses to Mr Salmond on a specified basis. Established procedures were followed to agree the final sum. As agreement was reached, there was no need to incur the additional expense of having the account taxed by the Auditor of Court.

There were 22 cases over £0.30m in 2017-18.

Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2018-19 No of Cases	2018-19 £m	2017-18 £m
Culture, Tourism and External Affairs	4	0.12	-
Administration	61	0.002	0.002

There were no cases over £0.30m in 2018-19 (2017-18: £nil).



Principal Accountable Officer
23 September 2019

Report of the Auditor General for Scotland to the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the Scottish Government Consolidated Accounts for the year ended 31 March 2019 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Summary of Total Outturn, the Summary of Resource Outturn, the Summary of Capital Outturn, the thirteen Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Consolidated Statements of Comprehensive Net Expenditure and Changes in Taxpayers' Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of affairs of the Scottish Government and the consolidation of the entities within the departmental accounting boundary as at 31 March 2019 and of the net resource outturn and resources applied to objectives for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Scottish Government in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard

were not provided. 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 basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Scottish Government has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website⁴⁵, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Principal Accountable Officer for the financial statements

As explained more fully in the Statement of the Principal Accountable Officer's Responsibilities, the Principal Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Principal Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Principal Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report 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

⁴⁵ <http://www.audit-scotland.gov.uk/our-work/annual-audits>

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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website⁴⁶. This description forms part of my auditor's report.

Other information in the Scottish Government Consolidated Accounts

The Principal Accountable Officer is responsible for the other information in the Scottish Government Consolidated Accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on certain matters to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the Scottish Government Consolidated Accounts 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

⁴⁶ <https://www.frc.org.uk/auditorsresponsibilities>

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Principal Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I report by exception

I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Caroline Gardner,
Auditor General for Scotland,
102 West Port, Edinburgh, EH3 9DN

25 September 2019

Summary of Resource Outturn

Restated 2017-18 Outturn £m		Outturn £m	2018-19 Budget £m	Variance £m
Programme Resources				
312	Finance Economy and Fair Work	458	448	10
13,092	Health and Sport	13,510	13,516	(6)
3,086	Education and Skills	3,627	3,908	(281)
2,463	Justice	2,607	2,611	(4)
10,788	Communities and Local Government	10,971	10,958	13
163	Environment, Climate Change and Land Reform	181	196	(15)
263	Culture, Tourism and External Affairs	286	292	(6)
227	Rural Economy	261	275	(14)
1,978	Transport Infrastructure and Connectivity	2,137	2,319	(182)
37	Social Security and Older People	263	274	(11)
11	Government Business and Constitutional Relations	11	11	-
109	Crown Office and Procurator Fiscal Service	115	117	(2)
32,529	Total Programme Outturn	34,427	34,925	(498)
175	Administration	174	184	(10)
32,704	TOTAL OUTTURN	34,601	35,109	(508)

Summary of Capital Outturn

2017-18 Outturn £m		Outturn £m	2018-19 Budget £m	Variance £m
Programme Resources				
19	Finance Economy and Fair Work	43	77	(34)
433	Health and Sport	345	379	(34)
519	Education and Skills	547	563	(16)
15	Justice	15	27	(12)
158	Communities and Local Government	145	189	(44)
169	Environment, Climate Change and Land Reform	211	256	(45)
-	- Culture, Tourism and External Affairs	-	5	(5)
169	Rural Economy	(41)	(140)	99
516	Transport Infrastructure and Connectivity	233	417	(184)
-	- Social Security and Older People	18	15	3
-	- Government Business and Constitutional Relations	-	-	-
4	Crown Office and Procurator Fiscal Service	6	5	1
2,002	Total Programme Outturn	1,522	1,793	(271)
10	Administration	14	13	1
2,012	TOTAL OUTTURN	1,536	1,806	(270)

Summary of Total Outturn

Restated 2017-18 Total Outturn £m	Resource Outturn £m	Capital Outturn £m	2018-19 Total Outturn £m	Budget £m	Variance £m	
Programme Resources						
331	Finance Economy and Fair Work	458	43	501	525	(24)
13,525	Health and Sport	13,510	345	13,855	13,895	(40)
3,605	Education and Skills	3,627	547	4,174	4,471	(297)
2,478	Justice	2,607	15	2,622	2,638	(16)
10,946	Communities and Local Government	10,971	145	11,116	11,147	(31)
332	Environment, Climate Change and Land Reform	181	211	392	452	(60)
263	Culture, Tourism and External Affairs	286	-	286	297	(11)
396	Rural Economy	261	(41)	220	135	85
2,494	Transport Infrastructure and Connectivity	2,137	233	2,370	2,736	(366)
37	Social Security and Older People	263	18	281	289	(8)
11	Government Business and Constitutional Relations	11	-	11	11	-
113	Crown Office and Procurator Fiscal Service	115	6	121	122	(1)
34,531	Total Programme Outturn	34,427	1,522	35,949	36,718	(769)
185	Administration	174	14	188	197	(9)
34,716	TOTAL OUTTURN	34,601	1,536	36,137	36,915	(778)

Finance, Economy and Fair Work
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
18	Scottish Public Pensions Agency		17	1	16	17	(1)
35	Other Finance	1	59	8	51	56	(5)
4	Economic Advice		8	-	8	9	(1)
225	Enterprise	2	268	5	263	270	(7)
	- Accountant in Bankruptcy		12	11	1	2	(1)
35	Employability and Training	3	45	-	45	54	(9)
	- European Social Fund 2014-20 Programmes		24	24	-	-	-
	- European Regional Development Fund 2014-20 Programmes		19	19	-	-	-
(5)	European Structural Funds - Closed Schemes		(1)	1	(2)	-	(2)
312	Total Expenditure Limit		451	69	382	408	(26)
	UK Funded Annually Managed Expenditure						
	- Enterprise	4	78	-	78	40	38
	- European Social Fund/European Development Fund		(2)	-	(2)	-	(2)
	- Total AME		76	-	76	40	36
312	TOTAL RESOURCES		527	69	458	448	10
19	Capital - Additions/Advances	5	43	-	43	77	(34)
19	TOTAL CAPITAL		43	-	43	77	(34)
331	TOTAL OUTTURN		570	69	501	525	(24)

In addition to direct expenditure, the share of administration costs allocated to the Finance, Economy and Fair Work portfolio is £15m. This gives a total net expenditure of £516m.

Explanation of Major Variances greater than £3m:

Note 1	£3m of lower than anticipated Scotland Act Implementation payments to HMRC. £2m of miscellaneous minor underspends across a range of programmes.
Note 2	£4m of reprofiled National Manufacturing Institute for Scotland expenditure, £3m of guarantee fee income associated with the GFG Alliance Lochaber Guarantee and £3m of miscellaneous minor underspends across a range of programmes partially offset by £3m of additional expenditure in relation to setting up of Scottish National Investment Bank.
Note 3	£5m of lower than anticipated Employment Support Services expenditure across a range of areas, including the reprofiling of Disability Employment Action Plan, Work First Scotland and Scottish Employability Tracking System (SETS). £2m of lower than anticipated expenditure on staff costs. £2m of miscellaneous minor underspends across a range of programmes.
Note 4	£33m in-year provision. Further £5m due to higher than anticipated loan impairment in respect of IFRS 9 estimated expected credit loss assessment of financial assets at amortised cost.
Note 5	Reprofiling of some Building Scotland Fund's projects (£26m), reprofiling of some projects in relation to Enterprise Zones establishment of National Manufacturing Institute for Scotland (£10m), underspend in relation to a new element of Scottish Growth Scheme which was to be funded using Financial Transaction and European Funding (£7m), lower than anticipated demand in Digital Development Loans (£1m) and miscellaneous minor underspends across a range of programmes (£3m) partially offset by £13m of SG-administered loans to private companies funded from Financial Transactions.

Remaining £7m consists of other minor variances across a number of programmes within the portfolio.

Health and Sport

Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
12,909	Health and Sport		13,919	592	13,327	13,329	(2)
12,909	Total Expenditure Limit		13,919	592	13,327	13,329	(2)
	UK Funded Annually Managed Expenditure						
155	Health		146	-	146	146	-
155	Total AME		146	-	146	146	-
	Other Expenditure						
28	Health - Revenue-financed infrastructure	1	42	5	37	41	(4)
28	Total Other Expenditure		42	5	37	41	(4)
13,092	TOTAL RESOURCES		14,107	597	13,510	13,516	(6)
329	Capital - Additions	2	291	-	291	313	(22)
(17)	Capital - Disposals	2	(8)	-	(8)	-	(8)
121	Capital (Other Expenditure) - Additions	3	62	-	62	66	(4)
433	TOTAL CAPITAL		345	-	345	379	(34)
13,525	TOTAL OUTTURN		14,452	597	13,855	13,895	(40)

In addition to direct expenditure, the share of administration costs allocated to the Health and Sport portfolio is £nil. This gives a total net expenditure of £13,855m.

With effect from 2017-18, gross income and expenditure for the portfolio excludes income received from Integration Authorities on the basis that this presentation better reflects the funding relationship between Integration Authorities and NHS Boards. This adjustment has no impact on the portfolio's net outturn position. Income of £5,879m was received by Boards in 2018-19 (2017-18: £5,412m) for provision of healthcare services commissioned by Integration Authorities. NHS funding to Integration Authorities for 2018-19 totalled £5,988m (2017-18: £5,486m).

Explanation of Major Variances greater than £3m:

- Note 1 Lower than anticipated charges for impairments.
- Note 2 Variance relates to Financial Transactions, which is a ring-fenced form of funding for specific purposes and cannot be spent on other capital projects. The underspend arises from timing of funding for the GP sustainability loans scheme, which is now being delivered in 2019-20.
- Note 3 Adjustment to the spend profile of four hub projects resulting from minor changes in the project timelines.
- Remaining £2m relates to the ring-fenced non-cash depreciation budget and cannot be used to buy goods and services.

Education and Skills

Portfolio Outturn Statement for the Year Ended 31 March 2019

Restated 2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
206	Learning	1	250	2	248	244	4
142	Children and Families		133	18	115	117	(2)
	- Early Learning and Childcare Programme		8	-	8	9	(1)
787	Higher Education Student Support	2	948	2	946	1,221	(275)
1,757	Scottish Funding Council	3	1,868	-	1,868	1,874	(6)
	5 Advanced Learning and Science		6	-	6	6	-
225	Skills and Training		236	-	236	238	(2)
125	Central Government Grants to Local Authorities		353	-	353	351	2
3,247	Total Expenditure Limit		3,802	22	3,780	4,060	(280)
UK Funded Annually Managed Expenditure							
(161)	Higher Education Student Support		(78)	75	(153)	(152)	(1)
(161)	Total AME		(78)	75	(153)	(152)	(1)
3,086	TOTAL RESOURCES		3,724	97	3,627	3,908	(281)
10	Capital - Additions		12	-	12	13	(1)
654	Capital (AME) - Advances	4	690	-	690	550	140
(145)	Capital (AME) - Repayments	4	(155)	-	(155)	-	(155)
519	TOTAL CAPITAL		547	-	547	563	(16)
3,605	TOTAL OUTTURN		4,271	97	4,174	4,471	(297)

In addition to direct expenditure, the share of administration costs allocated to the Education and Skills portfolio is £17m. This gives a total net expenditure of £4,446m.

Explanation of Major Variances greater than £3m:

Note 1	Additional expenditure on demand-led teacher training due to increase in student numbers.
Note 2	Student loans impairment as a result of policy changes to increase repayments threshold and reduce repayment period was lower than anticipated. The budget was estimated before the final valuation model was received from DfE. This is a non-cash adjustment, and the budget cannot be used for other expenditure such as grants and bursaries. As outlined in Note 9 - Financial Assets - a prior year adjustment of £255m has been applied to reflect the cumulative movement in the fair value of the student loan book. Due to the nature of the student loan impairment model it is not practicable to split this adjustment across prior years and this has been applied to the opening balance sheet position at 1 April 2018. The budget authorised by the Scottish Parliament for 2018-19 includes budget cover for the £255m relating to prior years. A restated resource outturn position including this cumulative adjustment is shown in the 2017-18 outturn amount, but the budget allocation for this is within 2018-19. For further information on the student loan impairment model see Note 9d Student Loans.
Note 3	Lower than anticipated Scottish Funding Council working capital requirement.
Note 4	Student Loan advances being lower than expected along with a technical financial adjustment to the fair value of student loans as a result of a Retail Price Index increase over the course of the year. Remaining £5m consists of other minor variances across a number of programmes within the portfolio.

Justice

Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
26	Community Justice Services		29	-	29	31	(2)
1	Judiciary		1	-	1	1	-
14	Criminal Injuries Compensation		17	-	17	18	(1)
136	Legal Aid	1	134	-	134	138	(4)
51	Police Central Government	2	63	2	61	57	4
5	Safer and Stronger Communities		10	5	5	5	-
406	Police and Fire Pensions	3	425	-	425	446	(21)
265	Scottish Prison Service		278	8	270	272	(2)
26	Miscellaneous	4	31	-	31	35	(4)
1,092	Scottish Police Authority	5	1,169	-	1,169	1,149	20
284	Scottish Fire and Rescue Service	6	299	-	299	293	6
86	Central Government Grants to Local Authorities		87	-	87	87	-
2,392	Total Expenditure Limit		2,543	15	2,528	2,532	(4)
UK Funded Annually Managed Expenditure							
(6)	Scottish Prison Service		(1)	-	(1)	(1)	-
(6)	Total AME		(1)	-	(1)	(1)	-
Other Expenditure							
72	Scottish Prison Service		74	-	74	74	-
5	Scottish Police Authority Loan Charges		6	-	6	6	-
77	Total Other Expenditure		80	-	80	80	-
2,463	TOTAL RESOURCES		2,622	15	2,607	2,611	(4)
15	Capital - Additions	7	9	-	9	22	(13)
-	Capital - Disposals	7	(1)	-	(1)	-	(1)
-	Capital (Other Expenditure) - Additions		7	-	7	5	2
15	TOTAL CAPITAL		15	-	15	27	(12)
2,478	TOTAL OUTTURN		2,637	15	2,622	2,638	(16)

In addition to direct expenditure, the share of administration costs allocated to the Justice portfolio is £8m. This gives a total net expenditure of £2,630m.

Explanation of Major Variances greater than £3m:

Note 1	Lower than anticipated Scottish Legal Aid Fund working capital requirement.
Note 2	Additional expenditure mainly due to the revised Scottish sponsorship contribution to the UK Government led ESMCP and FIRELINK projects. Also additional agreed resources for Police Investigations and Review Commissioner to meet the increased demands placed on the organisation.
Note 3	Police and Fire Pensions are demand-led in nature. Lower than anticipated expenditure relates to more officers eligible to retire staying in post.
Note 4	Lower than expected grant payments to support organisations due to timing and individual support costs. Also lower than anticipated miscarriage of justice compensation payments.
Note 5	Higher than anticipated Scottish Police Authority working capital requirement.
Note 6	Higher than anticipated Scottish Fire and Rescue Service working capital requirement.
Note 7	£4m as a result of a change in categorisation of the Home Office-led Emergency Services Mobile Communications Programme (ESMCP) contribution with the part of the project no longer capitalised and £5m following the revised timing of Scottish Prison Service projects.

Remaining £6m consists of other minor variances across a number of programmes within the portfolio.

Communities and Local Government
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
7,452	Local Government	1	7,490	-	7,490	7,474	16
6	Planning		8	-	8	8	-
480	Housing	2	647	11	636	647	(11)
57	Social Justice and Regeneration		59	-	59	57	2
21	Third Sector		21	-	21	22	(1)
1	Governance and Reform		1	-	1	1	-
106	Central Government Grants to Local Authorities		102	-	102	102	-
8,123	Total Expenditure Limit		8,328	11	8,317	8,311	6
UK Funded Annually Managed Expenditure							
2,666	Non-Domestic Rates		2,636	-	2,636	2,636	-
(1)	Housing	3	17	-	17	10	7
-	Third Sector		1	-	1	1	-
2,665	Total AME		2,654	-	2,654	2,647	7
10,788	TOTAL RESOURCES		10,982	11	10,971	10,958	13
210	Capital - Additions/Advances	4	221	-	221	189	32
(52)	Capital - Disposals/Repayments	4	(76)	-	(76)	-	(76)
158	TOTAL CAPITAL		145	-	145	189	(44)
10,946	TOTAL OUTTURN		11,127	11	11,116	11,147	(31)

In addition to direct expenditure, the share of administration costs allocated to the Communities and Local Government portfolio is £16m. This gives a total net expenditure of £11,132m.

Explanation of Major Variances greater than £3m:

- Note 1 £10m of accrued funding in relation to the backdated 2018-19 element of the Teachers Pay award which will not be paid until 2019-20. £6m of additional funding for Dumfries and Galloway Council's waste services, following the recent termination of Dumfries and Galloway Council's waste services contract with Renewi PLC.
- Note 2 £8m of additional Housing receipts. £3m of miscellaneous minor underspends across a range of programmes.
- Note 3 Higher than anticipated loan impairment in respect of IFRS 9 estimated expected credit loss assessment of financial assets at amortised cost.
- Note 4 The underspend of £44m mostly relates to the demand-led nature of the housing loan schemes, including Mid Market Rent (£14m), Open Market Shared Equity (£6m), Infrastructure Loan Fund (£6m) and Home Energy Efficiency Programmes Scotland (HEEPS) (£6m). Further £16m due to re-profiling of Building Scotland Fund's projects where anticipated investment was unable to conclude before 31 March, partially offset by reclassification of housing receipts (£4m).

