The Scottish Government Consolidated Accounts for the year ended 31 March 2020

Laid before the Scottish Parliament
By the Scottish Ministers
17 December 2020

SG/2020/147

Scottish Government
Riaghaltas na h-Alba
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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 at home and overseas.

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.

The Cabinet Team members serving during 2019-20 are 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 (until 5 February 2020)

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

Kate Forbes MSP (from 18 February 2020)

Cabinet Secretary for Finance

Responsibilities include:
budget bill
managing the public finances
fiscal policy and taxation
income and ADT
fiscal framework
Scottish budget, budgetary monitoring and reporting
government procurement
National Performance Framework
public bodies policy
Scottish futures trust
public sector pay
Digital Economy

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 Rural Economy and Tourism

Responsibilities include:
agriculture and crofting
fisheries and aquaculture
food and drink
Highlands & Islands Enterprise
South of Scotland Enterprise Agency
rural Scotland
animal health
forestry
tourism (from 18/02/2020)

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 Economy, Fair Work and Culture

Responsibilities include:
creative industries
culture
architecture and built heritage
broadcasting
co-ordination on bringing major events to Scotland
National Records

From 18/02/2020:
Scottish National Investment Bank
Scottish economy
inclusive growth and fair work
trades unions
Scottish enterprise – national enterprise agency
trade and inward investment

Michael Russell MSP

Cabinet Secretary for the Constitution, Europe and External Affairs

Responsibilities include:
The UK's exit from the European Union
International relations (from 18/02/2020)
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:

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 Public Finance and Migration
Christina McKelvie MSP:	Minister for Older People and Equalities
Ivan McKee MSP:	Minister for Trade, Investment and Innovation
Jenny Gilruth MSP:	Minister for Europe and International Development (from 18/02/2020)
Mairi Gougeon MSP:	Minister for Rural Affairs and the Natural Environment
Richard Lochhead MSP:	Minister for Further Education, Higher Education and Science

Law Officers during 2019-20 (unchanged from 2018-19)

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 provide direct, external, support, challenge and guidance to their "paired" Directors General (DGs) and senior staff in relation to the delivery of their portfolio-based risk, assurance and internal controls framework, and participate in the Corporate Board, one or more of the formal sub-Boards, DG Assurance meetings linked to their paired DG(s) and Scottish Government Audit and Assurance Committee. Janet Hamblin, Non-Executive Director, was the Chair of the Scottish Government Audit and Assurance Committee for the period covered by the Accounts - 2019/20. A Deputy Chair of the Scottish Government Audit and Assurance Committee – Jim Robertson – was appointed in March 2019.

Directors General in 2019-20 were:

Leslie Evans	Permanent Secretary
Sarah Davidson	DG Organisational Development and Operations (until 30/06/2019)
Lesley Fraser	DG Organisational Development and Operations (from 01/07/2019)
Liz Ditchburn	DG Economy
Malcolm Wright OBE	DG Health & Social Care
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 2019-20 were:

Barbara Allison	Director of Communications, Ministerial Support and Facilities
Nicky Richards	Director of People
Gordon Wales	Chief Financial Officer
Ruaraidh Macniven	Solicitor to the Scottish Government (from 17/06/2019)

Non-executive members of the Corporate Board during 2019-20 were:

Janet Hamblin
Linda McKay
Ronnie Hinds
Hugh McKay
Annie Gunner Logan

Subsequent to the end of the financial year three members of the Corporate Board have departed the Scottish Government. Gordon Wales departed on 10 July 2020, Malcolm Wright departed on 31 July 2020 and Janet Hamblin departed on 31 August 2020.

Register of Interests

Members of the Corporate Board whom held company directorships and other significant interests during 2019-20 were:

Staff:

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

Sarah Davidson, Director General Organisational Development and Operations (until 30/06/2019): Member of Advisory Board for Business in the Community Scotland (representing SG). Shares held with CO Funds.

Lesley Fraser, Director General Organisational Development and Operations (from 01/07/2019): Shares with RBS.

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 Fidelity via 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, which is an annual lunch supporting worthwhile causes, 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: Shares held with Halifax PLC.

Ruaraidh Macniven, Solicitor to the Scottish Government (from 17/06/2019): Member of the Law Society of Scotland, Member of the Society of Solicitor Advocate, and Co-opted Member of the Council of the Law Society.

Non-Executive Directors:

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

Ronnie Hinds: 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

The Scottish Government is facing 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 Government[1]

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 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: the block grant from HM Treasury; revenue 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 2019-20, £11.7 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).

Under devolved powers from the 2012 Scotland Act, 2019-20 was the fifth year in which devolved taxes in respect of Land and Buildings Transactions and Landfill Tax have been managed in Scotland. A total of £717 million has been collected, £30 million below 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.

[1] https://www.gov.scot/programme-for-government

From the 2016 Scotland Act, the Scotland Reserve, effective from 1 April 2017, provides the Scottish Government with a limited tool 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. 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 2016[2] devolving more fiscal powers to Scotland was passed, and the associated Fiscal Framework[3] 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 2016[4] which received Royal Assent on 14 April 2016. Further information about the Scottish Fiscal Commission can be found at fiscal.scot.

Further information about the Scottish Budget setting and authorisation process can be found within The Scottish Budget 2020-21[5].

The total budget approved by the Scottish Parliament includes activities not included in these accounts. Note 23 to these accounts 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-2020-21/

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 (FReM). This consists of ten internal Portfolios, supported by Administration, their Executive Agencies (each linked to a specific portfolio, and this year including the new Scottish Forestry Agency for the first time), 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 (https://www.scot.nhs.uk/organisations/) Mental Welfare Commission (https://www.mwcscot.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/)

Environment, Climate Change and Land Reform Portfolio

Rural Economy Portfolio

Executive Agency:	Scottish Forestry (https://forestry.gov.scot/)

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, Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Ltd, 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 website[6].

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 2019-20 in December 2018 in The Draft Budget[7]. Approval for a detailed budget for 2019-20 was given by the Parliament in March 2019 in the Budget (Scotland) Act 2019. 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 Government[8] the plans for the year are set out, including the Bills to be introduced to the Scottish Parliament.

Exit from the EU

The uncertainty of the outcome of the UK's withdrawal from the EU remains one of our most significant risks, this risk has been compounded with the impact of COVID-19. We continue to have robust controls in place to manage this risk.

As negotiations between the UK government and the European Union around the s ettlement arrangements continue, it is not yet possible to fully quantify the impact of the decision for the UK to leave the EU 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.

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.

There is further commentary on the impact of and arrangements for exit from the EU in the Governance Statement within the Accountability section of these annual accounts.

Covid 19 Response and Impact

The Scottish Government has published information on Coronavirus (COVID19) :Scotland Strategic Framework Coronavirus (COVID 19): Scotland's Strategic Framework[9]. There is further commentary on the response to COVID 19 in the Performance Analysis and the Governance Statement of these accounts.

National Performance Framework

Through the National Performance Framework[10] (NPF), the Government sets out:

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

- create a more successful country;

[7] https://www.gov.scot/publications/scottish-budget-draft-budget-2018-19
[8] https://www.gov.scot/programme-for-government
[9] https://www.gov.scot/publications/covid-19-scotlands-strategic-framework/pages/1/
[10] https://nationalperformance.gov.scot/

- give opportunities to all people living in Scotland;
- increase the wellbeing of people living in Scotland;
- create sustainable and inclusive growth; and
- 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 Performance[11].

[11] 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 website[12] provides an overview of how Scotland is progressing towards our national outcomes through a range of social, environmental and economic indicators.

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 website[13].

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

- Increased spending on health and care services: continued to shift the share of the frontline NHS budget dedicated to mental health and to primary, community, and social care. Increased investment in reform with the specific intention of prioritising front-line services and improving patient outcomes. Invested £120 million in integration, covering delivery of Living Wage, increasing provision of free personal care and school counselling.
- Invested in education: over £180 million invested in the Attainment Scotland Fund, including over £120 million in Pupil Equity Funding provided directly to head teachers in over 95% of schools across Scotland to tackle the poverty related attainment gap. This funding has supported schools to develop and embed approaches to best support and improve the life chances of children and young people from the most deprived backgrounds.
- In October 2019, the Climate Change (Emissions Reduction Targets) (Scotland) received Royal Assent and was commenced in full in March 2020. The 2019 Act sets targets to reduce Scotland's emissions of all greenhouse gases to net-zero by 2045 at the latest, with annual and interim reductions targets. The rigorous framework of Scotland's 2009 Climate Change Act (which the 2019 legislation amends) has supported strong progress to date. The Act places the principles of a just transition to net-zero into statute and at the heart of future Climate Change Plans. Progress towards Scotland's emissions targets is reported on our website[14].
- In 2019-20, further work was undertaken as part of Tackling Child Poverty Delivery Plan to develop the Scottish Child Payment, ready for launch in November 2020. Our second annual progress report on child poverty outlines the considerable progress we have made in delivering the range of action committed. The report highlights that our estimated investment targeted at children living in poverty increased by £144 million to over £672 million in 2019-20 from the last year. This was part of over £1.96 billion invested to support low income households.
- Delivered the UK's fairest income tax system: our tax policy choices in 2019-20 ensured that 55% of Scottish taxpayers paid less Income Tax than they would have if they lived elsewhere in the UK, while still raising the revenue needed to support investment in the Scottish economy and public services.
- Maintained a competitive Non-domestic rates regime, including delivering a below inflation increase in the rates poundage, the lowest poundage available anywhere in the UK, and the Small Business Bonus Scheme which provides record relief to over

[12] https://nationalperformance.gov.scot
[13] https://www.gov.scot
[14] https://www.gov.scot/policies/climate-change

119,000 business properties across Scotland and has lifted 100,000 recipients out of rates altogether.

- Invested in capital infrastructure development: launched a £50 million Town Centre Fund and invested £2.9 million in supporting the development of the National Manufacturing Institute for Scotland facility. Work on dualling the A9 is ongoing which, once completed, will stimulate economic growth for the local area.
- Delivered a new Public Sector Pay Deal: this provided a pay uplift of 3% for those earning up to £36,500, ensuring over 70% of staff covered by the deal received an increase of at least 3%.
- Via the Scottish Funding Council, in 2019-20 we provided over £1.8 billion to our Scotland's colleges and universities. This included provision for 128,290 funded places at university and 116,000 Full-Time Equivalent (FTE) places at college. We also provided capital maintenance support to both sectors which in 2019-20 included the completion of Forth Valley College's new Falkirk campus and additional financial support in the form of Financial Transactions to our universities to support projects related to low carbon and energy saving, estates development, improving the student experience and collaborative activities.
- Improved mental health services for young people: utilised £27 million of increased investment to ensure every secondary school in Scotland has access to a counsellor. Training has also commenced for the first cohort of 50 additional school nurses to increase mental health support for young people.
- Increased investment in Integration Authorities: Integration Authorities have maximised over £9.7 billion of increased investment to support the coordination and delivery of social care, primary care and community health services to improve people's health and wellbeing.
- In 2019-20, £346 million was paid out to clients across Scotland through the following benefits: Carer's Allowance and Carer's Allowance Supplement, Best Start Grant: Pregnancy and Baby Payment, Best Start Grant: Early Learning Payment (from 29 April 2019), Best Start Grant: School Age Payment (from 3 June 2019), Funeral Support Payment (from 16 September 2019) and Young Carer Grant (from 21 October 2019). Improved social security benefits based on dignity and respect: The first Benefit Take-up Strategy was published, increasing awareness and access to Scottish benefits, including providing £600,000 to support hard to reach groups to access benefits.
- Provided local government with a real terms increase in both revenue and capital funding, and a real terms increase in total overall support provided through the settlement of £11.1 billion. A selection of reports is available under the Communities and Local Government section below.
- Invested almost £500 million to expand funded early learning and childcare, supporting the recruitment and training of staff and investment in building, refurbishment and extension of around 750 nurseries and family centres.
- Provided initial funding of £130 million towards the establishment of the Scottish National Investment Bank, which will be operational by the end of 2020.
- Protected the police resource budget in real terms, continued reform funding to support transformation, and increased the police capital budget to enhance effective mobile working.
- Provided over £20 million for Zero Waste activities, to support the transition to a more resource-efficient, circular economy, cutting waste and carbon emissions and opening up economic opportunities. This includes design and implementation work for a deposit

return scheme, the legislation for which was passed by the Scottish Parliament in May 2020.

- Invested £80 million in Active Travel to help build an Active Nation with over £50 million going to the Places for Everyone infrastructure programme to build ambitious active travel infrastructure projects, many of which span several years. We have invested in behaviour change programmes including over £1 million on Bikeability to give over 43,000 children the skills and confidence to cycle safely.
- Continued investment in the Digital Scotland Superfast Broadband (DSSB) programme extended fibre broadband access across the country.
- Provided over £839 million and delivered 9,286 affordable homes, as part of our total investment of over £3.5 billion to deliver 50,000 affordable homes over the course of the Parliament which brought delivery at the end of year four of the target to 34,791 affordable homes, of which over 23,000 are for social rent.
- Continued to invest in transformation of the homelessness system through the £50 million Ending Homelessness Together Fund, principally through delivery of the actions in our 2018 Ending Homelessness Together Action Plan. In year 1 of the plan (2019) we progressed 34 of the actions and continue to work with partners to progress the remaining 15 throughout 2020/21. On top of this, we provided £1.5 million to meet the immediate needs of homeless people during the pandemic. In response to Covid-19 and the challenges and opportunities this presents we published an updated action plan[15] in October 2020 with increased ambition and a range of new actions to achieve our aims

To demonstrate how money that is provided to the Government is spent on progressing the longer term outcomes as articulated by the Portfolios in the Scottish Budget 2020-2021 and tracked to the 2019-2020 priorities, a list of references to relevant performance information already published elsewhere is presented below. This signposts to existing performance reporting on some areas of major spend within each portfolio and links these to the National Outcomes.

This does not provide a complete picture of performance reporting, but it is a step towards the longer-term aim of better demonstrating the connection between spend, delivery and outcomes.

Due to the timing of publications, some of the performance reports signposted below will refer to the previous financial year (2018-2019).

Performance Reports by Portfolio presented with associated primary and secondary National Outcomes[16]

Health & Sport

Primary National Outcomes: Health, Human Rights, Children

Secondary National Outcomes: Communities, Economy, Poverty, Fair Work & Business, Education

[15] https://www.gov.scot/publications/ending-homelessness-together-updated-action-plan-october-2020/
[16] The Scottish Budget 2020-2021 outlines the contributions of the Portfolios' Priorities (Level 2), tracked to 2019-2020 spend, to the National Outcomes. These are split between primary and secondary National Outcomes in the Budget document.

- Health and Social Care integration: progress review
- NHS Scotland and Integration Authorities monthly consolidated financial reporting
- Social Care and Social Work Improvement Scotland Annual Reports
- Performance Reports from Integration Authorities
- Sport Scotland Annual Report and Accounts
- Independent Living Fund Scotland Annual Report and Accounts
- Support in the Right Direction Programme
- Short Breaks Fund reports : Shared Care Scotland & Family Fund (Take a Break)

Communities and Local Government

Primary National Outcomes: Communities, Children

Secondary National Outcomes: Poverty, Economy, Environment, Health, Education, Human Rights, International

- Architecture and Design Scotland Annual Review 2019
- Local Government Finance Statistics
- Local Government Benchmarking Framework Overview Report
- Accounts Commission Local government in Scotland Overview 2020
- Individual councils Best Value Assurance reports
- 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 second year progress report
- Scottish Housing Regulator Annual Report and Accounts
- More Homes Division Affordable Housing Supply Programme (AHSP) Annual Out-turn Report
- Housing statistics for Scotland affordable housing supply programme summary tables

Education and Skills

Primary National Outcomes: Education, Children

Secondary National Outcomes: Poverty, Economy, Communities, Fair Work & Business, International, Human Rights, Health

- Scottish Funding Council Annual Report and Accounts
- Education Scotland's Annual Report and Accounts
- 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
- Report on Widening Access

Justice

Primary National Outcomes: Communities, Human Rights

Secondary National Outcomes: Children, Economy, Environment, Health, Fair Work & Business, International

- Justice Analytical Services Division publications
- Scottish Police Authority Annual Report and Accounts
- Policing Performance Framework and Annual Assessment
- Scottish Fire and Rescue Service (SFRS) Annual performance review
- Scottish Public Pensions Agency (SPPA) annual report and accounts
- Scottish Legal Aid Board (SLAB) Annual Report and Accounts
- Scottish Legal Complaints Commission (SLCC) Annual Report and

Transport, Infrastructure and Connectivity

Primary National Outcomes: Economy, Environment

Secondary National Outcomes: Fair Work & Business, Communities, Poverty, Health, Human Rights, International

- Transport Scotland Annual Report and Accounts

Finance, Economy and Fair Work

Primary National Outcomes: Economy, Fair Work & Business, Poverty, Communities

Secondary National Outcomes: Education, International, Environment

- State of the economy report
- Economic Growth statistics
- Productivity statistics
- The Business, Enterprise and Energy statistics
- Businesses in Scotland 2019
- Small Business Survey Scotland 2019
- SME Access to Finance Survey 2019
- Export statistics and Export Performance Monitor
- Scotland's Labour Market monthly Briefing and Scotland's Labour Market Trends
- Scotland's Labour Market: People, Places and Regions
- Annual Survey of Hours and Earnings
- Trade Union Statistics
- Government Expenditure and Revenue Scotland
- Annual Implementation Reports (AIR)
- Skills Development Scotland Annual Review - 2019/20

- Fair Start Scotland Evaluation Report 3: Overview of year 2
- Fair Start Scotland Annual Report 2
- Scotland's devolved employment services: statistical summary
- A Fairer Scotland for Disabled People: Employment Action Plan – Progress Report
- Health and work support pilot: interim evaluation report
- Modern Apprenticeship Statistics 2019/20 Quarter 4
- Employability Fund Statistics 2019/20 Quarter 4
- Other Skills Initiatives 2019/20 Quarter 4
- Graduate Apprenticeships - Early Activity and Progress 2019-20
- Scottish Government procurement annual report: 2019
- Annual report on procurement activity in Scotland: 2019
- Scottish Centre for Regional Inclusive Growth (SCRIG) Dashboard

Environment, Climate Change and Land Reform

Primary National Outcomes: Environment

Secondary National Outcomes: Economy, Health, Communities, International, Human Rights, Fair Work & Business

- Natural Capital Accounts for Scotland
- Scottish Energy Statistics
- Aichi Interim Report
- Natural Capital Asset Index
- Spotlight on SEFARI Strategic Research 2018-19
- Performance Report, Scottish Environment Protection Agency (SEPA)

Culture, Tourism and External Affairs

Primary National Outcomes: Culture

Secondary National Outcomes: Economy, Health, Communities, Environment, Fair Work & Business, International, Poverty

- International Development - national indicator development: research report
- Contribution to International Development
- Scottish Annual Business Survey and Business Register & Employment Survey

Social Security and Older People

Primary National Outcomes: Poverty, Human Rights

Secondary National Outcomes: Children

- Social Security Statistics and Research

- Social Security Scotland's first Business Plan

Rural Economy

Primary National Outcomes: Economy Environment

Secondary National Outcomes: Communities Fair Work & Business Health Education International

- 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

Primary National Outcomes: Communities

Secondary National Outcomes: Human Rights Economy Environment Fair Work & Business

- The Crown Office and Procurator Fiscal Service Statistics

Government Business and Constitutional Relations

Primary National Outcomes: Communities

Secondary National Outcomes: Culture Economy International Education Health Children Poverty

- Freedom of Information performance - responding on 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 23.

As described above, spending plans for financial year 2019-20 were set out in Scottish Budget: Draft Budget 2019-20 published in December 2018. After consideration by the Scottish Parliament Finance and Constitution Committee and other Committees, these plans were presented in the Budget Bill introduced in January 2019 and received Royal Assent as the Budget (Scotland) Act 2018 in March 2019. 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 2019 and Spring Budget Revision, made in March 2020.

The budget of £38,716 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 £36,797 million and a capital budget of £1,920 million.

The financial results for the year are reported in the attached accounts. They record a Net Resource Outturn of £37,695 million resulting in an overspend of £899 million. This is due to the recognition of £912 million COVID-19 business support grants in 2019-20 Note 15 to the accounts explains the recognition of this provision in respect of the support schemes announced by Scottish Ministers in March 2020 to commence from 1 April 2020 to ameliorate the adverse economic consequences of the COVID-19 pandemic. The appropriate budget cover for this expenditure was authorised in the Summer Budget Revision in May 2020 and the payments to businesses made during 2020-21,

Although these accounts report an overspend, there is no breach of Budget Act provision because, as noted above, the budget limit for the Scottish Administration as a whole has not been breached.

The Net Capital Outturn for the year was £1,690 million resulting in an underspend of £230 million. Total overspend of £669 million, adjusted to exclude the element relating to business support measures to an underspend of £242 million represents approximately 0.6 per cent of the total budget. An explanation of the major variances is included in these accounts in the portfolio outturn statements.

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 2020 indicated that the fiscal cash budget in 2019-20 would be underspent by £258 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 (FReM) 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 86) 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 £30,699 million at 31 March 2020, of which 68 per cent (£20,852 million) relates specifically to the road network. The Consolidated Accounts provide details of changes in the year. There were additions of £518 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' (£10 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 Manual[17], 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): In the 2018/19 financial year, the Scottish Government converted £37.4 million of loans previously advanced to BiFab on a commercial basis to equity in the company. As a result of the conversion of these loans, the Scottish Government now holds a 32.4% equity stake in BiFab. As part of the 2018/19 year-end process, the Scottish Government commissioned a formal valuation of its equity holding which resulted in a valuation of £2.0 million. This was reported in the Scottish Government's 2018/19 consolidated accounts.

In the current financial year, the Scottish Government has advanced further loans on a commercial basis to BiFab totalling £9.0 million. Collectively, this financial support ensured that the Beatrice Offshore Wind Farm, Moray East Pin Piles and First E&P contracts were completed – creating over 1,000 jobs across the 3 yards at Arnish, Burntisland and Methil. However, the delays to the NnG contract award, the decision to award the Seagreen contract to overseas competitors, compounded by the majority shareholder's continued lack of financial support for the business has greatly weakened Bifab's cashflow and balance sheet. In light of the current position facing the company, and in consultation with commercial advisors, the Scottish Government has revalued its equity holding in BiFab to nil and has also written down the carrying value of the outstanding loan balances owed from BiFab to nil. Despite the current position, Scottish Ministers remain committed to working collaboratively with BiFab's majority shareholder and board of directors, together with other stakeholders, in pursuit of a sustainable future for the sites at Arnish, Burntisland and Methil.

Ferguson Marine Engineering Limited: On 16 August 2019, Ferguson Marine shipyard in Port Glasgow was placed in administration. In order to remove the threat of closure, the Scottish Government took control of the operations at the yard under a management agreement with the Administrators of the business. This intervention by Scottish Ministers ensured continuity of employment for the workforce and continued work on the vessels under construction during the period of Administration. On 2 December 2019, following a marketing process by the Administrators, the Scottish Government completed a commercial transaction

[17] https://www.gov.scot/publications/scottish-public-finance-manual/borrowing-lending-and-investment/annex-a-investment-in-businesses-by-scottish-ministers/

to bring the shipyard into public ownership. The move to bring Ferguson Marine into public ownership demonstrates Scottish Ministers' commitment to protecting the jobs at the Port Glasgow yard, delivering the two ferries under construction and securing a future for commercial shipbuilding on the Clyde.

Since the business was brought into public ownership, significant progress has been made on the vessels despite the Covid-19 pandemic leaving the yard either closed or on restricted working for nearly 6 months. The yard has done everything possible to limit the impact of this closure on the delivery of the two ferries under construction. Significant progress has been made in planning and design and, despite the pandemic, Glen Sannox entered dry dock on time on 10th August 2020. The delivery of Glen Sannox is now planned for a date in the range of April 2022 to June 2022. The delivery of 802 is now planned for December 2022 to February 2023.

Beyond the work on the vessels, there has been significant progress in building a more robust business at the yard. A new board of directors has been appointed and will provide the leadership required to take the yard into the future. The board members bring the diverse range of skills and experience needed to support the turnaround of the business and completion of the ferries.

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 £3,340 million that have been made to Scottish Water, to finance its capital investment programmes (with advances of £344 million in 19-20), and student loans valued at £3,710 million (an increase of £251 million from 31 March 2019). The latter are made under the terms of the student loans scheme, administered by the Student Loans Company Limited.

The Statement of Financial Position at 31 March 2020 includes provisions for future expenditure. The largest provisions relate to Business Support Measures put in place in response to COVID-19 and to Clinical Negligence Claims. In March 2020 in response to the Covid-19 pandemic the Scottish Government announced business support measures to be available from 1 April. As a result of this announcement taking place during the 2019-20 financial year a provision for £912 million was created in the accounts.

In line with usual practice, a Clinical Negligence Provision of £806 million (up from £618 million at 31 March 2019) was also included in the Statement of Financial Position

The total value of taxpayers' equity, reported in the Statement of Financial Position, is £33,438 million at 31 March 2020, an increase of £151 million (0.45 per cent) from 31 March 2019.

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 12 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 and £405 million in 2019-20.

The repayment of borrowing outstanding as at 31 March 2020 is scheduled as follows:

	Principal	**Interest**	**Total**
	£m	**£m**	**£m**
<1 year	51.9	12.5	64.5
1 – 5 years	229.2	44.4	273.6
>5 years	790.5	87.7	878.2
Total	**1,071.6**	**144.6**	**1,216.3**

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 2019-20, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.7% of all payments within 10 days (2018-19: 99.0%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.1% of payments within 10 days (2018-19: 99.3%). The NHS bodies in Scotland made 84.3% of all payments within 10 days (2018-19: 82.6%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2019-20 was 99.7% (2018-19: 99.7%) 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% (2018-19: 99.7%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 93.7% (2018-19: 92.5%) 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 Reports[18] 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 report[19] on environmental performance against a range of targets in respect of the core estate including emissions from

[18] https://www.gov.scot/policies/sustainable-performance/sustainable-performance-reports/
[19] https://www.gov.scot/publications/the-scottish-civil-estate-efficiency-and-sustainability-reports/

energy use, waste arisings and recycling rates, transport & travel emissions, water consumption and biodiversity.

The Scottish Government annually publishes a Climate Change Duties report[20].

Leslie Evans

Leslie Evans
Principal Accountable Officer

11 December 2020

[20] 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 144) 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 Manual[21].