Remaining £1m consists of other minor variances across a number of programmes within the portfolio.

Environment, Climate Change and Land Reform
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	Programme	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
54	Marine		62	12	50	51	(1)
61	Research, Analysis and Other Services		62	-	62	64	(2)
129	Environmental Services	1	150	-	150	157	(7)
16	Climate Change & Land Managers Renewables Fund		16	-	16	17	(1)
(98)	Scottish Water	2	5	104	(99)	(95)	(4)
162	Total Expenditure Limit		295	116	179	194	(15)
UK Funded Annually Managed Expenditure							
1	Marine		2	-	2	2	-
1	Total AME		2	-	2	2	-
163	TOTAL RESOURCES		297	116	181	196	(15)
167	Capital - Voted Loans	3	208	-	208	253	(45)
2	Capital - Additions		3	-	3	3	-
	Capital - Disposals		-	-	-	-	-
169	TOTAL CAPITAL		211	-	211	256	(45)
332	TOTAL OUTTURN		508	116	392	452	(60)

In addition to direct expenditure, the share of administration costs allocated to the Environment, Climate Change and Land Reform portfolio is £6m. This gives a total net expenditure of £398m.

Explanation of Major Variances greater than £3m:

- Note 1 £2m of re-profiled expenditure on the Scottish National Heritage Peatland Restoration project. £2m of lower than anticipated expenditure claimed by local authorities for Noise and Air Quality projects. £3m of miscellaneous minor underspends across a range of programmes.
- Note 2 Increased income from interest receipts.
- Note 3 Scottish Water external borrowing is not included in the outturn against the Scottish Budget.

Remaining £4m consists of other minor variances across a number of programmes within the portfolio.

Culture, Tourism and External Affairs
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
15	External Affairs		16	-	16	16	-
211	Culture, Tourism and Major Events	1	231	-	231	237	(6)
37	Historic Environment Scotland		39	-	39	39	-
263	Total Expenditure Limit		286	-	286	292	(6)
	UK Funded Annually Managed Expenditure						
-	UK Funded AME		-	-	-	-	-
-	Total AME		-	-	-	-	-
263	TOTAL RESOURCES		286	-	286	292	(6)
-	Capital - Additions/Advances	2	-	-	-	5	(5)
-	TOTAL CAPITAL		-	-	-	5	(5)
263	TOTAL OUTTURN		286	-	286	297	(11)

In addition to direct expenditure, the share of administration costs allocated to the Culture, Tourism and External Affairs portfolio is £5m. This gives a total net expenditure of £291m.

Explanation of Major Variances greater than £3m:

- Note 1 £5m as a result of lower than anticipated Creative Scotland working capital requirement. £1m of miscellaneous minor underspends across a range of programmes.
- Note 2 Lack of Financial Transactions expenditure requirement in 2018-19.

Rural Economy

Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
120	EU Support and Related Services	1	809	667	142	164	(22)
3	Fisheries & Aquaculture grants		16	11	5	6	(1)
38	Rural Services		32	-	32	34	(2)
70	Highlands and Islands Enterprise	2	73	-	73	67	6
231	Total Expenditure Limit		930	678	252	271	(19)
	UK Funded Annually Managed Expenditure						
(4)	EU Support and Related Services	3	9	-	9	4	5
(4)	Total AME		9	-	9	4	5
	Other Expenditure						
	- Animal License Fees		-	-	-	-	-
	- Total Other Expenditure		-	-	-	-	-
227	TOTAL RESOURCES		939	678	261	275	(14)
401	Capital - Additions/Advances	4	452	-	452	30	422
(232)	Capital - Disposals/Repayments	4	(493)	-	(493)	(170)	(323)
169	TOTAL CAPITAL		(41)	-	(41)	(140)	99
396	TOTAL OUTTURN		898	678	220	135	85

In addition to direct expenditure, the share of administration costs allocated to the Rural Economy portfolio is £2m. This gives a total net expenditure of £222m.

Explanation of Major Variances greater than £3m:

Note 1 £7m of increased EU recovery in the Less Favoured Area Support Scheme (LFASS) following change in the co-financing rate. £5m as a result of lower than anticipated depreciation charges. £3m as anticipated EU disallowance not crystallised in 2018-19. £2m as a result of lower than anticipated demand in the Agri-Environment scheme. £5m of miscellaneous minor underspends across a range of programmes.

Note 2 Higher than anticipated Highlands and Islands Enterprise working capital requirement.

Note 3 Higher than anticipated asset impairment and provisions that include £1m related to a potential exchange rate loss.

Note 4 Recovery of prior years' loans to farmers partially offset by Basic Payment Scheme (BPS) and LFASS 2018 loan advances.

Remaining £3m consists of other minor variances across a number of programmes within the portfolio.

Transport, Infrastructure and Connectivity
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
762	Rail Services	1	759	-	759	781	(22)
253	Concessionary Fares and Bus Services	2	264	1	263	259	4
180	Other Transport Policy, Projects and Agency Administration	3	177	1	176	169	7
282	Motorways and Trunk Roads	4	331	-	331	369	(38)
182	Ferry Services	5	204	6	198	186	12
43	Air Services	6	48	1	47	43	4
64	Digital Connectivity	7	13	-	13	23	(10)
31	Energy	8	34	1	33	58	(25)
44	Cities Investment & Strategy	9	92	-	92	122	(30)
27	Central Government Grants to Local Authorities		37	-	37	37	-
1,868	Total Expenditure Limit		1,959	10	1,949	2,047	(98)
UK Funded Annually Managed Expenditure							
-	Motorways and Trunk Roads	10	-	-	-	10	(10)
-	Air Services	11	30	-	30	40	(10)
-	Energy	12	36	-	36	50	(14)
-	Total AME		66	-	66	100	(34)
Other Expenditure							
110	Motorways and Trunk Roads PPP/PFI	13	122	-	122	172	(50)
110	Total Other Expenditure		122	-	122	172	(50)
1,978	TOTAL RESOURCES		2,147	10	2,137	2,319	(182)
520	Capital - Additions/Advances	14	249	-	249	417	(168)
(5)	Capital - Disposals/Repayments	14	(9)	-	(9)	-	(9)
(4)	Capital (AME) - Capital Provision	15	(7)	-	(7)	-	(7)
5	Capital (Other Expenditure) - Additions		-	-	-	-	-
516	TOTAL CAPITAL		233	-	233	417	(184)
2,494	TOTAL OUTTURN		2,380	10	2,370	2,736	(366)

In addition to direct expenditure, the share of administration costs allocated to the Transport, Infrastructure and Connectivity portfolio is £1m. This gives a total net expenditure of £2,371m.

Explanation of Major Variances greater than £3m:

Note 1	Revolution in Rail expenditure re-profiling of £12m and income from Committed Obligation Performance Adjustments on Scotrail franchise of £10m.
Note 2	Demographic pressure on concessionary travel scheme.
Note 3	£18m advanced profile of Strathclyde Partnership for Transport (SPT) grant for subway modernisation and £7m additional support for canal repairs partially offset by reclassification of grant funding to FTs (£7m), expenditure deferral on Strategic Transport Projects Review (£4m), reprofiling of Future Transport Fund projects (£4m) and other minor underspends.
Note 4	£66m in lower than anticipated road depreciation partially offset by additional VAT due on winter road maintenance (£10m), expenditure reclassified from capital (£6m), additional funding for priority schemes (£7m) and additional funding for vehicle restraint systems (£5m).
Note 5	Cost pressures on ferry services contracts.
Note 6	Impairment of interest on outstanding loans in respect of IFRS 9 estimated expected credit loss assessment of financial assets at amortised cost.
Note 7	Lower than anticipated expenditure due to the extension of R100 broadband procurement timescales and the re-profiling of the 4G Infill Programme expenditure.
Note 8	Lower than anticipated take-up of demand-led Energy budgets including Energy Efficiency schemes, Decommissioning Challenge Fund, Renewable Energy and Low Carbon Economy schemes.
Note 9	Re-profiling of complex projects within Regional City Deals packages.
Note 10	Lower than anticipated Motorways and Trunk Roads provision.
Note 11	Lower than anticipated loan impairment in respect of IFRS 9 estimated expected credit loss assessment of financial assets at amortised cost.
Note 12	Lower than anticipated loan impairment in respect of IFRS 9 estimated expected credit loss assessment of financial assets at amortised cost.
Note 13	Reduction in unitary charges for revenue financed projects due to delays on M8 and the Aberdeen Western Peripheral Route (AWPR) and reduction in lifecycle maintenance.
Note 14	£20m due to lower than anticipated take-up of EIF Co-investment Fund loans and the availability of recycled loan repayments (demand was subdued by trading conditions in the energy industry and UK Government subsidy regime changes meaning onshore wind no longer receives subsidy thus reducing the appeal of this type of project, especially for small enterprises and community groups. £5m of recycled loans was invested without additional draw on public funds). £6m as a result of lower than anticipated demand on other Energy loan schemes.
	Variance in Transport Scotland made up of: reclassification of £6m of funding for road renewal; expenditure reprofiling of £94m on A9 and A96 dualling, AWPR, Haudagain, Maybole and other major projects; £24m of savings on A9 dualling and M8/73/74 improvements; £41m of reprofiling on vessel procurement and construction; reduced loan advances of £5m to Prestwick and £3m of FT loan funding not required; partially offset by £10m expenditure on Forth Replacement Crossing deferred from 2017-18 and £13m additional costs on other major road projects.
Note 15	Lower than anticipated Motorways and Trunk Roads capital provision.

Social Security and Older People
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
12	Social Security	1	49	-	49	57	(8)
-	- Social Security Assistance	2	191	-	191	193	(2)
25	Equalities		23	-	23	24	(1)
37	Total Expenditure Limit		263	-	263	274	(11)
	UK Funded Annually Managed Expenditure						
-	- UK Funded AME					-	
-	- Total AME		-	-	-	-	-
37	TOTAL RESOURCES		263	-	263	274	(11)
-	- Capital - Additions	3	18	-	18	15	3
-	- TOTAL CAPITAL		18	-	18	15	3
37	TOTAL OUTTURN		281	-	281	289	(8)

In addition to direct expenditure, the share of administration costs allocated to the Social Security and Older People portfolio is £9m. This gives a total net expenditure of £290m.

Explanation of Major Variances greater than £3m:

- Note 1 £3m as a result of the reclassification of Social Security Scotland expenditure (see Note 3). Further £5m of miscellaneous minor underspends across a range of programmes.
- Note 2 This budget is demand led and funds Carer's Allowance, Carer's Allowance Supplement and Best Start Grant. The budget was set with reference to Scottish Fiscal Commission and UK Office for Budget Responsibility forecasts.
- Note 3 Reclassification of Social Security Scotland expenditure (see note 1).

Remaining £1m consists of other minor variances across a number of programmes within the portfolio.

The Scottish Commission on Social Security (SCOSS) was established as an advisory Non-Ministerial Department with effect from January 2019, set up to provide independent scrutiny of the Scottish social security system (including benefit regulations). SCOSS will publish annual accounts from financial reporting period 2020-21 onwards, under Accounts Direction from Scottish Ministers. All expenditure incurred by SCOSS in the period from January until 31 March 2019 is reported within the Social Security and Older People Portfolio. The amount included in Social Security line above is £11,255.84. For further information see <https://www.gov.scot/groups/scottish-commission-on-social-security/>

Government Business and Constitutional Relations
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
11	Government Business and Constitutional Relations		11		11	11	-
11	Total Expenditure Limit		11	-	11	11	-
	UK Funded Annually Managed Expenditure						
	- UK Funded AME						
	- Total AME		-	-	-	-	-
11	TOTAL RESOURCES		11	-	11	11	-
	- TOTAL CAPITAL		-	-	-	-	-
11	TOTAL OUTTURN		11	-	11	11	-

In addition to direct expenditure, the share of administration costs allocated to the Government Business and Constitutional Relations portfolio is £2m. This gives a total net expenditure of £13m.

The Crown Office and Procurator Fiscal Service
Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
	Staff Costs						
74	The Crown Office and Procurator Fiscal Service		79	-	79	81	(2)
	Administration Expenditure						
9	Accommodation		9	-	9	9	-
1	Travel/Transport		1	-	1	1	-
13	Legal		15	-	15	14	1
4	Supplies and Services		7	1	6	7	(1)
4	Capital Charges		4	-	4	4	-
3	Other Office Costs		-	-	-	-	-
108	Total Expenditure Limit		115	1	114	116	(2)
	UK Funded Annually Managed Expenditure						
1	Impairment		1	-	1	1	-
1	Total AME		1	-	1	1	-
109	TOTAL RESOURCES		116	1	115	117	(2)
4	Capital - Additions		6	-	6	5	1
4	TOTAL CAPITAL		6	-	6	5	1
113	TOTAL OUTTURN		122	1	121	122	(1)

Explanation of Major Variances greater than £3m:

There are a number of minor variances across a range of programmes within the Crown Office and Procurator Fiscal Service.

Administration

Portfolio Outturn Statement for the Year Ended 31 March 2019

2017-18 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
	Staff Costs						
138	Directly Employed Staff	1	150	-	150	155	(5)
6	Seconded Staff Costs		8	-	8	7	1
1	Other Staff Costs		(2)	-	(2)	-	(2)
	Administration Expenditure						
11	Accommodation	2	7	-	7	10	(3)
3	Travel		3	-	3	2	1
1	Transport		-	-	-	-	-
-	Legal		1	-	1	1	-
1	Supplies and Services		1	-	1	-	1
2	Training		1	-	1	1	-
15	Other Office	3	12	-	12	8	4
1	Audit Fee		1	-	1	1	-
13	Capital Charges & Impairments	4	11	-	11	15	(4)
	Administration Income						
(1)	Accommodation Charges		-	1	(1)	(1)	-
(7)	Staff Secondments and Other Staff Income		-	9	(9)	(8)	(1)
(4)	Fees and Charges		-	4	(4)	(4)	-
(4)	Miscellaneous Income		-	3	(3)	(3)	-
-	Government Grants & Donated Assets		-	1	(1)	-	(1)
176	Total Expenditure Limit		193	18	175	184	(9)
	UK Funded Annually Managed Expenditure						
(1)	Provisions and Impairments		(1)	-	(1)	-	(1)
(1)	Total AME		(1)	-	(1)	-	(1)
175	TOTAL RESOURCES		192	18	174	184	(10)
10	Capital - Additions		14	-	14	13	1
10	TOTAL CAPITAL		14	-	14	13	1
185	TOTAL OUTTURN		206	18	188	197	(9)

The administration costs that can be directly allocated to portfolios amount to £80m (2017-18: £76m).

Explanation of Major Variances greater than £3m:

Note 1	Underspend mainly due to delays in recruiting staff to support existing and new priority activities.
Note 2	Lower than anticipated accommodation costs mainly due to settlement of dilapidation costs.
Note 3	Additional expenditure on IT system support costs.
Note 4	Lower than anticipated depreciation of the Scottish Government's assets.

Remaining £2m consists of other minor variances across a number of programmes within the portfolio.

Consolidated Statement of Financial Position*As at 31 March 2019*

Restated 2017-18 £m		Note	2018-19 £m
	Non-Current Assets		
29,380	Property, Plant and Equipment	5a	30,463
174	Intangible Assets	6	199
8,241	Other Financial Assets Including Investments Due In More Than One Year	9a	8,488
104	Trade Receivables and Other Assets Due in More Than One Year	11	150
37,899	Total Non-Current Assets		39,300
	Current Assets		
106	Inventories	8	121
1,333	Receivables and Other Current Assets	11	1,078
585	Cash and Cash Equivalents	2	1,020
595	Other Financial Assets Including Investments Due Within One Year	9a	551
17	Assets Classified as Held for Sale	7	16
2,636	Total Current Assets		2,786
40,535	Total Assets		42,086
	Current Liabilities		
(3,352)	Payables and Other Current Liabilities	12	(3,946)
(35)	Other Financial Liabilities Due Within One Year	12	(28)
(179)	Provisions for Liabilities and Charges Due Within One Year	13a	(220)
(3,566)	Total Current Liabilities		(4,194)
36,969	Total Assets less Current Liabilities		37,892
	Non-Current Liabilities		
(3,166)	Payables and Other Liabilities	12	(3,161)
(607)	Other Financial Liabilities Due in More Than One Year	12	(564)
(845)	Provisions for Liabilities and Charges Due in More Than One Year	13a	(880)
(4,618)	Total Non-Current Liabilities		(4,605)
32,351	Assets less Liabilities		33,287
	Taxpayers' Equity		
22,357	General Fund	SoCTE	22,862
9,994	Revaluation Reserve	SoCTE	10,425
32,351	Total Taxpayers' Equity		33,287

The notes on pages 82 to 133 form part of these accounts



Principal Accountable Officer
23 September 2019

**Consolidated Statements of Comprehensive Net Expenditure
and Changes in Taxpayers' Equity**
For the year ended 31 March 2019

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Restated balance at 1 April 2018		22,357	9,994	32,351
Net operating cost for the year		(34,601)	-	(34,601)
Net gain/(loss) on revaluation/indexation of property, plant and equipment		-	797	797
Total Comprehensive Net Expenditure		(34,601)	797	(33,804)
Non Cash Charges				
Non cash charges - auditor's remuneration	3c	2	-	2
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment	3a	241	-	241
Total Non Cash Charges		243	-	243
Other Reserve Movements				
Transfers between reserves		57	(57)	-
Realised element of the revaluation reserve		309	(309)	-
Prior Year Adjustments (rounding)		1	-	1
Total Other Reserve Movements/Adjustments		367	(366)	1
Funding				
Parliamentary Funding		35,374	-	35,374
Less funding to pensions schemes		(447)	-	(447)
Less funding to National Records of Scotland, Office of Scottish Charity Regulator, Scottish Courts and Tribunals Service, Revenue Scotland, Scottish Fiscal Commission and Scottish Housing Regulator		(47)	-	(47)
Net parliamentary funding drawn down		34,880	-	34,880
Movement of balance with the SCF		(394)	-	(394)
Transfer of benefit overpayment receivables from DWP		10	-	10
Net Funding Position	23	34,496	-	34,496
Net increase/(decrease) in year		505	431	936
Balance at 31 March 2019		22,862	10,425	33,287

Explanation of Reserves:

General Fund – The General Fund represents the total assets less liabilities of the Scottish Government, to the extent that they are not represented by the revaluation reserve and financing items.