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 the date signed at the end of this report.

[21] https://www.gov.scot/publications/scottish-public-finance-manual/background-and-applicability/background-and-applicability/

Governance Statement

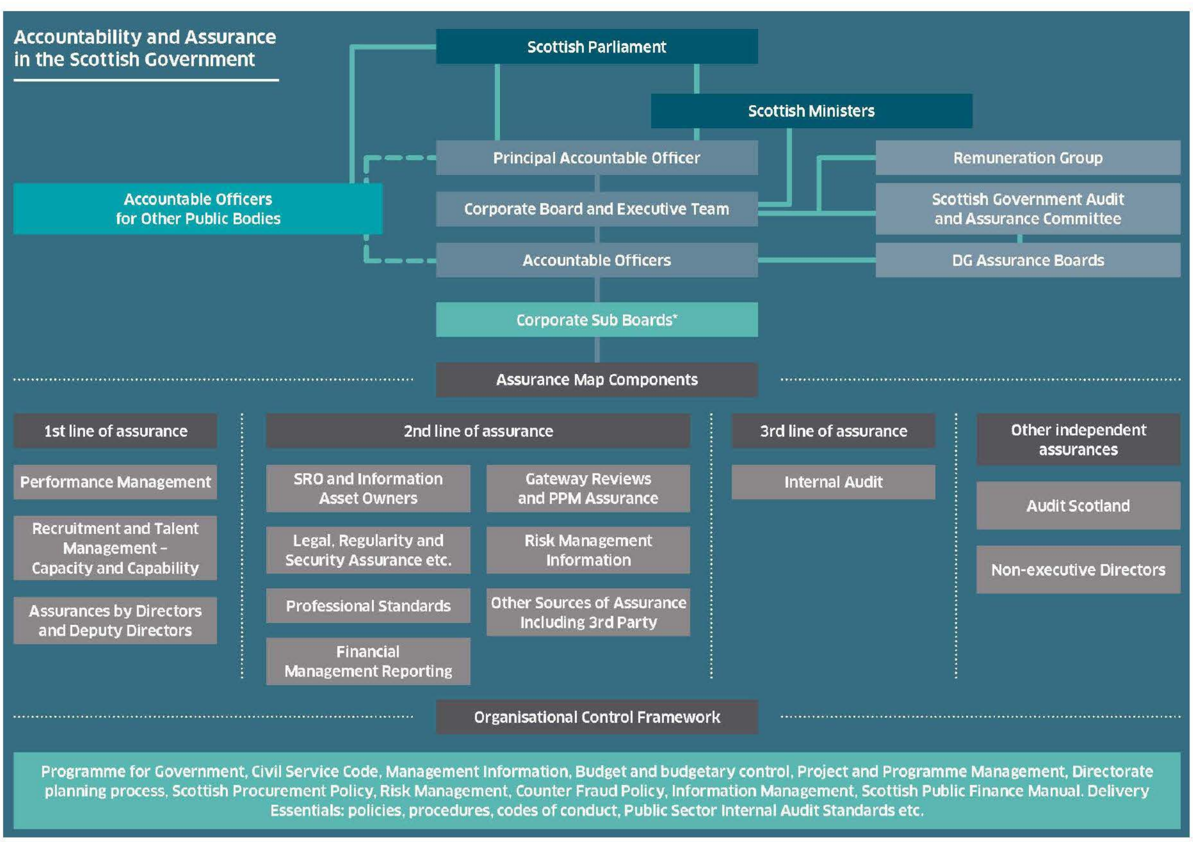
Scope of Responsibility

The Scottish Government's role is to deliver our Purpose and National Outcomes, guided by the National Performance Framework.

As the Permanent Secretary, I am responsible for ensuring that robust governance arrangements are in place to ensure that we deliver our Purpose and National Outcomes an open, capable and responsive way. I am also the Principal Accountable Officer (PAO) for the Scottish Administration (under the terms of the Public Finance & Accountability (Scotland) Act 2000) and 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 chapter[22] 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 chapter[23] of the SPFM. Figure 1 sets out the approach I have put in place to achieve this.

FIGURE 1: ACCOUNTABILITY AND ASSURANCE FRAMEWORK IN THE SCOTTISH GOVERNMENT



22 http://www.gov.scot/Topics/Government/Finance/spfm/Accountability
23 https://www.gov.scot/publications/scottish-public-finance-manual/governance-statements/governance-statements/

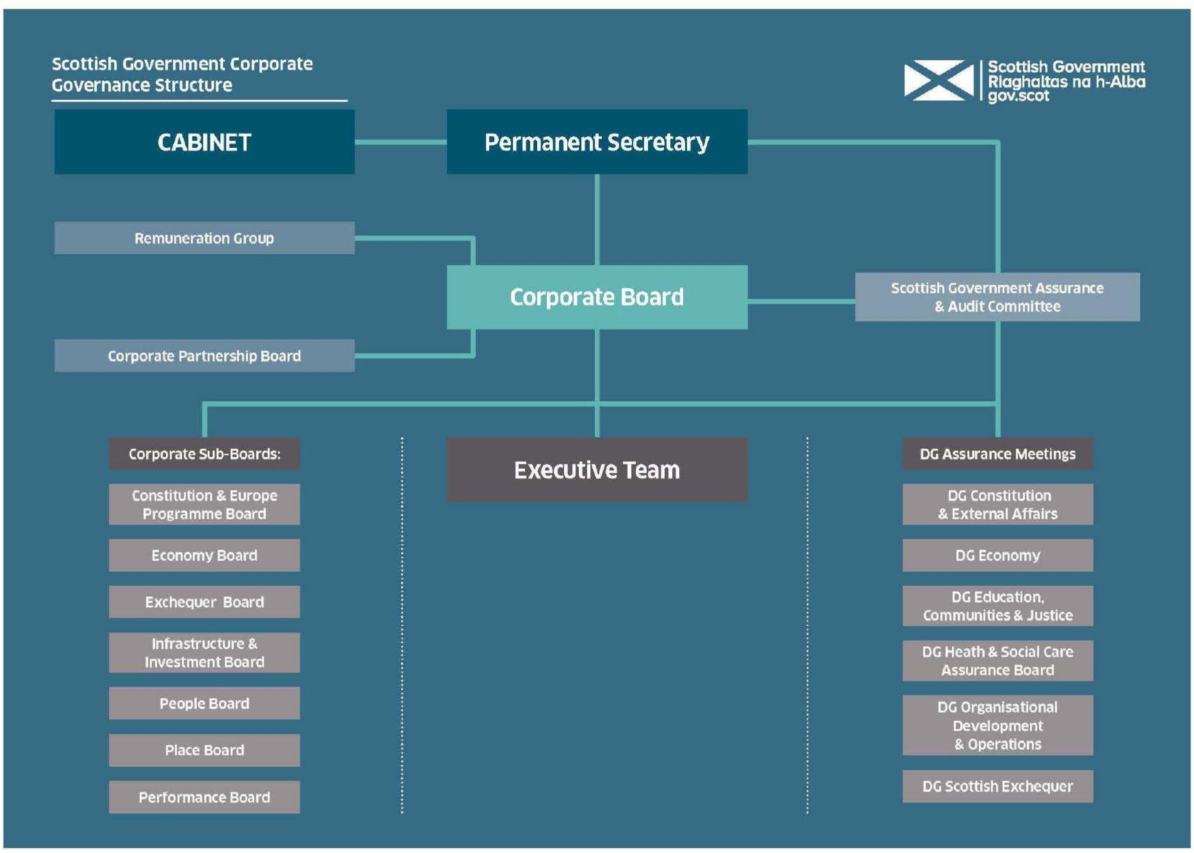
Corporate Governance System

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

The Scottish Government's corporate governance system provides 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 corporate governance arrangements in place. In addition, it complies with all governance-related guidance in the SPFM, the Civil Service Code[24] and relevant elements of the Good Governance Standard for Public Services[25] produced by the Independent Commission on Good Governance in Public Services.

Over the period of the Accounts until the beginning of March 2020, the corporate governance system operated as set out in my Governance Statement for 2018-19. (see Figure 2)

FIGURE 2: SG CORPORATE GOVERNANCE STRUCTURE, APRIL 2019 TO MARCH 2020

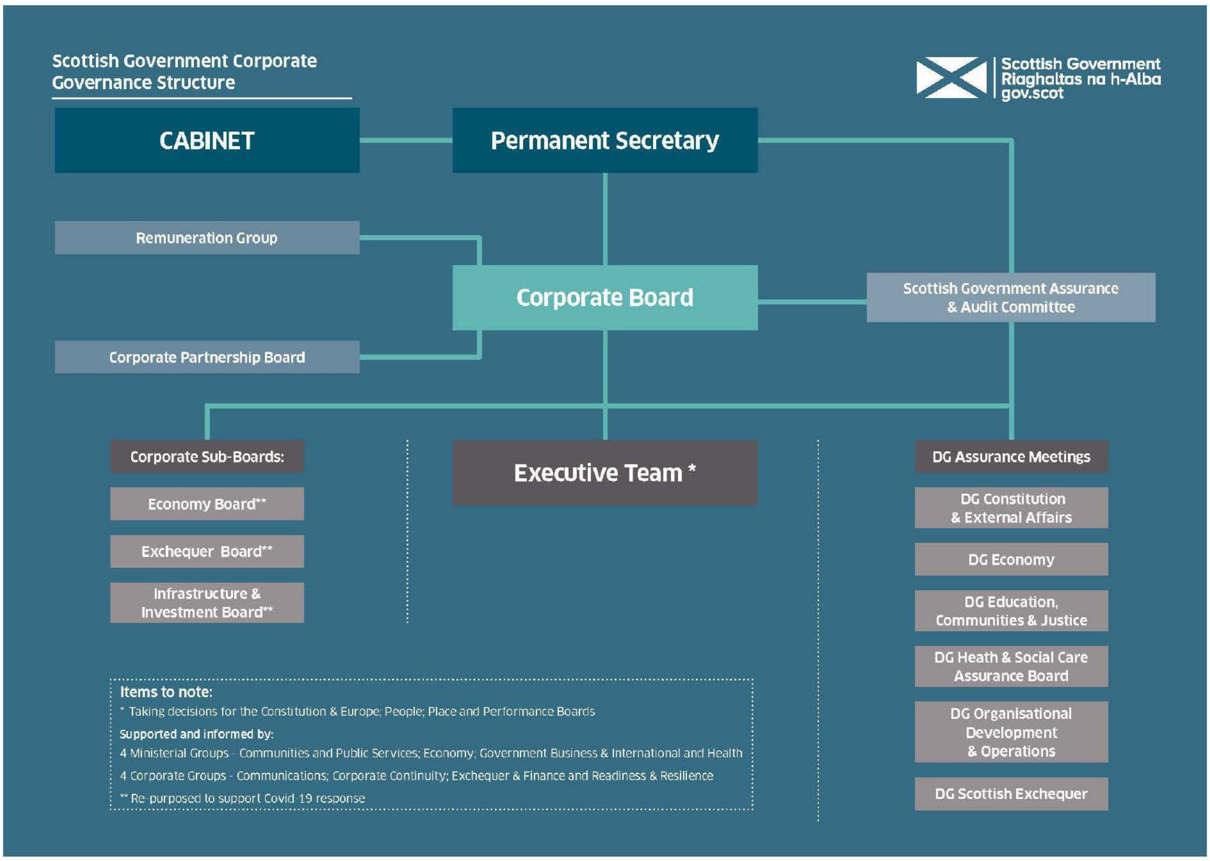


Following the outbreak of Covid-19, I agreed in consultation with my Executive Team, that these corporate governance structures should be streamlined, focussing governance activities and resources on the organisation's response. This was put in place in March 2020. The underpinning governance structure has therefore been adapted to reflect the response to Covid-19 to deliver timely decisions underpinned by the principles of good governance. A number of Ministerial and corporate groups were also created to supplement those structures in place and support Ministers and Executive Team on the day-to-day and strategic issues.

[24] https://beta.gov.scot/publications/civil-service-code/
[25] https://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services

The adapted structure is set out at Figure 3. Accountable Officer duties set out in the Public Finance and Accountability (Scotland) Act 2000[26] and the SPFM remain extant and further detail can be found in Good Governance in the Scottish Government, published on 10 June 2020.[27]

FIGURE 3: ADAPTED SG CORPORATE GOVERNANCE STRUCTURE, MARCH 2020 TO DATE



In March 2020 I asked the Director of Internal Audit and Assurance (DIAA) to review these arrangements to ensure that they were enabling the Scottish Government to continue to act properly, securely, lawfully and in line with financial accountability requirements. I am pleased to say that this was confirmed to be the case.

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 SPFM and generally accepted best practice principles.

[26] https://www.legislation.gov.uk/asp/2000/1/contents
[27] https://www.gov.scot/publications/good-governance-scottish-government/

Corporate Board

Corporate Board's purpose is to provide me, as Principal Accountable Officer, with objective strategic oversight, guidance and advice in relation to the Scottish Government's vision and strategy; organisational performance and development; financial stewardship and the effectiveness of its governance arrangements.

Over the reporting period, it has consisted of myself; Directors General as my Portfolio Accountable Officers; five Non-Executive Directors[28]; the Chief Financial Officer; Director of People; the Director for Communications, Ministerial Support and Facilities and the Board Secretary[29]. The Solicitor to the Scottish Government joined the Corporate Board, as well as my Executive Team, in September 2019.

Corporate Board continued to meet quarterly over the course of the reporting period which this Statement covers and its minutes are published. It has considered the following issues over the reporting period: financial performance and budget monitoring throughout the year to support its consideration of the Annual Accounts[30]; Climate Change; the 2019/20 Scottish Government Annual Consolidated Accounts and this companion Governance Statement and preparations to respond to the end of the European Union (EU) Exit transition period. It also undertook its annual review of corporate risk. A Balanced Scorecard has been developed to support the Board to scrutinise the organisation's key performance metrics as well as progress towards our National Performance Framework outcomes. From March 2020, Covid-19 has been a standing item for the Board.

Scottish Government Audit and Assurance Committee

The Scottish Government's Audit & Assurance Committee (SGAAC) members are our Non-Executive Directors and its role is to provide advice and support in discharging my Principal Accountable Officer responsibilities in relation to risk, control and governance and associated assurance through the provision of constructive challenge.

The Committee was chaired by Janet Hamblin until March 2020 and is now chaired by Ronnie Hinds, alongside a newly-appointed Deputy Chair, Jim Robertson. I attend along with Directors General; the Chief Financial Officer; the Director for Internal Audit and Assurance and the Board Secretary. Audit Scotland attend SGAAC and the underpinning Director General Assurance meetings as the Scottish Government's External Auditors. The Auditor General attends SGAAC annually when the Committee considers the Scottish Government's Annual Accounts and the Governance Statement.

Relevant issues discussed at Director General Assurance meetings are now escalated for awareness and discussion (and if appropriate, action) to SGAAC based on clear escalation criteria. The issues raised throughout this year, alongside the Director General Certificates of Assurance which underpin this Statement, have been discussed by SGAAC in the period up to my signature of the Statement and the Scottish Government's Annual Accounts. SGAAC subsequently considered the Statement and the draft Annual Accounts on 8 December 2020 following consideration by Corporate Board on 1 December 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.

[28] The following NXDs have been members of Corporate Board in the reporting period of the Accounts: Annie Gunner Logan; Linda McKay; Hugh McKay; Janet Hamblin and Ronnie Hinds;
[29] The Board Secretary has overall responsibility for the Scottish Government's Corporate Governance structures.
[30] Corporate Board receive monthly briefings on the Scottish Government's overall financial health.

Following recommendations by Audit Scotland in its Annual Audit Report for 2018-19, in December 2019 SGAAC undertook a review and agreed to a number of changes and improvements which have been implemented by SGAAC over the reporting period. A revised Terms of Reference for SGAAC and a companion forward work plan have been agreed and approved by Corporate Board, alongside the revised and improved escalation criteria to support the closer integration of SGAAC's work with Director General Assurance arrangements. All of the recommendations on SGAAC from Audit Scotland's 2019-20 Annual Audit Report have been implemented through its Review process, including the production of an annual report and an assessment of its performance over the period supported by independent input from myself and those who have attended, participated in and supported SGAAC.

SGAAC's annual report covers the period December 2019 – September 2020 and included an assessment of its performance over the period. This assessment states that SGAAC has performed effectively against its revised Terms of Reference and that improvements have been noted in the nature and levels of scrutiny and challenge; the quality of the discussions which have taken place over the period and the material provided to support those discussions . I agree with this assessment. SGAAC has enabled me to take assurance as Principal Accountable Officer in the governance arrangements in place in the Scottish Government. I very much welcome these improvements and the support SGAAC has provided, and continues to provide, to me.

DG Assurance

Director General (DG) Assurance meetings take place quarterly, providing a dedicated forum in which assurance is sought on the core elements of good governance. Each meeting covers: financial stewardship; people and capability; performance and outcomes; organisational efficiency; risk management and the internal control environment. Relevant risks and issues are escalated for awareness, discussion and/ or action to SGAAC or Corporate Board in line with the associated escalation criteria.

Assurance meetings are attended by each Director from the Director General family; paired Non-Executive Directors; Audit Scotland; Internal Audit and Assurance; the Board Secretary and relevant officials as appropriate and provide me with support as the Principal Accountable Officer in the preparation of this Governance Statement and the Scottish Government's Annual Accounts. The Chair and Deputy Chair of SGAAC have open invitations to attend each meeting and have done so over the reporting period.

Improvements to the Scottish Government's assurance arrangements continue, particularly in relation to how the identification and management of risk at Director General family level and how the stewardship of the Scottish Government's finances and people are evidenced, monitored and improved. Issues escalated to SGAAC this reporting year have included staffing capacity and capability, EU Exit preparedness, the impact of Covid-19 and a number of other areas I have included later in this Statement.

Other Corporate Governance Boards

The Corporate Board is supported by a number of corporate sub-boards. Over the reporting year 2019-20, the Boards have met regularly and undertaken their responsibilities in line with the Scottish Government's Corporate Governance Manual.

In order to ensure that a timely response to Covid-19 key decisions have been taken by the Executive Team on behalf of the People, Place, Performance and Constitution and Europe Programme Boards since March 2020. This has been in line with the adapted governance arrangements put in place as Figure 1 sets out.

These Boards are being re-instated in a phased way and will adapt to the key priorities of the Scottish Government and the very different environment in which we are now operating given the response to Covid-19.

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, and to support the Scottish Government in its commitment to a diverse, skilled, engaged and supported workforce.

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 Scottish Government's vision and 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 assure that 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.

Following the outbreak of Covid-19 the Board has been repurposed to support the immediate and longer-term strategic economic response to the pandemic, working closely with the Ministerial Economy Cabinet and the Exchequer Board.

Exchequer Board: chaired by DG Scottish Exchequer

The Exchequer Board 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.

Like the Economy Board, following the outbreak of Covid-19 the Board has been repurposed to focus on the current fiscal and macroeconomic environment as impacted by Covid-19.

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 our ambitions 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.

Its focus following the outbreak of Covid-19 has been on how public sector investment can support economic recovery through, for example, the draft Infrastructure Investment Plan and Capital Spending Review.

Constitution and Europe Programme Board (chaired by DG Constitution and External Affairs)

The Constitution and 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.

Internal Audit and Assurance

From 1 April 2019 the Scottish Government introduced a new Directorate of Internal Audit and Assurance (DIAA). This brought together three independent assurance teams; Internal Audit; Digital Assurance Office; Portfolio, Programme and Project Assurance; and the role of the Data Protection Officer. While the services provided by each of the teams continue independently, an enhanced integrated approach to assurance is being developed 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 that the improvements in the standard of internal audit work noted in 2018-19 were maintained during 2019-20 and that they 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.

Audit Scotland

Audit Scotland attend Director General Assurance meetings and SGAAC, providing 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. I would like to formally record my thanks to Caroline Gardner, the former Auditor General for Scotland, for the significant contribution she has made to Scotland, in particular in supporting our Public Services. I am pleased to note that Executive Team will continue to engage regularly with the new Auditor General for Scotland, Stephen Boyle, most recently in November 2020, and I look forward to working constructively with him in his new role.

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 and the Board Secretary and others as required. In addition, Audit Scotland meet regularly with the Chair and Deputy Chair of SGAAC in order that Audit Scotland can support them in discharging its responsibilities to me as Principal Accountable Officer.

Non-Executive Directors (NXDs)

There are currently nine Non-Executive Directors providing support, guidance and constructive challenge to the Scottish Government through the governance structures set out above, and through individual pairing arrangements with Directors General. I am thankful to the Non-Executive Directors as the Scottish Government's "critical friends", undertaking and supporting a wide range of work which has assisted me in identifying the issues I have raised in this Governance Statement. This has never been more important than in recent months.

I would like to record my appreciation of the work that Non-Executive Directors have undertaken as members of SGAAC to implement continuous performance improvements and, in particular, to Janet Hamblin for her unstinting support as a Non-Executive Director since 2014.

Scottish Government response to Covid-19

Whilst this Statement covers the financial year 2019-20, Covid-19 has impacted on Scotland's people, businesses, public services and the work of the Scottish Government in ways that I could not have anticipated and I consider it important that this is reflected in my Statement.

Since the outbreak, the Scottish Government has pivoted to support an immediate response, and adapted to ensure we can support the country through the long-term sustained challenges that Covid-19 poses. In addition to the corporate governance adaptations now in place, this has included:

- An immediate and ongoing Resourcing response;
- An immediate and ongoing Financial response supplemented with associated financial controls and governance to ensure effective decision-making and value for money;
- The creation of the "Four Harms" framework to support evidence-based decision-making[31];
- The Covid-19 Advisory Group and the Chief Advisers;
- Group Hubs to support organisational and Ministerial decision-making;
- The Programme for Government – cross-cutting approach based on minimising the four harms;
- The Economic Recovery programme and
- Exchequer Transformation, including Respond, Rebalance and Renew.

The response to Covid-19 has necessarily required an unprecedented mobilisation of resource as well as flexibility and reprioritisation. Decisions were taken in the immediate phase to delay the production of the 2020 Medium Term Financial Strategy which will be published alongside the draft Scottish Budget for 2021/22 and National Performance Framework performance report, which had been planned for May 2020; to postpone the Capital Spending Review and infrastructure Investment Plan to the autumn; to postpone preparation for the 2020 Programme for Government which was delivered in line with the original timetable and for a Resource Spending Review.

[31] The four harms are as follows: **direct health impact; wider health impacts; societal impacts; economic impacts and are set out in** [Covid-19: Scotland's Route Map - Framework for Decision making]

All Director General families pivoted to supporting the immediate resourcing needs of Director General Health & Social Care and the Exchequer Transformation Programme also pivoted to deliver a new Exchequer-wide programme around three strategic objectives:

- Respond - supporting the crisis response including clear rules, guidance and support for financial decision making, and taxation and spending adjustments to address the health issues and mitigate the wider harms;
- Rebalance - aligning budget performance and plans (current year, next year, spending review period) with medium and longer term financial strategies and performance outcomes and
- Renew - working across the whole of Government to achieve a creative and ambitious approach to Scotland's renewal towards a greener, fairer and more prosperous country post Covid-19.

All three areas have been the focus of significant effort. The initial phase of the Renew programme has focussed on how National Outcomes have been impacted; locking in positive reforms and identifying the most important strategic, policy and delivery shifts for Scotland's renewal. This has contributed to the shape and focus of the Programme for Government and the Capital Spending Review, and has been developed with teams across Scottish Government, as well as with the support of Non-Executive Directors and contributions from organisations such as the Carnegie UK Trust, Nesta and the Royal Society of Edinburgh. The Respond and Rebalance work streams have provided the framework for rapid action internally and with HM Treasury to address the immediate financial implications of Covid-19 and the development of the Budget 2021-22 process.

As with EU Exit, governance arrangements have been overseen by Corporate Board and SGAAC and supported by our Non-Executive Directors. Internal Audit has also undertaken a number of specific pieces of work to ensure that these governance arrangements are robust.

In March 2020, the Internal Audit and Assurance service pivoted to provide the wider organisation with immediate support in their response to the Covid-19 pandemic. A number of staff were embedded into other areas of to provide advice and support; new audit plans were drawn up to ensure focus was placed on emerging risks relating to the response to the pandemic and additional advisory input was provided to support the development of new processes.

Corporate Risks were subsequently amended to reflect not only their concurrency but their interrelated impacts and I will continue to seek assurance on the management of these risks. I have detailed later in this statement the key risks and control issues which have been further exacerbated by the current Covid-19 situation.

National Performance Framework

The National Performance Framework (NPF) has been the foundation for a transformative shift in how policy is developed and delivered in Scotland. It has been the focus of the Scottish Government's collective efforts on the delivery of the National Outcomes for Scotland.

The NPF was renewed in June 2018 and put increased wellbeing and sustainable and inclusive economic growth at the heart of the Scottish Government's work. It includes a statement of the values that guide the Scottish Government's activities: This work has focussed on consistency and compliance, championing a positive risk culture, embedding positive behaviours and encouraging improvements across the organisation, kindness, dignity, compassion and transparency. The next review of the NPF will need to commence no later than June 2023, and take account of developments such as Covid-19.

The statutory responsibility of Scottish Ministers to "prepare and publish reports about the extent to which the national outcomes have been achieved" is discharged through the NPF website[32], where data and performance assessment are published as and when new data on the NPF National Indicators becomes available. In May 2019 the Scottish Government published *"Scotland's Wellbeing – Delivering the National Outcomes"*[33], a report which drew together longer term trends and data across the National Outcomes. The Scottish Government will in due course produce a follow up analytical report on Covid-19's impacts on the National Outcomes. The publication is planned to illustrate the profound effect that Covid-19 has had on Scotland's wellbeing as a nation, and how it has disrupted progress towards Scotland's National Outcomes.

The monitoring of our progress towards the delivery of our key commitments and their contributions to National Outcomes has been further developed via the Balanced Scorecard process for the Corporate Board and is becoming better integrated into corporate governance processes. This has helped the organisation to track its progress and sits alongside the continuing improvements to performance reporting on key policy priorities in the Consolidated Accounts. Wider improvement work is planned on performance management and reporting and on how the Scottish Government's spend and portfolio priorities contribute to our National Outcomes in the presentation of Outcomes information in the Scottish Budget 2020-21.