Revaluation Reserve – The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

**Consolidated Statements of Comprehensive Net Expenditure
and Changes in Taxpayers' Equity**
For the year ended 31 March 2018

Restated	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance as at 1 April 2017		21,064	10,107	31,171
Net operating cost for the year		(32,704)	-	(32,704)
Net gain/(loss) on revaluation/indexation of property, plant and equipment		-	399	399
Total Comprehensive Expenditure		(32,704)	399	(32,305)
Non Cash Charges				
Non cash charges - auditor's remuneration	3c	2	-	2
Non cash charges - NHS adjustment		16	-	16
Non cash charges - Roads adjustment		(8)	-	(8)
Total Non Cash Charges	3a	10	-	10
Other Reserve Movements				
Transfers between reserves		512	(512)	-
Net movement on investment funds		4	-	4
Total Other Reserve Movements/Adjustments		516	(512)	4
Funding				
Parliamentary Funding		33,968	-	33,968
Less funding to pensions schemes		(406)	-	(406)
Less funding to NRS, OSCR, Scottish Courts and Tribunals Service, Revenue Scotland and Scottish Housing Regulator		(132)	-	(132)
Net parliamentary funding drawn down		33,430	-	33,430
Movement of balance with the SCF		41	-	41
Net Funding Position	23	33,471	-	33,471
Net increase/(decrease) in year		1,293	(113)	1,180
Balance at 31 March 2018		22,357	9,994	32,351

Explanation of Reserves:

General Fund – The General Fund represents the total assets less liabilities of the Scottish Government, to the extent that they are not represented by the revaluation reserve and financing items.

Revaluation Reserve – The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

Consolidated Statement of Cash Flows
For the year ended 31 March 2019

Restated 2017-18 £m	Note	2018-19 £m
(31,814) Net cash outflow from operating activities	(A)	(33,170)
(1,830) Net cash outflow from investment activities	(B)	(1,436)
150 Payments to the SCF	(D)	116
33,454 Cash flows from financing activities	(C)	34,925
(40) Increase/(Decrease) in cash in the period		435
(A) Reconciliation of operating costs to operating cash flows		
(32,704) Net operating cost	SoCTE	(34,601)
7 Income not applied	4a	4
845 Adjust for non-cash transactions	3a	1,261
187 Add back: interest payable for financing	4d	203
- (Increase)/decrease in inventories	3d	(15)
(408) (Increase)/decrease in receivables and other current assets	3d	63
268 Increase/(decrease) in trade and other payables	3d	27
98 Increase/(decrease) in provisions	3d	(2)
(107) Interest receivable	4c	(110)
(31,814) Net cash outflow from operating activities		(33,170)
(B) Analysis of cash flows from investment activities		
(804) Purchase of property, plant and equipment		(595)
(54) Purchase of intangible assets		(73)
12 Proceeds of disposal of property, plant and equipment		26
8 Proceeds of disposal of assets held for sale		-
(1,547) Advances of Investments	3d, 9a	(1,645)
524 Repayments of Investments	3d, 9a	824
31 NLF Loans	9a	27
(1,830) Net cash outflow from investment activities		(1,436)
(C) Analysis of cash flows from financing activities		
33,430 From Scottish Consolidated Fund	SoCTE	34,880
(30) Loan transactions with the National Loans Fund	9a	(31)
136 Capital elements of payments in respect of finance leases and NPD/PPP/PFI contracts included in SoFP		174
107 Interest received		104
Interest element of finance leases and NPD/PPP/PFI contracts included in SoFP		(205)
(4) Interest paid		3
33,454 Cash flows from financing activities		34,925
40 Decrease/(Increase) in cash and cash equivalents	2	(435)
33,494 Net cash and cash equivalents requirement		34,490

Notes to the Accounts

For the Year Ended 31 March 2019

1. *Statement of Accounting Policies*

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

The accounts are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

The particular accounting policies adopted by the portfolios of the Scottish Government are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 *Accounting Convention and basis of consolidation*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment (PPE), intangible assets, and, where material, financial asset investments and inventories to fair value as determined by reference to their current costs.

These accounts reflect the consolidated assets and liabilities and the results for the year of all the entities within the Scottish Government accounting consolidation boundary. The structure of the Scottish Government and further information about the entities within the consolidation boundary is provided within the introduction of the Performance Report of these accounts.

The Executive Agencies detailed within the Performance Report mentioned above are reported within the Outturn Statements of their sponsoring portfolio.

1.2 *Property, Plant and Equipment (PPE)*

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see note 1.3 below), and will be accounted for under IAS16 Property, Plant and Equipment.

Scottish Ministers hold the legal title or effective control over all land and buildings shown in the accounts.

Assets classified as under construction are recognised in the statement of financial position to the extent that money has been paid or a liability has been incurred.

Capitalisation

The minimum levels for capitalisation of a property, plant or equipment asset are land and buildings £10,000 and equipment and vehicles £5,000. Information and Communications Technology (ICT) systems are capitalised where the pooled value exceeds £1,000. Substantial improvements to leasehold properties are also capitalised. Furniture, fixtures and fittings are treated as current expenditure and are not capitalised. Any assets valued below these thresholds will be treated as expenditure in the year of purchase.

Valuation

Land and buildings have been stated at open market value for existing use or, under IAS 16 as adapted for the public sector, depreciated replacement cost for specialised buildings under a rolling 5-year programme of professional valuations and appropriate indices in intervening years. Other plant and equipment assets, other than vessels and aircraft are reported at depreciated historic cost.

Losses in value reflected in valuations are accounted for in accordance with IAS 36, Impairment of Assets as adapted by the FRoM which states that impairment losses that arise from a clear consumption of economic benefit should be taken to the outturn statement. The balance on any revaluation reserve (up to the level of impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund.

The road network is valued at depreciated replacement cost as it is deemed to be specialist in nature. The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a greenfield site. These rates are re-valued annually using indices to reflect current prices and are also updated when new construction costs become available as comparators to the costs previously identified for specific road types.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a greenfield site where these are available, but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices. Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communication.

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published quarterly by the Department of Business, Innovation and Skills
Communications	Traffic Scotland provide new gross and calculated depreciated values each year
Land	Land indices produced by the Valuation Office Agency (VOA)

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter charged to the relevant portfolio outturn statement.

The trunking or detrunkings of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. Any associated profit or loss is processed through the general fund.

Subsequent Cost

Subsequent costs are only included in the asset's carrying amount or, where appropriate, recognised as a separate asset, when it is probable that future economic benefits associated with the item will flow to the Scottish Government and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the outturn statement during the financial period in which they are incurred.

1.3 Assets Held for Sale

A property is derecognised and held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when all of the following requirements are met:

- It is available for immediate sale in its present condition;
- A plan is in place, supported by management, and steps have been taken to actively market the asset and conclude a sale at a reasonable price in relation to its current fair value; and
- A sale is expected to be completed within 12 months.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortisation.

1.4 Donated Assets and European Union Grants

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, and SIC10 Government Assistance apply as interpreted by the FReM. Donated assets and grants received from the European Union for capital assets are capitalised at their valuation on receipt and this value is credited as income to the outturn statement. Subsequent revaluations are accounted for in the revaluation reserve, and impairments may be charged to the outturn statement.

1.5 Intangible Assets

In accordance with the FReM, Intangible assets are accounted for in line with the requirements of IAS 38 Intangible Assets, and SIC 32 Intangible Assets- Web Site Costs, and are valued at amortised cost based as a proxy for fair value. Revaluations are carried out according to IAS 38 for assets over a valuation threshold.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 Intangible Assets for assets that do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

Intangible assets other than assets under development are amortised on a straight line basis over their estimated useful lives. Impairment reviews are carried out if there are any indicators that impairment should be considered.

Intangible assets under development are not amortised.

1.6 Depreciation and Amortisation

Land is considered to have an indefinite life and is not depreciated.

Assets under construction are not depreciated.

For all other property, plant and equipment and intangible assets, depreciation or amortisation is charged at rates calculated to write off their valuation by equal instalments over their estimated useful lives which are normally in the following ranges:

Dwellings and other buildings	5 to 50 years (as per valuation)
Vehicles	3 to 10 years
Vessels	10 to 25 years
Aircraft	5 to 20 years
Equipment	3 to 15 years
ICT systems	3 to 10 years
Internally developed software	3 to 5 years
Leasehold improvements	Over the shorter of asset life and lease term

1.7 Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with IAS 32, IFRS 7, IFRS 13 and IFRS 9 as interpreted by the FReM. IFRS 9 is in force for the first time in 2018-19, replacing IAS 39.

IFRS 9 contains three principal classification categories for financial assets:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss, which is applied to derivatives and other financial liabilities designated as such at initial recognition
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer
- Financial guarantee contracts and loan commitments

The Scottish Government has classified its financial instruments as follows:

Financial Assets

- Cash and cash equivalents, trade receivables, short term loans, accrued income relating to EU funding, amounts receivable and shares will be classified as amortised cost. This will also include investment funds managed by third parties which will be reported separately.
- Student loans will be reported in the 'At fair value through profit & loss' category
- Shared equity loans advanced to private individuals will be reported in the 'At fair value through profit & loss' category.

Financial Liabilities

- Borrowings, trade payables, accruals, payables, bank overdrafts and financial guarantee contracts are classified as 'Other Liabilities'.
- Financial guarantee contracts are initially recognised at fair value. Under IFRS 9, financial guarantees are subsequently measured at the higher of the initial amount, less any subsequent amortisation where appropriate or of the credit loss allowance.

Financial instruments are initially measured at fair value with the exception of 'Shares held in and loans advanced to public sector bodies' which are held at historic cost, in the absence of an active market. The fair value of financial assets and liabilities is determined as follows:

- The fair value of cash and cash equivalents and current non-interest bearing monetary financial assets and financial liabilities approximate their carrying value, and
- The fair value of other non-current monetary financial assets and financial liabilities is based on market prices where a market exists, use of appropriate indices or has been determined by discounting expected cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

Financial instruments subsequent measurement depends on their classification:

- Fair value through the profit and loss is held at fair value with any changes going through the outturn statement.
- Financial assets and liabilities held at amortised cost are not revalued unless included in a fair value hedge accounting relationship. Any impairment losses go through the outturn statement.
- Shares which are held in public sector bodies and private sector bodies that do not have a quoted market price in an active market, and where the fair value cannot be reliably measured and reported at historic cost less impairment with any impairment losses going through the outturn statement. Otherwise they are held at fair value.

Financial assets

Financial assets include shares in nationalised industries and limited companies, loans issued to public bodies not consolidated in departmental accounts; loans made under the terms of the student loans scheme, loans to private companies, repayment and deferred loans relating to housing associations and investment funds. Such investments are generally reported as non-current assets. If an investment is held on a short-term basis, or a loan is due to be repaid within one year, it will be treated as a current asset.

Impairment of Financial assets

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated per the irrevocable election), lease receivables and contract assets, a loss allowance is recognised representing expected credit losses on the financial instruments.

A simplified approach to impairment has been adopted, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. Therefore loss allowances for stage 1 or stage 2 impairments against these bodies are not recognised.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the Consolidated Statement of Comprehensive Net Expenditure as an impairment gain or loss.

Student Loans

Student loans are valued at fair value through profit and loss.

As there is currently no active market for student loans, the Scottish Government values the loans by using a valuation technique. This technique involves the gross value of the loans being reduced by an amount based on:

- Interest subsidy: This is the difference between the interest paid by students (lower of RPI and Bank of England Base Rate + 1% point) and the cost of capital on loans at the rate provided by HM Treasury. The interest subsidy is estimated to meet the cost of the interest over the life of the loan and is offset by the annual interest capitalised.
- Write off impairment: This is estimated to meet the future cost of loans that are not likely to be recovered mainly due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year, the future cost of bad debt is estimated based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loan Company.

The estimates underpinning these adjustments are based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of student loans. Given the long term nature of both adjustments, the time value of money is significant, and they are discounted using the current HM Treasury discount rate.

There are significant uncertainties in assessing the actual likely costs and the impairment will be affected by the assumptions used. These are formally reviewed by the Scottish Government each year and the amounts impaired reflect the Scottish Government's current best estimate.

Further details of the movements in the loan valuation can be found in note 9, while disclosures relating to risk, required by IFRS 7, can be found in note 10.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit and loss.

Financial Guarantee Contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. They are initially recognised at fair value.

Under IFRS 9, financial guarantees are subsequently measured at the higher of the initial amount, less any subsequent amortisation where appropriate or of the credit loss allowance.

Financial Transactions

Financial Transactions are a capital funding source from HM Treasury which can only be used to fund loans and equity investments that cross the public/private sector boundary. These have to be repaid to HM Treasury in the future through adjustments to baseline funding. A repayment profile has been agreed with HM Treasury which aligns receipts by the Scottish Government with repayment to HM Treasury. This is reviewed annually.

1.8 Inventories

Items that cannot or will not be used are written down to their net realisable value. Taking into account the high turnover of NHS stocks, the use of average purchase price is deemed to represent the lower of cost and net realisable value. Work in progress is valued at the cost of the direct materials plus the conversion costs incurred to bring the goods up to their present degree of completion.

1.9 Non-Profit Distributing (NPD)/ Public Private Partnerships (PPP)/ Private Finance Initiatives (PFI)

NPD/PPP/PFI transactions are accounted for in accordance with IFRIC 12, Service Concession Arrangements which sets out how NPD/PPP/PFI transactions are to be accounted for in the private sector. The Scottish Government currently uses the Non-Profit Distributing model in structuring its service concession arrangements. Previous administrations used the Public Private Partnership and Private Finance Initiative models. As payments made and assets held relating to these models will continue to be recorded in these accounts over the foreseeable future, the accounts refer to the three different service concession models in relevant disclosure.

Assets that are assessed to be on statement of financial position will be measured as follows:

- Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset will be measured as under IAS 17, Leases, with the service element and the interest charge recognised as incurred over the term of the concession arrangement; and
- Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques including obtaining information from the operator or using the fair value approach.

The grantor will recognise a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually through the relevant portfolio outturn statement.

Assets should subsequently be measured consistently with other assets in their class using IAS 16, Property, Plant and Equipment, adopting an appropriate asset revaluation approach. Liabilities will be measured using the appropriate discount rate, taking account of the reduction arising from capital payments included in the unitary payment stream.

Any revenue received by the grantor is recognised in line with IAS 18, Revenue.

1.10 Revenue

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Operating income is income that relates directly to the operating activities of the Scottish Government. It includes fees and charges for services provided, on a full cost basis, to external customers, public repayment work and income from investments. It includes both income applied with limit as outlined by the Scottish Budget documents and income not applied. For income categorised as being applied with limit, any excess income over that approved is surrendered to the Scottish Consolidated Fund. Operating income is stated net of VAT.

Income is analysed in Note 4 between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit (income applied), and that operating income which is not (income not applied).

1.11 Administration and Programme Expenditure

The Summary Outturn Statement is analysed between administration and programme expenditure:

- Administration expenditure reflects the costs of running the Core Portfolios as defined under the administration cost control regime, together with associated operating income. This does not include the costs of running other bodies within the departmental boundary: such costs are included within the appropriate category of programme expenditure in the relevant Portfolio Outturn Statements.
- Programme expenditure reflects non-administration costs, including payments of grants and other disbursements, including the administration costs of those bodies within the departmental boundary. Programme expenditure also takes account of income applied. A note to the accounts provides an analysis of total programme income between income applied and income not applied (Note 4).

1.12 Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Where necessary obligations in respect of grant schemes are recognised as liabilities.

In accordance with the Scottish Public Finance Manual, procedures are in place to ensure compliance with any conditions or provisions attached to any grant payments.

1.13 European Union Funds

Funds received from the European Union (EU), are treated as income and shown in the relevant Portfolio Outturn Statement. Expenditure in respect of grants or subsidy claims is

recorded in the period that the underlying event or activity giving entitlement to the grant or subsidy claim occurs. Any related payable or receivable balances are reflected in the Statement of Financial Position.

1.14 Foreign Exchange

Under the requirements of IAS 21 The Effects of Changes in Foreign Exchange Rates and SIC 7 Introduction of the Euro, transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the outturn statement.

1.15 Leases

As directed by the FReM, IAS 17 Leases and SIC15 Operating Leases apply. Where substantially all the risks and rewards of ownership of a leased property are borne by the entity, it is recorded as a non-current asset and a corresponding payable recorded in respect of the debt due to the lessor, with the interest element of the finance lease payment charged to the outturn statement. Leases other than finance leases are treated as operating leases, and rentals payable in respect of operating leases will be charged to the outturn statement on a straight line basis over the term of the lease.