Creation of Social Security Scotland

Social Security Scotland (SSS) was established on 1 September 2018 and the delivery of benefits as scheduled in the first two years has gone according to plan and to budget. Clear and robust governance is in place within and between the Agency and the Scottish Government and I am content with the Agency Portfolio Sponsorship arrangements and the independently chaired Audit and Assurance Committee established by the Agency. Director General Organisational Development and Operations has direct access to the Chief Executive of the Agency for any issues that are of concern to them as Portfolio Accountable Officer, and they attend the Director General Assurance meetings twice a year, most recently to set out the governance arrangements in place to support the Agency's Covid-19 response.

The 2018-19 SSS accounts were qualified by Audit Scotland as a result of insufficient appropriate evidence about the extent to which Carer's Allowance benefit expenditure was in accordance with section 70 of the Social Security Contributions and Benefits Act 1992. As long as the Department for Work and Pensions (DWP) continues to deliver Carer's Allowance for the SG under Agency Agreements, SSS's accounts will continue to be at risk of qualification by Audit Scotland given DWP's accounts may be qualified by the National Audit Office. Director General Organisational Development & Operations receives regular briefings on the Agency's accounts and Audit Scotland have committed to early warning of issues that may arise during the audit process. The Director General, along with the Chief Executive and Deputy Director Finance & Corporate Services of the Agency engage regularly with Audit Scotland and this issue continues to be monitored at the Director's bi-monthly meetings between the Programme and Audit Scotland.

It should be noted that considerable risk remains in relation to the impact of Covid-19 and the effect that it will have on programme delivery where a full re-plan and new delivery schedule will be agreed in 2020-21. The adverse economic effects will add financial pressure in the years ahead due to the demand led nature of the devolved benefits.

[32] https://nationalperformance.gov.scot/
[33] https://nationalperformance.gov.scot/sites/default/files/documents/NPF_Scotland%27s_Wellbeing_May2019.pdf

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 SGAAC at its meeting on 22 June 2020 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 website[34]. It is consistent with the principles highlighted in the Scottish Public Finance Manual which was reviewed in March 2019. It is also consistent with the UK Government's Orange Book[35].

A range of improvement work has taken place during 2019-20 led by Director General Organisational Development & Operations and the Chief Financial Officer, supported by the Board Secretary, to address the key recommendations from the 2019 Risk Improvement Project which was highlighted in last year's governance statement. This work has focussed on consistency and compliance, championing a positive risk culture, embedding positive behaviours and encouraging improvements across the organisation. An action plan has been developed to address these recommendations, though progress has been impacted by the dual challenges of resourcing and responding to Covid-19.

The impact of Covid-19, alongside EU Exit and the range of significant concurrent risks we are managing has emphasised the criticality of corporate risk improvement to ensure a focus on identifying, prioritising and managing risks as individual Accountable Officers and collectively. Work is underway on testing the scale of diversity of approach; the level of compliance with the guidance and the effectiveness of mitigation plans. Alongside this, improvements continue in relation to Director General Assurance risk management and I hope that this will lead to a step-change in both approach and culture as part of the wider improvement agenda.

Scottish Government Corporate Risks

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 they were articulated at the end of the period covering this Statement (March 2020) is included below:

- Following EU Exit and the commencement of the transition period, and in light of the UK Government's policy stance, Scotland's interests are not protected in negotiations (intra-UK, EU-UK and other trade deals) and Scotland is not appropriately prepared. (Director General Constitution & External Affairs)

[34] https://www.gov.scot/Topics/Government/Finance/spfm/risk
[35] https://www.gov.uk/government/publications/orange-book

- Resilience arrangements, staffing levels, skills, (senior capability) and understanding across Scottish Government are not sufficient to deal with sustained and complex, concurrent incidents in 2020 threatening the reputation and competence of SG. (Director General Education, Communities & Justice)

- Scottish prisons face significant risk to their capacity and operation due to both growth in prisoner numbers and the increasing complexity of the prison population. (Director General Education, Communities & Justice)

- If we fail to reform the Health and Social Care system and continue to meet demand in the NHS with resources aimed at Emergency Departments and acute care, then we will consume an unsustainable share of the overall Scottish budget which will lead to a deterioration in Health and wider services. (Director General Health & Social Care)

- The Scottish Government fails to ensure the long term sustainability of the public finances through effective budget-setting and medium term strategic financial planning, with resulting lack of clarity on financial management and spending priorities, and failure to achieve Value for Money and delivery of key outcomes. (Director General Scottish Exchequer)

- We fail to maintain the confidence of survivors in the independence and efficiency of the Scottish Child Abuse Inquiry. (Director General Education, Communities & Justice)

- If new powers over social security are not successfully implemented, with smooth transition from DWP to new Scottish policies and administrative arrangements then we will be unable to deliver the Scottish Government's intended social security system to the citizens resulting in a failure to deliver on SG commitments and reputational damage. (Director General Organisational Development & Operations)

- We do not have the capability and capacity to deliver the Government's priorities and fail to maintain high standards of competence. (Director General Organisational Development & Operations)

- There is a risk that infrastructure across Health and Social Care is insufficient to deliver effective, efficient and safe clinical services. This is driven by constrained capital budgets which are insufficient to meet demand, required maintenance and anticipated future commitments. (Director General Health & Social Care)

- We do not have sufficient resource in place across SG to deliver UNFCC COP26 in Glasgow in 2020 in a way that ensures safety and security, minimises disruption, showcases Scotland and provides appropriate visibility for Scottish Ministers. (Director General Economy)

- Climate Change Response – failure to deliver policies that will result in the necessary reduction in carbon emissions as set out in legislation. (Director General Economy)

- If the performance of the construction sector continues to decline then the SG may not be able to achieve its infrastructure objectives in areas such as affordable housing and ELC construction programmes due to rising costs, reducing quality and delayed completion of projects. (Director General Education, Communities & Justice)

- Managing the annual financial outturn is increasingly more challenging due to an increase in the number of variable factors and demand-led expenditure in the budget, increasing the risk of overspend. (Director General Organisational Development & Operations)

- That expectations of the financial redress scheme for victims/survivors of in-care child abuse, exacerbated by the short period we have to deliver the statutory scheme, exceed our capacity, or that design or implementation are flawed. (Director General Education, Communities & Justice)

- Capacity and associated investment is insufficient to support our business critical IT systems and maintain robustly delivered business critical IT/digital dependent projects. (Director General Organisational Development & Operations)

- We fail to deliver sustained improvement in responding to FOI requests (the Scottish Information Commissioner's first intervention has set a target in 2019 of replying on time to 95% of requests and reviews); and fail to deliver the changes set out in our action plan aimed delivering improvements required in his second intervention, leading to enforcement action and reputational damage. (Director General Constitution & External Affairs)

- We have the systems, personnel and processes to ensure SCOTS infrastructure and services are protected from cyber threats, ensuring that the SG can play its part in the development of the wider cyber community. (Director General Organisational Development & Operations)

- Public Service Reform and Improvement: We lack suitable arrangements to test how coherent our portfolio of public service reform programmes is in demonstrating SG's commitment to improve outcomes and reduce inequalities in a sustainable way. We do not promote corporate commitment to partnership working and preventative approaches; we do not seek to identify evidence of good practice; and we fail to understand and address challenges to successful and impactful reform that are common across reform programmes. (Director General Education, Communities & Justice)

- Significant economic shock as a result of disorderly EU Exit - either: a short sharp supply shock due to significant restrictions on movement of goods and services along with potential exchange rate depreciation or; initial supply shock which is then sustained and more severe due to subsequent loss of business and consumer confidence, possible squeeze on availability of finance, affecting overall demand. (Director General Economy)

- Coherent actions by core Scottish Government and agencies are appropriately developed, targeted and implemented to strengthen inclusive sustainable economic growth. (Director General Economy)

- Our culture does not support and enable greater diversity and inclusion and we fail to achieve our published equality outcomes for 2017-20 and demonstrate that we are an exemplar employer. (Director General Organisational Development & Operations)

- Public body sponsorship teams don't fully understand their roles in terms of governance and accountability, risking the opportunity for appropriate and timely interventions and support to our sponsored bodies. (Director General Education, Communities & Justice)

These risk management arrangements have also surfaced several cross-cutting risks, which have been reflected in the current iteration of the Corporate Risk Register and have been highlighted in the Certificates of Assurance provided to me by my Directors General, including:

- **Resourcing:** the capacity, capability and wellbeing of the Scottish Government's staff;
- The **financial and economic impact** of Covid-19 and EU Exit on the SG budget and on Scotland's economy; public finances and fiscal environment
- The **impact of Covid-19 on the delivery of existing policies and commitments** designed to support our National Outcomes and the overall aims of the National Performance Framework
- The **impact of Covid-19 on Scotland's delivery partners** to support an ongoing response as well as supporting Scotland's renewal and recovery
- **Relationships with our stakeholders**, including with the UK Government, the European Union, Local Government and other public sector delivery partners and Scottish businesses.

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 Director General 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.

It is clear that there will continue to 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 and Executive Team 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 Manual[36].

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 Director General Assurance process; by SGAAC; by Non-Executive Directors; 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 its materiality, relevance and impact on the organisation and its governance as a whole. It is also based on the assurances provided by Directors General, including whether they believe they have been able to effectively discharge

[36] https://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts

their responsibilities as Portfolio Accountable Officers. On this basis, the issues I have identified are as follows:

Freedom of Information (FOI) Performance: The 2018-19 Governance Statement highlighted the challenges in relation to Freedom of Information performance. Over 2019-20, Freedom of Information performance improved significantly, supported by an improvement plan developed and led by the Director General Constitution and External Affairs family. This supported an outcome of 96% of requests answered on time over the 9 months to March 2020, exceeding the target agreed with the Information Commissioner.

However, the re-assignment of staff to work on overriding Covid-19 priorities is having an inevitable impact on compliance with statutory requirements in relation to Freedom of Information. I remain concerned that we will not be able to return to the significantly-improved levels of performance reached by the organisation before the pandemic and this remains a current risk to be managed on the Corporate Risk Register in 2020-21.

Corporate Systems: Each year Internal Audit provides an assessment of our corporate systems, for which Director General Organisational Development and Operations has responsibility. The Internal Audit report for the financial year 2019-20 provided a reasonable assurance opinion, which has been the case for each of the four previous years, alongside the need for improvements to enhance the adequacy and effectiveness of procedures.

I have been assured by the response of our corporate systems and services to Covid-19, in which we were able to support a wholescale move to remote working almost immediately. The Corporate Continuity Hub was established to coordinate support to the organisation. Business continuity planning remains in place to enable the organisation to be prepared to respond to further events, supported by the Corporate Continuity Recovery Programme.

However, this experience has brought into sharper focus the importance of investment in resilient corporate systems to ensure that high-quality services are provided to the Scottish Government and our public sector partners, and that Internal Audit's reasonable assurance opinion is maintained. The Scottish Government's corporate systems need to transform to respond to the increasingly complex demands placed on corporate services.

This is reflected in the Corporate Risk Register. Managing and mitigating this risk is something that Director General Organisational Development & Operations has prioritised with her Senior Management Team and considered at Director General Assurance meetings, providing regular updates to SGAAC on the shared services model which will support corporate transformation. This will include accelerating the development of common platforms and addressing systems strategy for Finance and HR Enterprise Resource Planning systems, which fall out of support from the end of 2021.

SG wide resourcing including Capacity and Wellbeing: Challenges have emerged throughout 2019-20 and into 2020-21 in relation to resourcing including the demands placed on our systems and staff by large-scale internal movement and the response to Covid-19. This is reflected in the current Corporate Risk Register.

Following the outbreak of the pandemic, a central Resourcing Hub was set up to source and match people into support the Covid-19 response and a clear Covid-19 response has been put in place to support capacity requirements, maintain staff health, safety and wellbeing and also maintain core HR systems. Collaborative work is ongoing to assess the workforce costs, both human and financial, and impacts of Covid-19. In relation to wellbeing, supporting our people is a key priority for the Director General Organisational Development & Operations family and I am assured by a range of activity underway to ensure staff feel supported in their work.

In addition, people risks have been, and will continue to be, regularly reviewed by the Scottish Government's corporate boards to ensure the most effective resourcing decisions are taken as required. Discussions have also taken place at Cabinet with a view to ensuring additional resource is agreed and targeted at areas of significant need, which is the response to Covid-19 and EU Exit work. Direct input has been provided by our Non-Executive Directors on this work.

However, the level of resources required to support the organisation continues to be below a level that is optimum to substantially eliminate risk and there is a risk that resources will be stretched further given the end of the EU Exit transition period.

Individuals and teams have had to adapt to working remotely, often in new roles and working very long hours to support both the Covid-19 response and the delivery of key commitments and priorities. In addition, the absence of a full workflow system in resourcing and bringing staff into the organisation in 2019-20 has continued to impact on the organisation's ability to handle large peaks in recruitment demands smoothly across Scottish Government and public bodies. The underlying weakness of aging corporate systems, as set out above places a limit on the speed at which we can respond and therefore progress.

The cumulative impact of these requirements alongside an already-challenging capacity situation has made the management of these concurrent risks more difficult both in terms of delivery and staff wellbeing and the management of this risk will continue to be an absolute priority for me.

Exiting the European Union (EU): Preparations for EU Exit have continued throughout 2019-20. A range of mechanisms have been put in place, building on the work the Scottish Government had taken forward to prepare for a "No Deal" scenario, to support Ministers and the organisation to do so ahead of 31 December 2020. That is led and coordinated across Director General Constitution and External Affairs by the Directorate for Organisational Readiness, and includes the refreshing of Transition Plans, and the introduction of an integrated planning approach across both EU Exit and Covid-19 as the pandemic worsened and recognising the interdependence of these issues. Governance arrangements were put in place at programme and Accountable Officer level, overseen by Corporate Board and SGAAC and supported by Non-Executive Directors. The approach to managing and mitigating the risks arising from EU Exit was documented on the Corporate Risk Register and examined on a regular basis over the period.

The UK Government has now confirmed that there will be no extension to the transition period, ending on 31 December 2020, following the UK's exit from the EU and during the Covid-19 response. Cabinet has agreed our priorities ahead of the end of the transition period and in the period afterwards – including the prioritisation of resource to support the delivery of this work alongside Covid-19. However, I remain concerned by the very significant challenges posed by the UK Government's approach, both in terms of the likely impact of their policy decisions and our ability to influence engagement and outcomes. This will become even more challenging as we move towards the end of the negotiation period and decisions will be made at significant pace which will affect Scotland's interests – both in the immediate sense but also longer term. This already includes challenge to the existing legislative and executive competence and standing of the Scottish Parliament and Scottish Ministers.

The combination of EU Exit as pursued by the UK Government with the continued occurrence of ongoing local and national Covid-19 outbreaks – and a second wave of infections alongside existing winter planning pressures – poses a significant concurrent risk to the Scottish Government's ability to deliver but also protect the interests and wellbeing of the people of Scotland. This has also been reflected in the Annual Assurance Opinion provided by the

Director for Internal Audit & Assurance. Director General Constitution and External Affairs will continue to ensure mitigating actions are in place to ensure that this is minimised, but that much of this we will not have the locus to mitigate ourselves.

Managing the Financial Outturn: Managing the financial outturn has become increasingly challenging over the period, as a result of the level of unfunded commitments present at the beginning of the financial year (because of an increasingly challenging Draft Budget process), an increase in the number of variable factors and demand-led expenditure in the budget and the increasing risk and complexity in a number of Scottish Government budgets and activities, such as Social Security and tax generation, increasing the risk of overspend.

For the 2020-21 financial year, an already challenging process has been significantly exacerbated by the impact of Covid-19 and EU Exit. Significant reprioritisation will be required as well as careful on-going management of expenditure and interaction with HM Treasury colleagues around the need for additional fiscal flexibilities and early certainty on consequentials. Cash management will also be under significant pressure and will need to be managed extremely closely to avoid breaching cash limits.

I am satisfied that the financial governance controls put in place on Covid-19 expenditure are sufficiently robust to ensure that individual decisions are in line with Accountable Officer duties, that there is independent scrutiny of proposals and there is a complete corporate picture of the additional net commitment on the Scottish Budget. These controls have been reviewed at SGAAC, and Non-Executive Directors have received monthly briefings on finance. Director General Assurance meetings continue to require Portfolio Accountable Officers to gain assurance in relation to robust financial management and managing the outturn and associated controls and mitigating actions are reflected. However, significant challenges remain in reducing the deficit for financial year 2020-21.

Cultural Issues related to allegations of Bullying and Harassment in NHS Highland; As part of the action plan to address the findings of the review by John Sturrock QC into allegations of a culture of bullying within NHS Highland, the Scottish Government asked NHS Highland to offer a 'Healing Process'. This was intended to deal with issues raised by current and former employees, with the principles of fairness, kindness and compassion underpinning the whole process. This has now been put in place and a new Chief Executive has been appointed to take this process forward.

The review recommended that an independent review should be undertaken to further explore culture in Argyll & Bute. This has been undertaken by an independent organisation and the review has now concluded. The final report was submitted to NHS Highland who published this on 19 May 2020[37]. The Scottish Government expect NHS Highland to provide proactive, effective actions to enable the board to move forward. Nationally, work is underway to co-produce a new approach to measuring staff dignity at work, which is designed to deliver meaningful results to inform actions locally and nationally. It is anticipated that the final report will be available in late 2021.

The Ministerial led Short-Life Working Group, was convened to examine how we collectively take forward measures that support open and honest workplace cultures. In particular, this group is specifically looking 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

37 https://www.nhshighland.scot.nhs.uk/Meetings/BoardsMeetings/Documents/May%202020/Item%208%20Update%20on%20progress%20with%20the%20Sturrock%20Review%20Actions.pdf

Review[38]. Specific recommendations that describe the actions that could be taken have been developed.

Royal Hospital for Children and Young People (RHCYP) and the Department of Clinical Neuroscience: Rectification work to address the issues in the build environment at the Royal Hospital for Children and Young People and Department of Clinical Neuroscience (DCN) in Edinburgh has been progressing throughout 2019-20. All issues with DCN have been addressed and all neuroscience services transferred to the new site in July 2020. Paediatric outpatient services also transferred to the RHCYP in July 2020 and outstanding work is expected to complete in January 2021. Initial estimates of remaining scheduled works had indicated completion by November 2020, however as a result of the Covid-19 pandemic and subsequent impact to construction industries, a revised date of 25 January 2021 has now been agreed. The Cabinet Secretary for Health and Sport had previously highlighted to Parliament that there was a risk of further delay.

Queen Elizabeth University Hospital: To address concerns about patient safety the Cabinet Secretary for Health and Sport set up an Independent Review to look at the buildings' "design, commissioning and construction, handover and ongoing maintenance and how these matters contribute to effective infection control". The Review has concluded the hospitals offer a setting for high quality healthcare for patients, staff and visitors and there is no clear evidence linking failures in its design, build commissioning and maintenance to avoidable deaths. A formal response to the report's findings and recommendations by the Scottish Government will be published in due course.

Inquiry into the Royal Hospital for Children and Young People, the Department of Clinical Neuroscience and the Queen Elizabeth University Hospital: In June 2020, the Cabinet Secretary for Health and Sport ordered an independent inquiry to protect the safety and wellbeing of patients and their families and to investigate the issues identified at the Royal Hospital for Children and Young People, the Department of Clinical Neuroscience, and the Queen Elizabeth University Hospital. The inquiry commenced in August 2020 and will be led by Lord Brodie QC. It will consider the planning, design, construction, commissioning and maintenance of both hospitals and will recommend how issues can be avoided in future capital projects. The inquiry will also consider organisational culture, including whether staff concerns were appropriately considered and escalated, and whether there is any evidence of deliberate concealment of wrongdoing or failures. The inquiry is expected to run over a number of years, and witnesses are expected to be called once initial evidence has been reviewed.

National Complex Pelvic Mesh Removal Service: In the budget for 2020-21, the Scottish Government committed to opening a £1 million fund for those affected by transvaginal mesh complications. Successful applicants will receive a one-off payment of £1,000 towards the cost of practical or emotional support, as appropriate. Alongside this, plans have progressed for the National Complex Pelvic Mesh Removal Service, which will be introduced on a phased basis in line with wider Board remobilisation.

The Independent Medicines and Medical Devices Safety Review Report was published by Baroness Cumberlege in July[39] and the Scottish Government accepted all recommendations which were within Scotland's devolved powers. Plans have progressed for the Transvaginal Case Record Review. This will commence shortly, with the panel for this currently being finalised. In addition, the Scottish Government has agreed to work with NHS Digital on a UK-wide database of procedures that will involve joining a pilot which has an initial focus on pelvic floor procedures, including those using mesh.

[38] https://www.gov.scot/publications/scottish-government-response-report-bullying-harassment-nhs-highland/
[39] https://www.gov.uk/government/publications/independent-medicines-and-medical-devices-safety-review-report

NHS Boards Financial Position: As part of the year-end outturn, we have provided £41 million in additional funding to four Boards; NHS Ayrshire and Arran (£14.7 million), NHS Borders (£8.3 million), NHS Highland (£11.0 million) and NHS Tayside (£7.0 million) this has been managed within the Health Portfolio budget. The additional funding provided is an improvement on original forecasts for the four Boards and a significant reduction on additional funding provided in 2018-19. This reflects the effectiveness of the ongoing work and packages of tailored support for each Board to support recovery.

Safety In Care Homes: Directors of Public Health (DPHs) are providing enhanced clinical leadership as part of local multi-agency oversight teams to support care homes during Covid-19. Working alongside these teams DPHs are assessing how each home is managing infection prevention and control, staffing, training, physical distancing and testing, and reporting on actions they are taking to rectify quickly any deficits they identify. There are ongoing discussions between SG officials and the DPHs on their future role in relation to care homes.

NHS Emergency Footing Arrangements: On 16 March 2020, the Cabinet Secretary for Health and Sport made a statement in the Scottish Parliament that NHS Scotland would be put onto an emergency footing in order to respond to Covid-19. The Chief Executive of NHS Scotland wrote to all Boards on the 17th of March to highlight what this meant in terms of the use of powers contained in the NHS (Scotland) Act 1978 ("the Act").

The Act sets out both the direction making and emergency powers that allow Scottish Ministers to secure the effective continuance of services through the unprecedented challenge of responding to the Covid-19 pandemic. This meant that the Cabinet Secretary will be utilising the direction making powers, where necessary, to instruct NHS boards to carry out certain actions. Where directions are issued on behalf of the Cabinet Secretary, it was made clear to Boards that they must be implemented in full and without delay in order to maintain the resilience of NHS Scotland through these challenges.

The Cabinet Secretary extended the emergency footing for a further 100 days in a statement to the Scottish Parliament on 2 June, with a letter then sent to all NHS Boards on 4 June.

European Structural Funds (ESF) Suspension: The European Commission (EC) issued decisions, in accordance with Article 142 of Regulation EU no 1303/2013, to suspend payments to SG in respect of the European Social Fund (on 5 November 2019) and in respect of the European Regional Development Fund (on 31 January 2020). The Managing Authority is progressing the remaining actions required to address the ongoing suspensions. While Covid-19 has meant that some elements of the evidence will be restricted, the Scottish Government has a commitment to submit a formal evidence based response to the Commission as soon as possible. It may however take some months for a decision to be made by the Commission on whether there has been sufficient evidence of improvement in the key areas and that the suspension should be lifted.

These formal decisions were taken by the Commission due to "serious deficiencies in the management and control system for the programme". The EC may end the suspensions once all necessary measures have been taken to enable the suspensions to be lifted. The Scottish Government's Managing Authority (MA) for European Structural Funds has been working to correct the deficiencies and errors reported by EC auditors, and to gather evidence of the correct application of the revised management and control system that is now in place. This evidence, together with new claims for financial re-imbursement will be put back to the EC however it is unclear what the timetable for the EC decision on the suspensions will be.

Based on the level of funding awarded to ESF partners and the work undertaken by the MA, should the Scottish Government exit suspension, there is a risk of potential financial loss up to £35m over the Programme period, related to the European Social Fund. This loss is currently forecast to be attributable in the current financial year, and 2 subsequent financial years. This estimate is the difference between the total amount approved within the programme and the amount currently considered reclaimable from the EC.

In the unlikely event that the suspensions fail to be lifted, the final losses associated with Structural Funds would be significantly higher, potentially up to £95.8m cashflow deficit in 2020/21 because no further Scottish Government claims to the EC will be reimbursed this year. Moreover, should the Scottish Government continue to reimburse Lead Partners and fail to exit suspension, without sourcing alternative funding, there remains a risk to the whole Structural Funds Programme over the remaining years.

However the Scottish Government is working with the Auditing Authorities, with specialists to improve the performance at audit, has increased the regularity of meetings of the ESF Joint Programme Board and has a programme of improvement work in hand to move out of suspension. I am assured that all actions at our hand to move out of suspension are progressing well.

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the SPFM[40]. 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 and includes any and all types of fraud, error and other acts of dishonesty such as theft which have been reported to the Scottish Government during the 2019-20 financial year excluding the NHS which is reported by NHS National Services Scotland Counter Fraud Services (NHS NSS CFS). Within the 2019-20 financial year a total of 48 cases of fraud and error 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 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 a total of 3,462 matches for the Scottish Government, ranging over 21 reports. As in prior years, the investigations are split between payables (creditors), payroll and procurement. The total number of matches processed was 1,339. Of the 1,339, 44 were closed due to already being known, 1006 were closed after finding no frauds or errors were detected and 289 were closed as they were not selected for investigation due to their being assessed as low risk.

The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. The Scottish Government welcomes the recent Audit Scotland report *Covid-19: Emerging fraud risks*[41] and in recognising this context and following an Internal Audit Directorate review of counter fraud measures during 2019-20 the Scottish Government

[40] http://www.gov.scot/Topics/Government/Finance/spfm/fraud
[41] https://www.audit-scotland.gov.uk/report/covid-19-emerging-fraud-risks

will recruit a new Head of the Counter Fraud Profession to enhance counter fraud capacity and capability; support operational and assurance activity; minimise the financial, statutory and reputational fraud risks to the Scottish Government and work with stakeholders across the Scottish public sector to promote a national focus on counter fraud, cross-organisational counter fraud measures and post-event assurance.

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 (SIRO), 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. The SIRO is now supported by a Deputy SIRO.

One hundred and six data security incidents were internally reported to the Scottish Government Data Protection and Information Assets team in 2019-20 for the Core Departments, of which five 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. The number of incidents is close to double that recorded last year but most are minor (misdirected e-mails and redaction errors) and reflect good reporting practice. The number of recorded data security incidents has been increasing year on year since the GDPR came into force. The type and rate of incidents do not suggest that remote working has impacted on data handling compliance. Departments have continued to meet their data handling obligations during the Covid-19 response.