1.16 Pensions

The Scottish Government as an employer

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. Portfolios, agencies and other bodies covered by the PCSPS recognise the expected cost of providing pensions for their employees on a systematic and rational basis over the period during which they benefit from their services by payment to the PCSPS of amounts calculated on an accruing basis (relevant disclosures are reported in the Remuneration and Staff Report). Liability for the payment of future benefits is a charge to the PCSPS. Separate scheme statements for the PCSPS as a whole are published.

The Scottish Government as a scheme administrator

Expenditure reported within Portfolio Outturn Statements includes grant in aid to bodies sponsored by the Scottish Government, which covers pension related expenditure in respect of pension schemes operated by the sponsored body for their eligible employees. The arrangements for these pension schemes are reported and explained in the annual accounts of the relevant bodies.

NHS Bodies

The NHS Bodies in Scotland participate in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary; details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill health. The full amount of the liability for the additional costs is charged to the outturn statement at the time the Board commits itself to the retirement, regardless of the method of payment.

1.17 Provisions

IAS 37 Provisions, Contingent Liabilities and Contingent Assets applies in full, and in these accounts provisions are made for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation. Where material, they have been discounted using the appropriate discount rate as prescribed by HM Treasury.

Student Loans

The provision is established to reflect the debt sale subsidy.

Early Departure Costs

The Scottish Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retired early, prior to 2011. The Scottish Government provides in full for this cost when the early retirement programme has been announced and is binding.

CNORIS

CNORIS is a risk transfer and financing scheme for NHS Scotland, which was first established in 1999. Its primary objective is to provide cost-effective risk pooling and claims management arrangements for Scotland's NHS Health Boards and Special Health Boards.

A full accounting review was undertaken during 2014/15. The purpose of the review was to ensure that both NHS Boards and the Scottish Government apply the most appropriate accounting treatment.

The outcome of the review is that, as a result of participation in the CNORIS scheme, NHS Boards are now required to create a separate related, but distinct, provision recognising their respective shares of the total CNORIS national scheme liability. This is in addition to the recognition by NHS Boards of a provision for individual claims against their Board along with an associated debtor. The recognition of the separate provision is a technical accounting adjustment to more appropriately reflect the underlying substance of Boards' liabilities.

On consolidation into the Scottish Government accounts, the Scottish Government's CNORIS provision represents the national scheme liability and the Boards' accounting for individual claims is removed.

NHS

In terms of accounting for the CNORIS scheme, NHS bodies provide for all claims notified to the NHS Central Legal Office (CLO) according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'Category 1' as nil. In conjunction with the CLO, Boards may take a different view on the appropriate level of provision for 'Category 2' claims, and may apply a different percentage in calculating the associated provision. The balance of the value of claims not provided for is disclosed as a contingent liability. This

procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding.

1.18 Contingent Liabilities

Contingent liabilities include those required to be disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and other liabilities arising from indemnities and guarantees (which are not financial guarantee contracts) included for parliamentary reporting and accountability. Portfolios must seek the prior approval of Parliament, via the Finance Committee, before entering into any specific guarantee, indemnity or letter of statement of comfort unless it arises in the normal course of business or the sum of the risk is £1m or less.

1.19 Value Added Tax (VAT)

Most of the activities of the Scottish Government are outside the scope of VAT, and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.20 Segmental Reporting

IFRS 8 Segmental Reporting requires operating segments to be identified on the basis of internal reports about components of the Scottish Government and its consolidated bodies that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performance. The Scottish Government reports segmental information within its outturn statements which are prepared on the basis of Ministerial portfolios.

1.21 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an estimate of likely impairment. Impairment of trade receivables is calculated through an expected credit loss model.

1.22 Cash and Cash Equivalents

Cash and cash equivalents includes 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Balances are analysed between those held with the Government Banking Service and balances held in commercial banks.

1.23 Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.24 Short Term Employee Benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not taken.

1.25 New Accounting Standards

All new standards issued and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. The standards that are considered relevant to Scottish Government and the anticipated impact on the consolidated accounts are as follows:

IFRS 16 - Leases

This standard will come into effect for accounting periods beginning after 1 April 2020, when the distinction between finance and operating leases is removed and all leases become “on balance sheet”. The FReM interprets and adapts IFRS 16 for the public sector context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. The full impact has not yet been determined. These assets will be included on the statement of financial position from 1 April 2020, in accordance with the transition arrangements set out in IFRS 16 application guidance issued by HM Treasury in April 2019.

IFRS 17 - Insurance Contracts

This standard will come into effect for accounting periods beginning after 1 January 2021. The impact has not yet been determined.

2. Cash and Cash Equivalents

	2018-19 £m	2017-18 £m
Government Banking Service	912	551
Commercial banks and cash in hand	108	34
At 31 March	1,020	585
At 1 April	585	625
Net change in cash and cash equivalent balances	435	(40)
At 31 March	1,020	585

The balance at 31 March includes	Note	2018-19 Net £m	2017-18 Net £m
Cash due to be paid to the Scottish Consolidated Fund	12	979	585
Consolidated Fund extra receipts received and due to be paid to SCF	12	24	-
At 31 March		1,003	585

3. Note to the Cash Flow Statement

3a. Adjustment to Operating Activities for Non-cash Transactions

	2018-19 Net £m	Restated 2017-18 Net £m
Depreciation	488	438
Impairment/Write-backs	60	48
Total Capital Charges	548	486
Loss/(Profit) on disposal of property, plant and equipment	(9)	(8)
Loss/(Profit) on disposal of assets held for sale	3	-
Capitalised Interest - financial assets	(76)	(53)
Student Loans fair value adjustment	514	329
Investment fair value adjustment	118	(5)
Income from donated asset additions	(6)	(15)
Auditors Fees	2	2
Unrealised exchange rate (gain)/loss	3	2
NHS Lothian - transfer of assets	-	1
Other non-cash items	(4)	(3)
Release of finance lease liability	3	-
NHS Highland - movement in year in LG pension costs	-	16
NHS Boards consolidation adjustments	165	93
Total	1,261	845

3b. Analysis of Capital Charges by Portfolio

Portfolio	Depreciation £m	Impairment/ Write Backs £m	2018-19 Total £m	2017-18 Total £m
Health and Sport	307	53	360	351
Communities and Local Government	-	-	-	-
Finance, Economy and Fair Work	2	-	2	5
Education and Skills	2	-	2	1
Justice	38	1	39	30
Transport, Infrastructure and Connectivity	89	-	89	53
Environment, Climate Change and Land Reform	6	-	6	6
Rural Economy	28	7	35	22
Culture, Tourism and External Affairs	-	-	-	-
Social Security and Older People	-	-	-	-
Government Business and Constitutional Relations	-	-	-	-
Crown Office and Procurator Fiscal Service	4	-	4	6
Total Programme	476	61	537	474
Administration	12	(1)	11	12
Total Capital Charges	488	60	548	486

3c. Audit Fee

The consolidated audit fee for 2018-19 is £5m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted above. Other entities within the consolidation boundary pay fees. The consolidated audit fee for 2017-18 was £5m (Core Portfolios £1m). There were no additional charges in relation to non audit work undertaken by Audit Scotland.

3d. Movement in Working Capital

	Note	Opening Balances £m	Closing Balances £m	2018-19 Net Movement £m	2017-18 Net Movement £m
Inventories	8	106	121		
Net Decrease/(Increase)				(15)	-
Receivables and other assets					
Due within one year	11	1,333	1,078	255	(104)
Due after more than one year	11	104	150	(46)	(56)
Less: Capital included in PPE		(36)	(23)	(13)	13
Less: Capital included in investment		-	(3)	3	(10)
Less: Receivable from SCF	11	(141)	-	(141)	(157)
Less: General Fund receivable included above	11	(1)	-	(1)	(9)
NHS boards prior year adjustments		-	-	-	-
NHS Greater Glasgow and Clyde adjustment		(1)	-	(1)	-
NHS boards consolidation adjustment		747	740	7	(85)
Total		2,005	1,942		
Net Decrease/(Increase)				63	(408)
Payables and other liabilities					
Due within one year	12	3,387	3,974	587	238
Due after more than one year	12	3,773	3,725	(48)	186
Less: Capital included in PPE		(131)	(99)	32	(38)
Less: Capital included in intangibles		(1)	(4)	(3)	3
Less: Capital included in Investment		(5)	(8)	(3)	(3)
Less: SCF corporate payable included in above	12	(585)	(979)	(394)	40
Less: Payable to SCF	12	-	(24)	(24)	-
Less: NLF payable included in above	12	(622)	(591)	31	30
Less: PFI imputed leases	12	(2,988)	(3,115)	(127)	(205)
Less: Financial Guarantees included in above	12	(18)	-	18	3
NHS boards consolidation adjustment		92	50	(42)	14
Total		2,902	2,929		
Net (Decrease)/Increase				27	268
Provisions (Current and non-current)					
Due within one year	13a	179	220	41	(65)
Due after more than one year	13a	845	880	35	141
Less: Capital provisions		5	5	-	5
NHS boards consolidation adjustment		549	471	(78)	17
Total		1,578	1,576		
Net (Decrease)/Increase				(2)	98
Total Net Movement				73	(42)

4. Income

4a. Operating income, analysed by classification and activity, is as follows:

	Total Income £m	Income Not Applied £m	2018-19 Income Applied £m	2017-18 Income Applied £m
Administration Income:				
Allowable within admin cost limit	14	-	14	12
Other:				
Fees and charges (1)	4	-	4	4
Total Administration Income	18	-	18	16
Programme Income:				
Health and Sport	597	-	597	619
Communities and Local Government	11	-	11	17
Finance, Economy and Fair Work	69	-	69	56
Education and Skills	97	-	97	107
Justice	15	-	15	17
Transport, Infrastructure and Connectivity	10	-	10	18
Environment, Climate Change and Land Reform	116	-	116	109
Rural Economy	678	-	678	544
Culture, Tourism and External Affairs	-	-	-	-
Social Security and Older People	-	-	-	-
Government Business and Constitutional Relations	-	-	-	-
Crown Office and Procurator Fiscal Service	5	4	1	-
Total Programme Income	1,598	4	1,594	1,487
Total	1,616	4	1,612	1,503

(1) The SG complies with HM Treasury and Office of Public Sector cost allocation and charging requirements.

4b. Income Not Applied

Income not applied are amounts for surrender to the Scottish Consolidated Fund in accordance with the Scotland Act 1998 (Designation of Receipts) Order 2009, as amended by the Scottish Act 2016.

The major items of income not applied are:	Cash Received £m	Accrued £m	2018-19 £m	2017-18 £m
Non-designated receipts - Proceeds of Crime and other	3	1	4	7
Total Income Not Applied	3	1	4	7

4c. Interest Receivable

All interest receivable is external to the consolidated portfolio accounting boundary. It is included within the Operating Outturn Statement as income applied, unless it is required to be surrendered to the Scottish Consolidated Fund.

	Total Income £m	Income Not Applied £m	2018-19 Income Applied £m	2017-18 Income Applied £m
Programme Income:				
Environment, Climate Change and Land Reform	103	-	103	101
Transport, Infrastructure and Connectivity	7	-	7	6
Total	110	-	110	107

4d. Interest Payable

	2018-19 Total £m	2017-18 Total £m
Finance lease charges allocated in the year including on balance sheet PFI/PPP contracts	203	183
Other interest	2	4
Total	205	187

5a. Property, Plant and Equipment

	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Cost or valuation										
At 1 April 2018	491	7,129	692	23,485	208	1,197	410	88	1,476	35,176
Prior Year Adjustments	-	-	-	-	-	-	-	-	(3)	(3)
Additions	1	34	1	5	11	53	18	1	436	560
Historic valuation adjustments	-	-	-	246	-	-	-	-	-	246
Transfers	1	327	2	348	13	44	11	1	(743)	4
Transfers (to) assets classified held for sale	(5)	(1)	-	-	-	-	-	-	-	(6)
Disposals	(3)	(28)	-	-	(21)	(50)	(11)	(1)	-	(114)
Revaluations to Revaluation Reserve	4	(14)	3	810	(1)	-	(2)	-	31	831
Revaluations to Outturn Statement	(2)	(32)	(2)	-	-	-	-	-	(41)	(77)
At 31 March 2019	487	7,415	696	24,894	210	1,244	426	89	1,156	36,617
Depreciation										
At 1 April 2018	-	351	20	4,090	125	827	320	63	-	5,796
Charged in year	-	202	21	88	16	82	30	6	-	445
Historic valuation adjustments	-	-	-	6	-	-	-	-	-	6
Transfers	-	-	-	-	-	3	-	-	-	3
Disposal	-	(27)	-	-	(21)	(49)	(11)	(1)	-	(109)
Revaluations to Revaluation Reserve	-	(116)	(10)	165	-	-	(2)	-	-	37
Revaluations to Outturn Statement	-	(27)	(1)	-	-	2	2	-	-	(24)
At 31 March 2019	-	383	30	4,349	120	865	339	68	-	6,154
Net book value at 31 March 2019	487	7,032	666	20,545	90	379	87	21	1,156	30,463
Net book value at 31 March 2018	491	6,778	672	19,395	83	370	90	25	1,476	29,380
Analysis of asset financing:										
Owned	479	4,738	579	17,644	79	363	86	18	635	24,621
Finance Leased	-	37	-	-	7	1	-	-	-	45
PFI included in Statement of Financial Position	7	2,193	87	2,901	-	-	-	2	515	5,705
Donated Asset	1	64	-	-	4	15	1	1	6	92
Net book value at 31 March 2019	487	7,032	666	20,545	90	379	87	21	1,156	30,463
Donated Asset Movement										
Additions	-	1	-	-	-	3	-	-	2	6
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

¹ - (land holdings and land underlying buildings); ² - (excluding dwellings); ³ - (including land)

5a. Property, Plant and Equipment (Cont.)

Prior Year

	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Cost or valuation										
At 1 April 2017	481	6,629	637	21,542	207	1,192	414	89	2,870	34,061
Additions	7	31	1	7	2	55	21	1	758	883
Adjustments	-	(5)	-	-	-	-	-	-	-	(5)
Historic valuation adjustments	-	-	-	(9)	-	-	-	-	-	(9)
Transfers	4	371	(1)	1,696	18	31	10	6	(2,139)	(4)
Transfers (to) assets classified held for sale	(1)	-	-	-	-	-	-	-	-	(1)
Disposals	(7)	(2)	-	(1)	(20)	(81)	(35)	(8)	-	(154)
Revaluations to Revaluation Reserve	8	80	56	250	1	-	-	-	-	395
Revaluations to Outturn Statement	(1)	25	(1)	-	-	-	-	-	(13)	10
At 31 March 2018	491	7,129	692	23,485	208	1,197	410	88	1,476	35,176
Depreciation										
At 1 April 2017	-	279	1	3,880	127	825	323	64	-	5,499
Charged in year	-	194	19	52	16	81	31	6	-	399
Adjustments	-	(5)	-	-	-	-	-	-	-	(5)
Historic valuation adjustments	-	-	-	(2)	-	-	-	-	-	(2)
Transfers	-	(2)	-	-	-	-	-	1	-	(1)
Revaluations to Revaluation Reserve	-	(61)	1	160	1	-	-	-	-	101
Revaluations to Outturn Statement	-	(52)	(1)	-	1	1	1	-	-	(50)
At 31 March 2018	-	351	20	4,090	125	827	320	63	-	5,796
Net book value at 31 March 2018	491	6,778	672	19,395	83	370	90	25	1,476	29,380
Net book value at 31 March 2017	481	6,350	636	17,662	80	367	91	25	2,870	28,562
Analysis of asset financing:										
Owned	484	4,699	583	16,798	77	354	88	21	515	23,619
Finance Leased	-	38	-	-	2	1	-	-	-	41
PFI included in Statement of Financial Position	7	1,980	88	2,597	-	1	1	3	953	5,630
Donated Asset	-	61	1	-	4	14	1	1	8	90
Net book value at 31 March 2017	491	6,778	672	19,395	83	370	90	25	1,476	29,380
Donated Asset Movement										
Additions	-	8	-	-	-	2	-	-	5	15
Disposals	-	-	-	-	-	(4)	-	-	-	(4)

¹ - (land holdings and land underlying buildings); ² - (excluding dwellings); ³ - (including land)

5c. Non Current Asset Disclosures

	2018-19 £m	2017-18 £m
Net book value of Property, Plant and Equipment	30,463	29,380
Total value of assets held under:		
Finance Leases	45	41
Hire Purchase Contracts	-	-
PFI and PPP Contracts	5,306	5,630
Total	5,351	5,671
Total depreciation charged in respect of assets held under:		
Finance leases	5	5
PFI and PPP contracts	49	44
Total	54	49

As part of the 5-year rolling programme, 8 properties - Gartcosh Crime Campus, the Marine Laboratory, Victoria Quay, Faskally Fisheries Laboratory, Shambellie House, Cameron House, Almondbank Salmon Rearing Unit and Baddoch Burn Fish Trap, underwent a formal revaluation as at 31 March 2019, all were inspected with the exception of Victoria Quay where a desktop valuation was carried out. These valuations were on the basis of Existing Use Value, with the exception of specialist buildings at Gartcosh Crime Campus and the Marine Laboratory which were valued on the basis of Depreciated Replacement Cost. Valuations were carried out by the VOA. These valuations were carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors; RICS Valuation- Global Standards 2017 and RICS UK National Supplement 2017 (latest update effective from 14 January 2019), commonly known together as the Red Book. In particular UK VPGA (Valuation Practice Guidance- Application) 5 addresses the valuation of central government assets for accounting purposes.

In addition to the land and buildings recorded in the core portfolios' accounts, the consolidated accounts reflect some land and buildings which are specialised operational properties and have been valued at their depreciated replacement cost. As noted in the relevant underlying agency accounts, the open market value of these properties would be significantly lower.

The national NHS estate revaluation scheme came to an end at 31 March 2005. Individual boards have instituted their own schemes, details of which are available in the various NHS Board accounts. These schemes operate in accordance with Scottish Government policy on revaluation as set out in Note 1.2 to these accounts.

6. Intangible Assets

	EC Emission Rights £m	Software Licenses £m	Information Technology Software £m	Websites that Deliver a Service £m	Assets Under Development £m	Total £m
Cost or Valuation						
Balance at 1 April 2018	-	161	326	1	30	518
Additions	-	3	7	-	66	76
Donations	-	-	-	-	-	-
Disposals	-	(5)	(4)	-	-	(9)
Transfers	-	1	40	-	(41)	-
Revaluations	-	-	-	-	(7)	(7)
At 31 March 2019	-	160	369	1	48	578
Amortisation						
Balance at 1 April 2018	-	143	200	1	-	344
Charged in year	-	8	36	-	-	44
Disposals	-	(5)	(4)	-	-	(9)
At 31 March 2019	-	146	232	1	-	379
Net book value at 31 March 2019	-	14	137	-	48	199
Net book value at 31 March 2018	-	18	126	-	30	174
Prior Year						
	EC Emission Rights £m	Software Licenses £m	Information Technology Software £m	Websites that Deliver a Service £m	Assets Under Development £m	Total £m
Cost or Valuation						
Balance at 1 April 2017	-	164	303	1	12	480
Additions	-	4	8	-	41	53
Disposals	-	(6)	(8)	-	-	(14)
Transfers	-	-	25	-	(22)	3
Revaluations	-	(1)	(2)	-	(1)	(4)
At 31 March 2018	-	161	326	1	30	518
Amortisation						
Balance at 1 April 2017	-	141	179	1	-	321
Charged in year	-	8	29	-	-	37
Disposals	-	(6)	(8)	-	-	(14)
At 31 March 2018	-	143	200	1	-	344
Net book value at 31 March 2018	-	18	126	-	30	174
Net book value at 31 March 2017	-	23	124	-	12	159

7. Assets Classified as Held for Sale

The following assets have been presented for sale by the Scottish Government. The completion date for sale is expected to be within 12 months. Assets classified as held for sale are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell.

Assets classified as held for sale are not subject to depreciation or amortisation.

	Property, Plant and Equipment £m	Intangible Assets £m	Investment Assets £m	Total £m
At 1 April 2018	17	-	-	17
Transfers from Non-Current Assets	6	-	-	6
Change arising on revaluation	(3)	-	-	(3)
Disposals	(4)	-	-	(4)
At 31 March 2019	16	-	-	16
Prior year				
At 1 April 2017	25	-	-	25
Transfers from Non-Current Assets	1	-	-	1
Disposals	(9)	-	-	(9)
At 31 March 2018	17	-	-	17

8. Inventories

	2018-19 £m	2017-18 £m
NHS inventories	118	103
Other inventories	3	3
Total	121	106

9. Financial Assets

9a. Non-Current Financial Assets

	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Loans £m	Housing Shared equity Loans £m	Energy Related Loans £m	EU CAP Loans £m	Other Funds £m	Total £m
Balance at 1 April 2018	25	2,985	591	3,291	182	860	127	1	179	8,241
Add element reported within current assets	-	84	31	145	9	-	1	322	3	595
Advances and acquisitions:										
Cash advances	-	308	-	615	56	140	30	425	74	1,648
Capitalised interest	-	-	-	75	-	-	1	-	-	76
Transfers	2	-	-	-	-	-	-	-	(2)	-
Fair value adjustment	-	-	-	(590)	(14)	7	-	-	-	(597)
Write off	-	-	-	-	-	-	(11)	-	(130)	(141)
Repayments and disposals	-	(87)	(31)	(152)	(15)	(55)	(2)	(492)	(24)	(858)
Unwinding of discounted cash flow	-	-	-	75	-	-	-	-	-	75
Revaluations to outturn statement	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019	27	3,290	591	3,459	218	952	146	256	100	9,039
Loans repayable within 12 months transferred to current assets	-	(97)	(27)	(150)	(16)	-	(4)	(256)	(1)	(551)
Balance at 31 March 2019	27	3,193	564	3,309	202	952	142	-	99	8,488

Investments have been measured and presented in accordance with IAS 32, IAS 39, IFRS 13 and IFRS 9 as modified by the Government Financial Reporting Manual (FReM). See also note 1.7

Scottish Water National Loans Fund repayments of £31m have not been included in the Environment, Climate Change and Land Reform portfolio capital outturn.

In line with IFRS 9 the categories of financial assets have been changed this year to ensure further disclosure of Shared Equity Housing Loans. This has been applied retrospectively, with the prior year table having also been restated.

Restated Prior Year	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Loans £m	Housing Shared equity Loans £m	Energy Related Loans £m	EU CAP Loans £m	Other Funds £m	Total £m
Balance at 1 April 2017	25	2,766	622	3,122	156	748	92	-	137	7,668
Add element reported within current assets	-	81	30	135	1	-	-	185	1	433
Advances and acquisitions:										
Cash advances	-	303	-	602	52	131	32	369	61	1,550
Capitalised interest	-	-	-	53	-	-	-	-	-	53
Adjustment	-	-	-	-	-	-	4	-	-	4
Fair value adjustment	-	-	-	(436)	(17)	18	-	-	-	(435)
Repayments and disposals	-	(81)	(30)	(147)	(1)	(37)	-	(231)	(17)	(544)
Unwinding of discounted cash flow	-	-	-	107	-	-	-	-	-	107
Balance at 31 March 2018	25	3,069	622	3,436	191	860	128	323	182	8,836
Loans repayable within 12 months transferred to current assets	-	(84)	(31)	(145)	(9)	-	(1)	(322)	(3)	(595)
Balance at 31 March 2018	25	2,985	591	3,291	182	860	127	1	179	8,241

Investments have been measured and presented in accordance with IAS 32, IAS 39, IFRS 13 and IFRS 9 as modified by the Government Financial Reporting Manual (FRoM). See also note 1.7

Scottish Water National Loans Fund repayments of £30m have not been included in the Environment, Climate Change and Land Reform portfolio capital outturn.

9b. Nationalised Industries

As at 31 March 2019, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited and TS Prestwick Holdco Limited. The Scottish Ministers hold the following investments:

Caledonian Maritime Assets Limited	1,500,000 ordinary shares of £10 each
David MacBrayne Limited	5,500,002 ordinary shares of £1 each
Highlands and Islands Airport Limited	50,000 ordinary shares of £1 each
TS Prestwick Holdco Limited	1 ordinary share of £1

These organisations are operated and managed independently of the Scottish Government, and, therefore, do not fall within the consolidated portfolio accounting boundary. The companies each publish an individual annual report and accounts. The net assets and results of the aforementioned companies are summarised in the table below.

	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m	Highlands and Islands Airports Ltd £m	TS Prestwick Holdco Ltd £m
Net Assets/(Liabilities) as at 31 March 2019	85	35	28	(38)
Turnover	47	214	25	24
Profit/(Loss) for the financial year	4	8	(3)	(4)

These results are in draft as their accounts are yet to be published.

Caledonian Maritime Assets Ltd

Following a restructure of the Caledonian MacBrayne group in 2006, Caledonian MacBrayne Limited became known as Caledonian Maritime Assets Limited (CMAL) and CalMac Ferries Limited (CFL) was incorporated. CFL took over operation of the Clyde & Hebrides Ferry Services as successor to Caledonian MacBrayne Limited. CMAL retained ownership of all vessels and ports, which it leases to the operator of the Clyde & Hebrides Ferry services (currently CFL). CMAL remains wholly owned by Scottish Ministers.

David MacBrayne Ltd

Scottish Ministers previously owned 2 shares of £1 in a dormant company, David MacBrayne Limited. In the course of the restructuring of the Caledonian MacBrayne group in 2006, Scottish Ministers' shareholding in David MacBrayne Limited was increased by 5,500,000 shares to 5,500,002 ordinary shares of £1. David MacBrayne Limited is now the holding company for the ferry operating companies CalMac Ferries Limited and Argyll Ferries Limited.

Highlands and Islands Airports Ltd (HIAL)

Scottish Ministers are the sole shareholders in HIAL. The company's purpose is to maintain the safe operation of its airports to support economic and social development in the Highland and Islands. HIAL currently operates 11 airports; 10 in the Highlands and Islands and also Dundee, which it assumed responsibility for in December 2007 and now operates via a wholly owned subsidiary company, Dundee Airport Limited.

TS Prestwick Holdco Limited

In 2013 Transport Scotland purchased the entire share capital of Prestwick Aviation Holdings Limited, the holding company of subsidiaries who own and operate Glasgow Prestwick Airport, through a company set up for this specific purpose – TS Prestwick Holdco Limited. Subsequently Transport Scotland advanced loan funding to the group to cover the cash deficit arising from its operating deficit and capital expenditure.

Burntisland Fabrications

Over the past two financial years the Scottish Government has advanced loans on a commercial basis to BiFab. As a result of the conversion of these loans to equity the Scottish Government now holds a 32.4% stake in the company. As part of year end processes the Scottish Government commissioned a formal valuation of its equity holding which resulted in a valuation of £2.0 million.

9c. Other Interests

The loans issued and reported as Financial Assets within these accounts have been valued reflecting current market expectations regarding discounted future cash flows. Under IFRS 13, these valuations have been classed as level 3 unobservable inputs, as there is no active market for the investments.

Student Loan Company (SLC)

The Student Loan Company is a non-departmental public body which administers the payment and collection of loans to UK students. When it was set up in 1990, it was wholly owned by the Secretary of State for Education and Skills (now the Department for Education) and the Secretary of State for Scotland. From 1 July 1999, the student support function was transferred to the Scottish Ministers with respect to students ordinarily resident in Scotland. Following a restructuring the Scottish Ministers hold 1 share with a nominal value of £0.50 (5% of the equity) in the SLC.

Scottish Futures Trust Ltd (SFT)

The Scottish Futures Trust was set up in September 2008 to work collaboratively across the public sector to secure improved value for money in infrastructure procurement, and is working jointly with local authorities, NHS Boards and other public bodies to deliver benefits in cost effective asset procurement and management. The SFT is a limited company owned by the Scottish Ministers with share capital of £100, £2 of which has been issued and is held by the Scottish Ministers.

Scottish Health Innovations Ltd

Scottish Health Innovations Ltd is a company that works in partnership with NHS Scotland to protect and develop healthcare innovations. The company is limited by guarantee with three members, the Scottish Ministers, the National Waiting Times Centre, and NHS Tayside.

Voted Loans

The Scottish Ministers have provided total loans from voted provision to Caledonian Maritime Assets Limited of £202m to be used for the construction of new shipping; £4m to crofters for building purposes; and £3,084 to Scottish Water for their capital investment programmes.

National Loans Fund

Prior to 1 July 1999, the Secretary of State lent money to Scottish Enterprise, Scottish Homes and the three Water Authorities (now Scottish Water), out of the National Loans Fund. At 1 July 1999, the right to the sums outstanding was transferred to the Scottish Ministers who must pay the repayments and interest to the Secretary of State for Scotland via the Scottish Consolidated Fund. The loans to Scottish Enterprise and Scottish Homes have since been repaid. The NLF loans remaining are with Scottish Water.

Scottish Water's 2018-19 annual report and accounts can be found at:

<https://www.scottishwater.co.uk/en/Help-and-Resources/Document-Hub/Key-Publications/Annual-Reports>

Student Loans

Loans made under the terms of the student loans scheme are administered by the Student Loans Company Limited, a company owned jointly by the Scottish Ministers and the Department for Education. These loans are accounted for on the basis of the loan balances of students domiciled in Scotland and adjusted for fair value and impairment.

9c. Other Interests (Cont.)**Housing Loans**

Housing Association loans are made up of repayment loans and deferred loans. The repayment loans are secured loans to registered Housing Associations and are repayable on an annuity basis, the deferred loans relate to the transfer of housing stock.

Housing Loans include Charitable Bonds. In 2018-19 The Scottish Government invested £38m in 3 Charitable Bonds, 2 of which are due for repayment in 10 years, the third 15 years. The bond issuer made loans to 3 Registered Social Landlords (RSLs), totalling £29m, for the development of new affordable homes. The remaining £9m will be donated by the bond issuer to one or more charitable RSLs for the provision of new social rent housing.

Housing Shared Equity Loans

Shared Equity Housing Loans include the Shared Equity Housing and Deferred Financial Commitment Loans. The fair value estimation technique for the loans relates to the underlying property valuations using the Nationwide Pricing Index method.

Energy Funds

The Scottish Government provides funding to Salix Finance Limited and the Energy Saving Trust (EST) to deliver programmes relating to energy efficiency which include the issue of loans:

Salix provides loans to the public sector to improve their energy efficiency and reduce their carbon emissions. In 2018-19, £3.6m of advances were made (2017-18: £4.7m).

EST administer and manage funds on behalf of the Scottish Government which provide loans to save energy and reduce carbon dioxide emissions. In 2018-19 £4.5m (2017-18: £8.9m) of advances were made.

Through the Home Energy Efficiency Programme (HEEPs) loans are available to help homeowners make energy and money saving improvements to their homes. In 2018-19, advances of £3m (2017-18: £7.7m) were made.

The Energy Investment Fund (EIF) is delivered by Scottish Enterprise. EIF provides funding to commercial and community renewable energy projects across Scotland. In 2018-19 all projects were funded from loan repayments.

EU CAP Loans

From 2015-16, a Scottish Government national loans scheme was put in place to provide support to the farming economy. In 2018-19, advances of £425m (2017-18: £371m) were made with repayments of £492m (2017-18: £231m).

Other Funds

The Scottish Government, and the European Regional Development Funds, have established the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund. This fund is a JESSICA (Joint Venture Support for Sustainable Investment in City Areas) Urban Development Fund (£49.5m; 2017-18: £43m) that helps fund regeneration and energy efficient projects within targeted areas of Scotland.

The Scottish Futures Trust was set up in September 2008 to work collaboratively across the public sector to secure improved value for money in infrastructure procurement, and is working jointly with local authorities, NHS Boards and other public bodies to deliver benefits in cost effective asset procurement and management. The SFT is a limited company owned by the Scottish Ministers with share capital of £100, £2 of which has been issued and is held by the Scottish Ministers.

The Scottish Government has provided financial transactions totalling £10m (£6m provided in 2015-16 and £4m provided in 2016-17), over a 20 to 25 year period, to three of the National Performing Companies (Scottish Ballet, Scottish Opera and the National Theatre of Scotland). These related to capital projects and business support, including the new Rockvilla creation centre and an extension to the Theatre Royal, both in Glasgow.

In 2018-19, the Scottish Government provided commercial loans of £48m to private companies (2017-18: £34m).

9d Adjustment to Student Loans opening position

Loans made under the terms of the student loans scheme are administered by the Student Loans Company Limited, a company owned jointly by the Scottish Ministers and the Department for Education.

The value of new loans is calculated using a forecasting model which uses data on the demographics of borrowers to forecast likely repayment of loans (the 'RAB' charge). The model depends on a complex set of assumptions including borrower demographics, earnings growth, the Bank of England base rate, and OBR forecasts for long-term and short-term growth in RPI. As student loans have a maximum repayment period of 35 year, the model is highly dependent on long-term assumptions and the valuation of the student loan book is inherently uncertain. The amounts provided reflect statisticians' best estimate as at 31 March 2019 and reduce the carrying value of new loans drawn down by £203m (33%).

Due to the inherent uncertainty of the valuation of the student loan book, the value of loans drawn down in previous years is reviewed annually, and the carrying value is adjusted if necessary. The forecasting model is re-run on outstanding student loans using current assumptions and the latest earnings and repayment data to forecast the likely repayment of student loans drawn down in previous years (the 'stock' charge). The recalculated value is compared to the opening carrying value, and the carrying value is reduced or increased if the movement is considered likely to be permanent.

The stock charge (the proportion of the student loan book the forecasting model indicates is not likely to be repaid) increased from 30% for the 2017-18 financial year to 38% for the 2018-19 financial year. The fair value of the student loans book has therefore been adjusted to reflect the following factors:

a) On 12th June 2018, the Minister for Further Education, Higher Education and Science announced that the Scottish Government would be increasing the repayment threshold to £25,000 from April 2021 and would introduce legislation by the end of 2018 to reduce the repayment period from 35 years to 30 years. This legislation was subsequently laid in the Scottish Parliament on the 25th October and came into force on the 4th December. These changes will apply to both new and existing borrowers. This had the effect of increasing the stock charge for 2018-19 to 37%, requiring an adjustment of £338m.

b) Revised assumptions and modelling improvements were incorporated into the model, including new data from the Student Loans Company to reflect an additional year of data on earnings and repayments, revised RPI forecasts, and adjustments to more accurately reflect the timing of repayments and outlay. Collectively, this had the effect of increasing the stock charge for 2018-19 by a further percentage point, requiring an adjustment of £47m.

c) While the value of new borrowing was reduced to fair value each year, the adjustment to the value of the existing loan book has been marginal each year since 2013. Over time this means that, although there were no changes in policy or economic events to prompt an impairment review, the carrying value and fair value of the student loan book diverged. The fair value was reviewed as at 31 March 2018, and it was identified the carrying value reflected a reduction of 25% on the face value of the student loan book, while the forecasting model indicated a reduction of 30% was required at that date. An adjustment of £255m has been applied to the opening balance to reflect the cumulative movement in the fair value of the student loan book.

10. Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with International Accounting Standard (IAS) 32, International Financial Reporting Standard (IFRS) 7 and IFRS 9 as interpreted by the Financial Reporting Manual. IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have played during the period in creating or changing the risks that an entity faces in its activities. The Scottish Government is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way that government is financed. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Organisation in undertaking its activities.

Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the Scottish Government, for revenue and capital purposes, in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. The Scottish Government is not, therefore, exposed to significant liquidity risks.

A maturity profile of the carrying amount of financial liabilities is presented below. This analysis satisfies the disclosure requirements of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7). The maturity profile for NLF loans is matched by the corresponding profile for the related fixed asset investments. The amounts disclosed are undiscounted cash flows as per IFRS 7.

Maturity Profile

Financial Liabilities	<1yr £m	1 - 2 yrs £m	2 - 5 yrs £m	>5yrs £m	2018-19	2017-18
					Total £m	Total £m
Trade payables	504	-	-	-	504	449
Accruals	1,561	2	-	-	1,563	1,622
Other payables	337	106	-	-	443	411
NLF loans	27	33	176	355	591	622
Accrued Interest due on NLF Loans	8	-	-	-	8	9
Balances Payable to SCF	24	-	-	-	24	-
Corporate balance with SCF	979	-	-	-	979	585
PFI Deferred Residual Interest	-	-	-	-	-	-
PFI Imputed finance leases	91	78	252	2,694	3,115	2,988
Lease payables	1	1	5	16	23	25
Bank overdraft	-	-	-	-	-	2
Financial guarantees	-	-	-	-	-	18
Total	3,532	220	433	3,065	7,250	6,731

Credit risk

Credit risk is the risk that a third party will default on its obligations. The maximum exposure to credit risk at the Statement of Financial Position date in relation to each class of financial asset is the carrying amount of those assets net of any impairment. No collateral is held as security.

Cash at bank is held with major UK banks. The credit risk associated with cash at bank is considered to be low.

The only area where the Scottish Government has significant concentrations of credit risk is on student loans. The Scottish Government has a statutory obligation to issue student loans and seek repayments in line with legislation. The Scottish Government is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Scottish Government is therefore exposed to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by Her Majesty's Revenue and Customs as part of the tax collection process. In addition this risk is mitigated through the valuation of student loans at fair value.

10. Financial Instruments (Cont.)

Market risk

There are a number of areas where the Scottish Government is exposed to potential market risk. These relate to interest rates, foreign currency risk and housing market risks.

Interest Rate Risk

65% (2017-18: 67%) of the Scottish Government's financial assets and 100% (2017-18: 100%) of its financial liabilities carry nil or fixed rates of interest and they are not therefore exposed to significant interest rate risk. The portion of the Scottish Government's financial assets that carry a floating rate of interest relates in the main to student loans.

Foreign Currency Risk

Within payables, the Scottish Government has a balance that is subject to exchange rate fluctuations. This relates to advances received by the Economy, Jobs and Fair Work portfolio from the European Commission (EC) for the 2014-20 European Structural Funds (ESF) programme. The year end balance of £27.455m is the sterling equivalent of €32.110m translated at the accounting date (using the official EU exchange rate as at 31 March 2019).

The Scottish Government has instituted funding advances for certain EU CAP payments. Euro denominations are sold once EU funding is received. As at 31 March the year end balance of £95.488m is the sterling equivalent of €106.888m.

Where there are other transactions denominated in Euros the exchange rate is managed within the programmes.

The Scottish Government has no other significant exposure to foreign currency risk.

Housing Market Risk

The Scottish Government engages in a number of shared equity housing schemes, and is exposed to the risk of potential falls in the value of the housing market. The current investment in such schemes is £952.6m (2017-18: £860.7m).

10. Financial Instruments (Cont.)**Categories of financial assets and financial liabilities**

The Scottish Government has the following categories of financial assets and financial liabilities:

Financial Assets		Fair Value	Shares Held in or Loans		2018-19 Total £m
Current Year	Through	Loans and	Advanced to Public		
Description	Profit and	Receivables	Sector		
	Note	Loss	Note b	Note c	
		Note a			
		£m	£m	£m	
Voted loans	9a	-	6	3,284	3,290
NLF loans	9a	-	-	591	591
Housing loans	9a	218	-	-	218
Shared Equity Housing loans	9a	-	952	-	952
Energy related loans	9a	-	146	-	146
EU CAP funds	9a	-	256	-	256
Other Funds	9a	-	100	-	100
Student loans	9a	3,459	-	-	3,459
Interests in nationalised industries	9a	-	-	27	27
Trade receivables	11	-	55	-	55
Accrued income	11	-	749	-	749
Interest receivable	11	-	33	-	33
Amounts receivable from the SCF	11	-	-	-	-
Other receivables	11	-	85	-	85
Corporate balance with the SCF	11	-	-	-	-
Cash and cash equivalents	2	-	1,020	-	1,020
Total		3,677	3,402	3,902	10,981

Note: As not all assets are financial instruments, the above table excludes VAT £66m and prepayments £359m included in the associated asset note (Note 11).

Financial Assets		Fair Value	Shares Held in or Loans		2017-18 Total £m
Restated	Through	Loans and	Advanced to Public		
Prior Year	Profit and	Receivables	Sector		
	Restated	Note a	Note b	Note c	
	Note	£m	£m	£m	
Voted loans	9a	-	5	3,064	3,069
NLF loans	9a	-	-	622	622
Housing loans	9a	191	-	-	191
Shared Equity Housing loans	9a	-	860	-	860
Energy related loans	9a	-	128	-	128
EU CAP funds	9a	-	323	-	323
Other Funds	9a	-	182	-	182
Student loans	9a	3,436	-	-	3,436
Interests in nationalised industries	9a	-	-	25	25
Trade receivables	11	-	66	-	66
Accrued income	11	-	703	-	703
Interest receivable	11	-	33	-	33
Amounts receivable from the SCF	11	-	141	-	141
Other receivables	11	-	91	-	91
Corporate balance with the SCF	11	-	1	-	1
Cash and cash equivalents	2	-	585	-	585
Total		3,627	3,118	3,711	10,456

Note: As not all assets are financial instruments, the above table excludes VAT £60m and prepayments £342m included in the associated asset note (Note 11).

10. Financial Instruments (Cont.)**Financial Liabilities**

Current Year	Note	Fair Value	All Other	Shares Held in or Loans	2018-19
		Through Profit and Loss	Financial Liabilities	Advanced to the Public	
Description		Note a £m	Note d £m	Sector Note c £m	Total £m
Trade payables	12		504		504
Accruals	12		1,563		1,563
Other payables	12		443		443
NLF loans	12			591	591
Accrued Interest due on NLF Loans	12			8	8
Balances payable to the SCF	12		24		24
Corporate balance with SCF	12		979		979
PFI Imputed finance leases	12		3,115		3,115
Lease payables	12		23		23
Bank overdraft	12		-		-
Financial guarantees	12		-		-
Total			6,651	599	7,250

Note: As not all liabilities are financial instruments, the above table excludes deferred income £132m, other tax and social security £146m, superannuation payable £102m and employee benefit accrual £68m included in the associated liability note (note 12). The finance leases are disclosed at the discounted cash flow value.

10. Financial Instruments (Cont.)**Financial Liabilities**

Prior year	Note	Fair Value	All Other	Shares Held in or Loans	2017-18
		Through Profit and Loss	Financial Liabilities	Advanced to the Public	
Description		Note a £m	Note d £m	Sector Note c £m	Total £m
Trade payables	12	-	449	-	449
Accruals	12	-	1,622	-	1,622
Other payables	12	-	411	-	411
NLF loans	12	-	-	622	622
Accrued Interest due on NLF Loans	12	-	-	9	9
Corporate balance with SCF	12	-	585	-	585
PFI Imputed finance leases	12	-	2,988	-	2,988
Lease payables	12	-	25	-	25
Financial guarantees	12	-	18	-	18
Total			6,100	631	6,731

Note: As not all liabilities are financial instruments, the above table excludes deferred income £130m, other tax and social security £139m, superannuation payable £99m and employee benefit accrual £61m included in the associated liability note (note 12). The finance leases are disclosed at the discounted cash flow value.

Note a: Assets and liabilities held at fair value through the profit and loss are measured at fair value with gains or losses being accounted for through the outturn statement.

Note b: Loans and receivables are measured at amortised cost using the effective interest methods, and any impairment losses go through the outturn statement. Disposal may give rise to a gain or loss, which is recognised through the outturn statement.

Note c: Shares held in or loans advanced to public sector or due to the NLF are held at historic cost less impairment, and any impairment losses go to the outturn statement.

Note d: All other financial liabilities will be measured at fair value initially and subsequently at amortised cost.

The fair value of financial instruments is equivalent to the carrying value disclosed in the financial statements. No financial assets or financial liabilities have been offset and presented net in these accounts.

11. Receivables and Other Assets

	2018-19 £m	2017-18 £m
Amounts falling due within one year		
Trade receivables	55	66
VAT	66	60
Other receivables	70	79
Prepayments and accrued income	371	370
Accrued income relating to EU funding	483	583
Interest receivable	33	33
Balances receivable from SCF	-	141
Corporate balance with the SCF	-	1
Balance as at 31 March	1,078	1,333
	2018-19 £m	2017-18 £m
Amounts falling due in more than one year		
Other receivables	15	12
Prepayments and accrued income	135	92
Balance as at 31 March	150	104
Total balance as at 31 March	1,228	1,437

Included within the total is interest receivable on NLF loans of £8m (2017-18: £8m) that will be paid to the Scottish Consolidated Fund once the debt has been settled.

	2018-19 £m	2017-18 £m
Trade Receivables are shown net of impairments as follows:		
At 1 April	18	11
Charge for the year	30	11
Unused amount released	(4)	(1)
Utilised during the year	(6)	(3)
At 31 March	38	18

12. Payables and Other Liabilities

	2018-19 £m	2017-18 £m
Amounts falling due within one year		
Trade payables	504	449
Other taxation and social security	146	139
Superannuation payable	102	99
Other payables	337	225
Deferred income and accruals	1,754	1,777
Accrued interest due on NLF loans	8	9
Finance leases	1	1
PFI imputed finance leases	91	68
Corporate balance with the SCF	979	585
Balances payable to the SCF	24	-
	3,946	3,352
Other financial liabilities:		
Current instalments on NLF loans	27	31
Bank overdraft	-	2
Financial guarantees	-	2
Other financial liabilities	1	-
	28	35
Total current liabilities	3,974	3,387
	2018-19 £m	2017-18 £m
Amounts falling due in more than one year		
Other payables	106	186
Deferred income and accruals	9	36
Finance leases	22	24
PFI imputed finance leases	3,024	2,920
	3,161	3,166
Other financial liabilities		
Instalments on NLF loans	564	591
Financial guarantees	-	16
	564	607
Total non-current liabilities	3,725	3,773

13a. Provisions for Liabilities and Charges

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2018-19 £m
Balance as at 1 April 2018	38	144	597	-	66	845
Add: element reported as due within one year	2	12	118	2	45	179
Balance as at 1 April 2018	40	156	715	2	111	1,024
Provided for in year	-	9	200	-	42	251
Provisions not required written back	(1)	(9)	(92)	(1)	(6)	(109)
Provisions utilised in year	(2)	(11)	(40)	-	(9)	(62)
Discount amortised	2	-	(2)	-	(4)	(4)
Balance as at 31 March 2019	39	145	781	1	134	1,100
Payable within one year	(2)	(12)	(148)	(1)	(57)	(220)
Balance as at 31 March 2019	37	133	633	-	77	880

Analysis of expected timing of any resulting outflows of economic benefits:

Payable in 1 year	2	12	148	1	57	220
Payable between 2 - 5 yrs	14	37	418	-	67	536
Payable between 6 - 10 yrs	23	37	73	-	9	142
Thereafter	-	59	142	-	1	202
Balance as at 31 March 2019	39	145	781	1	134	1,100

Prior Year	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2017-18 £m
Balance as at 1 April 2017	40	149	438	-	77	704
Add: element reported as due within one year	2	13	174	3	52	244
Balance as at 1 April 2017	42	162	612	3	129	948
Provided for in year	-	8	211	1	10	230
Provisions not required written back	(2)	(3)	(73)	(2)	(10)	(90)
Provisions utilised in year	(2)	(13)	(33)	-	(17)	(65)
Discount amortised	2	2	(2)	-	(1)	1
Balance as at 31 March 2018	40	156	715	2	111	1,024
Payable within one year	(2)	(12)	(118)	(2)	(45)	(179)
Balance as at 31 March 2018	38	144	597	-	66	845

Analysis of expected timing of any resulting outflows of economic benefits:

Payable in 1 year	2	12	118	2	45	179
Payable between 2 - 5 yrs	14	42	440	-	53	549
Payable between 6 - 10 yrs	24	37	29	-	11	101
Thereafter	-	65	128	-	2	195
Balance as at 31 March 2018	40	156	715	2	111	1,024

13b. Provisions for Liabilities and Charges

Student Loans

The debt sale subsidy is the additional cost to the Scottish Government of government subsidies contractually due to the purchaser of the debts, beyond the costs that the government would have incurred had the debts remained in the public sector. The debt sale subsidy provision is estimated to meet the cost of this subsidy over the expected life of loans sold. The utilisation of this provision is dependent on the timing of the repayment of the loans which is uncertain.

NHS Clinical and Medical Negligence

Included within provisions is an amount of £781m (2017-18: £715m) which relates to clinical and medical negligence costs. Following the accounting review undertaken in 2014-15, on consolidation, the Scottish Government's CNORIS provision represents the national liability and the Boards' accounting for individual claims is removed.

In 2018-19 £200m (2017-18: £211m) of estimated settlement value of medical and clinical negligence claims were added to the provision.

In 2018-19 £40m (2017-18: £33m) in claims were settled and £92m (2017-18: £73m) was written back as no longer required.

Early Departure Provisions

This provision is based on an estimate of exposure to potential payments in respect of employees leaving service prior to reaching normal retirement age.

Prisoner Compensation

This provision is based on an estimate of exposure to potential prisoner compensation claims; further information can be found within the Scottish Prison Service annual accounts at www.sps.gov.uk.

Other Provisions - NHS Balances

Other provisions include NHS balances of £12m (2017-18: £11m). The NHS balances relate to various Health Boards and Bodies and include: provision for non-medical legal liabilities, employer and third party costs, provision for future development costs, dilapidations, and a variety of other smaller provisions.

Other Provisions - Transport Scotland Balances

A land & property acquisition provision of £61.6m (2017-18: £68.7m) relates primarily to estimates made of the likely compensation payable in respect of planning blight, discretionary and compulsory acquisition of property from owners arising from physical construction of a road or rail scheme. When land is acquired by CPO it is not known when compensation settlements will be made. A provision for the estimated total cost of land acquired is created when it is expected that a general vesting declaration will be published in the near future. It may take several years from the announcement of a scheme to completion and final settlement of all liabilities. The estimates provided by the Valuation Office Agency are reviewed bi-annually.

Major projects provisions of £1.9m (2017-18: £3.4m) relates to compensation claims made in respect of work done under on projects that have not yet fully settled.

Also included in other provisions is £5.5m (2017-18: £5.5m) relating to other retirement benefit costs. Transport Scotland agreed to meet the additional cost of benefits payable to specific employees who retired early until they reach the age of 60 at which point the liability is assumed by the PCSPS. The cost of these benefits is provided in full when the employee retires.

Other Provisions - European funded schemes

European Structural Funds Programmes - In 2016-17 a provision of £1m was made in recognition of the anticipated cost of self corrections relating to closed schemes (2007-13). This provision has been reviewed and remains at £1m in anticipation of exchange rate fluctuations between the euro and sterling.

CAP schemes - provisions have been made in anticipation of exchange rate fluctuations between sterling and the euro (£1m; 2017-18: £nil) and to recognise the estimated costs of adjustments to EU-related income and expenditure that may arise in future years (£nil; 2017-18: £0.8m).

Other Provisions - Lochaber Aluminium Smelter

In December 2016, the Scottish Government entered into a 25-year guarantee relating to the hydro plant and aluminium smelter at Lochaber. This involved the Government guaranteeing the power purchase obligations of the smelter if the business does not fulfil its obligations to pay for contracted power. The Government's potential exposure to default payments and review of a provision valuation in line with new accounting standards has resulted in a new provision of £33 million.

14. Capital Commitments

	2018-19	2017-18
	£m	£m
Property, Plant and Equipment		
Contracted capital commitments for which no provision has been made	3,536	3,408
Total	3,536	3,408
Intangible Assets		
Contracted capital commitments for which no provision has been made	16	35
Total	16	35
Total Commitments	3,552	3,443

2018-19 property, plant and equipment commitments include future payments of £3,456m (2017-18: £3,301m) in respect of major road schemes currently under construction, a number of capital projects being undertaken by NHS Boards of £79m (2017-18: £107m).

2018-19 intangible asset commitments include: the development of a replacement IT system for Marine Scotland's vessels of £2.7m (2017-18: £3.7m) (90% reimbursement expected from the European Union); £5.4m (2017-18: £24.6m) to complete the CAP Futures project; £2.3m (2017-18: £nil) for the development of Social Security Digital Portals; £2.9m (2017-18: £nil) for SPPA enhancement of the existing pension administration and payroll system; and £2.4m (2017-18: £6.3m) for Disclosure Scotland Transformation Programme.