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.

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 2019-20 financial year, or the period up to the signature of the accounts, by Accountable Officers within the Scottish Government consolidation boundary.

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 website[42] provides further information about their work.

The Non-Executive Directors provide direct, external, support, challenge and guidance to their "paired" Directors General (DGs) and senior staff in relation to the delivery of their portfolio-based risk, assurance and internal controls framework, and participate in the Corporate Board, one or more of the formal sub-Boards, DG Assurance meetings linked to their paired DG(s) and Scottish Government Audit and Assurance Committee. Janet Hamblin, Non-Executive Director, was the Chair of the Scottish Government Audit and Assurance Committee for the period covered by the Accounts - 2019/20. A Deputy Chair of the Scottish Government Audit and Assurance Committee – Jim Robertson – was appointed in March 2019.

Independent Non-Executive Directors of the Scottish Government are appointed by the Permanent Secretary for an initial period of three years with an annual review.

Three of the SG's experienced NXDs – Annie Gunner Logan, Hugh McKay and Linda McKay - had their contracts extended in January 2020 for an additional two years in order that we could continue to draw on their expertise and ensure continuity while the NXDs appointed in 2019

[42] http://civilservicecommission.independent.gov.uk/

increased their knowledge and experience of the Scottish Government. As is the case for all of our NXDs such appointments can be terminated with one month's notice period.

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 Code[43] 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 Economics[44].

Within the Scottish Government the Talent Action Group (TAG), comprising the Permanent Secretary, Director People and two Non-executive Directors, approve SCS pay structures and pay awards. They ensure that pay proposals fall within Scottish Public Sector Pay Policy, and the Cabinet Office framework for SCS pay. During the course of 2019-20 we introduced pay progression towards a target rate for each SCS grade ahead of capability based pay progression arrangements to be introduced for SCS by Cabinet Office. TAG agreed the following SCS pay award for 2019-20, effective 1 April 2019 and 1 October 2019. Payment were made with March 2020 salaries. The Top Level Pay Committee is used to provide an extra level of informal scrutiny on proposals put forward to TAG.

SCS Pay Steps	Deputy Director 1	Deputy Director 1A	Director	Director General
Target Rate-4	£75,087	£75,087	£93,930	£120,605
Target Rate-3	£76,518	£76,518	£95,822	£123,037
Target Rate-2	£77,948	£77,948	£97,713	£125,468
Target Rate-1	£79,378	£79,378	£99,604	£127,899
Target Rate	£80,808	£80,808	£101,495	£130,330
Target Rate +1 (DD1A)		£82,238		

[43] http://www.civilservice.gov.uk/
[44] http://www.ome.uk.com

Consolidated pay:

- 1 April 2019 – staff below the SG Target Rate for their grade receive a consolidated 1% increase and move to the nearest higher pay step in the SCS pay structure;
- 1 April 2019 – staff above the SG Target Rate for their grade (but within the overall pay band maximum set by Cabinet Office) receive a consolidated 1% or £1,600 increase (whichever is lesser);
- 1 October 2019 – staff below the SG Target Rate for their grade receive pay progression. For Pay 2019 the number of progression steps to apply is determined by service in grade.

Non-Consolidated pay:

- 1 April 2019 – staff above the SG Target Rate for their grade (but within the overall pay band maximum set by Cabinet Office) receive a non-consolidated, non-pensionable, lump-sum payment worth 0.9% of salary as at 31 March 2019.

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.

Remuneration

The remuneration of the Ministers who served over the year to 31 March 2020 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 2020 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 £92,101 (2018: £90,030) and for all other Cabinet Ministers is £47,780 (2018: £46,705).

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2019-20	2018-19	*2019-20	*2018-19	2019-20	2018-19
	£	£	£	£	£	£
Nicola Sturgeon, MSP (1)	96,379	93,903	39,005	26,721	135,384	120,624
John Swinney, MSP	47,780	46,705	20,239	13,865	68,019	60,570
Roseanna Cunningham, MSP	47,780	46,705	19,245	16,558	67,025	63,263
Michael Matheson, MSP (2)	47,780	46,705	19,245	16,558	67,025	63,263
Fiona Hyslop, MSP	47,780	46,705	20,238	13,814	68,018	60,519
Fergus Ewing, MSP	47,780	46,705	19,078	17,433	66,858	64,138
Humza Yousaf, MSP	47,780	35,317	18,740	13,777	66,520	49,094

Michael Russell, MSP	47,780	35,317	18,740	13,777	66,520	49,094
Shirley-Anne Somerville, MSP	47,780	35,317	18,740	13,777	66,520	49,094
Aileen Campbell, MSP	47,780	35,317	18,740	13,777	66,520	49,094
Jeane Freeman, MSP	47,780	35,317	21,129	15,542	68,909	50,859
Derek Mackay, MSP (3)	52,448	46,705	16,305	17,433	68,753	64,138
Kate Forbes, MSP (4)	5,629	-	25,663	-	31,292	-

(1) The First Minister's salary and total remuneration includes a benefit-in-kind for 2019-20 of £4,278 arising from the provision of accommodation at Bute House (2018-19: £3,873).

(2) Michael Matheson's pension benefits for 2018-19 are restated from £16,812 to £16,558, consequently total remuneration for 2018-19 is restated from £63,517 to £63,263.

(3) Derek Mackay resigned as Cabinet Minister on 05 February 2020. The full year equivalent salary is £47,780. Mr Mackay received an office-holder resettlement grant of £11,945 on 29 May 2020, included within the £52,448 salary.

(4) Kate Forbes was appointed as Cabinet Minister on 18 February 2020. The full year equivalent salary in 2019-20 is £47,780.

* 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 2020 is shown below:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remun-eration	Total Remun-eration
	2019-20	2018-19	*2019-20	*2018-19	2019-20	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000
James Wolffe, QC	126	123	50	46	176	169
Alison Di Rollo, QC	109	106	43	40	152	146

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

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 2020 were as follows:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remun-eration	Total Remun-eration
	2019-20	2018-19	*2019-20	*2018-19	2019-20	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	165-170	170-175	64	64	225-230	230-235
Sarah Davidson (1)	45-50	120-125	12	40	85-90	160-165
Lesley Fraser (2)	90-95	-	156	-	245-250	-
Liz Ditchburn	125-130	120-125	59	23	180-185	140-145
Malcom Wright OBE (3)	180-185	50-55	-	-	180-185	50-55
Paul Gray (4)	-	150-155	-	-	-	150-155
Paul Johnston	125-130	120-125	66	41	190-195	160-165
Ken Thomson	125-130	125-130	66	20	190-195	145-150
Alyson Stafford CBE	145-150	145-150	-	-	145-150	145-150
Barbara Allison	100-105	100-105	30	12	130-135	110-115
Nicola Richards	95-100	95-100	44	31	135-140	125-130
Gordon Wales	105-110	105-110	36	26	140-145	130-135
Ruaraidh Macniven (5)	70-75	-	85	-	155-160	-

*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) Sarah Davidson left the Corporate Board on 30 June 2019. The full year salary band for this post was £120-125k.

(2) Lesley Fraser was appointed to the role of Acting DG ODO on 1 July 2019. The full year salary band for this post was £120-125k.

(3) Malcolm Wright was appointed on secondment up until his permanent appointment to the Scottish Government on 17 June.

(4) Paul Gray was in post until 31 March 2019.

(5) Ruaraidh Macniven was appointed to the role of Solicitor to the Scottish Government on 17 June 2019. The full year salary band for this post was £ 90-95k.

No members of the Scottish Government Corporate Board received performance pay, or payments for voluntary severance or loss of office.

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.

	2019-20	**2018-19**
	£'000	**£'000**
Minimum Total Remuneration	19	18
Maximum Total Remuneration	183	165
Band of Highest Paid member of the Corporate Board Total Remuneration	180-185	165-170
Median Total Remuneration	37,418	36,328
Ratio	4.9	4.6

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.

No Senior Management Team officials received non-consolidated performance-related pay or benefits-in-kind.

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:

	2019-20 Fees	2018-19 Fees
	£'000	£'000
Janet Hamblin	5-10	10-15*
Linda McKay	5-10	5-10
Ronnie Hinds	5-10	5-10
Hugh McKay	5-10	5-10
Annie Gunner Logan	5-10	5-10

* 2018/19 fees for Janet Hamblin incorporated backdated pay.

Pension Benefits

Ministers and Law Officers

The pension entitlements of the Cabinet Team for the year to 31 March 2020 are shown below:

	Accrued pension at age 65 as at 31-Mar-20	Real increase in pension at age 65	CETV at 31-Mar-20	CETV at 31-Mar-19	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
Nicola Sturgeon	25-30	0-2.5	402	354	33
John Swinney, MSP	10-15	0-2.5	238	209	20
Fiona Hyslop, MSP	10-15	0-2.5	238	209	20
Michael Matheson, MSP	5-10	0-2.5	90	70	14
Roseanna Cunningham, MSP	5-10	0-2.5	126	100	19
Derek Mackay, MSP (to 05/02/20)	0-5	0-2.5	54	39	9
Fergus Ewing, MSP	0-5	0-2.5	87	62	19
Humza Yousaf, MSP	0-5	0-2.5	21	9	7
Michael Russell, MSP	0-5	0-2.5	41	17	18
Shirley-Anne Somerville, MSP	0-5	0-2.5	26	11	10
Aileen Campbell, MSP	0-5	0-2.5	24	10	9
Jeane Freeman, MSP	0-5	0-2.5	41	17	21
Kate Forbes MSP (from 18/02/2020)	0-5	0-2.5	12	-	11

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 2019 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 website[45].

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:

	Accrued pension at pension age as at 31-Mar-20	Real increase in pension at pension age	CETV at 31-Mar-20	CETV at 31-Mar-19	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
James Wolffe, QC	10-15	2.5-5	203	143	43
Alison Di Rollo, QC	10-15	2.5-5	179	126	38

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-20	Real increase in pension and related lump sum at pension age	CETV at 31-Mar-20	CETV at 31-Mar-19	Real Increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	80 - 85 plus a lump sum of 240 - 245	2.5 - 5 plus a lump sum of 10 - 12.5	1903	1,832	65	-
Sarah Davidson	40 - 45 plus a lump sum of 90 - 95	0 - 2.5 plus a lump sum of 0	682	672	5	-
Liz Ditchburn	40 - 45 plus a lump sum of 15 - 20	2.5 - 5 plus a lump sum of 0 - 2.5	907	803	62	-
Paul Johnston	35 - 40 plus a lump sum of 65 - 70	2.5 - 5 plus a lump sum of 0 - 2.5	545	482	34	-
Alyson Stafford CBE[1]	-	-	-	-	-	22.0
Ken Thomson	60 - 65	2.5 - 5	1278	1,155	65	-
Gordon Wales	45 - 50 plus a lump sum of 110 - 115	0 - 2.5 plus a lump sum of 0	889	830	17	-
Nicola Richards	35 - 40 plus a lump sum of 15 - 20	2.5 - 5 plus a lump sum of 0 - 2.5	555	501	26	-

[45] https://pensions.gov.scot/

Barbara Allison	30 - 35 plus a lump sum of 100 - 105	0 - 2.5 plus a lump sum of 2.5 - 5	779	712	30	-
Lesley Fraser	45 - 50 plus a lump sum of 110 - 115	5 - 7.5 plus a lump sum of 15 - 17.5	928	777	136	-
Ruaraidh Macniven	30 - 35 plus a lump sum of 60 - 65	2.5 – 5 plus a lump sum of 5 – 7.5	481	403	58	-

Malcolm Wright, Director 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 Principal 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 2019 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 in 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 website[46].

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

[46] www.civilservicepensionscheme.org.uk

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 2019-20 Scottish Government employers' contributions of £98m (2018-19: £64m) were payable to PCSPS at one of four rates in the range 26.6% to 30.3% 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 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2019-20 the value of Scottish Government employers' contributions relating to the partnership pension account is £469k (2018-19: £313k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

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. On 15 July 2019 the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service. Further information regarding this discrimination, the latest update on the legislative process and scheme valuations can be found on the Civil Service Pensions website[47].

The judgment has an impact on other occupational schemes in the public sector where some members benefits may be affected and will therefore require corrective measures. The UK Government is aiming to respond formally in early 2021 to its public consultation on proposed remedies. The Scottish Government has worked with its actuaries to ensure that the financial effect to date is taken into account until such time as the agreed remedy is published and the impact is known with certainty.

[47] https://www.civilservicepensionscheme.org.uk/members/mccloud-judgment/

People and Culture

Staff numbers and related costs

Staff numbers (Full time equivalent)	No. of Special Advisers	Perman -ent Staff	Other	2019-20 Total	Restated 2018-19 Total
Administration	14	1,467	100	1,581	1,528
Communities & Local Government		478	27	505	434
Culture, Tourism & External Affairs		135	16	151	117
Education & Skills		1,393	272	1,665	1,501
Environment, Climate Change & Land Reform		164	20	184	162
Finance Economy & Fair Work		1,093	69	1,162	1,065
Government Business & Constitutional Relations		34	2	36	45
Health & Sport		145,812	3,460	149,272	146,835
Justice		4,457	39	4,496	4,604
Rural Economy		1,889	138	2,027	1,774
Social Security & Older People		1,068	150	1,218	735
Transport Infrastructure & Connectivity		502	33	535	486
Crown Office and Procurator Fiscal Service		1,733	81	1,814	1,699
Executive Board		11	-	11	10
Total	**14**	**160,236**	**4,407**	**164,657**	**160,995**

Staff costs	2019-20 £'m	Restated 2018-19 £'m
Wages and Salaries (Permanent staff)	6,213	5,914
Social security costs (Permanent staff)	643	608
Other pension costs (Permanent staff)	1,168	797
Sub-total	**8,024**	**7,319**
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)	395	329
Total	**8,419**	**7,648**
Less recoveries in respect of outward secondments	(128)	(99)
Total net costs	**8,291**	**7,549**

Number and cost of exit packages

Exit Packages Cost Band	No of departures agreed 2019-20	Cost of exit packages 2019-20 £000	No of departures agreed 2018-19	Cost of exit packages 2018-19 £000
<£10,000	26	130	19	106
£10,000 to £25,000	27	425	21	377
£25,000 to £50,000	34	1,307	24	961
£50,000 to £100,000	39	2,510	30	1,931
£100,000 to £150,000	6	794	2	249
£150,000 to £200,000	1	197	2	374
£200,000 to £250,000	-	-	-	-
£250,000+	-	-	1	421
Total number / cost of exit packages	**133**	**5,363**	**99**	**4,419**

There were no compulsory redundancies in 2019-20 (2018-19 and 2017-18: nil).

Staff Relations, Equality, Diversity and Inclusion

In SG our vision 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.

During 2019-2020 we continued to deliver on our two equality outcomes as an employer: to increase our workforce diversity and to foster an inclusive workforce culture. The improvements we made to our Graduate Development Programme 2019 regarding outreach, engagement and language, the design of assessment centres, diversity and skill of assessors and a clear focus on diversity data led to the most diverse and representative success cohort of graduates, particularly in terms of race and disability.

Recognising the persistent underrepresentation of minority ethnic people in Scottish Government, we initiated work to develop a Race Recruitment and Retention Plan which has tackling institutional racism as its core ambition. This Plan, reflecting our actions as an employer, will contribute to the ongoing implementation of Scottish Government's wider Race Equality Action Plan[48]. The Race Recruitment and Retention Plan will be published later this year.

Working in partnership with the Council of Scottish Government Unions and taking advice and insight from Disabled People's Organisations and disabled employees, we developed our Recruitment and Retention Plan for Disabled People 2019[49]. The Plan set out the action we have committed to taking to:

- Become an employer of choice with strong representation of disabled people at all levels of the workforce.
- Foster an inclusive and supportive culture where people can be themselves at work.
- Ensure our corporate policies and practices work well, and work well together.
- Create accessible workplaces where everyone can thrive at work

Since launch, delivery activity has focused around testing a new Workplace Adjustment Service designed around a person-centred approach.

More broadly, over the past year we began development of an internal Diversity and Inclusion strategy to set expectations for the leadership and management of equality, diversity and inclusion across the organisation.

A comprehensive assessment of our progress towards mainstreaming equality and delivering on our equality outcomes will be published in April 2021 in our Equality Outcomes and Mainstreaming Report.

In 2019-20, an average of 8.1 working days (2018-19: 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 2020 was 5.15% of total contracted hours (2018-19: 5.4% of total contracted hours). Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

[48] https://www.gov.scot/publications/fairer-scotland-race-equality-action-plan-2017-2021-highlight-report/
[49] https://www.gov.scot/publications/fairer-scotland-disabled-people-scottish-government-recruitment-retention-plan-disabled-people-2019/pages/1/

During 2019-20 there were 47,202 male staff, 153,922 female staff and 105 who prefer not to say (2018-19: 46,591 male, 151,467 female and 17 prefer not to say staff). Within these totals were 1,815 male and 1,481 female Senior Civil Servants or equivalent (2018-19: 1,818 male and 1,442 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 2019 and 31 March 2020[50].

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 2020 was 3,015 (restated 2018-19: 2,738 to include 10 Student Awards Agency Scotland staff).

[44]https://www.gov.scot/publications/facility-time-by-scottish-government-trade-union-representatives-2019-20/

Losses, Gifts 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	2019-20 No of Cases	2019-20 £m	Restated 2018-19 £m
Finance, Economy and Fair Work	1,175	2.16	1.76
Health & Sport (1)	3,742	3.03	3.66
Education & Skills (2)	1,363	0.11	0.06
Justice (3)	459	0.08	0.24
Transport, Infrastructure and Connectivity (4)	54	10.49	0.33
Communities and Local Government (2)	-	-	-
Rural Economy	157	1.17	0.02
Culture, Tourism and External Affairs (2)	-	-	-
Environment, Climate Change and Land Reform (4)	19	0.89	-
Social Security & Older People (2)	2,753	4,13	0.005
Administration (2)	31	0.14	0.05

(1) £0.13m irrecoverable student nursing bursaries have been included, although information was not accessible to report the number of cases involved (2018: £0.22m 142 cases).

(2) 15 cases amounting to £0.004m in 2018-19 for operating costs have been reclassified from Administration.

(3) 3 cases amounting to £0.11m in 2018-19 for Scottish Prison Service were previously omitted.

(4) 27 cases amounting to £0.33m in 2018-19 for Transport Scotland were previously reported within Environment, Climate Change and Land Reform portfolio accounts instead of Transport, Infrastructure and Connectivity portfolio.

Details of cases over £0.30m:

Portfolio	Details	2019-20 £m
Transport, Infrastructure and Connectivity	A commercial loan to Burntisland Fabrications Limited (BiFab) not expected to be recovered.	9.0
Rural Economy	A grant to support the building of a new processing facility but the company subsequently went into administration which activated a condition for repayment.	0.97

There were no cases over £0.30m in 2018-19. (5)

Special Payments

Portfolio	2019-20 No of Cases	2019-20 £m	Restated 2018-19 £m
Finance, Economy and Fair Work (5)	14	0.01	0.007
Health and Sport	1,102	51.31	44.9
Education and Skills	4	0.03	0.01
Justice	368	3.78	3.61
Transport, Infrastructure and Connectivity	1	65.00	-
Rural Economy	4	0.02	0.06
Social Security and Older People	9	0.004	
Administration	20	0.15	0.83
Crown Office and Procurator Fiscal Service (6)	20	0.47	0.23

(5) 1 case amounting to £0.37m in 2018-19 for Scottish Public Pensions Agency has been removed as it was a provision and no loss or special payment should have been reported for this case.
(6) 24 cases amounting to £0.23m in 2018-19 for Crown Office and Procurator Fiscal Service were previously omitted.

Details of cases over £0.30m:

Portfolio	2019-20 No of Cases	Details	2019-20 £m	2018-19 £m
Health and Sport: NHS Boards:		Clinical Compensation Payments:		
	1	Golden Jubilee Foundation	0.37	-
	-	NHS Ayrshire and Arran	-	4.94
	2	NHS Dumfries and Galloway	1.98	0.40
	4	NHS Fife	4.05	1.35
	-	NHS Forth Valley	-	0.50
	2	NHS Grampian	0.88	1.09
	2	NHS Greater Glasgow and Clyde	0.94	-
	2	NHS Highland	1.52	-
	8	NHS Lanarkshire	4.06	2.55
	7	NHS Lothian	5.05	2.70
	1	NHS Tayside	1.20	4.42
	1	NHS 24	0.53	0.64
Transport, Infrastructure and Connectivity	1	A full and final commercial settlement of £65 million was paid to Aberdeen Roads Limited (ARL) in connection with the construction phase of the AWPR project. The settlement was reached on a commercial basis and without any admission of liability by any party. The terms of the settlement agreement are commercially sensitive and confidential.	65.0	-

There were 23 cases over £0.30m in 2018-19.

Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2019-20 No of Cases	2019-20 £m	2018-19 £m
Rural Economy	1	0.001	-
Culture, Tourism and External Affairs	170	0.003	0.12
Administration	60	0.003	0.002

There were no cases over £0.30m in 2019-20 (2018-19: £nil).

Leslie Evans

Leslie Evans
Principal Accountable Officer

11 December 2020

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 2020 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Summary of Total Outturn Statement, the Summary of Resource Outturn Statement, the Summary of Capital Outturn Statement, the twelve Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Statement of Comprehensive Net Expenditure and Changes in Taxpayer's Equity, the Cash Flow Statement, 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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.

Emphasis of matter – property valuations

I draw attention to *Note 1.2 Critical accounting judgments and key sources of estimation in the Statement of Accounting Policies* which describes the effects of material uncertainty on property valuations, caused by Covid-19, as declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

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 website[51], 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 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 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 website[52]. 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.

[51] http://www.audit-scotland.gov.uk/our-work/annual-audits
[52] http://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.

Stephen Boyle

Stephen Boyle,
Auditor General for Scotland,
102 West Port, Edinburgh, EH3 9DN

11 December 2020

Summary of Total Outturn

For the year ended 31 March 2020

Restated 2018-19 Outturn £m	Programme Resources	Resource Outturn £m	Capital Outturn £m	Total Outturn £m	Budget £m	Variance £m
13,863	Health and Sport	14,271	294	14,565	14,587	(22)
11,139	Communities and Local Government	12,352	204	12,556	11,670	886
556	Finance, Economy and Fair Work	537	48	585	729	(144)
4,196	Education and Skills	3,731	597	4,328	4,122	206
2,634	Justice	2,774	11	2,785	2,800	(15)
2,373	Transport, Infrastructure and Connectivity	2,472	257	2,729	2,961	(232)
238	Rural Economy	440	(52)	388	393	(5)
409	Environment, Climate Change and Land Reform	214	265	479	476	3
293	Culture, Tourism and External Affairs	282	-	282	286	(4)
300	Social Security and Older People	470	59	529	543	(14)
15	Government Business and Constitutional Relations	13	-	13	15	(2)
121	Crown Office and Procurator Fiscal Service	139	7	146	134	12
36,137	**TOTAL OUTTURN**	**37,695**	**1,690**	**39,385**	**38,716**	**669**

Summary of Resource Outturn

For the year ended 31 March 2020

Restated 2018-19 Outturn £m	Programme Resources	Outturn £m	Budget £m	Variance £m
13,518	Health and Sport	14,271	14,259	12
10,994	Communities and Local Government	12,352	11,437	915
499	Finance, Economy and Fair Work	537	565	(28)
3,649	Education and Skills	3,731	3,571	160
2,619	Justice	2,774	2,788	(14)
2,140	Transport, Infrastructure and Connectivity	2,472	2,617	(145)
198	Environment, Climate Change and Land Reform	214	212	2
279	Rural Economy	440	446	(6)
293	Culture, Tourism and External Affairs	282	286	(4)
282	Social Security and Older People	470	476	(6)
15	Government Business and Constitutional Relations	13	15	(2)
115	Crown Office and Procurator Fiscal Service	139	124	15
34,601	**TOTAL RESOURCE OUTTURN**	**37,695**	**36,796**	**899**
	Of which Operating Costs	*0*		

Summary of Capital Outturn

For the year ended 31 March 2020

Restated 2018-19 Outturn £m	Programme Resources	Outturn £m	Budget £m	Variance £m
345	Health and Sport	294	328	(34)
145	Communities and Local Government	204	233	(29)
57	Finance, Economy and Fair Work	48	164	(116)
547	Education and Skills	597	551	46
15	Justice	11	12	(1)
233	Transport, Infrastructure and Connectivity	257	344	(87)
211	Environment, Climate Change and Land Reform	265	264	1
(41)	Rural Economy	(52)	(53)	1
-	Culture, Tourism and External Affairs	-	-	-
18	Social Security and Older People	59	67	(8)
-	Government Business and Constitutional Relations	-	-	-
6	Crown Office and Procurator Fiscal Service	7	10	(3)
1,536	**TOTAL CAPITAL OUTTURN**	**1,690**	**1,920**	**(230)**

2018-19 outturn has been restated as, with effect from 1 April 2019, there is no longer a separate Administration "portfolio".
Operating costs include amounts previously included in both Administration and individual portfolios.
For further information on the implementation of operating costs, see details provided in Note 6f.

Health and Sport

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
13,335	Health and Sport	1	14,821	686	14,135	14,128	7
13,335	**Total Expenditure Limit**		**14,821**	**686**	**14,135**	**14,128**	**7**
	UK Funded Annually Managed Expenditure						
146	Health		92	-	92	91	1
146	**Total AME**		**92**	**-**	**92**	**91**	**1**
	Other Expenditure						
37	Health - Revenue-financed infrastructure	2	50	6	44	40	4
37	**Total Other Expenditure**		**50**	**6**	**44**	**40**	**4**
13,518	**TOTAL RESOURCES**		**14,963**	**692**	**14,271**	**14,259**	**12**
291	Capital - Additions	3	280	-	280	271	9
(8)	Capital - Disposals	3	-	27	(27)	-	(27)
-	Capital AME - Additions		-	-	-	-	-
-	Capital AME - Disposals/Repayments		-	-	-	-	-
62	Capital (Other Expenditure) - Additions	4	41	-	41	57	(16)
-	Capital ODEL - Disposals/Repayments		-	-	-	-	-
345	**TOTAL CAPITAL**		**321**	**27**	**294**	**328**	**(34)**
13,863	**TOTAL OUTTURN**		**15,284**	**719**	**14,565**	**14,587**	**(22)**

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 £6,353m was received by Boards in 2019-20 (2018-19: £5,879m) for provision of healthcare services commissioned by Integration Authorities. NHS funding to Integration Authorities for 2019-20 totalled £6,435m (2018-19: £5,988m).

Explanation of Major Variances greater than £3m:

Note 1 Costs of GP prescribing, which had significantly increased activity in March 2020, and the costs of providing for an increase in unused annual leave to be carried forward into 2020-21 by NHS Boards and Integration Authorities, partially offset by lower than anticipated impairment charges.

Note 2 Lower than expected levels of donated assets.

Note 3 Significant parts of capital programme stopped from the beginning of March when the COVID-19 response began.

Note 4 Slippage in Hub programmes due to COVID-19.

Communities and Local Government

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
7,492	Local Government		7,653	-	7,653	7,654	(1)
12	Planning		11	-	11	11	-
647	Housing	1	702	11	691	707	(16)
61	Social Justice and Regeneration	2	59	2	57	61	(4)
21	Third Sector		22	-	22	22	-
4	Governance and Reform		6	-	6	6	-
102	Central Government Grants to Local Authorities		123	-	123	123	-
8,339	**Total Expenditure Limit**		**8,576**	**13**	**8,563**	**8,584**	**(21)**
	UK Funded Annually Managed Expenditure						
2,636	Non-Domestic Rates		2,853	-	2,853	2,853	-
-	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	3	912	-	912	-	912
17	Housing		24	-	24	-	24
2	Third Sector		-	-	-	-	-
2,655	**Total AME**		**3,789**	**-**	**3,789**	**2,853**	**936**
10,994	**TOTAL RESOURCES**		**12,365**	**13**	**12,352**	**11,437**	**915**
221	Capital - Additions/Advances	4	282		282	233	49
(76)	Capital - Disposals/Repayments	4	(78)		(78)	-	(78)
145	**TOTAL CAPITAL**		**204**	**-**	**204**	**233**	**(29)**
11,139	**TOTAL OUTTURN**		**12,569**	**13**	**12,556**	**11,670**	**886**

Explanation of Major Variances greater than £3m:

Note 1 Capital grants lower than anticipated due to the reduced construction activity in March 2020 (£9m), lower than anticipated demand in Home Energy Efficiency Programmes for Scotland (HEEPS) (£3m), additional expenditure of £3m in relation to Discretionary Housing Payments enabling Ministers to fully mitigate effects of Bedroom Tax. In addition, indirect capital receipts higher than anticipated (£9m).

Note 2 An increase in anticipated receipts from the EU for Growing the Social Economy Fund and Aspiring Communities Fund.

Note 3 COVID-19 business support grant provision: As detailed in note 1.26 the government's COVID-19 business support grants have been recognised in 2019-20, resulting in a provision for £912 million being recognised in Note 15. These grants have been paid out in 2020-21, clearing the liability.

Note 4 The underspend of £29m mostly relates to the demand-led nature of the housing loan schemes, including Infrastructure Loan Fund (£27m), Open Market Shared Equity (£26m), Mid Market Rent (£20m), Home Energy Efficiency Programmes Scotland (HEEPS) (£11m), Help to Buy (£6m) and Rural Housing Initiative (£1m) partially offset by additional expenditure on Charitable Bonds (£48m) and in relation to the First Home Fund (£8m). Also, £9m expenditure in relation to SPRUCE. In addition, receipts higher than anticipated (£4m).

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

Finance, Economy and Fair Work

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
16	Scottish Public Pensions Agency		18	-	18	19	(1)
57	Finance	1	80	4	76	81	(5)
10	Economic Advice		17	-	17	15	2
270	Enterprise, Trade and Investment	2	344	45	299	316	(17)
23	Digital Strategy		33	9	24	26	(2)
1	Accountant in Bankruptcy		13	11	2	3	(1)
48	Employability and Training	3	49	1	48	53	(5)
-	European Social Fund 2014-20 Programmes		17	17	-	-	-
-	European Regional Development Fund 2014-20 Programmes		15	15	-	-	-
(2)	European Structural Funds - Closed Schemes		-	-	-	-	-
-	Central Government Grants to Local Authorities		52	-	52	52	-
423	**Total Expenditure Limit**		**638**	**102**	**536**	**565**	**(29)**
	UK Funded Annually Managed Expenditure						
78	Enterprise, Trade and Investment		3		3	-	3
(2)	European Social Fund/European Regional Development Fund		-		-	-	-
-	Finance		(2)		(2)	-	(2)
76	**Total AME**		**1**	**-**	**1**	**-**	**1**
499	**TOTAL RESOURCES**		**639**	**102**	**537**	**565**	**(28)**
57	Capital - Additions/Advances	4	49		49	164	(115)
-	Capital - Disposals/Repayments		(1)		(1)	-	(1)
57	**TOTAL CAPITAL**		**48**	**-**	**48**	**164**	**(116)**
556	**TOTAL OUTTURN**		**687**	**102**	**585**	**729**	**(144)**

Explanation of Major Variances greater than £3m:

Note 1 Mainly due to lower than anticipated depreciation of the Scottish Government's assets and expected payments to HMRC for Scotland Act implementation which did not materalise.

Note 2 £10m underspend due to lower than anticipated Scottish Enterprise working capital requirement, £10m of miscellaneous minor underspends across a range of programmes partially offset by £3m Lochaber Financial Instruments guarantee and £3m SME Holding Fund costs deemed ineligible for EU funding.

Note 3 Lower than anticipated Fair Start Scotland spend due to fewer outcomes being achieved as a result of a lower number of programme starts and a delay in the development of the No One Left Behind (NOLB) programme. The temporary deferral of the Women Returners programme and other minor variances also contributed to the overall underspend.

Note 4 During the year, the level of Financial Transactions disbursed by the precursor Scottish National Investment Bank was reduced by £80m, and expenditure was reduced by £21m due to lower than anticipated drawn down of funds from the Building Scotland Fund and Scottish Growth Scheme. £4m of reprofiled National Manufacturing Institute for Scotland expenditure to reflect construction and recruitment phases. Also, lower than anticipated demand in the Digital Development Loan fund (£10m).

Remaining £5m consists of other minor variances across a number of programmes within the portfolio.

Education and Skills

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
255	Learning	1	279	2	277	275	2
125	Children and Families	2	155	17	138	141	(3)
10	Early Learning and Childcare Programme		7	-	7	8	(1)
1,201	Higher Education Student Support	3	666	4	662	565	97
1,868	Scottish Funding Council		1,883	-	1,883	1,882	1
9	Advanced Learning and Science		12	-	12	12	-
236	Skills and Training	4	269	-	269	251	18
353	Central Government Grants to Local Authorities		589	-	589	589	-
4,057	**Total Expenditure Limit**		**3,860**	**23**	**3,837**	**3,723**	**114**
	UK Funded Annually Managed Expenditure						
-	Learning		-	-	-	-	-
(408)	Higher Education Student Support	5	31	137	(106)	(152)	46
(408)	**Total AME**		**31**	**137**	**(106)**	**(152)**	**46**
3,649	**TOTAL RESOURCES**		**3,891**	**160**	**3,731**	**3,571**	**160**
12	Capital - Additions		12	-	12	13	(1)
-	Capital DEL - Disposals/Repayments		-	-	-	-	-
690	Capital (AME) - Advances	6	758		758	698	60
(155)	Capital (AME) - Repayments	6	(173)		(173)	(160)	(13)
547	**TOTAL CAPITAL**		**597**	**-**	**597**	**551**	**46**
4,196	**TOTAL OUTTURN**		**4,488**	**160**	**4,328**	**4,122**	**206**

Explanation of Major Variances greater than £3m:

Note 1 Additional Scottish Attainment Challenge expenditure due to higher than anticipated Local Authority claims against their allocations from the various workstreams funded by the Attainment Scotland Fund. National Improvement Fund expenditure was lower than anticipated due to lower take up of national standardised assessments by schools.

Note 2 Disclosure Scotland expenditure on staff, accommodation and computer services was lower than anticipated. Further underspend due to difficulty in recruiting consultants to build the PASS system.

Note 3 Increased demand for Care Experience Bursaries and Care Experienced Accommodation Grants. Late change in RAB and Stock charge percentages used to calculate Student Loans impairment. These changes were due to revised consideration of macro-economic factors. This is non-cash adjustment.

Note 4 Due to the suspension of European Social Funding in 2019-20, Skills Development Scotland were provided with additional funding to allow them to continue to provide funding to training providers at the request of Scottish Ministers. This is partially offset by a small underspend on Education Maintenance Allowance as claim volumes dropped significantly in March 2020.

Note 5 Higher capitalised interest receipts in year due to a catch up exercise with HMRC with regard to data sharing and timings. Capitalised interest also impacting Fair Value calculations.

Note 6 Variance due to lower loans issued in-year and higher repayments received than had been forecast, offset by an increase in capitalised interest as a result of more frequent data sharing between HMRC and SLC removing lag in data transfer.

Justice

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
30	Community Justice Services		33	-	33	35	(2)
1	Judiciary		1	-	1	1	-
17	Criminal Injuries Compensation		15	-	15	16	(1)
134	Legal Aid	1	143	-	143	140	3
63	Police Central Government		66	2	64	66	(2)
6	Safer and Stronger Communities		17	6	11	11	-
425	Police and Fire Pensions	2	493	-	493	501	(8)
270	Scottish Prison Service	3	292	8	284	289	(5)
39	Miscellaneous	4	42	1	41	45	(4)
1,169	Scottish Police Authority	5	1,212	-	1,212	1,216	(4)
299	Scottish Fire and Rescue Service	6	306	-	306	299	7
87	Central Government Grants to Local Authorities		88	-	88	88	-
2,540	**Total Expenditure Limit**		**2,708**	**17**	**2,691**	**2,707**	**(16)**
	UK Funded Annually Managed Expenditure						
(1)	Scottish Prison Service		1	-	1	-	1
(1)	**Total AME**		**1**	**-**	**1**	**-**	**1**
	Other Expenditure						
74	Scottish Prison Service		78	-	78	78	-
6	Scottish Police Authority Loan Charges		4	-	4	3	1
80	**Total Other Expenditure**		**82**	**-**	**82**	**81**	**1**
2,619	**TOTAL RESOURCES**		**2,791**	**17**	**2,774**	**2,788**	**(14)**
9	Capital - Additions		11	-	11	12	(1)
(1)	Capital - Disposals		-	-	-	-	-
7	Capital (Other Expenditure) - Additions		-	-	-	-	-
15	**TOTAL CAPITAL**		**11**	**-**	**11**	**12**	**(1)**
2,634	**TOTAL OUTTURN**		**2,802**	**17**	**2,785**	**2,800**	**(15)**

Explanation of Major Variances greater than £3m:

Note 1 Scottish Legal Aid Fund is demand led in nature. Higher than anticipated working capital requirement.

Note 2 Police and Fire Pensions are demand-led in nature. Lower than anticipated expenditure relates to more officers eligible to retire staying in post.

Note 3 The underspend of 1.7% is primarily attributable to slippage in the maintenance programme that was scheduled to take place in the last quarter (c.£1m). Other cost pressures, that were estimated earlier in the year came in lower than anticipated, either due to the timing of settlements or due to delays in the ability to utilise the funding prior to the end of the financial year (c.£2m). Depreciation charges were also about £1m below budget.

Note 4 Implementation of the Criminal Evidence Act has not proceeded as expected. Revised timing of cyber security related projects. Payments of compensation for a miscarriage of justice are demand-led.

Note 5 Lower than anticipated Scottish Police Authority working capital requirement.

Note 6 Higher than anticipated Scottish Fire and Rescue Service working capital requirement.

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 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
759	Rail Services	1	997	-	997	987	10
263	Concessionary Fares and Bus Services	2	276	1	275	281	(6)
176	Other Transport Policy, Projects and Agency Administration	3	161	1	160	168	(8)
331	Motorways and Trunk Roads	4	413	1	412	404	8
198	Ferry Services	5	222	7	215	224	(9)
47	Air Services		59	-	59	61	(2)
14	Digital Connectivity	6	14	-	14	31	(17)
35	Energy	7	49	4	45	78	(33)
92	Cities Investment and Strategy	8	115	-	115	184	(69)
-	Ferguson Marine	9	17	-	17	11	6
37	Central Government Grants to Local Authorities		42	-	42	43	(1)
1,952	**Total Expenditure Limit**		**2,365**	**14**	**2,351**	**2,472**	**(121)**
	UK Funded Annually Managed Expenditure						
-	Motorways and Trunk Roads		-	-	-	-	-
30	Air Services		-	-	-	-	-
36	Energy		-	-	-	-	-
66	**Total AME**		**-**	**-**	**-**	**-**	**-**
	Other Expenditure						
122	Motorways and Trunk Roads PPP/PFI	10	121		121	145	(24)
122	**Total Other Expenditure**		**121**	**-**	**121**	**145**	**(24)**
2,140	**TOTAL RESOURCES**		**2,486**	**14**	**2,472**	**2,617**	**(145)**
249	Capital - Additions/Advances	11	302	-	302	344	(42)
(9)	Capital - Disposals/Repayments	11	(1)	20	(21)	-	(21)
(7)	Capital (AME) - Capital Provision	12	(21)		(21)	-	(21)
-	Capital ODEL - Disposals/Repayments	13	(3)		(3)	-	(3)
233	**TOTAL CAPITAL**		**277**	**20**	**257**	**344**	**(87)**
2,373	**TOTAL OUTTURN**		**2,763**	**34**	**2,729**	**2,961**	**(232)**

Explanation of Major Variances greater than £3m:

Note 1	The overspend is largely due to additional payments totalling £31 million in respect of Covid-19 to cover reductions in operators' passenger income and increased revenue support of £2m, offset by underspends in Rail Major Projects and Infrastructure (£23m).
Note 2	Lower than anticipated Bus Service Operators Grant payments (£2m), delay on smartcard procurement project (£2m), deferment of low emission bus fund investment to 2020-21 (£3m) and other minor underspends offset by demographic pressure on concessionary travel scheme.
Note 3	Deferral of Strategic Transport Review Projects (£3m), reprofiling of Future Transport Fund projects (£3m) and other minor underspends offsetting minor overspends.
Note 4	Payment of Aberdeen Western Peripheral Route (AWPR) contractor compensation £65m and expenditure reclassified from capital £16m partially offset by lower than anticipated road depreciation (£46m), lower expenditure on low emission zone introduction initiatives (£20m) and deferred spend by operating companies (£7m).
Note 5	Deferred expenditure on pier and harbour improvement projects, including Lochmaddy and Uig triangle.
Note 6	Mainly due to delays to procurement on the R100 (Reaching 100%) broadband roll out (£13m). Also savings on the Scottish 4G Infill programme to deliver 4G LTE infrastructure to remote locations.
Note 7	Lower than anticipated take-up of demand-led Energy budgets including Energy Efficiency schemes, Decommissioning Challenge Fund, Renewable Energy and Low Carbon Economy schemes. Also, expected credit losses lower than anticipated.
Note 8	Re-profiling of complex projects within Regional City Deals packages.
Note 9	Costs of funding Ferguson Marine in Administration prior to public ownership.
Note 10	Reduction in unitary charges for revenue financed projects due to delays on the Aberdeen Western Peripheral Route (AWPR) and profile of lifecycle maintenance.
Note 11	Lower than anticipated take-up of demand-led Renewable Energy budget. Loans of £9m to Burntisland Fabrications. Additional £10m of loan repayments received in relation to the Energy Investment Fund during the year.
Note 11	Reduced loan support for Prestwick and Highlands and Islands Airports commercial investment (£3m); reclassification of road maintenance expenditure to resource (£16m); deferred expenditure on AWPR, A9 and other major road schemes (£59m); net savings on other major road schemes (£3m); and deferred expenditure on vessel procurement (£16m). Less: additional vessel purchase agreed (£38m); higher than anticipated demand for electric vehicles and bike loans (£3m).
Note 12	Release of Motorways and Trunk Roads capital provisions.
Note 13	Reduction in PFI liability.

Environment, Climate Change and Land Reform

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	Programme	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
64	Marine		86	13	73	73	-
63	Research, Analysis and Other Services		68	1	67	68	(1)
151	Environmental Services	1	156	-	156	151	5
17	Climate Change & Land Managers Renewables Fund		16	-	16	18	(2)
(99)	Scottish Water		5	105	(100)	(98)	(2)
196	**Total Expenditure Limit**		**331**	**119**	**212**	**212**	**-**
	UK Funded Annually Managed Expenditure						
2	Marine		2	-	2	-	2
-	Research, Analysis and Other Services		-	-	-	-	-
-	Environmental Services		-	-	-	-	-
-	Climate Change & Land Managers Renewables Fund		-	-	-	-	-
-	Scottish Water		-	-	-	-	-
2	**Total AME**		**2**	**-**	**2**	**-**	**2**
	Other Expenditure (ODEL)						
-					-	-	-
-	**Total ODEL**		**-**	**-**	**-**	**-**	**-**
198	**TOTAL RESOURCES**		**333**	**119**	**214**	**212**	**2**
208	Capital - Voted Loans		344	88	256	253	3
-	Capital - Additions/Advances		4	-	4	4	-
3	Capital - Additions		5	-	5	7	(2)
	Capital - Disposals		-		-	-	-
							-
211	**TOTAL CAPITAL**		**353**	**88**	**265**	**264**	**1**
409	**TOTAL OUTTURN**		**686**	**207**	**479**	**476**	**3**

Explanation of Major Variances greater than £3m:

Note 1 £7m Higher than anticipated Scottish Environmental Protection Agency working capital requirement. £1m Covid-19 impact on delivery leading to re-profiled expenditure for Water Environment Fund projects. Zero Waste Scotland £1m returned funding from prior year.

Rural Economy

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
160	EU Support and Related Services		762	601	161	163	(2)
31	Rural Services		123	-	123	123	-
5	Fisheries and Aquaculture Grants	1	12	6	6	9	(3)
74	Rural Economy Enterprise	2	77	-	77	72	5
-	Scottish Forestry	3	79	25	54	58	(4)
-	Forestry and Land Scotland		19	-	19	21	(2)
270	**Total Expenditure Limit**		**1,072**	**632**	**440**	**446**	**(6)**
	UK Funded Annually Managed Expenditure						
9	EU Support and Related Services		-	-	-	-	-
9	**Total AME**		**-**	**-**	**-**	**-**	**-**
	Other Expenditure						
-	Animal License Fees		-	-	-	-	-
-	**Total Other Expenditure**		**-**	**-**	**-**	**-**	**-**
279	**TOTAL RESOURCES**		**1,072**	**632**	**440**	**446**	**(6)**
452	Capital - Additions/Advances	4	393	-	393	21	372
(493)	Capital - Disposals/Repayments	4	(445)	-	(445)	(74)	(371)
(41)	**TOTAL CAPITAL**		**(52)**	**-**	**(52)**	**(53)**	**1**
238	**TOTAL OUTTURN**		**1,020**	**632**	**388**	**393**	**(5)**

Explanation of Major Variances greater than £3m:

Note 1 £6m Demand led programme - a greatly reduced take up rate, primarily due to the impact of Covid-19 on both the supply chain and project progression. This is partially offset by £3m reduced level of associated income to be received from the EU.

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

Note 3 Net additional income as a result of the change in the co-financing rate that came into effect on 1 January 2020. Staff cost savings, underspends and returned funding in various areas partly due to activities being curtailed in March due to Covid-19.

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

Culture, Tourism and External Affairs

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
21	External Affairs		21	1	20	22	(2)
233	Culture, Tourism and Major Events		223	-	223	225	(2)
39	Historic Environment Scotland		39	-	39	39	-
293	**Total Expenditure Limit**		**283**	**1**	**282**	**286**	**(4)**
	UK Funded Annually Managed Expenditure						
-	UK Funded AME		-	-	-	-	-
-	**Total AME**		**-**	**-**	**-**	**-**	**-**
293	**TOTAL RESOURCES**		**283**	**1**	**282**	**286**	**(4)**
-	Capital - Additions/Advances		-		-	-	-
-	**TOTAL CAPITAL**		**-**	**-**	**-**	**-**	**-**
293	**TOTAL OUTTURN**		**283**	**1**	**282**	**286**	**(4)**

Explanation of Major Variances greater than £3m:

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

Social Security and Older People

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
67	Social Security	1	96	2	94	102	(8)
191	Social Security Assistance		342	-	342	341	1
24	Equalities		29	-	29	28	1
282	**Total Expenditure Limit**		**467**	**2**	**465**	**471**	**(6)**
	UK Funded Annually Managed Expenditure						
-	Social Security Assistance		5	-	5	5	-
-	**Total AME**		**5**	**-**	**5**	**5**	**-**
282	**TOTAL RESOURCES**		**472**	**2**	**470**	**476**	**(6)**
18	Capital - Additions/Advances	2	59	-	59	67	(8)
-	Capital - Disposals/Repayments		-	-	-	-	-
18	**TOTAL CAPITAL**		**59**	**-**	**59**	**67**	**(8)**
300	**TOTAL OUTTURN**		**531**	**2**	**529**	**543**	**(14)**

Explanation of Major Variances greater than £3m:

Note 1 Underspend mainly due to the re-phasing of activity between 2019-20 and 2020-21.

Note 2 £2m underspend on Funeral Support Payments loans - The budget of £6.2 million was based on the Scottish Fiscal Commission's forecast which had assumed an earlier launch date. Funeral Support Payment benefit expenditure is funded by a financial transactions (loans) budget. This type of budget is used when recoveries are expected (in this case from the deceased's estate).

£6m underspend on capital consists of minor variances across a number of capital projects within the portfolio.

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

Government Business and Constitutional Relations

Portfolio Outturn Statement for the Year Ended 31 March 2020

Restated 2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
15	Government Business and Constitutional Relations		13	-	13	15	(2)
15	**Total Expenditure Limit**		**13**	**-**	**13**	**15**	**(2)**
	UK Funded Annually Managed Expenditure						
-							
-	**Total AME**		-	-	-	-	-
15	**TOTAL RESOURCES**		**13**	**-**	**13**	**15**	**(2)**
-	**TOTAL CAPITAL**		-	-	-	-	-
15	**TOTAL OUTTURN**		**13**	**-**	**13**	**15**	**(2)**

Explanation of Variances:

Total Outturn variance of £2m consists of minor variances across a number of programmes within the portfolio.

The Crown Office and Procurator Fiscal Service

Portfolio Outturn Statement for the Year Ended 31 March 2020

2018-19 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
	Staff Costs						
79	The Crown Office and Procurator Fiscal Service		89		89	89	-
-	Other				-	-	-
	Administration Expenditure						
9	Accommodation		8		8	7	1
1	Travel/Transport		1		1	1	-
15	Legal		15		15	14	1
6	Supplies and Services		6		6	6	-
4	Capital Charges		4		4	4	-
-	Other Office Costs		2		2	1	1
114	**Total Expenditure Limit**		**125**	**-**	**125**	**122**	**3**
	UK Funded Annually Managed Expenditure						
1	Impairment	1	14		14	2	12
1	**Total AME**		**14**	**-**	**14**	**2**	**12**
115	**TOTAL RESOURCES**		**139**	**-**	**139**	**124**	**15**
6	Capital - Additions	1	7		7	10	(3)
6	**TOTAL CAPITAL**		**7**	**-**	**7**	**10**	**(3)**
121	**TOTAL OUTTURN**		**146**	**-**	**146**	**134**	**12**

Explanation of Major Variances greater than £3m:

Note 1 Toxicology project (£2.4m expected spend in year) was deferred.
Note 2 Provision for litigation case not budgeted for.

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

Consolidated Statement of Financial Position

As at 31 March 2020

2018-19 £m		Note	2019-20 £m
	Non-Current Assets		
30,463	Property, Plant and Equipment	7	30,699
199	Intangible Assets	8	237
8,488	Other Financial Assets including Investments due in more than one year	11	9,200
150	Receivables and Other Assets due in more than one year	13	101
39,300	**Total Non-Current Assets**		**40,237**
	Current Assets		
121	Inventories	10	142
1,078	Receivables and Other Current Assets	13	1,202
1,020	Cash and Cash Equivalents	2	970
551	Other Financial Assets including Investments due within one year	11	521
16	Non-Current Assets Classified as Held for Sale	9	10
2,786	**Total Current Assets**		**2,845**
42,086	**Total Assets**		**43,082**
	Current Liabilities		
(3,946)	Payables and Other Current Liabilities	14	(3,989)
(28)	Other Financial Liabilities due within one year	14	(35)
(220)	Provisions for Liabilities and Charges due within one year	15	(1,165)
(4,194)	**Total Current Liabilities**		**(5,189)**
37,892	**Total Assets less Current Liabilities**		**37,893**
	Non-Current Liabilities		
(3,161)	Payables and Other Liabilities	14	(2,997)
(564)	Other Financial Liabilities due in more than one year	14	(581)
(880)	Provisions for Liabilities and Charges due in more than one year	15	(877)
(4,605)	**Total Non-Current Liabilities**		**(4,455)**
33,287	**Assets less Liabilities**		**33,438**
	Taxpayers' Equity		
22,862	General Fund	SOCTE	22,762
10,425	Revaluation Reserve	SOCTE	10,676
33,287	**Total Taxpayers' Equity**		**33,438**

The notes on pages 90 to 143 form part of these accounts.

Leslie Evans

Leslie Evans
Principal Accountable Officer

11 December 2020

Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity

For the year ended 31 March 2020

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2019		**22,862**	**10,425**	**33,287**
Net operating cost for the year		(37,695)	**-**	**(37,695)**
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7	-	395	**395**
Non-Operating gain/(loss) on transfer of property, plant and equipment	7	-	-	**-**
Scottish Forestry transfer in year	5	(3)	-	**(3)**
Total Comprehensive Expenditure for the year ended 31 March 2020		**(37,698)**	**395**	**(37,303)**
Non Cash Charges				
Non cash charges - auditor's remuneration	6e	3	-	3
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment	3a	(235)	-	(235)
Total Non Cash charges		**(232)**	**-**	**(232)**
Other Reserve movements				
Prior year adjustments	11	(17)	-	(17)
NHS Highland Pension movement		16	-	16
Roads historic adjustment		75		
Transfer between reserves		144	(144)	-
Total other reserve movements/adjustments		**218**	**(144)**	**(1)**
Funding				
Parliamentary Funding		37,616	-	37,616
Less funding to pensions schemes		(39)	-	(39)
Less funding to Revenue Scotland, National Records of Scotland, Office of Scottish Charity Regulator, Scottish Courts and Tribunals Service, Scottish Fiscal Commission and Scottish Housing Regulator		(53)	-	(53)
Net parliamentary funding drawn down	22	**37,524**	**-**	**37,524**
Movement of balance with the SCF		88	-	88
Net funding position		**37,612**	**-**	**37,612**
Net increase/(decrease) in year		**(100)**	**251**	**76**
Balance as at 31 March 2020		**22,762**	**10,676**	**33,363**

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).