15. Commitments Under Leases

15a. Operating Leases

Total future minimum lease payments under operating leases are given in the tables below for each of the following periods:

Obligations under operating leases comprise:

	2018-19 £m	2017-18 £m
Land		
Within one year	8	8
Between two and five years (inclusive)	28	27
After five years	25	27
Total	61	62
Buildings		
Within one year	39	35
Between two and five years (inclusive)	113	110
After five years	143	148
Total	295	293
Other Commitments		
Within one year	21	21
Between two and five years (inclusive)	30	24
After five years	12	-
Total	63	45

15b. Finance Leases

Total future minimum lease payments under finance leases are given in the tables below for each of the following periods:

Obligations under finance leases comprise:

	2018-19 £m	2017-18 £m
Buildings		
Within one year	5	5
Between two and five years (inclusive)	20	19
After five years	56	60
Total	81	84
Less the interest element	(58)	(60)
Total	23	24
Other Commitments		
Within one year	-	-
Between two and five years (inclusive)	1	1
After five years	-	-
Total	1	1
Less the interest element	-	-
Total	1	1

This total net obligation under finance leases is analysed in Note 12.

15c. Commitments Under Leases

Within the Scottish Government core estate, the main leasing arrangements are entered into on the basis of Market Rent, often incorporating an initial rent-free period. Subsequent rent reviews are calculated on the basis of (i) the market rental value or (ii) the passing rental if the Market Rent is less than the passing rental at the time of the rent review (i.e. upwards only). The Scottish Government have some properties where the rent at review is calculated by reference to the Retail Prices Index or some other index (often also upwards only).

The ground lease covering the land at Saughton House and the Logie Weir Fish Counter are the only properties which have terms of renewal. All other leases have no terms of renewal or purchase options.

16. Other Financial Commitments

16a. Other Commitments

The payments to which the Scottish Government is committed analysed by the period during which the commitment expires are as follows:

	2018-19 £m	2017-18 £m
Payable in 1 year	991	780
Payable between 2 - 5 years	4,520	4,366
Payable in more than 5 years	-	-
Total	5,511	5,146

Other financial commitments payable within one year include £563m (2017-18: £336m) as a committed income stream to Network Rail in accordance with the Deed of Grant; £394m (2017-18: £381m) to Abellio ScotRail and £20m (2017-18: £27m) to Serco Caledonian Sleeper under the Franchise Agreements. There is also £12.1m (2017-18: £12m) to host the Solheim Cup in 2019.

Commitments payable within 2 to 5 years include £2,787m (2017-18: £2,680m) to Network Rail, £1,628m (2017-18: £1,594m) to Abellio; and £76m (2017-18: £79m) to Serco. There is £30m (2017-18: £nil) to host the 2023 UCI World Cycling.

16b. Guarantees, Indemnities and Letters of Comfort

The Scottish Government entered into the following guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*. They are included for parliamentary reporting and accountability purposes. A number of these arrangements cannot reliably be quantified; where values can be determined these have been provided.

Guarantees

The Scottish Government has underwritten the Abellio ScotRail and Serco Caledonian Sleeper pension funds, in line with guarantees provided to other train operators by the Department for Transport.

Section 54 guarantees issued as part of the rail rolling stock procurement process.

Pension fund guarantees

Guarantees for 10 local government pension schemes, as a result of Visit Scotland taking on the staff from the local area tourist boards.

Guarantee to Lothian Pension Fund in relation to the admission of Scottish Futures Trust.

Guarantee to Lothian Pension Fund in relation to the admission of The Scottish Homes.

Guarantee to Lothian Pension Fund in relation to the admission of The Scottish Agricultural College.

Guarantee to Fife Council in relation to the admission of The Scottish Agricultural College to the Local Government Pension Fund.

Guarantee to Dumfries and Galloway Council in relation to the admission of The Scottish Agricultural College to the Local Government Pension Fund.

Guarantee to Highlands and Islands Enterprise in relation to their pension scheme.

Guarantee to Strathclyde Pension Fund in relation to admission of Scottish Canals.

Guarantee to Lothian Pension Fund in relation to the admission of The Scottish Legal Complaints Commission.

16b. Guarantees, Indemnities and Letters of Comfort (Cont.)

Indemnities

At the beginning of the year there was an existing indemnity relating to objects lent under the National Heritage Act 1980 and the National Heritage (Scotland) Act 1985. The year-end balance depends on new acquisitions and the number of exhibitions that these pieces are included in during the financial year, and at 31 March this was £967m (2017-18 (restated): £1,268m).

Existing indemnity for local museums and galleries dependent on the number of new acquisitions and number of exhibitions that these pieces were included in during the financial year, valued at £21.7m (2017-18: £21.8m) at 31 March.

A specific indemnity of £8.2m has been agreed with the Australian Museum Trust with regard to the Tyrannosaurus Exhibition hosted by the National Museum of Scotland, opening in January 2020.

Mortgage lenders held indemnities by Scottish Homes for £0.476m (2017-18: £0.503m) at 31 March.

Existing indemnity related to operating agreements in respect of the ScotRail and Caledonian Sleeper Franchise Agreements.

Indemnity clause in roads contracts to compensate Network Rail for any damage or loss of access.

Liability agreement for any issues caused by the Glasgow Airport Rail Link ground investigation work for the next 3 years.

Indemnity cover of up to a total of £0.4m (2017-18: £0.4m) to cover legal costs incurred by the Carbon Trust or Salix in the novation of loans to another party.

Letters of Comfort

None

17. Commitments under Service Concession Arrangements

Non-Profit Distributing (NPD), Public Private Partnerships (PPP) and Private Finance Initiative (PFI) transactions are accounted for in accordance with IFRIC 12, *Service Concession Arrangements* which sets out how NPD/PPP/PFI transactions are to be accounted for in the private sector.

A transaction is deemed to be 'on balance sheet' (i.e. included in Statement of Financial Position) when:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the agreement.

Where the transaction is deemed to be 'on balance sheet', the substance of that contract is that the Scottish Government has a finance lease, with the asset being recognised as a fixed asset in the Scottish Government's Statement of Financial Position.

17a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position

Description of Schemes

Further details of the individual contracts, including estimated capital value, can be found in the individual accounts of the NHS bodies in Scotland, Scottish Prison Service and Transport Scotland.

Health Bodies:

Ayrshire and Arran Woodland View (formerly North Ayrshire Community Hospital) - sharing a site in Irvine with the Ayrshire Central Hospital. The building is a NPD model and reached practical completion and handover on the 1st April 2016. The building provides a Mental Health and Frail Elderly inpatient facility for Ayrshire. The 25 year contract period commenced on the 1st April 2016 and will be completed on the 31st March 2041. At the end of the contract period the building will revert to NHS ownership.

Ayrshire and Arran East Ayrshire Community Hospital - situated in Cumnock, the facility provides Inpatient beds, Elderly Mental III, and GP Acute; there are day facilities for Frail Elderly and Elderly Mental III and Outpatient Clinics (including Allied Health Professions). 4 years prior to the end of the 25 year contract period, negotiations will have been undertaken to determine future options available for the site.

Ayrshire and Arran Ayrshire Maternity Unit - adjoined to University Crosshouse Hospital in Kilmarnock, the facility provides Area Midwifery services for in-patients, day patients, and out-patients. The 30 year contract commenced in July 2006 and will be completed in July 2036. At the end of this period, the building is available for transfer to the NHS at no additional cost.

Dumfries and Galloway Maternity and Day Surgery Unit - situated in Dumfries, is included in the statement of financial position at a valuation of £4.6m as at 31 March 2019 (at 31 March 2018: £7m). The premises opened in January 2002 and the contract ends in January 2032, however following the successful migration of these services to the new Dumfries and Galloway Royal Infirmary, the future planning arrangements for this building are now underway. This building is now referred to as Mountainhall.

Dumfries and Galloway District General Hospital – The Board opened the doors to its new District General Hospital in December 2017 following the successful completion of the project funded under NPD. The land and buildings are included in the statement of financial position at a valuation of £207.9m as at 31 March 2019 (at 31 March 2018: £204.7m) and the contract ends in September 2042. The NPD funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland.

Fife St Andrews Community Hospital and Health Centre - Contract started 31st July 2009. Contract ends 30th July 2039. In accordance with HM Treasury application of IFRIC 12 principles, the property is a non-current asset of NHS Fife Board and the liability to pay for the property is, in substance, a finance lease obligation.

Fife Victoria Hospital - Contract started 28th October 2011. Contract ends 27th October 2041. In accordance with HM Treasury application of IFRIC 12 principles, the property is a non-current asset of NHS Fife Board and the liability to pay for the property is, in substance, a finance lease obligation.

17a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Forth Valley Clackmannanshire Community Healthcare Centre (CCHC) – CCHC is a service concession for the development and right of use of Community Health Facilities and provision of services, including maintenance of the facility, under a Project Agreement. Services Commencement date was 18th May 2009 and the contract term ends in July 2037. At the end of the agreement the asset will revert to the ownership of the Board.

Forth Valley Royal Hospital (FVRH) - Forth Valley Royal Hospital (FVRH) is a service concession for the NHS Forth Valley development and right of use of a new Acute Hospital for Forth Valley (FVRH) and associated provision of services including facilities management services such as patient catering, portering, cleaning and maintenance. Services Commencement (handover of the facility to the Board) was in three phases May 2010, August 2010 and April 2011. The duration of the agreement is for 30 years from practical completion to the end of the financial year in which the 30th anniversary occurs. At the end of the agreement the asset will revert to the ownership of the Board.

Forth Valley Stirling Health and Care Village (SCV)- Service concession for the development and right of use of Community Health and Care facilities which will bring together on one site a range of health, local authority and other partner organisation's services. The facility will be handed over in three phases end of June 2018, October 2018 and October 2019 and is included in the statement of financial position. The facility will be delivered under the Hub initiative and the contract agreement is for 25 years ending in October 2044. The payment mechanism is incorporated in the project agreement and subject to annual adjustment in line with the Retail Price Index (RPI).

Grampian Aberdeen Health and Community Care Village - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14th November 2013. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Grampian Woodside Health Centre - Service Concession agreement with HUB North of Scotland Ltd for occupancy of Woodside Health Centre effective 28 June 2014. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Grampian Forres Health Centre - Service Concession agreement with HUB North of Scotland Ltd for occupancy of Forres Health Centre effective 9 August 2014. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Grampian Inverurie Health and Community Care - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Inverurie Health and Community Care Hub effective 23 July 2018. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Grampian Inverurie Hospital Energy Centre - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Energy Centre at Inverurie Hospital effective 16 January 2018. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25.

Grampian Foresterhill Health Centre - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Foresterhill Health Centre effective 8 May 2018. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Greater Glasgow and Clyde Larkfield Unit – The Day Hospital Elderly Care Facility contract commenced with Quayle Munro Ltd on 1 November 2000 for a period of 25 years. The estimated capital value at commencement of the contract was £9.1m.

Greater Glasgow and Clyde Southern General Hospital – The Elderly Bed Facility (210 beds) contract commenced with Carillion Private Finance on 1 April 2001 for a period of 28 years. The estimated capital value at commencement of the contract was £11.1m.

Greater Glasgow and Clyde Gartnavel Royal Hospital – The Mental Health Facility (117 beds) contract commenced with Robertson Capital Projects Ltd on 1 October 2007 for a period of 30 years. The estimated capital value at commencement of the contract was £17.7m.

Greater Glasgow and Clyde Stobhill Rowanbank Clinic – The Mental Health Secure Care Centre (74 beds) contract commenced with Quayle Munro Ltd on 1 May 2007 for a period of 35 years. The estimated capital value at commencement of the contract was £19m.

17a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Greater Glasgow and Clyde Stobhill Hospital – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £78.7m.

Greater Glasgow and Clyde Stobhill Hospital – The Ambulatory Care and Diagnostic Treatment Centre 60 bed extension. PFI contract commenced with Glasgow Healthcare Facilities Ltd on 25 February 2011 for a period of 30 years. Estimated capital value at commencement was £15.8m.

Greater Glasgow and Clyde Victoria Hospital – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £99.3m.

Greater Glasgow and Clyde Gorbals Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 6 November 2018 for a period of 25 years. Estimated capital value at commencement £13.6m.

Greater Glasgow and Clyde Eastwood Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 3 June 2016 for a period of 25 years. Estimated capital value at commencement was £9.1m.

Greater Glasgow and Clyde Maryhill Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 15 July 2016 for a period of 25 years. Estimated capital value at commencement was £12.4m.

Greater Glasgow and Clyde Inverclyde Orchardview - HUB contract commenced with HUB West Scotland Project Co. on 17 July 2017 for a period of 25 years. Estimated capital value at commencement was £8.4m.

Highland New Craigs - The scheme is a replacement for the Craig Dunain Hospital, Inverness and provides inpatient facilities for adults with mental health needs or learning disabilities. The contract commenced July 2000 for a period of 25 years. The estimated capital value at commencement of the contract was £14.4m.

Highland Easter Ross - This scheme is a redevelopment of County Hospital, Invergordon into a Primary Care Centre and combines a community hospital and a health centre, integrating primary and community care into one community health resource. The contract commenced February 2005 for a period of 25 years. The estimated capital value at the commencement of the contract was £8.8m and the PFI property will revert to the board at the end of the contract.

Highland Mid Argyll Community Hospital and Integrated Care Centre Lochgilphead – NHS Highland financed the development of the Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead. The contract commenced June 2006 and will be completed May 2036 at which point the ownership of the asset will transfer to the board. The estimated capital value at the commencement of the contract was £19.2m.

Highland Tain Health Centre - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Tain Health Centre effective 24th May 2014. Under the terms of the agreement NHS Highland have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

Lanarkshire Hairmyres Hospital - The provision of a large general hospital. The period of contract is 26 March 2001 to 30 June 2031. The estimated capital value is £73.6m. The hospital services are provided under a contract between Lanarkshire Health Board and Prospect Healthcare (Hairmyres) Limited, with hard and soft facilities management services being supplied under a subcontract to ISS Mediclean Limited. The hospital building is provided by way of a capital rental which is non indexed linked and is profiled for the duration of the contract. The services provided are subject to a performance regime where reductions in the payments are recovered in line with the performance measurement regime. The services provided are subject to "market testing" every seven years.

Lanarkshire Wishaw Hospital - The provision of a large general hospital. The period of contract is 28 May 2001 to 30 November 2028. The estimated capital value is £152.6m. The hospital and services are provided under a contract between Lanarkshire Health Board and Summit Healthcare (Wishaw) Limited, with hard and soft facilities management services being supplied under a subcontract to SERCO health Limited. The services are set to increase in line with the retail price index. The services provided are subject to a performance regime where reductions in the payments charged are recovered in line with the performance measurement regime. The services provided are subject to "market testing" every seven years.

Lanarkshire Stonehouse Hospital - The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034. The estimated capital value is £4.3m. The hospital is provided under a contract between Lanarkshire Health Board and Stonehouse Hospitals Limited, with the service arrangements provided internally by Lanarkshire Health Board.

17a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Lanarkshire Hub Projects - The provision of three community Health Centres in East Kilbride, Kilsyth and Wishaw under the Scottish Future Trust Hubco leased model. These new facilities opened in 2015-16 and are provided by HUB South West Scotland under a 25 year contract. The Hubco provides the centres and is responsible for lifecycle and hard facilities management services which are delivered under a subcontract with Graham Facilities Management Ltd. The contract is managed under a performance regime with deduction applied to the payment for performance failures. The current estimated capital value of these facilities is £44.9m.

Lothian Royal Infirmary of Edinburgh - An Acute Teaching hospital. The contract started 1 November 2001 and will end 30 June 2053.

Lothian Ellens Glen - Service provides a 60 bedded facility for frail elderly and dementia patients. The contract started 1 November 1999 and will end 1 November 2029.

Lothian Findlay House - Service provides a 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital. The contract started 13 June 2003 and will end 12 June 2033.

Lothian Tippethill - Service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn. The contract started 6 September 2000 and will end 5 September 2025.

Lothian Bathgate Primary Care Centre - Service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality. The contract started 1 October 2001 and will end 30 September 2026.

Lothian Midlothian Community Hospital - This hospital provides 88 beds for frail elderly and dementia patients, outpatient clinics and a number of CHP led community activities. The contract started 1 September 2010 and will end 31 August 2040.

Lothian Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences - This a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build.

Lothian Allermuir Health Centre - An integrated primary care facility, combining General Practice and NHS community health services in the Firhill area of Edinburgh. The contract started on 25 September 2017 and will end on 24 September 2042.

Lothian Blackburn Partnership Centre - This facility includes health and social care services as well as community services for local residents. The contract started on 22 September 2017 and will end on 21 September 2042.

Lothian Pennywell All Care Centre - A joint development between NHS Lothian and the City of Edinburgh Council, providing health and social care services for the local community. The contract started on 23 October 2017 and will end on 22 October 2042.

Lothian Royal East Lothian Community Hospital phases 1 and 2 - The project will bring together services from Roodlands and Herdmanflat onto the same site. Phase 1 and 2 of the project include re-provision of the outpatients department and car parking facilities. The contract started on 10 February 2017 (Phase 1) and 23 February 2018 (Phase 2) and will end on 30 August 2044.

Orkney Balfour Hospital -The facility is a general hospital and healthcare facility in Kirkwall, Orkney, comprising 48 beds and bringing together primary care, emergency and elective diagnostic, outpatient, day case and inpatient services. This is a Non Profit Distribution (NPD) scheme with a funding variant.

Tayside The Carseview Centre - Located on the Ninewells Hospital site in Dundee the centre provides in-patient facilities for Adult Psychiatry and Learning Disability. The contract commenced 11 June 2001 and will be completed 11 June 2026, when NHS Tayside may negotiate a further contract or purchase the facility.