Statement 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
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	7	-	797	**797**
Total Comprehensive Expenditure for the year ended 31 March 2019		**(34,601)**	**797**	**(33,804)**
Non Cash Charges				
Non cash charges - auditor's remuneration	6	2	-	2
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment		241	-	241
Total Non Cash charges		**243**	**-**	**243**
Other Reserve movements				
Transfer between reserves		57	(57)	-
Realised element of the revaluation reserve		309	(309)	-
Prior year adjustment (roundings)		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 Revenue Scotland, National Records of Scotland, Office of Scottish Charity Regulator, Forestry Commission (Scotland), Scottish Courts and Tribunals Service, Revenue Scotland, Scottish Fiscal Commission and Scottish Housing Regulator		(47)	-	(47)
Net parliamentary funding drawn down	22	**34,880**	**-**	**34,880**
Movement of balance with the SCF		(394)	-	(394)
Transfer of benefit overpayment receivables from DWP		10	-	10
Net funding position		**34,496**	**-**	**34,496**
Net increase/(decrease) in year		505	431	936
Balance as at 31 March 2019		**22,862**	**10,425**	**33,287**

Statement of Cash Flows

For the year ended 31 March 2020

2018-19 £m		Note	2019-20 £m
(33,170)	Net cash outflow from operating activities	(A)	(35,982)
(1,436)	Net cash outflow from investment activities	(B)	(1,515)
116	Payments (from)/to the SCF	(D)	(3)
34,925	Cash flows from financing activities	(C)	37,450
435	**Increase / (Decrease) in cash in the period**	2	**(50)**
	(A) Reconciliation of operating costs to operating cash flows		
(34,601)	Net Operating Cost	SoCTE	(37,695)
-	Transfer by absoption from FCS to SF	SoCTE	(3)
4	Income not applied	6b	5
1,261	Adjustments for non-cash transactions	3	691
203	Add back: interest payable for financing		160
(15)	Increase / (decrease) in inventories		(21)
63	(Increase) / decrease in receivables and other current assets	4	(203)
27	Increase / (decrease) in trade and other payables	4	252
(2)	Increase / (decrease) in provisions	4	916
(110)	Interest receivable		(84)
(33,170)	**Net cash outflow from operating activities**		**(35,982)**
	(B) Analysis of cash flows from investing activities		
(595)	Purchase of property, plant and equipment		(501)
(73)	Purchase of intangible assets		(101)
26	Proceeds of disposal of property, plant and equipment		32
-	Proceeds of disposal of intangible assets		2
-	Proceeds of assets held for sale		1
(1,645)	Advances of Investments	4, 11	(1,784)
824	Repayments of Investments	4, 11	809
27	NLF Loans	11	27
(1,436)	**Net Cash outflow from investment activities**		**(1,515)**
	(C) Analysis of cash flows from financing activities		
34,880	From Scottish Consolidated Fund	SOCTE	37,524
-	Funding on NHS Capital		77
(31)	Loan transactions with the National Loans Fund	11	(27)
174	Capital element of payments in respect of finance leases		(16)
104	Interest received		111
(205)	Interest element of finance leases and NPD/PPP/PFI contracts included in SoFP		(221)
3	Interest paid		2
34,925	**Cash flows from financing activities**		**37,450**
(435)	**Decrease/(Increase) in cash equivalents**	2	**50**
34,490	**Net cash and cash equivalents requirement**		**37,500**

(D) Payments to the Scottish Consolidated Fund (SCF) represent the income not applied, £5m (Note 6a) offset by the increase in balances payable to the SCF of £1m and decrease in the balance receivable from the SCF of £1m.

Notes to the Accounts

For the Year Ended 31 March 2020

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 2019-20 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 Critical accounting judgements and key sources of estimation

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis.

COVID-19 has impacted this year’s valuation processes because it has increased the uncertainty of the immediate and medium-term economic outlook.

The material uncertainty created by COVID-19 is especially relevant to the valuation of Land and Buildings, and further information is available about the estimated valuations in note 7.

Similarly the valuations of investments, in particular for the Student Loan valuations and impairments have been impacted by uncertainty, and further detail is provided in note 11.

The exit from the EU is also creating significant uncertainty, as to the impact the as yet undetermined exit scenario will have on the Scottish Government.

1.3 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 IAS 16 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. Vessels and aircraft are valued at depreciated replacement cost, and other plant and equipment assets 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 FReM 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 Structure	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.

1.4 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.

1.5 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.

1.6 Intangible Assets

In accordance with the FReM, Intangible assets are accounted for in line with the requirements of IAS 38 Intangible Assets, and are valued at depreciated replacement cost. 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.

1.7 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	25 to 30 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

1.8 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 came in to force 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 contract 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.

1.9 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.

1.10 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.

1.11 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).

1.12 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).

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

NHS Boards are 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.

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.

1.19 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 or statement of comfort unless it arises in the normal course of business or the sum of the risk is £1m or less.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 Trade Payables

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

1.25 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.

1.26 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 was expected to come into effect for accounting periods beginning after 1 April 2020, but in response to the disruption caused by the Covid pandemic it implementation has been postponed by a year and will now come into effect for accounting periods beginning after 1 April 2021. The impact of IFRS 16 will be to remove distinction between finance and operating leases and all assets embedded within leases will be capitalised and recorded on the Statement of Financial Position. 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 2021, 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 implementation date for IFRS 17 is not yet confirmed and the impact has not yet been determined. The Financial Reporting Advisory Board are considering implementation of the standard in the public sector.

2. Cash and cash equivalents

	2019-20 £m	2018-19 £m
Government Banking Service	864	912
Commercial banks and cash in hand	106	108
At 31 March	**970**	**1,020**

	2019-20 £m	2018-19 £m
At 1 April	1,020	585
Net change in cash and cash equivalent balances	(50)	435
At 31 March	**970**	**1,020**

The balance at 31 March comprises:	Note	2019-20 Net £m	2018-19 Net £m
Cash due to be paid to the Scottish Consolidated Fund	14	888	979
Consolidated Fund extra receipts received and due to be paid to the SCF	14	27	24
At 31 March		**915**	**1,003**

3. Note to the Cash Flow Statement

Adjustment to Operating Activities for Non-cash Transactions

	2019-20 £m	2018-19 £m
Depreciation and Amortisation	519	488
Impairments/Write-backs	30	60
Total Capital Charges	**549**	**548**
Loss/(Profit) on disposal of property, plant and equipment	(1)	(9)
Loss/(Profit) on disposal of assets held for sale	-	3
Change arising on revaluation of assets held for sale	1	-
Capitalised interest - financial assets	(137)	(76)
Student loans fair value adjustment	334	514
Investment fair value adjustments	46	118
Prior year shared equity adjustment	(17)	-
Income from donated asset additions	(8)	(6)
Auditor Fees	5	2
Unrealised exchange rate (gain)/loss	-	3
Transfer of Assets - PPE	(1)	-
Release of finance lease liability	1	3
Other non-cash items - Health Boards	16	
Other non-cash items	2	(4)
NHS Highland - movement in year in LG pension costs	(10)	-
NHS Board consolidation adjustments	(89)	165
Total	**691**	**1,261**

4. Note to the Cash Flow Statement - Working Capital

Movement in Working Capital

	Note	Opening Balance Restated £m	Closing Balance £m	2019-20 Net Movement £m	2018-19 Net Movement £m
Inventories	10	121	142		
Net Decrease/(Increase)				**(21)**	**(15)**
Receivables and other assets					
Due within one year	13	1,078	1,202	(124)	255
Due after more than one year	13	150	101	49	(46)
Assets Held for Sale	9	16	10	6	(46)
Less: Capital included in PPE		(23)	(21)	(2)	(13)
Less: Capital included in intangibles		-	-	-	-
Less: Capital included in investment		(3)	-	(3)	3
Less: Receivable from SCF	13	-	-	-	(141)
Less: General Fund receivable included above		-	(1)	1	(1)
Other Adjustment		-	4	(4)	(1)
NHS Greater Glasgow and Clyde adjustment		-	-	-	(1)
NHS boards consolidation adjustment		740	866	(126)	7
Total		**1,958**	**2,161**		
Net Decrease/(Increase)				**(203)**	**16**
Payables and other liabilities					
Due within one year	14	3,974	4,024	50	587
Due after more than one year	14	3,725	3,578	(147)	(48)
Less: Capital included in PPE		(139)	(188)	(49)	32
Less: Capital included in intangibles		(4)	(2)	2	(3)
Less: Capital included in Investment		(1)	(5)	(4)	(3)
Less: SCF corporate payable included in above	14	(979)	(888)	91	(394)
Less: Payable to SCF	14	(24)	(27)	(3)	(24)
Less: NLF payable included in above	14	(591)	(564)	27	31
Less: PFI Imputed Leases	14	(3,038)	(2,936)	102	(127)
Less: Financial Guarantees included in above	14	-	(1)	(1)	18
Other Adjustment		-	(3)	(3)	
NHS Board Consoldiation Adjustment		1	188	187	(42)
Total		**2,924**	**3,176**		
Net (Decrease)/Increase				**252**	**27**
Provisions					
Due within one year	15a	220	1,165	945	41
Due after more than one year	15a	880	877	(3)	35
Less: Capital provisions		5	0	(5)	-
NHS Board Consoldiation Adjustment		471	450	(21)	(78)
Total		**1,576**	**2,492**		
Net (Decrease)/Increase				**916**	**(2)**
Total Net Movement				**944**	**26**

5. Scottish Forestry Transfer in year

Scottish Forestry (SF) was established as an executive agency of the Scottish Government on 1st April 2019, following full devolution of forestry to the Scottish Parliament on commencement of the Forestry and Land Management (Scotland) Act 2018 (FLMSA).

As a result of the FLMSA all of the functions previously covered by Forestry Commission Scotland (FCS), an element of the Forestry Commission (regulatory, policy, support and grant giving), along with their assets and liabilities were transferred to Scottish Forestry, on the 1 April 2019.

The transfer of the assets and liabilties from FCS is treated as a Transfer by Absorption. The carrying values of the assets and liabilities of FCS as at 31 March 2019 were transferred to SF on 1 April 2019 based on the values stated in the FCS annual report and accounts for the year ended 31 March 2019. Further details of this can be found in the Scottish Forestry accounts for 2019-20.

The transfer is included within the Statement of Financial Position at 1 April 2019 and where material the balances are included in the separate notes as a "Transfer by Absoption of FCS". For ease of reference, the full impact of the Transfer by Absoption at 1 April 2019 is detailed below:

	Transfer by Absorption £'000
Non-Current Assets	
Property, Plant and Equipment	133
Receivables and Other Assets due in more than one year	47
Total Non-Current Assets	**180**
Current Assets	
Receivables and Other Current Assets	16,841
Cash and Cash Equivalents	28,446
Total Current Assets	**45,287**
Total Assets	**45,467**
Current Liabilities	
Payables and Other Current Liabilities	(48,676)
Provisions for Liabilities and Charges due within one year	(5)
Total Current Liabilities	**(48,681)**
Total Assets less Current Liabilities	**(3,214)**
Taxpayers' Equity	
General Fund	(3,230)
Revaluation Reserve	16
Total Taxpayers' Equity	**(3,214)**

6. Outturn Income and Expenditure

6a. Operating income analysed by classification and activity, is as follows:

	Total Income £m	Income Not Applied £m	2019-20 Income Applied £m	Restated 2018-19 Income Applied £m
Health and Sport	692	-	692	599
Communities & Local Government	13	-	13	12
Finance, Economy & Fair Work	102	-	102	72
Education and Skills	160	-	160	99
Justice	17	-	17	16
Transport, Infrastructure & Connectivity	14	-	14	10
Environment, Climate Change and Land Reform	119	-	119	119
Rural Economy	632	-	632	682
Culture, Tourism and External Affairs	1	-	1	-
Social Security and Older People	2	-	2	2
Government Business and Constitutional Relations	-	-	-	-
Crown Office and Procurator Fiscal Service	5	5	-	1
TOTAL	**1,757**	**5**	**1,752**	**1,612**

6b. Income not applied

Income not applied includes amounts for surrender to the Scottish Consolidated Fund in accordance with the Scotland Act 1998 (Designation of Receipts) Order 2009 amended by Scotland Act 2012 and Scotland Act 2016.

The major items of income not applied are:	Cash received £m	Accrued £m	2019-20 £m	2018-19 £m
Repayment of interest	-	-	-	-
Designated receipts - Fines, forfeitures and fixed penalties	-	-	-	-
Non-designated receipts - Proceeds of Crime and other	5	-	5	4
Total Income Not Applied	**5**	**-**	**5**	**4**

6c. Interest Receivable

All Interest receivable is external to the portfolio boundary and not from other portfolios. It is included within the Operating Outturn Statement as income applied, unless it is required to be surrendered to the Scottish Consolidated Fund.

Programme Income:	Total Income £m	Income Not Applied £m	2019-20 Income Applied £m	2018-19 Total Income £m
Communities, Social Security and Equalities	3	-	3	-
Environment, Climate Change and Land Reform	105	-	105	103
Transport, Infrastructure and Connectivity	9	-	9	7
Total	**117**	**-**	**117**	**110**

6d. Interest Payable

	2019-20 Total £m	2018-19 Total £m
Finance lease charges allocated in the year including on balance sheet PFI/PPP contracts	219	203
Other interest	-	2
Total	**219**	**205**

6e. Audit Fee

The consolidated audit fee for 2019-20 is £5m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted in Note 3a - Notes to the Cash Flow. Other entities within the consolidation boundary pay fees. The consolidated audit fee for 2018-19 was £5m (Core Portfolios £1m). There were no additional charges in relation to non audit work undertaken by Audit Scotland.

6. Outturn Income and Expenditure (continued)

6f. Operating Costs

In 2019-20 total operating costs for the Scottish Government were aligned with the portfolio budget that they support. The total operating costs for a portfolio are all the core Scottish Government staff and associated operating costs incurred by the portfolio, plus a share of the costs, such as accommodation, IT, legal services and HR, which cannot be readily attributed to a portfolio (corporate running costs). This new approach replaced the dual system of Administration and portfolio budgets both funding operating costs. This will allow greater transparency and scrutiny of operating costs, particularly over time as we continue to present operating costs in this way in future years.

Therefore, 2018-19 outturn has been restated as, with effect from 1 April 2019, there is no longer an Administration "portfolio". 2018-19 Administration expenditure previously shown as attributable to specific portfolios has been added to the relevant portfolio figures and apportioned between Core SG Level 2 figures. 2018-19 Administration expenditure previously considered as corporate services costs has been apportioned between portfolios and Core SG Level 2 figures. 2018-19 Administration capital expenditure, capital charges and Annually Managed Expenditure have been added to Finance, Economy and Fair Work figures.

Analysis of Operating Costs by Category	**2019-20 £m**	**2018-19 £m**
Staff Costs	430	365
Accomodation	37	35
Legal Costs	1	2
Travel & Subsistence	8	9
Training	4	3
IT Costs	25	22
Transport	1	1
Audit Fee	1	1
Other Office Costs	17	21
Operating Income	(25)	(18)
Total	**499**	**441**

Analysis of Operating Costs by Portfolio	**2019-20 £m**	**Restated 2018-19 £m**
Health and Sport	64	64
Communities and Local Government	39	24
Finance, Economy and Fair Work	87	61
Education and Skills	38	25
Justice	36	29
Transport, Infrastructure and Connectivity	10	9
Rural Economy	87	103
Environment, Climate Change and Land Reform	69	65
Culture, Tourism and External Affairs	14	9
Social Security and Older People	44	47
Government Business and Constitutional Relations	11	5
Crown Office and Procurator Fiscal Service (1)	-	-
Total	**499**	**441**

(1) Crown Office and Procurator Fiscal Service is fully outwith core Scottish Government and is not subject to operating costs.

6g. Analysis of Capital Charges by Portfolio

Analysis of Capital Charges by Portfolio **Portfolio**	**Depreciation/ Amortisation £m**	**Impairment/ Write back £m**	**2019-20 Total £m**	**Restated 2018-19 Total £m**
Health and Sport	313	30	343	360
Communities and Local Government	-	-	-	-
Finance, Economy and Fair Work	14	-	14	13
Education and Skills	5	-	5	2
Justice	39	-	39	39
Transport, Infrastructure and Connectivity	101	-	101	89
Rural Economy	37	-	37	35
Environment, Climate Change and Land Reform	6	-	6	6
Culture, Tourism and External Affairs	-	-	-	-
Social Security and Older People	-	-	-	-
Government Business and Constitutional Relations	-	-	-	-
Crown Office and Procurator Fiscal Service	4	-	4	4
Total Capital Charges	**519**	**30**	**549**	**548**

(2) Due to the implementation of operating costs, as explained in Note 6d above, the capital charges previously within the Administration portfolio are now included in the Finance, Economy and Fair Work portfolio. The prior year figures have been updated to reflect this.

7. Property, Plant and Equipment

7a. Property, Plant and Equipment

Cost or valuation	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings	Assets Under Construction £m	Total £m
As at 1 April 2019	**487**	**7,415**	**696**	**24,894**	**210**	**1,244**	**426**	**89**	**1,156**	**36,617**
Prior Year Adjustments										-
Additions	1	21		8	9	53	22	2	402	**518**
Adjustments		(1)	1	(181)	2	(3)				**(182)**
Transfers		204		480	12	38	20	2	(756)	-
Transfers (to)/from Assets Classified as Held for Sale	(2)									**(2)**
Disposals	(20)	(2)			(15)	(37)	(27)	(2)		**(103)**
Revaluations to Revaluation Reserve	18	35*	17	96	7					**173**
Revaluations to Outturn Statement	-	(13)	(1)		(1)	-	(1)		(10)	**(26)**
Balance at 31 March 2020	**484**	**7,659**	**713**	**25,297**	**224**	**1,295**	**440**	**91**	**792**	**36,995**
Depreciation										
As at 1 April 2019	-	**383**	**30**	**4,349**	**120**	**865**	**339**	**68**	-	**6,154**
Charged in year		210	22	100	17	78	31	6		**464**
Adjustments				(22)	2	(3)				**(23)**
Transfers										-
Transfers outwith core portfolios										-
Transfers (to)/from Assets Classified as Held for Sale										-
Disposal		(1)			(15)	(36)	(26)	(2)		**(80)**
Reclassifications										-
Revaluations to Revaluation Reserve		(198)*	(16)	18	4					**(192)**
Revaluations to Outturn Statement		(27)								**(27)**
Balance at 31 March 2020	-	**367**	**36**	**4,445**	**128**	**904**	**344**	**72**	-	**6,296**
Net book value at 31 March 2020	**484**	**7,292**	**677**	**20,852**	**96**	**391**	**96**	**19**	**792**	**30,699**
Net book value at 31 March 2019	487	7,032	666	20,545	90	379	87	21	1,156	30,463

* Increased estimates of remaining useful asset lives is processed as a reduction to the accumulated depreciation. The revaluation of buildings in 2019-20 results in a net upward movement.

Analysis of asset financing:	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings	Assets Under Construction £m	Total £m
Owned	476	4,818	587	17,868	86	375	94	17	783	25,104
Finance Leased	-	42	-	-	6	1	-	-	-	49
On balance sheet PFI	7	2,367	90	2,984	-	-	1	2	-	5,451
Donated	-	-	-	-	-	-	-	-	-	-
EU Grant	1	65	-	-	4	15	1	-	9	95
Net book value at 31 March 2020	**484**	**7,292**	**677**	**20,852**	**96**	**391**	**96**	**19**	**792**	**30,699**

Donated Asset Movement	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
Additions	-	-	-	-	-	3	-	-	5	**8**
Disposals	-	-	-	-	-	(1)	-	-	-	**(1)**

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

7a. Property, Plant and Equipment (cont.)

Cost or valuation	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
As 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)/from Assets Classified as 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)**
Balance at 31 March 2019	**487**	**7,415**	**696**	**24,894**	**210**	**1,244**	**426**	**89**	**1,156**	**36,617**
Depreciation										
As 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**
Transfers (to)/from Assets Classified as Held for Sale	-	-	-	-	-	-	-	-	-	**-**
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)**
Balance 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:	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
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
PFI Residual Interest	-	-	-	-	-	-	-	-	-	-
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	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
Additions	-	1	-	-	-	3	-	-	2	**6**
Disposals	-	-	-	-	-	(1)	-	-	-	**(1)**

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

7b. Property, Plant and Equipment - NHS non-current assets included within note 6a

Cost or valuation	**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**
At 1 April 2019	**361**	**6,754**	**25**	**-**	**103**	**1,195**	**343**	**86**	**358**	**9,225**
Additions	-	9	-	-	8	50	9	2	233	**311**
Transfers	-	204	-	-	12	37	20	2	(274)	**1**
Transfers (to) assets classified held for sale	(1)	-	-	-	-	-	-	-	-	**(1)**
Disposals	(18)	(1)	-	-	(14)	(36)	(19)	(2)	-	**(90)**
Revaluations to Revaluation Reserve	14	28	-	-	-	-	-	-	-	**42**
Revaluations to Outturn Statement	-	(14)	(1)	-	-	(1)	(1)	-	(11)	**(28)**
At 31 March 2020	**356**	**6,980**	**24**	**-**	**109**	**1,245**	**352**	**88**	**306**	**9,460**
Depreciation										
At 1 April 2019	**-**	**335**	**1**	**-**	**56**	**825**	**279**	**65**	**-**	**1,561**
Charged in year	-	187	1	-	12	76	23	5	-	**304**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposal	-	-	-	-	(14)	(35)	(19)	(1)	-	**(69)**
Revaluations to Revaluation Reserve	-	(184)	(1)	-	-	-	-	-	-	**(185)**
Revaluations to Outturn Statement	-	(27)	(1)	-	-	-	-	-	-	**(28)**
At 31 March 2020	**-**	**311**	**-**	**-**	**54**	**866**	**283**	**69**	**-**	**1,583**
Net book value at 31 March 2020	**356**	**6,669**	**24**	**-**	**55**	**379**	**69**	**19**	**306**	**7,877**
Net book value at 31 March 2019	361	6,419	24	-	47	370	64	21	358	7,664

Analysis of asset financing:	**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**
Owned	348	4,253	24	-	55	363	68	17	297	5,425
Finance Leased	-	32	-	-	-	-	-	-	-	32
PFI included in Statement of Financial Position	7	2,319	-	-	-	1	1	2	-	2,330
Donated Asset	1	65	-	-	-	15	-	-	9	90
Net book value at 31 March 2020	**356**	**6,669**	**24**	**-**	**55**	**379**	**69**	**19**	**306**	**7,877**

Donated Asset Movement	**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**
Additions	-	-	-	-	-	2	-	-	4	**6**
Disposals	-	-	-	-	-	(1)	-	-	-	**(1)**

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

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7b. Property, Plant and Equipment - NHS non-current assets included within note 5a (Cont.)

Prior Year

Cost or valuation	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
At 1 April 2018	**364**	**6,441**	**25**	**-**	**99**	**1,150**	**329**	**85**	**505**	**8,998**
Additions	1	27	-	-	2	49	10	1	255	**345**
Transfers	1	326	-	-	13	43	10	1	(392)	**2**
Transfers (to) assets classified held for sale	(5)	(1)	-	-	-	-	-	-	-	**(6)**
Disposals	(3)	(2)	-	-	(11)	(47)	(4)	(1)	-	**(68)**
Revaluations to Revaluation Reserve	5	(5)	-	-	-	-	(2)	-	31	**29**
Revaluations to Outturn Statement	(2)	(32)	-	-	-	-	-	-	(41)	**(75)**
At 31 March 2019	**361**	**6,754**	**25**	**-**	**103**	**1,195**	**343**	**86**	**358**	**9,225**
Depreciation										
At 1 April 2018	**-**	**269**	**1**	**-**	**55**	**787**	**262**	**61**	**-**	**1,435**
Charged in year	-	179	1	-	11	79	22	5	-	**297**
Transfers	-	-	-	-	-	3	-	-	-	**3**
Disposal	-	(1)	-	-	(10)	(46)	(4)	(1)	-	**(62)**
Revaluations to Revaluation Reserve	-	(86)	(1)	-	-	-	(2)	-	-	**(89)**
Revaluations to Outturn Statement	-	(26)	-	-	-	2	1	-	-	**(23)**
At 31 March 2019	**-**	**335**	**1**	**-**	**56**	**825**	**279**	**65**	**-**	**1,561**
Net book value at 31 March 2019	**361**	**6,419**	**24**	**-**	**47**	**370**	**64**	**21**	**358**	**7,664**
Net book value at 31 March 2018	364	6,172	24	-	44	363	67	24	505	7,563

Analysis of asset financing:	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
Owned	353	4,182	23	-	47	353	63	18	237	5,276
Finance Leased	-	26	-	-	-	1	-	-	-	27
PFI included in Statement of Financial Position	7	2,147	-	-	-	1	1	2	116	2,274
Donated Asset	1	64	1	-	-	15	-	1	6	88
Net book value at 31 March 2019	**361**	**6,419**	**24**	**-**	**47**	**370**	**64**	**21**	**359**	**7,665**

Donated Asset Movement	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
Additions	-	1	-	-	-	3	-	-	2	**6**
Disposals	-	-	-	-	-	(1)	-	-	-	**(1)**

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

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7c. Property, Plant and Equipment Disclosures

	2019-20 £m	2018-19 £m
Net book value of Property, Plant and Equipment	**30,699**	**30,463**
Total value of assets held under:		
Finance Leases	49	45
PFI and PPP Contracts	5,451	5,306
Total	**5,500**	**5,351**
Total depreciation charged in respect of assets held under:		
Finance leases	3	5
PFI and PPP contracts	48	49
Total	**51**	**54**

Valuations and Basis of Valuation

As part of the 5-year rolling programme for Scottish Government assets, 12 properties – (3 Kantersted Road, 140 Causewayside, Port Edgar Queensferry, St Andrews House, 3 Lower Auchinlay Dunblane, 10 Keith Street Stornoway, Balivanich Offices, Lag Sornain Balivanich, Saughton House, Sornain View Balivanich, Victoria Quay and Scorrybeck), underwent a formal revaluation as at 31st March 2020. All were inspected with the exception of Victoria Quay and St Andrews House where a desktop valuation was carried out. These valuations were on the basis of Existing Use Value, except Port Edgar which as a surplus asset (which does not qualify as Held for Sale), has been valued to Fair Value under IFRS 13, since there are no market entry restrictions on the property.

In addition within the Highlands, properties owned by the Scottish Government, were also valued through a desktop valuation. These valuations were on the basis of Existing Use Value.

Valuations were carried out by the Valuation Office Agency (VOA). These valuations were carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation - Global Standards and RICS UK National Supplement, 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.

Individual NHS boards have their own revaluation 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 1.3 to these accounts.

Material Valuation Uncertainty

As per the 2019-20 valuers report, and as stated within the accounting policies note, the 2019-20 valuations are reported on the basis of 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). This is due to the outbreak of Covid-19, which has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, the VOA considered that they could attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available as at 31 March 2020 that can be relied upon.

This material valuation uncertainty applied not only to the valuation of the Scottish Government portfolio properties, but also to properties held by the individual Agencies within the consolidation boundary and properties within NHS Trusts. Of the NHS Trust and Scottish Prison Service assets that the material valuation uncertainty applies to, significant proportions relate to specialised assets valued on a depreciated replacement cost basis. Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only. Here the valuer has based their assessment on the cost of replacing the service potential of the assets and the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Further details of the impact of this material uncertainty can be found in the individual NHS Trust accounts and the Scottish Prison Service accounts.

In addition there is a possibility that the valuation of land, including the element that forms part of the trunk road valuation, may have varied as a result of the impact of Covid 19 but it is not possible to apply any estimates to that, as the impact on the road valuation is likely to vary in relation to the location of the land. Further details can be found in Transport Scotland accounts.

8. Intangible Assets

Cost or Valuation	Software Licenses £m	Information Technology Software £m	Websites that deliver a service £m	Assets under Development £m	Total £m
As at 1 April 2019	**160**	**369**	**1**	**48**	**578**
Additions	4	35	-	54	93
Disposals	(5)	(4)	(1)	-	(10)
Transfers	-	50	-	(50)	-
Revaluations to Outturn Statement	-	-	-	-	-
Balance at 31 March 2020	**159**	**450**	**-**	**52**	**661**
Amortisation					
As at 1 April 2019	**146**	**232**	**1**	**-**	**379**
Charged in year	6	49	-	-	55
Disposals	(5)	(4)	(1)	-	(10)
Balance at 31 March 2020	**147**	**277**	**-**	**-**	**424**
Net book value at 31 March 2020	**12**	**173**	**-**	**52**	**237**
Net book value at 31 March 2019	14	137	-	48	199

Cost or Valuation	Software Licenses £m	Information Technology Software £m	Websites that deliver a service £m	Assets under Development £m	Total £m
As at 1 April 2018	**161**	**326**	**1**	**30**	**518**
Additions	3	7	-	66	76
Disposals	(5)	(4)	-	-	(9)
Transfers	1	40	-	(41)	-
Revaluations	-	-	-	(7)	(7)
Balance at 31 March 2019	**160**	**369**	**1**	**48**	**578**
Amortisation					
As at 1 April 2018	**143**	**200**	**1**	**-**	**344**
Charged in year	8	36	-	-	44
Disposals	(5)	(4)	-	-	(9)
Balance 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

9. 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
As at 1 April 2019	**16**	**-**	**-**	**16**
Transfers from Non-Current Assets	2	-	-	**2**
Disposals	(7)	-		**(7)**
Fair Value Adjustment	(1)	-	-	**(1)**
Balance at 31 March 2020	**10**	**-**	**-**	**10**
Prior year				
As at 1 April 2018	**17**	**-**	**-**	**17**
Transfers from Non-Current Assets	6	-	-	**6**
Disposals	(3)	-	-	**(3)**
Impairments	(4)	-	-	**(4)**
Balance at 31 March 2019	**16**	**-**	**-**	**16**

10. Inventories

	2019-20 £m	2018-19 £m
NHS inventories	138	118
Other inventories	4	3
Total	**142**	**121**

11. Financial Assets

11a. 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 2019	**27**	**3,193**	**564**	**3,309**	**193**	**944**	**142**	**-**	**99**	**8,471**
Add element reported within current assets	-	97	27	150	16	-	4	256	1	551
										-
Advances and Acquisitions										
Cash Advances	-	382	-	621	121	116	65	382	88	1,775
Capitalised interest	-	-	-	137	-	-	-	-	-	137
Transfers	-	-	-	-	-	-	-	-	-	-
Repayments and disposals	-	(96)	(27)	(173)	(5)	(71)	(11)	(445)	(5)	(833)
Fair Value Adjustment		-	-	(299)	(44)	19	-	-	-	(324)
Unwinding of discounted cash flow	-	-	-	(35)	(16)	17	-	-	-	(34)
Impairments	-	-	-	-	-	-	-	-	(5)	(5)
Write offs and adjustments	(2)	-	-	-	-	-	(11)	-	(4)	(17)
Balance at 31 March 2020	**25**	**3,576**	**564**	**3,710**	**265**	**1,025**	**189**	**193**	**174**	**9,721**
Loans repayable within 12 months transferred to current assets		(107)	(33)	(160)	(6)		(1)	(193)	(21)	**(521)**
Balance at 31 March 2020	**25**	**3,469**	**531**	**3,550**	**259**	**1,025**	**188**	**0**	**153**	**9,200**

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 £27m have not been included in the Environment, Climate Change and Land Reform portfolio capital outturn.

11a. Non-Current Financial Assets (continued)

	Interests in Nationalised Industries and Limited Companies	Voted Loans	NLF Loans	Student Loans	Housing Loans Restated (1)	Housing Shared equity Loans Restated (1)	Energy Related Loans	EU CAP Loans	Other Funds	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2018	**25**	**2,985**	**591**	**3,291**	**173**	**869**	**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)
Fair value adjustment - prior year adjustment (2)	-	-	-	-	-	(17)	-	-	-	(17)
Write offs	-	-	-	-	-	-	(11)	-	(130)	(141)
Repayments and disposals	-	(87)	(31)	(152)	(15)	(55)	(2)	(492)	(24)	(858)
Unwinding of discounted cash flow	-	-	-	75	-	-	-	-	-	75
Balance at 31 March 2019	**27**	**3,290**	**591**	**3,459**	**209**	**944**	**146**	**256**	**100**	**9,022**
										-
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**	**193**	**944**	**142**	**-**	**99**	**8,471**

Note (1) - the split of housing loans between Shared Equity housing loans and Other housing loans has been restated to correct an inconsistency with the allocation, noticed during the preparation of the 2019-20 accounts. The total Housing Loans of £1,042m at 1 April 2018 and £1,170m at 31 March 2019 has not changed.

ıte (2) - An adjustment has been processed to account for an additional fair value adjustment to the Shared Equity Housing assets noted in year, that relates to a change in interest rate which should have been applied in 2018-1

11b. Nationalised Industries

As at 31 March 2020, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited, TS Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Holdings Limited. The Scottish Ministers hold the following

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
Ferguson Marine (Port Glasgow) Holdings 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.

	TS Prestwick Holdco Ltd £m	Highlands and Islands Airports Ltd £m	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m
Net Assets/(Liabilities) as at 31 March 2020	(29)	(29)	57	24
Turnover	36	24	49	224
Profit /(Loss) for the financial year	5	(4)	8	1

All results are draft and subject to audit with final accounts yet to be published.

Due to the extension given to Companies House filing requirements through the Companies etc. (Filing Requirements) (Temporary Modifications) Regulations 2020, which extends the deadline for private companies to file their accounts from 9 months to 12 months, draft figures are not yet available for Ferguson Marine Holdings Ltd.

Caledonian Maritime Assets Limited
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 Limited
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 Airport Limited (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.

Ferguson Marine
In December 2019 the Ferguson Marine shipyard was brought into public ownership. This followed over two years of support from the Scottish Government to find a resolution to the difficulties at Ferguson Marine and the Scottish Government's priorities still remain the completion of the two public sector ferries, protecting jobs, and securing a long-term future for the yard. Scottish Ministers hold 1 £1 share in Ferguson Marine (Port Glasgow) Holdings Limited.

Further information on the background to the company being taken into public ownership can be found on the Scottish Government website at:

https://www.gov.scot/collections/ferguson-marine-documents/

11c. Other Interests

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.

11d. Interests in Nationalised Industries and Limited Companies

The Scottish Ministers hold an interest in the following organisations:

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.

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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 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.

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 valued its equity holding at £nil (2018-19: £2m).

11e. Loans

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.

Voted Loans

The Scottish Ministers have provided total loans from voted provision of £4m to crofters for building purposes, £232m to Caledonian Maritime Assets Limited for the construction of new shipping and £3,340m to Scottish Water for their capital investment programmes. In year £344m of advances were provided to Scottish Water (2018-19 £288m of advances) and £38m to Calmac (2018-19 £19m of advances).

National Loans Fund

Prior to 1 July 1999, the Secretary of State loaned money to Scottish Enterprise, Scottish Homes and the three Water Authorities (now Scottish Water), from 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 2019-20 annual report and accounts can be found at:
www.scottishwater.co.uk/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. Further details on student loan valuation are in note 11f.

Housing Loans

Housing Loans include repayment and deferred loans, for the build or purchase of residential properties, including the delivery of affordable housing. The fair value estimation technique for the loans relates to the underlying property valuations using the Nationwide Pricing Index method, where applicable.

Information on current purchase schemes is available at:
https://www.mygov.scot/housing-local-services/buy-own-property/getting-help-to-buy/

11e. Loans (continued)
The main Housing loan schemes are:
Charitable Bonds
The Charitable Bond model means the Scottish Government can make an ethical investment in affordable housing in the form of loans to social housing providers for up to 15 years, repaid at the end of the term. As at 31 March 2020 a total of £146m (31 March 2019: £91m) was held on Charitable Bond schemes after fair value adjustments. In 2019-20 the Scottish Government invested £88m in Charitable Bonds in year to be repaid in 2030 & 2035 (2018-19: £38m advances).

Mid Market Rented Housing
Mid-market rent (MMR) is a type of affordable housing where rents are lower than in the private market, but higher than social housing. The Scottish Government supports the delivery of MMR through the mainstream grant-funded Affordable Housing Supply Programme, as well as enable innovative funding solutions that build on the success of Scottish Government-supported schemes, such as the National Housing Trust initiative (NHT) and the Local Affordable Rented Housing Trust (LAR).

During 2019-20 £21m was advanced (2018-19: £7m) through MMR schemes. As at 31 March 2020 a total of £37m (31 March 2019: £26m) was held on MMR schemes after fair value adjustment.

Housing Infrastructure Funds
As part of the More Homes Scotland approach and linked to the delivery of 50,000 affordable homes by 2021, the Scottish Government launched a five-year Housing Infrastructure Fund (HIF) in February 2016. HIF will support the delivery of housing through financial assistance. While all types and tenures of housing are eligible for HIF support, priority will be given to those projects delivering affordable and private rented housing within the five-year period ending 31 March 2021.

£12m was advanced during 2019-20 (2018-19: £0.1m). As at 31 March 2020 a total of £20m (31 March 2019: £8m) was held on HIF funds.

Rent to Buy
Aimed at rural communities, the Rent to Buy Scheme (RTBS) aims to help people who wish to become home owners by allowing them to rent a home for up to 5 years whilst saving up for a deposit.

As at 31 March 2020 a total of £5m (31 March 2019: £7m) was held on RTBS funds.

Shared Equity Housing Loans
Shared Equity Housing loans include 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.

Shared Equity Stakes
The Scottish Government owns shared Equity stakes, purchased from 1 April 2008. These are not loans but equity stakes and have no payment schedules. They are repaid when the purchaser decides to sell the property.

As at 31 March 2020 £108m was held (31 March 2019: £121m) after fair value adjustments. £16m of repayments were made in year (2018-19: £20m repayments)

Shared Equity Schemes
The Open Market Shared Equity (OMSE) and New Supply Shared Equity (NSSE) schemes are available across Scotland. They are open to first-time buyers in particular priority access groups. OMSE is for purchases off the open market, whilst NSSE is for purchases from local councils and housing associations. They help first time buyers to purchase a property without having to fund its entire cost. Buyers will pay for the biggest share which is usually between 60% and 90% of the home's cost. The Scottish Government holds the remaining share under a shared equity agreement.

£52m was advanced during 2019-20 (2018-19: £77m) and £34m repayments were made (2018-19: £27m). As at 31 March 2020 a total of £340m (31 March 2019: £322m) was held on OMSE and NSSE funds after fair value adjustments.

Help to Buy
The Help to Buy (Scotland) scheme helps with the purchase of new-build homes without the need for a large deposit. With the Affordable New Build and Smaller Developers Schemes the buyer will pay a minimum of at least 85% of the home's total purchase price and the Scottish Government will hold the remaining % share under a shared equity agreement.

£54m was advanced during 2019-20 (2018-19: £60m) and £35m repayments were made (2018-19: £23m). As at 31 March 2020 a total of £502m (31 March 2019: £471m) was held on both Help To Buy funds after fair value adjustments.

First Home Fund
Launched in December 2019, the First Home Fund is a £200 million shared equity pilot scheme to provide first-time buyers with up to £25,000 to help them buy a property that meets their needs and is located in the area where they want to live. It is open to all first-time buyers in Scotland and can be used to help buy both new build and existing properties.

£8m was advanced during 2019-20 (2018-19: £nil).

Energy Related Loans
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 2019-20 £5m (2018-19: £4m) of advances were made. At 31 March 2020 £28m (2018-19: £23m) was held as loan funds.

- EST administer and manage funds on behalf of the Scottish Government which provide loans to save energy and reduce carbon dioxide emissions. In 2019-20 £6m (2018-19 £5m) of advances were made. At 31 March 2020 £61m (2018-19: £56m) was held as loan funds.

Through the Home Energy Efficiency Programme (HEEPs) loans are available to help homeowners make energy and money saving improvements to their home. In 2019-20, advances of £4m (2018-19: £5m) were made. At 31 March 2020 £26m (2018:19: £23m) was held on HEEPs loans.

11e. Loans (continued)

The Renewable Energy Investment Fund (REIF) is delivered through Scottish Enterprise and Highlands and Islands Enterprise. REIF provides funding to commercial and community renewable energy projects across Scotland. In 2019-20 £10m (2018-19 £nil) of advances were made and £10m (2018-19: £nil) of repayments were received. At 31 March 2020 £8m (2018-19: £9m) was held as loan funds.

Transport Scotland provides funding to the Energy Savings Trust to fund energy efficient transport initiatives, including the Electric Vehicle Loan and electric Taxi support, the Low Carbon Transport Business Loan and eBike loan support. In 2019-20 £40m (2018-19 £17m) of advances were made. At 31 March 2020 £72m (2018-19: £33m) was held as loan funds.

Further information on the loans provided through the Energy Savings Trust can be found at:
https://energysavingtrust.org.uk/scotland/grants-loans

EU CAP Loans

From 2015-16, a Scottish Government national loans scheme was put in place to provide support to the farming economy. In 2019-20, advances of £383m (2018-19: £425m) were made with repayments of £444m (2018-19: £492m); £3.4m of loans advanced prior to 2019-20 are outstanding and have been provided for or are expected to be fully recovered in 2020-21.

Other Funds

Social Investment Scotland administer and manage the Scottish Investment Fund on behalf of the Scottish Government, the fund was set up to provide loans to build capacity, capability and financial sustainability in the third sector. As at 31 March 2020 £16m (2018-19: £16m) was held as loan 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 (£50m; 2018-19: £50m) that helps fund regeneration and energy efficient projects within targeted areas of Scotland.

Over the past 5 years, the Scottish Government has provided £10m to the Scottish Futures Trust for use in their oversight of the Non Profit Distributing (NPD) programme. SFT's pipeline of NPD projects is delivered through two channels – very large projects such as major roads or large hospitals, procured directly by the public sector organisations through the NPD programme, with smaller Design, Build, Finance and Maintain (DBFM) projects delivered via the Scotland-wide hub initiative in partnership with local authorities, health boards and other public bodies.

The Scottish Government has provided £10m, 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. As at 31 March 2020 £9m (2018-19: £9m) was held as the loan balance.

Scottish Enterprise administer and manage Digital Development Loans on behalf of the Scottish Government. Digital development loans are provided to companies who wish to improve their digital capabilities and capacity. During 2019-20 £14m (2018-19: £9m) advances were made. At 31 March 2020 £21m (2018-19: £9m) was held as loan funds.

The Scottish Growth Scheme is a package of financial support of up to £500 million for Scottish businesses. It's backed by the Scottish Government and aims to help businesses grow. £13m was provided to the fund managers in 2019-20 for distribution (2018-19: £nil).

Building Scotland Fund (BSF) is a precursor to the Scottish National Investment Bank. It focuses on housing, modern industrial and commercial property and business-led research and development projects. The BSF intends to invest £150 million over financial years 2019 to 2021 by making loans and acquiring equity. In 2019-20 £13m (2018-19: £nil) of advances were made.

In 2019-20 £15m (2018-19: £nil) was advanced through the Registered Social Landlords (RSL) Fire Safety Loan scheme to cover the cost of buying and installing smoke, heat and carbon monoxide alarms to meet new standards.

In 2019-20, the Scottish Government provided commercial loans of £9m (2018-19: £48m) to private companies. In 2019-20 this relates solely to a loan provided to Burntisland Fabrications Limited, this is disclosed within Other Funds within Note 11a and has been fully written off in year. As noted in note 11d above, the equity stake held in Bifab has also been written down to nil value in year. Further information on Bifab is included in the Performance Report.

11f. Student Loan Valuation

Student loans are valued in accordance with IFRS 9, and are recognised at fair value through the Statement of Comprehensive Net Expenditure (SOCNE). The value at any time is dependent upon macroeconomic conditions, forecast over the long term 30 year repayment profile.

The estimated value is determined at using a discounted cash flow model known as the Stochastic Earnings Path (StEP) model. This model is used across the devolved administrations and is managed by the UK Department for Education (DfE) using various data sources on higher education students in order to predict their likely repayments of loans. There is a standard cycle and process for the production of valuation and modelling information: for the financial year-end reporting, and for mid-year forecasting and adjusting budgets as necessary for the Scottish and UK Government fiscal events.

Forecasting Model background
The StEP model uses information from two sub-models, an earnings model and a repayments model, to predict outcomes for student borrowers. The earnings model calculates earnings "paths" for individual borrowers after graduation and the repayment model takes these earnings paths, and applies a number of repayment rules to generate the repayments. The earnings model uses input variables such as course level, domicile and subject studied to estimate earnings in future years. The repayment model uses macroeconomic forecasts such as RPI, interest rates and earnings growth to predict the repayments in line with each earnings "path". The model is long-term in nature and depends on a complex set of assumptions, particularly, the latest Office of Budget Responsibility long-term and medium-term forecasts for RPI, Bank of England base rate and earnings growth. These forecasts are generally updated twice per year. The valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions.

Key inputs to the model include:

- Student Loans Company data – used for borrower characteristics, loan amounts and for derivation of earnings and employment models and income distribution in early career stages. Also used in frictional adjustments, such as part-year employment models.
- British Household Panel Survey (BHPS) data – used for derivation of earnings and employment models and income distributions, especially later career stage earnings and steady state models.
- Labour Force Survey data – to convert income percentiles to cash amounts, regarded as more reliable than cash values from BHPS due to large sample sizes.
- Destinations of Leavers from Higher Education survey – used in the graduate age adjustment, taking into account different earnings profiles of mature and typical age borrowers in early career stages.
- Office of National Statistics life tables – data on deaths.
- UCAS – forecasts of student numbers which come via another model within Higher Education.
- HESA data – course lengths and drop outs.
- OBR macroeconomic forecasts – forecasts of earnings growth, Bank of England base rates, and RPI.

When the model is received by the Scottish devolved administration, further work is required to tailor the content of each model to the circumstances only relevant to the Scottish loan policy. For example, the increase to the student loan repayment threshold from 2021/22 has been factored in and included in the model tailored for the Scottish Student Loan book.

The information as at 31 March 2020 was prepared using the OBR Economic and Fiscal outlook published on 11 March 2020 which was provided by the Department for Education to the devolved administrations for updating the Stochastic Earnings Path model. For further information on this economic scenario see the OBR website:
https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/

11f. Student Loan Valuation (continued)

Forecasting Model updates

Given the significant number of varying factors that are considered for each revision of the model, and the customisation required, it is not the policy of Scottish Government to make amendments outside of the usual annual cycle. Generally, the model is updated twice a year and usually coincides with the OBR's latest economic and fiscal outlook publication which is produced twice a year. A significant point is that the detail from OBR is caveated by them that these forecasts become 'out of date' very quickly. However given the time it takes to process forecasts, it is unrealistic to undertake amendment more frequently than this. COVID-19 has impacted this year's valuation process because it has increased the uncertainty of the immediate and medium-term economic outlook.

This version uses OBR forecasts from March, as determined by Department for Education. The OBR published new macroeconomic scenarios for three COVID-19 scenarios in mid-July. The macroeconomic forecasts for the central scenario were used to update the StEP model, which were provided to Scottish Government in September 2020.

COVID-19 impact on student loan valuations

The emergence of COVID-19 has resulted in increased volatility in macroeconomic data due to the unpredictable and wide-ranging impact of the pandemic.

The OBR issued multiple economic scenarios (upside, central and downside) in April and July 2020 in response to COVID-19. The April 2020 scenarios detailed a significant worsening of the economy over the short term but were also highly volatile in their scenario predictions because of the inherit uncertainty at that time. The July 2020 scenarios were much less volatile as they were able to incorporate the impact of increased economic certainty resulting from stabilising measures adopted by government in direct response to COVID-19. For further information on this economic scenario see the OBR website:

https://obr.uk/fsr/fiscal-sustainability-report-july-2020/

Recognising the uncertainties affecting any valuations as at 31st March, Scottish Government have considered whether the Stochastic Earnings Pathway model based on the July OBR scenarios, published in the Fiscal Sustainability Report, might provide a more appropriate basis for these accounts. In line with other devolved administrations we have concluded that it would not, given the significant changes in economic conditions post year end and the further uncertainties inherent in any subsequent forecasts. As at 31st March, although there had been a reduction in the Bank of England base rate, the UK had only been in lockdown for less than one week. In September it had been 6 months and it was felt that there had been significant change in outlook in September that would just not have been the case at the end of the 2019/20 financial year. The model is based on the OBR's March 2020 economic forecasts more accurately reflected the circumstances at 31st March, whereas the parameters in the model at 29th September did not as economic conditions had changed.

Sensitivity Analysis

As described above, there are a number of variables used in the model, and adjusting any of these variables will have an impact on the overall valuation. Each of these variables can be adjusted independently of the others, resulting in a large number of combinations, so the choice of alternative scenarios is extensive. We have chosen the parameters carefully to reflect what we believe to be the most accurate position at the reporting date, but we recognise that adjusting these variables will have an impact on the valuation.

In specifically considering the reductions in the Bank of England base rate change in March 2020. Interest rate changes are included within the model with a quarterly profile, therefore the reduction from 0.75% to 0.1% in March, would be reflected as 0.75% to 0.61% in Q4 of financial year 2019-20, in a model which considers 50 years of interest predictions.

We have also considered the impact of using the July OBR forecasts on the student loan valuation. Using the September version of the model, the difference from the previous version amounted to an increase in the impairment of £144.6m. This reflects post year-end changes in economic conditions, including the estimated impact of response measures, and will instead be considered within the financial year 2020-21 estimates. As noted above, we have not used this valuation for the position as at 31 March 2020.

EU Exit impact on student loan valuations

Up to the expected exit of the Transition Period in December 2020, there are extreme levels of uncertainty as to the impact any exit scenario will have on macroeconomic data, and on the student loan book. The student loan valuation has previously based assumptions over macroeconomic data on the published OBR forecasts. As the current forecasts have been prepared assuming an orderly exit from the EU, we have assessed it appropriate to continue to value the student loan book under the current basis of assumptions in place.

12. 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**	**1 - 2 yrs**	**2 - 5 yrs**	**>5yrs**	**2019-20 Total**	**2018-19 Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	726	-	-	-	**726**	504
Accruals	1,463	1			**1,464**	1,563
Other payables	353	8	-	-	**361**	443
NLF loans	33	50	208	273	**564**	591
Accrued Interest due on NLF Loans	8	-	-	-	**8**	8
Balances Payable to SCF	27	-	-	-	**27**	24
Corporate balance with SCF	888	-	-	-	**888**	979
PFI Deferred Residual Interest	-	-	-	-	**-**	-
PFI Imputed finance leases	100	98	342	2,519	**3,059**	3,115
Lease payables	2	1	6	15	**24**	23
Bank overdraft	1	-	-	-	**1**	-
Other financial liabilities	1	50	-	-	**51**	-
Total	**3,602**	**208**	**556**	**2,807**	**7,173**	**7,250**

Credit risk

Credit risk is the risk that a third party will default on its obligations. The maximum exposure to credit risk at the balance sheet 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 (= amortised cost).

12. Financial Instruments (Cont.)

Market risks

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

67% (2018-19: 65%) of the Scottish Government's financial assets and 100% (2018-19:100%) of its financial liabilities carry nil or fixed rates of interest and it is 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 from the European Commission (EC) for the 2014-20 European Structural Funds (ESF) programme. The year end balance of £28.5m is the sterling equivalent of €32m translated at the accounting date (using the official EU exchange rate as at 31 March 2020).

The Scottish Government has instituted funding advances for certain EU CAP payments. Following EU Exit, Euro denominations were sold once EU funding was received. As at 31 March the year end balance of £95.5m is the sterling equivalent of €106.9m.

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 £1,025m (2018-19: £944m).