Tayside The Susan Carnegie Clinic (Mental Health NPDO Phase 1) - Located on the Stracathro Hospital site by Brechin, it provides in-patient facilities and a day hospital for Psychiatry of Old Age. The contract start date was 2 December 2011 and the end date will be 17 May 2042, when NHS Tayside will become owners of the facility.

Tayside Whitehills Community Resource Centre - Covers Forfar, Kirriemuir and the surrounding area in conjunction with Angus Council and Lippen Care. The contract commenced 21 March 2005 and will be completed 21 March 2030, when NHS Tayside will become owners of the facility.

17a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Tayside The Mental Health NPDO - Phase 2 is located on the Murray Royal Hospital site in Perth and provides in-patient, day-patient and out-patient facilities for NHS Tayside's General Adult Psychiatry, Psychiatry of Old Age and Low Secure Forensic services, as well as a regional in-patient unit providing Medium Secure Forensic services for patients from the North of Scotland Health Boards. The contract start date was 1 June 2012 and the end date will be 17 May 2042, when NHS Tayside will become owners of the property.

The Tayside NHS Scotland Pharmaceuticals 'Specials' Service (NHSSPSS) - Facility is located on the Ninewells Hospital site, Dundee, and is an NHS manufacturing facility for the supply of unlicensed medicines. The contract start date was 15 March 2019, and the end date will be 14 December 2043, when NHS Tayside will become owners of the facility.

National Services Scotland Jack Copland Centre - The National Centre for the processing and testing of blood, tissues and cells for patients in Scotland by the Scottish National Blood Transfusion Service (SNBTS).

Transport Scotland:

M6/(74) DBFO - The contract covers the design, construction, financing and operation of 28.3km of the new Scottish motorway as well as the operation and maintenance of 90km of new and existing Scottish motorway. Payments are made under a shadow toll regime. The toll period commenced in July 1997 and expires in July 2027.

M77 Fenwick to Malletsheugh - This is a joint PPP entered into by the Scottish Government, East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of the new Scottish motorway and a new 9km local link road between the new motorway and the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035.

M80 - The contract covers the design, build and financing of approximately 18km of dual two/three lane motorway, together with, but not limited to, associated slip roads, side roads, junctions, structures, culverts and associated works. The contract also incorporates the operation and maintenance of the new motorways, associated structures, and related elements for a period of 30 years after completion of the new works. Unitary charge payments commenced in September 2011 and will cease in September 2041.

M8, M73, M74 Improvements - The project upgrades the A8 Baillieston to Newhouse, completing the M8 Glasgow to Edinburgh, and includes improvements to the M74 Raith Interchange and the widening of key sections of the M8, M73 & M74. NPD contract also incorporates management, operation and maintenance for 30 years. Unitary charge payments became committed as sections of the road became available in 2017 and will cease on 15 March 2047.

Aberdeen Western Peripheral Road/Balmedie and Tipperty - The project involves the construction of a new dual carriageway around the City of Aberdeen and upgrades the road between Balmedie and Tipperty to dual carriageway. The NPD contract also incorporates the management, operation and maintenance of these roads for the next 30 years. The unitary charge payments become committed in phases from Autumn 2016 and will cease in 2048. The final phase of the project opened to traffic in February 2019.

Scottish Prison Service:

HMP Kilmarnock - The contract covers the design, construction, financing and operation of a prison HMP Kilmarnock. The contract commenced March 1999 for a period of 25 years. The capital liability is now nil, however, payments for the service element continue to the end of the contract.

HMP Addiewell - The contract covers the design, construction, financing and operation of HMP Addiewell. The contract commenced December 2008 for a period of 25 years.

Court Custody and Prisoner Escort Service - This service concession arrangement covers a service let for 8 years with an option to extend for a further 2 years. The contract commenced in January 2019.

17b. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Under IFRIC 12 the asset is treated as an asset of the Scottish Government and included in the Scottish Government's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

Gross Minimum Lease Payments	NHS Bodies in Scotland £m	Scottish Prison Service £m	Transport Scotland £m	2018-19 Total £m	2017-18 Total £m
Rentals due within 1 year	200	62	40	302	420
Due within 2 to 5 years	779	262	162	1,203	1,514
Due after 5 years	2,747	491	1,336	4,574	6,390
Total	3,726	815	1,538	6,079	8,324

Interest Element	NHS Bodies in Scotland £m	Scottish Prison Service £m	Transport Scotland £m	2018-19 Total £m	2017-18 Total £m
Rentals due within 1 year	145	7	26	178	169
Due within 2 to 5 years	534	23	96	653	620
Due after 5 years	1,256	28	183	1,467	1,479
Total	1,935	58	305	2,298	2,268

Present Value of Minimum Lease Payments	NHS Bodies in Scotland £m	Scottish Prison Service £m	Transport Scotland £m	2018-19 Total £m	2017-18 Total £m
Rentals due within 1 year	55	55	14	124	251
Due within 2 to 5 years	245	239	66	550	894
Due after 5 years	1,491	463	1,153	3,107	4,911
Total	1,791	757	1,233	3,781	6,056

Service elements due in future periods, included above	NHS Bodies in Scotland £m	Scottish Prison Service £m	Transport Scotland £m	2018-19 Total £m	2017-18 Total £m
Rentals due within 1 year	72	51	44	167	183
Due within 2 to 5 years	305	220	114	639	605
Due after 5 years	1,542	395	280	2,217	2,281
Total	1,919	666	438	3,023	3,069

Contingent rents

IAS 17 *Leases* defines contingent rents as "that portion of lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, and future market rates of interest)".

Contingent rents recognised as an expense in the period were £29m (2017-18: £27m).

18. Contingent Assets/Liabilities disclosed under IAS 37

18a. Contingent Assets disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a contingent Asset under IAS 37: Provisions, Contingent Liabilities and Contingent Assets is a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control.

NHS Employer's Liability estimated at £2.1m (2017-18: £1.6m).

Grants repayable as a result of sales of Housing Association Properties to tenants or as a result of conditions of grant being breached. Grants become repayable when conditions of grant cease to be met. It is not possible to predict the level of activity in future years.

Repayments of grant from the Open Market Shared Equity Scheme which allows people on low income to buy a share in a property, the balance being owned by a housing association and funded by grant from the Scottish Government. If the property is sold or an increased share is purchased by the owner, the grant becomes repayable. It is not possible to estimate the level of future receipts.

Grants repayable from Edinburgh Council Rent Guarantee - Project Resonance. Grant becomes repayable if either (a) projects do not proceed as planned, where it is repayable immediately, or, (b) projects are sold on privately up to 10 years from now. Timing is uncertain as to when events giving rise to the contingent asset are likely to occur.

18b. Contingent Liabilities disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a contingent Liability under IAS 37: Provisions, Contingent Liabilities and Contingent Assets is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a possible obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Only contingent liabilities above the threshold of £1m, which have to be reported and authorised by the Scottish Parliament in accordance with the written agreement between the Finance Committee and the Scottish Government, are included in the consolidated annual accounts.

Housing related

A liability of up to £34.6m (2017-18: £47.2m) following the Glasgow Stock Transfer could arise if HMRC were to successfully challenge the terms of the original VAT agreement that was entered into in 2004 by Glasgow Housing Association and Glasgow City Council.

The Mortgage Indemnity New Home Scheme (MI New Home) allows credit-worthy borrowers, locked out of the market by high deposit requirements, access to 90% to 95% LTV mortgages. The scheme is supported by a SG guarantee which sits behind cash indemnities set aside by participating house builders (for each house sold under the scheme). The guarantee valued at £7.15m (2017-18: £7.19m) can only be called upon once the indemnities are exhausted and lasts for 7 years.

National Housing Trust guarantees of £3.5m (2017-18: £3.5m) which the Scottish Government are committed to giving but are not active until construction has been completed.

As part of the Winchburgh Housing Development there is a potential liability in relation to loan repayments for the construction of Winchburgh Primary School. The housing development is due to pay the council as houses are sold. SG have entered into an arrangement to cover final costs if the developer cannot pay which can be called upon after 31 March 2026. Current value of potential liability is £15m (2017-18: £nil).

18b. Contingent Liabilities disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets (Cont.)

Sports events

If the 2019 Solheim Cup were to be cancelled a payment of £5.6m (2017-18: £5.6m) would be due to the European Ladies Tour.

NHS Related

Clinical and Medical compensation payments of £517.0m (2017-18: £367.0m).

NHS Employer's Liability estimated at £4.3m (2017-18: £3.3m).

Justice related

Claims against former independent Conveyancing and Executory Practitioners in Scotland. This is a contingent liability relating to an agreement to meet any valid claims arising from the acts or omissions of past independent conveyancing and executory practitioners, as defined by the Law Reform (Miscellaneous Provisions) Scotland Act 1990.

Claims alleging that a Tribunal member received less favourable treatment contrary to the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 because he did not receive a pension in relation to his part-time fee-paid appointment.

In July 2017 the Supreme Court handed down judgement in a case where they found that it was unlawful to restrict the survivor's pension payable to a surviving civil partner or same sex spouse so that it reflects only the member's pensionable service since 5 December 2005 which is the date the Civil Partnership Act 2004 came into force. The exact implications of this ruling are still unclear so a contingent liability exists with the Scottish Fire and Rescue Service Accounts for any potential cost implications.

An appeal for a pensions claim under the Part-time Workers (Prevention of less Favourable Treatment) Regulations 2000. The question was whether the Appellant was entitled to a pension for his service before the date for transposition of the Part-Time Workers Directive 7 April 2000, as well as for his service after that date, despite the fact that it was lawful to discriminate against a part-time worker in that earlier period. The Supreme Court will sit again in July 2019 and determine the outcome.

Rural related

The Supreme Court found that an element of the Agricultural Holdings Act 2003 breached the European Convention of Human Rights - Art 1 P1. Remedial legislation was enacted to resolve this and a small group of tenant farmers have taken SG to Court of Session seeking compensation for breach of their rights arising from the Remedial legislation. The court has issued initial judgement but litigation is still live and more court activity is required to resolve.

EU CAP audits can result in future disallowances and a number of audits are in progress relating to CAP for scheme years 2015, 2016, 2017 and 2018. The level of late payment penalties from the EC to the UK member state and the split of penalties attributed to administrations are still to be formally concluded for CAP Pillar 1 scheme year 2015.

Other

As part of Transport Scotland's normal course of business the Forestry Commission granted the right to use a forestry track as an emergency diversion route on the A83 Rest And Be Thankful on the understanding that Transport Scotland will have liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m (2017-18: £5m) but it is not considered likely that any liability will occur.

A judicial review was launched in 2019 in relation to a decision of the Scottish Government not to accept claim for payment of grant expenditure of £9m due to not meeting a number of grant conditions.

An estimated £25m in claims was paid out to a number of organisations and classed as ineligible expenditure for European Structural Funds (ESF). The Scottish Government is reviewing those claims and working to reintroduce them as eligible in line with the audit recommendations made by the European Commission (EC).

19. Related Party Transactions

The Scottish Government is the sole shareholder and sponsor of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Ltd, Scottish Futures Trust and Prestwick Airport Holdco Ltd; a shareholder in Scottish Health Innovations Ltd and the Student Loans Company; and sponsor of Scottish Water, a number of non-consolidated Health Bodies, and of a number of executive, advisory and tribunal Non Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year. Further details of Scottish Public Bodies are available from the Scottish Government website - <https://www.gov.scot/policies/publicbodies/>

The Scottish Government is also the sponsor of cross-border public authorities which are listed in The Scotland Act 1998 (Cross-Border Public Authorities) (Specification) Order 1999. These bodies are regarded as related parties with which the Scottish Government has had material transactions during the year.

In addition the Scottish Government has had a number of transactions with other government departments and other central government bodies, primarily the Scotland Office and the Office of the Advocate General, the Rural Payments Agency, the Home Office and the Department for Work and Pensions.

The Scottish Government has material transactions with local government bodies, Regional Transport Partnerships, Community Justice Authorities and Scottish Water.

Information is provided in the performance report in the beginning of these accounts of the register of interests members of the Corporate Board.

All Scottish Ministers are required, as Members of the Scottish Parliament, to register information about certain financial interests. The types of financial interest that must be registered are those that might affect any actions, speeches or votes in the Parliament. This register is available for public inspection at the office of the Standards clerks with a further copy available at the main visitor information desk at the Scottish Parliament building. There are no material transactions to report.

Accounts of the individual Executive Agencies, the Crown Office and Procurator Fiscal Service and Health Bodies contain details of related party transactions specific to those entities.

20. Third Party Assets

Assets held at Statement of Financial Position date to which monetary value can be assigned:

	2017-18 £m	Gross Inflows £m	Gross Outflows £m	2018-19 £m
Monetary amounts such as bank balances and monies on deposit	34	46	(50)	30
Unclaimed dividends and unapplied balances	15	-	(2)	13
Total Monetary Assets	49	46	(52)	43

Accountant in Bankruptcy holds funds of £32m (2017-18: £38m) on behalf of third parties. This mainly comprises realised assets that are held whilst awaiting repayment to the public purse or distribution to creditors with a value of £20m (2017-18: £24m). The balance of £12m (2017-18: £14m) relates to money consigned in respect of unclaimed dividends and unapplied balances.

The NHS Bodies hold money on behalf of patients. This totalled £9m in 2018-19 (2017-18: £9m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2017-18: £1m).

Other Assets held at the Statement of Financial Position date all relate to Accountant in Bankruptcy:

Description	2018-19 Number held	2017-18 Number held
Residential property	925	1,057
Motor vehicles, boats and caravans	14	23
Life Policies	175	140
Shares and Investments	31	99
Miscellaneous	204	186

No third party assets have been included within the Statement of Financial Position.

21. Events after the Reporting Period

EU Exit

The expected date for the UK's departure from the EU was changed from 12 April 2019 to the end of October 2019 after the end of the reporting period. Significant uncertainty remains regarding the impact any exit scenario will have, and so we continue to monitor the issue accordingly.

22. Resource Budget

The resource budget detailed in the outturn statements is the consolidated budget for the Scottish Government. The following table provides a reconciliation of the budgets shown in the accounts with the total budget for Scotland approved by the Scottish Parliament.

	2018-19 £m	2017-18 £m
Budget (Scotland) Act 2018	40,499	39,300
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2018 No. 363	7	19
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2019 No. 117	3,576	421
Total approved spending	44,082	39,740
Less activities not included in these accounts:		
Capital Borrowing	-	(24)
National Records of Scotland	(36)	(30)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Courts and Tribunals Service	(128)	(109)
Scottish Fiscal Commission	(2)	(2)
Revenue Scotland	(8)	(5)
Food Standards Scotland	(17)	(16)
Scottish Housing Regulator	(5)	(4)
NHS and Teachers' Pension Schemes	(6,785)	(4,568)
Forestry Commission (Scotland)	(69)	(68)
Scottish Parliament Corporate Body	(105)	(102)
Audit Scotland	(9)	(9)
Consolidated Portfolios' approved estimates	36,915	34,800

Portfolio analysis	Budget Act Approval £m	2018-19 Capital Budget £m	2018-19 Operating Budget £m
Finance, Economy and Fair Work	525	77	448
Health and Sport	13,895	379	13,516
Education and Skills	4,471	563	3,908
Justice	2,638	27	2,611
Communities and Local Government	11,147	189	10,958
Environment, Climate Change and Land Reform	452	256	196
Culture, Tourism and External Affairs	297	5	292
Rural Economy	135	(140)	275
Transport Infrastructure and Connectivity	2,736	417	2,319
Social Security and Older People	289	15	274
Government Business and Constitutional Relations	11	-	11
Crown Office and Procurator Fiscal Service	122	5	117
Administration	197	13	184
	36,915	1,806	35,109

23. Cash Authorisation

	2018-19	2017-18
	£m	£m
Cash authorisation for the Scottish Administration:		
Budget (Scotland) Act 2018	35,869	34,491
Amended by:		
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2018 No. 363	(69)	18
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2019 No. 117	261	199
Total Approved Cash Authorisation for the Scottish Administration	36,061	34,708
Less non core activities not included in these accounts:		
National Records of Scotland	(33)	(27)
NHS and Teachers' Pension Schemes	(475)	(419)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Housing Regulator	(4)	(4)
Scottish Courts and Tribunals Service	(108)	(91)
Revenue Scotland	(8)	(5)
Food Standards Scotland	(16)	(15)
Scottish Fiscal Commission	(2)	(2)
Available Cash Authorisation for Consolidated Bodies	35,412	34,142
Funding Drawn down from the Scottish Consolidated Fund (SOCTE)	34,496	33,471



SCOTTISH MINISTERS

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

1. The consolidated statement of accounts for the financial year ended 31 March 2014 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 4 August 2014

Glossary

Departmental Expenditure Limit (DEL)	Public Expenditure within departmental programmes which form departments' multi-year budget plan against which departments manage their spending. Departmental Expenditure Limits will identify separate elements for capital and current spending.
Annually Managed Expenditure (AME)	Public Expenditure within departmental programmes but outside the Departmental Expenditure Limit and managed annually because it cannot reasonably be subject to firm multi-year limits, or should be subject to special handling.
Other Expenditure Outwith the Departmental Expenditure Limit (ODEL)	Expenditure that is provided for in the budget but is not included in the total budget for Scotland for control purposes.
Capital charges	An annual charge reflecting the consumption of fixed assets (depreciation) and any impairment, to ensure that the full cost of departmental activities is measured.
Resource accounting	The application of accruals accounting for reporting the expenditure of central government and a framework for analysing expenditure by departmental objectives, relating these to outputs where possible.
Resource budgeting	Planning and controlling public expenditure on a resource accounting basis.



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