Categories of financial assets and financial liabilities

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

Financial Assets	**Note**	**At fair value through P&L Note a**	**Loans and receivables Note b**	**Shares held in or loans advanced to the public sector Note c**	**2019-20 Total**	**2018-19 Total Restated**
		£m	**£m**	**£m**	**£m**	**£m**
Voted loans	11a			3,576	**3,576**	**3,290**
NLF loans	11a			564	**564**	**591**
Housing loans	11a	265			**265**	**209**
Shared Equity Housing loans	11a		1,025		**1,025**	**944**
Energy related loans	11a		189		**189**	**146**
EU CAP funds	11a		193		**193**	**256**
Other Funds	11a		174		**174**	**100**
Student loans	11a	3,710			**3,710**	**3,459**
Interests in nationalised industries	11a			25	**25**	**27**
Trade receivables	13		65		**65**	**55**
Accrued income	13		663		**663**	**749**
Interest receivable	13		35		**35**	**33**
Amounts receivable from the SCF	13		-		**-**	**-**
Deposits and advances	13		1		**1**	**-**
Other receivables	13		93		**93**	**85**
Corporate balance with the SCF	13		1		**1**	**-**
Cash and cash equivalents	2		970		**970**	**1,020**
Total		**3,975**	**3,409**	**4,165**	**11,549**	**10,964**

Note: As not all current assets are financial instruments, the above tables exclude VAT £55m (2018-19: £66m) and prepayments £391m (2018-19: £359m) which are included in the associated asset notes.

12. Financial Instruments (Cont.)

Financial Liabilities	Note	Fair Value through Profit and Loss Note a £000s	All other financial liabilities Note d £000s	Shares held in or loans advanced to the public sector Note c £000s	2019-20 Total £000s	2018-19 Total £m
Trade payables	14		703		**703**	**504**
Accruals	14		1,463		**1,463**	**1,563**
Other payables	14		361		**361**	**443**
NLF loans	14			564	**564**	**591**
Accrued Interest due on NLF Loans	14			8	**8**	**8**
Balances payable to the SCF	14		27		**27**	**24**
Corporate balance with SCF	14		888		**888**	**979**
PFI Imputed finance leases	14		3,059		**3,059**	**3,115**
Lease payables	14		23		**23**	**23**
Bank overdraft	14		1		**1**	**-**
Financial guarantees	14				**-**	**-**
Derivative financial instruments	14				**-**	**-**
Other financial liabilities	14		51		**51**	**-**
Total		**-**	**6,576**	**572**	**7,148**	**7,250**

Note: As not all liabilities are financial instruments, the above tables exclude deferred income £89m (2018-19: £132m), other tax and social security £155m (2018-19: £146m), superannuation payable £133m (2018-19:£102m) and employee benefit accrual £77m (2018-19: £68m) included in the associated liabilities note (note 14). 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 in the public sector are held at historic cost less impairment and any impairment losses go to the outturn statement. Loans advanced to the public sector or due to the NLF are measured in the same manner as in note (b)

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 and financial liabilities have been offset and presented net in these accounts.

13. Receivables and Other Assets

Amounts falling due within one year:	**2019-20** **£m**	**2018-19 Restated** **£m**
Trade receivables	65	55
VAT	55	66
Deposits and advances	1	-
Other receivables	71	70
Prepayments and accrued income	515	371
Accrued income relating to EU funding	459	483
Interest receivable	35	33
Reimbursement of CNORIS provisions	-	-
Balances receivable from SCF	-	-
PFI Prepayment	-	-
Corporate balance with the SCF	1	-
Derivative financial instruments	-	-
Balance as at 31 March	**1,202**	**1,078**

Amounts falling due after more than one year:	**2019-20** **£m**	**2018-19 Restated** **£m**
Trade receivables	-	-
Deposits and advances	-	-
Other receivables	22	15
Prepayments and accrued income	79	135
Balance as at 31 March	**101**	**150**
Total balance as at 31 March	**1,303**	**1,228**

Included within the total is interest receivable on NLF loans of £7.561m (2018-19: £7.965m) that will be paid to the Scottish Consolidated Fund as income not applied once the debt has been settled.

Receivables are shown net of impairments as follows:	**2019-20** **£m**	**2018-19 Restated** **£m**
Amounts falling due within one year:		
At 1 April	23	18
Charge for the year	12	15
Unused amount released	(9)	(4)
Utilised during the year	-	(6)
At 31 March	**26**	**23**
Amounts falling due after more than one year:		
At 1 April	4	-
Charge for the year	5	4
Unused amount released	-	-
Utilised during the year	-	-
At 31 March	**9**	**4**

The prior year receivable figures have been restated to ensure that the long term receivable, held by the Social Security Agency, and the allocated impairment, has been correctly disclosed in line with the Agency accounts.

14. Payables and Other Liabilities

Amounts falling due within one year:	**2019-20 £m**	**2018-19 £m**
Payables and other current liabilities		
Trade payables	703	504
Other taxation and social security	155	146
Superannuation payable	133	102
Other payables	353	337
Deferred income and accruals	1,621	1,754
Accrued interest due on NLF loans	8	8
Finance leases	1	1
PFI imputed finance leases	100	91
PFI deferred residual interest	-	-
Corporate balance with the SCF	888	979
Balances payable to the SCF	27	24
	3,989	**3,946**
Other financial liabilities		
Current instalments on NLF loans	33	27
Bank overdraft	1	-
Financial guarantees	-	-
Derivative financial instruments	-	-
Other financial liabilities	1	1
	35	**28**
Total current liabilities	**4,024**	**3,974**

The balance payable to the SCF includes amounts due on income not applied of £3.0m (2018-19: £0.8m).

Amounts falling due after more than one year:	**2019-20 £m**	**2018-19 £m**
Payables and other non-current liabilities		
Other payables	8	106
Deferred income and accruals	8	9
Finance leases	22	22
PFI imputed finance leases	2,959	3,024
	2,997	**3,161**
Other financial liabilities		
Instalments due on NLF loans	531	564
Financial guarantees	-	-
Derivative financial instruments	-	-
Other financial liabilities	50	-
	581	**564**
Total non-current payables and other financial liabilities	**3,578**	**3,725**

15. Provisions for liabilities and charges

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Business Support Measures £m	Other Provisions £m	Total 2019-20 £m	Total 2018-19 £m
Balance as at 1 April	**37**	**133**	**633**	**-**	**-**	**77**	**880**	**845**
Add: element reported as due within one year	2	12	148	1	-	57	220	179
Balance as at 1 April	**39**	**145**	**781**	**1**	**-**	**134**	**1,100**	**1,024**
Provided for in year	-	20	30	1	912	31	994	251
Provisions not required written back	(1)	(3)	-	-	-	(25)	(29)	(109)
Provisions utilised in year	(3)	(14)	(5)	(1)	-	(7)	(30)	(62)
Discount amortised	1	6	-	-	-	-	7	(4)
Balance as at 31 March	**36**	**154**	**806**	**1**	**912**	**133**	**2,042**	**1,100**
Payable within one year	(3)	(12)	(188)	(1)	(912)	(49)	(1,165)	(220)
Balance as at 31 March	**33**	**142**	**618**	**-**	**-**	**84**	**877**	**880**

Analysis of expected timing of any resulting outflows of economic benefits

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Business Support Measures £m	Other Provisions £m	Total 2019-20 £m	Total 2018-19 £m
Payable in 1 year	3	12	188	1	912	49	**1,165**	**220**
Payable between 2 - 5 yrs	16	39	472	-	-	71	**598**	**536**
Payable between 6-10 yrs	17	37	40	-	-	12	**106**	**142**
Thereafter	-	66	106	-	-	1	**173**	**202**
Total as at 31 March	**36**	**154**	**806**	**1**	**912**	**133**	**2,042**	**1,100**

15. Provisions for liabilities and charges (continued)

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.

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. For the NHS, Boards meet the additional costs of benefits in respect of employees retiring early by paying the required amounts annually to the NHS Superannuation Scheme for Scotland over the period between early departure and the normal retirement date. Amounts are provided for in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, as discounted by the applicable Treasury discount rate.

NHS Clinical and Medical Negligence
Included within provisions is an amount of £806m (2018-19: £781m) 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 2019-20 £29m (2018-19: £200m) of estimated settlement value of medical and clinical negligence claims were added to the provision.

In 2019-20 £5m (2018-19: £40m) in claims were settled and £nil (2018-19: £92m) was written back as no longer required.

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, found within
https://www.sps.gov.uk/Corporate/Publications/Publications.aspx

Business Support Measures
A constructive obligation was deemed to be established in respect of support grants to be paid to eligible businesses to ameliorate the adverse economic consequences of the COVID-19 pandemic. In order to put the necessary administrative structures in place, Scottish Ministers announced plans for the support in March 2020 with schemes, administered by Local Authorities, scheduled to commence from 1 April 2020. On 30 March, the Scottish Government issued guidance to Local Authorities on the eligibility for support, to support the consideration by Local Authorities of applications from businesses. The provision recognised at 31 March 2020 is in respect of this first phase of support and is based on information provided by Local Authorities of their spend to October 2020; the grant schemes closed to new applications on 10 July and so, while the actual spend on these schemes is subject to formal confirmation, it is not expected to be significantly different.

Other Provisions - NHS Balances
Other provisions include NHS balances of £17m (2018-19: £12m). 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 £41m (2018-19: £62m) 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.

Also included in other provisions is £5.5m (2018-19: £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 - Scottish Prison Service Balances
Included within other provisions are Scottish Prison Service balances of £12m (2018-19:£10m) relating to Injury Benefits. The Injury Benefits provision include estimates of amounts payable to former employees for loss of earnings under the Civil Service Injury Benefit Scheme.

Other Provisions - Crown Office and Procurator Fiscasl Service Balance
Included within other Provisions are Crown Office balances of £12m (2019-20: £nil) relating to a specific litigation claim.

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 (£0.3m; 2018-19: £1m).

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 in 2018-19 resulted in a new provision of £33million. This has been reviewed and revalued at £37million as at 31 March 2020.

16. Capital Commitments

Property, plant and equipment	2019-20 £m	2018-19 £m
Contracted capital commitments for which no provision has been made	4,501	3,536
Total	**4,501**	**3,536**

Intangible assets		
Contracted capital commitments for which no provision has been made	14	16
Total	**14**	**16**

Total Commitments	**4,515**	**3,552**

2019-20 property, plant and equipment commitments include future payments of £4,329m (2018-19: £3,456m) in respect of major road schemes currently under construction, a number of capital projects being undertaken by NHS Boards of £169m (2018-19: £74m).

2019-20 intangible asset commitments include the development of a replacement IT system for Marine Scotland's vessels of £1m (2018-19: £3m) (90% reimbursement expected from the European Union), a £2m Digital Planning commitment (2018-19: £1m), £3m (2018-19: £5m) to complete the CAP Futures project and £6m (2018-19: £2m) for the development of Social Security Digital Portals, SPPA enhancement of the existing pension administration and payroll system £nil (2018-19: £3m) and Disclosure Scotland Transformation Programme of £1m (2018-19: £2m).

17. Commitments under Leases

17a. 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:

Land	**2019-20 £m**	**2018-19 £m**
Within one year	8	8
Between two and five years (inclusive)	25	28
After five years	22	25
Total	**55**	**61**
Buildings		
Within one year	38	39
Between two and five years (inclusive)	114	113
After five years	133	143
Total	**285**	**295**
Other Commitments		
Within one year	21	21
Between two and five years (inclusive)	27	30
After five years	11	12
Total	**59**	**63**

17b. 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:

Buildings	**2019-20 £m**	**2018-19 £m**
Within one year	5	5
Between two and five years (inclusive)	20	20
After five years	52	56
Total	**77**	**81**
Less the interest element	(54)	(58)
Total	**23**	**23**
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.

17c. 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.

18. Other Financial Commitments

18a. Other Commitments

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

	2019-20 £m	2018-19 £m
Payable in 1 year	1,629	991
Payable between 2 - 5 years	1,483	4,520
Payable in more than 5 years	2,627	-
Total	**5,739**	**5,511**

Other financial commitments payable within one year include £750m (2018-19: £563m) as a committed income stream to Network Rail in accordance with the Deed of Grant, £799m (2018-19: £394m) to Abellio ScotRail; £38m (2018-19: £20m) to Serco Caledonian Sleeper under the Franchise Agreements; £36m for the Forestry Grant Scheme (2018-19: £nil); £3m for Rural Priorities (2018:19: £nil); Other financial commitments payable within one year include £1m (2018-19: £nil) in relation to hosting the UCI World Cycling Championships; £1m (2018-19: £nil) regarding Social Security DWP Recharges and £2m (2018-19: £3m) to fund the CAP Payments IT system.

Commitments payable within 2 to 5 years include £762m (2018-19: £2,787m) to Network Rail, £619m (2018-19: £1,682m) to Abellio; £29m (2018-19: £76m) to Serco; £27m (2018-19: £30m) to host the 2023 UCI World Cycling Championships; £37m for the Forestry Grant Scheme (2018-19: £nil); and £10m for Rural Priorities (2018:19: £nil)

Commitments payable after 5 years include £1,275m (2018-19: £nil) to Network Rail, £1,290m (2018-19: £nil) to Abellio; £57m (2018-19: £nil) to Serco; and £5m to Rural Priorities - SDRP 2007-2013 (2018-19: £nil)

For further details on the Forestry Grant and the Rural Priorities commitments, which arose from the Scottish Rural Development Plans, see the Scottish Forestry annual report and accounts.

18b. 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 are included for parliamentary reporting and accountability purposes.

Only guarantees and indemnities 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.

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.

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

18b. Guarantees, Indemnities and Letters of Comfort (continued)

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 Ltd, Scottish Homes and The Scottish Agricultural College, the Scottish Agricultural College to the Local Government Pension Fund and the Scottish Legal Complaints Commission.

Guarantee to Lothian Pension Fund in relation to the admission of Youthlink and Scotland's Learning Partnership.

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

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

Guarantee to Strathclyde Pension Fund in relation to Highlands and Islands Enterprise.

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

Guarantee to Shetland Council, Orkney Islands Council and Highland Council Pension Fund Schemes.

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 £1,277m (2018-19: £967m).

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 £17m (2018-19: £22m) at 31 March.

A specific indemnity of £8m has been agreed with the Australian Museum Trust with regard to the Tyrannosaurus Exhibition hosted by the National Museum of Scotland, which opened in January 2020.

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 2 years.

Letters of Comfort
None

19. 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.

19a. 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

NHS Ayrshire
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 Ill, and GP Acute; there are day facilities for Frail Elderly and Elderly Mental Ill 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.

NHS Dumfries & Galloway
The Board has one contract financed under a Public Finance Initiative (PFI) and one under the Non Profit Distributing (NPD).
Dumfries and Galloway Maternity and Day Surgery Unit - situated in Dumfries, is included in the statement of financial position at a valuation of £5m as at 31 March 2020 (at 31 March 2019: £5m). 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 £209m as at 31 March 2020 (at 31 March 2019: £208m) and the contract ends in September 2042.

NHS Fife
NHS Fife hold 2 FPI contracts, which are both held as non-current assets of NHS Fife Board and the liabilities to pay for the properties are accounted for as finance lease obligations.
Fife St Andrews Community Hospital and Health Centre - The contract started on 31st July 2009 and lasts 30 years, ending on 30th July 2039.

Fife Victoria Hospital - The contract started on 28th October 2011 and lasts 30 years, ending on 27th October 2041.

NHS 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) - 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.

Stirling Health and Care Village (SCV) - Service concession for the development and right of use of Community Health and Care facilities which brings together on one site a range of health, local authority and other partner organisation's services. The facility was handed over in three phases at the end of June 2018, October 2018 and October 2019. The facility will be delivered under the Hub initiative and the contract agreement is for 25 years ending in October 2044.

19a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

NHS 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.

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.

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.

Inverurie Centres - Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Inverurie Health and Community Care Hub effective 23 July 2018, Fosterhill Health Centre effective 8 May 2018 and 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.

NHS Greater Glasgow
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 £9m.

Southern General Hospital – The Elderly Bed Facility 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 £11m.

Gartnavel Royal Hospital – The Mental Health Facility 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 £18m.

Stobhill Rowanbank Clinic – The Mental Health Secure Care Centre 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.
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 £79m.

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 £16m.

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 £99m.

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 £14m.

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 £9m.

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 £12m.

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 £8m.

Woodside Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 15 May 2019 for a period of 25 years. Estimated capital value at commencement £18m.

NHS 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 £14m.

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 £9m and the PFI property will revert to the board at the end of the contract.

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 £19m.

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.

19a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

NHS 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 £73m. 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.

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 £151m. 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.

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 £4m (2018-19: £4m). 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.

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 current estimated capital value of these facilities is £45m (2018-19: £45m).

NHS Lothian
Royal Infirmary of Edinburgh - An Acute Teaching hospital. The contract started 1 November 2001 and will end 30 June 2053.

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.

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.

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.

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.

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.

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.

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.

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.

Royal East Lothian Community Hospital phases 1 and 2 - The project brings together services previously provided in Roodlands and Herdmanflat Hospitals and also supports patients previously in Haddington and Crookston Care Homes and Midlothain Community Hospital. The contract started on 10 February 2017 (Phase 1) and 23 February 2018 (Phase 2) and will end on 30 August 2044.

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.

19a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

NHS 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 over 25 years.

NHS 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.

The Susan Carnegie Clinic - The Mental Health NPDO Phase 1 is located on the Stracathro Hospital site in Brechin and 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.

Murray Royal Hospital - Mental Health facilities - 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.

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.

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.

19a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

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.

19b. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position

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**	**2019-20 Total £m**	**2018-19 Total £m**
Rentals due within 1 year	179	64	62	305	302
Due within 2 to 5 years	712	251	248	1,211	1,203
Due after 5 years	2,276	438	1,153	3,867	4,574
Total	**3,167**	**753**	**1,463**	**5,383**	**6,079**

Interest Element	**NHS Bodies in Scotland £m**	**Scottish Prison Service £m**	**Transport Scotland £m**	**2019-20 Total £m**	**2018-19 Total £m**
Rentals due within 1 year	126	6	26	158	178
Due within 2 to 5 years	474	22	91	587	653
Due after 5 years	1,035	24	162	1,221	1,467
Total	**1,635**	**52**	**279**	**1,966**	**2,298**

Present Value of Minimum Lease Payments	**NHS Bodies in Scotland £m**	**Scottish Prison Service £m**	**Transport Scotland £m**	**2019-20 Total £m**	**2018-19 Total £m**
Rentals due within 1 year	53	58	36	147	124
Due within 2 to 5 years	238	229	157	624	550
Due after 5 years	1,241	414	991	2,646	3,107
Total	**1,532**	**701**	**1,184**	**3,417**	**3,781**

Service elements due in future periods, included above	**NHS Bodies in Scotland £m**	**Scottish Prison Service £m**	**Transport Scotland £m**	**2019-20 Total £m**	**2018-19 Total £m**
Rentals due within 1 year	67	53	41	161	167
Due within 2 to 5 years	293	209	90	592	639
Due after 5 years	1,345	353	264	1,962	2,217
Total	**1,705**	**615**	**395**	**2,715**	**3,023**

19c. 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 £21m (2018-19: £29m).

20. Contingent Assets/Liabilities disclosed under IAS 37

20a. 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 £2m (2018-19: £2m).

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.

There is an expectation of a secured creditor distribution to Scottish Ministers from Ferguson Marine Engineering Limited Administration. The amount due to the Scottish Government is yet to be confirmed.

20b. 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.

NHS related
Clinical and Medical compensation payments of £396m (2018-19: £517m).
NHS Employer's Liability estimated at £3m (2018-19: £4m).

Housing related
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 £7m (2018-19: £7m) can only be called upon once the indemnities are exhausted and lasts for 7 years.

National Housing Trust guarantees of £4m (2018-19: £4m) which the Scottish Government are committed to giving but are not active until construction has been completed. The risk of a call on the guarantee is rising in line with the current COVID-19 crisis. We do not expect a call on the guarantee in the near future but we are monitoring each development closely through the Scottish Futures Trust to understand if tenants are continuing to pay their rent and thereby allow the loan debt to be serviced. This situation is subject to change.

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. The Scottish Government 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 (2018-19: £15m).

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.

20b. Contingent Liabilities (continued)

Justice related (continued)
An employment tribunal case claiming 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. Following a decision of the employment tribunal which stated that there was not a valid comparator, the claimant has submitted an appeal.

An appeal for a pensions claim under the Part-time Workers (Prevention of less Favourable Treatment) Regulations 2000 on 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.

COPFS has been subjected to several civil and damages claims. COPFS is opposing these claims but continues to review each case individually for liabilities that may arise as the legal process progresses. The value of these claims has yet to be finalised.

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, 2018 and 2019. 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.

Sports events
In certain circumstances a payment of up to 13m Swiss Francs (£10m at 31 March 2020 exchange rates) (2018-19: £nil) would be due to the UCI (the Union Cycliste Internationale) in relation to the UCI Cycling World Championships to be hosted in Scotland in 2023.

Other
The Scottish Government's European Structural Funds programmes are currently both 'in suspension' by the European Commission (EC), with the Scottish Government working closely with the EC and Audit Authority to implement the necessary audit recommendations to exit suspension. The Scottish Government has submitted all its evidence now and is awaiting a decision by the EC as to whether the suspension will be lifted in financial year 20/21. In the event that the Scottish Government is not deemed to have implemented the audit recommendation by the EC, it has the ability to apply a penalty up to 25% of the value of the Programme (€820m). The Scottish Government consider the likelihood of a financial penalty being applied by the EC as low, with continued engagement by both parties to address the audit recommendations since the beginning of the suspension, culminating in the submission of the evidence of work applying the audit recommendations by the Scottish Government to the EC.

In order to exit suspension, the Scottish Government was required to address a number of audit recommendations, as part of which it was necessary to convert expenditure to a unit cost recovery model from the EC. It is currently estimated the unit cost model will result in an under-recovery of EC Income c. £35m against the incurred expenditure of Lead Partners over the remainder of the Programme: 20/21,21/22 and 22/23. The under-recovery of income will not apply in the event a financial penalty is negotiated with the EC.

The Scottish Government occupies a number of leased properties which have dilapidations clauses in the leases. These properties are maintained in excellent order, but there is a potential liability to reinstate the internal layout of these buildings to their original floor plans. These costs will be subject to negotiation and the monetary impact is not reliably estimable.

Education Scotland has recognised one contingent liability in their accounts. Further advice is being sought in order to assess the likelihood of any financial implications (2018-19: £nil).

As part of Transport Scotland's normal course of business, the Forestry Commission grants 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 has the liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m (£2018-19: £5m) but it is considered unlikely that any liability will occur.

Functions under the Energy Act 2016 in relation to decommissioning offshore renewable energy installations in Scottish waters transferred to Scottish Ministers on 1st April 2017. This also means that the Scottish Government is now the funder of last resort in cases where the developers/owners cannot meet their decommissioning obligations. As the size of the Scottish portfolio of offshore energy projects grow so does the cumulative value of the decommissioning obligations and contingent liability.

The value of the contingent liability to date relates to 3 constructed and operational projects: Beatrice Offshore Wind Farm (c. £100m); Hywind Energy Park (c. £20m) and Aberdeen Offshore Wind Farm (c.£20m) and 2 partially constructed projects: Moray East (c. £100m) and Kincardine (c.£20m).

21. 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, Prestwick Airport Holdco Ltd and Ferguson Marine (Port Glasgow) Holding Ltd; a shareholder in Scottish Health Innovations Ltd and the Student Loans Company; and sponsor of Scottish Water, a number of nonconsolidated 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.

22. Third Party Assets

Assets held at Statement of Financial Position date to which monetary value can be assigned:

	2018-19 £m	Gross Inflows £m	Gross Outflows £m	2019-20 £m
Monetary amounts such as bank balances and monies on deposit	30	50	(54)	**26**
Unclaimed dividends and unapplied balances	13	-	(1)	**12**
Total Monetary Assets	**43**	**50**	**(55)**	**38**

Accountant in Bankruptcy holds funds of £28m (2018-19: £32m) 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 £17m (2018-19: £20m). The balance of £11m (2018-19: £12m) 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 2019-20 (2018-19: £9m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2018-19: £1m).

Other Assets held at the Statement of Financial Position date all relate to Accountant in Bankruptcy:

Description	2018-19 Number held	2019-20 Number held
Residential property	925	782
Motor vehicles, boats and caravans	14	8
Life Policies	175	138
Shares and Investments	31	7
Miscellaneous	204	802

No third party assets have been included within the Statement of Financial Position.

23. 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.

	2019-20 £m	2018-19 £m
Budget (Scotland) Act 2019	42,558	40,499
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2019 No. 402	537	7
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2020 No. 091	1,108	3,576
Total approved spending	**44,203**	**44,082**
Less activities not included in these accounts:		
National Records of Scotland	(44)	(36)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Courts and Tribunals Service	(141)	(128)
Scottish Fiscal Commission	(2)	(2)
Revenue Scotland	(9)	(8)
Food Standards Scotland	(19)	(17)
Scottish Housing Regulator	(4)	(5)
NHS and Teachers' Pension Schemes	(5,139)	(6,785)
Forestry Commission (Scotland)	-	(69)
Scottish Parliamentary Corporate Body	(108)	(105)
Audit Scotland	(18)	(9)
Consolidated Accounts approved estimates	**38,716**	**36,915**

Portfolio analysis	**Budget Act Approval £m**	**2019-20 Capital Budget £m**	**2019-20 Operating Budget £m**
Health and Sport	14,587	328	14,259
Communities & Local Government	11,670	233	11,437
Finance, Economy & Fair Work	729	164	565
Education and Skills	4,122	551	3,571
Justice	2,800	12	2,788
Transport, Infrastructure & Connectivity	2,961	344	2,617
Environment, Climate Change and Land Reform	476	264	212
Rural Economy	393	(53)	446
Culture, Tourism and External Affairs	286	-	286
Social Security & Older People	543	67	476
Government Business & Constitutional Relations	15	-	15
Crown Office and Procurator Fiscal Service	134	10	124
Consolidated Accounts approved estimates	**38,716**	**1,920**	**36,796**

24. Cash Authorisation

		2019-20 £m	2018-19 £m
Cash authorisation for the Scottish Administration			
Budget (Scotland) Act 2019		37,808	35,869
amended by			
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2019 No. 402		535	(69)
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2020 No. 091		11	261
Total Approved Cash Authorisation for the Scottish Administration		**38,354**	**36,061**
Less non core activities not included in the consolidated accounts:			
National Records of Scotland		(40)	(33)
NHS and Teachers' Pensions		(133)	(475)
Office of the Scottish Charity Regulator		(3)	(3)
Scottish Housing Regulator		(4)	(4)
Scottish Courts and Tribunals Service		(117)	(108)
Revenue Scotland		(9)	(8)
Food Standards Scotland		(18)	(16)
Scottish Fiscal Commission		(2)	(2)
Available Cash Authorisation for Consolidated Bodies		**38,028**	**35,412**
Funding drawn down from the Scottish Consolidated Fund	SOCTE	**37,524**	**34,496**

Accounts Direction

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.

Scottish Government
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