

The Scottish Government Consolidated Accounts for the year ended 31 March 2017

**Laid before the Scottish Parliament
By the Scottish Ministers
28 September 2017**

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Scottish Government
Riaghaltas na h-Alba
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Foreword

As Director General Finance for the Scottish Government during the 2016-17 financial year and now Director General Scottish Exchequer, I am the principal financial adviser to the Permanent Secretary and to Scottish Ministers. In 2016-17 I have been responsible for the overall Scottish Budget including tax, spending and infrastructure investment. I led a team of finance professionals who support financial decisions across the Scottish Government to secure value for Scotland and Ministers from the Scottish Budget.

I am pleased to introduce these accounts, which are an important part of the reporting on the stewardship of the whole Scottish Budget approved by the Scottish Parliament. The Scottish Government is committed to maintaining the highest standards of financial reporting, within a wider commitment to Open Government. There are some changes to format in this year's accounts to improve presentation and make information more accessible. Our financial reporting outputs have also developed alongside the Scottish Government's increasing fiscal responsibility – linked to these accounts, are the separate accounts of the Devolved Taxes published by Revenue Scotland and of the Scottish Consolidated Fund, available online at revenue.scot and gov.scot respectively.

These accounts present the financial outturn compared to the spending plans of Scottish Ministers for financial year 2016-17 authorised by the Budget (Scotland) Act 2016 and revisions and demonstrate the Scottish Government's track record of robust financial management. I am delighted that the Auditor General's opinion on these accounts is once again unqualified.

The accounts are not a ministerial document: it is the Principal Accountable Officer's responsibility to produce accounts. Decisions on spending priorities are taken by Scottish Ministers in accordance with their objectives and priorities and wider reporting on the performance of the Scottish Government in terms of the objectives set by Scottish Ministers continues to be available at *Scotland Performs*, a real-time tool which measures and reports on progress of government as a whole in Scotland against the wide range of indicators set out in the National Performance Framework (NPF), available online at www.scotlandperforms.com.

Subsequent to this financial year end, the Permanent Secretary announced a series of changes to the Executive Team, designed to help the Scottish Government respond to the challenges the organisation is facing as we move towards 2020. This included an evolution of the DG Finance role to DG Scottish Exchequer and the creation of a Chief Financial Officer role. As DG Scottish Exchequer, I now lead on fiscal and macro-economic policy and Scotland-wide strategy and aggregate risk assessment and mitigation, reflecting the country's growing fiscal autonomy and responsibilities. The Chief Financial Officer now leads on in-year financial management activities and a range of other financial operations across the Scottish Government.

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

Alyson Stafford
DG Scottish Exchequer
26 September 2017

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Performance Report

About the Scottish Government

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

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

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

Scottish Cabinet Ministers and their responsibilities

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

The First Minister appoints a Cabinet Secretary for each of the core portfolios described below, and a further 13 Ministers to support the work of the Scottish Cabinet, 11 of whom report to a Cabinet Secretary, and two Law Officers (Lord Advocate and Solicitor General for Scotland).

The previous parliament was dissolved in 24 March 2016, and 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 Ministers serving in the Cabinet Team during 2016-17 were:

Nicola Sturgeon

First Minister

The First Minister is head of the Scottish Government. Ultimately responsible for all policy and decisions. Nicola Sturgeon became First Minister on 20 November 2014.

The Cabinet Team serving from 18 May 2016 is as follows:

John Swinney

Deputy First Minister and Cabinet Secretary for Education and Skills

Responsibilities included: Government Strategy, Delivery and outcomes across portfolios, Resilience, School standards, Educational attainment and closing the attainment gap, National Improvement Framework, Quality and improvement, Teaching profession, School infrastructure and staffing, Qualifications, Behaviour, Measures to combat bullying, The Gaelic and Scots languages, Modern languages, Historical Abuse Enquiry, Named person, Cross Government co-ordination of Public Service Reform, Childcare implementation, Early years, Child protection, Social services workforce, Adoption and Fostering, Children's rights, Looked after children, Children's hearings, Protection of vulnerable groups, Children's services, Widening Access, Higher education and universities, Further education and colleges, Student funding, Science and STEM, Youth work,

Skills Development Scotland, Implementation of Wood recommendations, Non advanced vocational skills.

Derek Mackay

Cabinet Secretary for Finance and the Constitution

Responsibilities included: Scottish Budget, Fiscal policy, Taxation, Budgetary monitoring and reporting, Scottish Public Finances and their sustainability, Public sector pay and pensions, Scottish Futures Trust, Efficient government, Public Bodies Policy, National Performance Framework, Registers of Scotland, Government procurement, Digital Public Services, Constitution, Government and Parliamentary business, Scottish Parliamentary elections and Local Government Elections, relations with other UK administrations, FOI, Open Government.

Keith Brown

Cabinet Secretary for Economy, Jobs and Fair Work

Responsibilities included: The Scottish economy, infrastructure investment policy, Scottish Enterprise, trade & inward investment, innovation, internationalisation, increasing productivity, fair work and inclusive growth, labour market strategy, living wage, European structural funds, consumer advocacy and advice, employment policy, trades unions, bankruptcy policy and Accountant in Bankruptcy (AiB), business, industry and manufacturing, cities, energy and energy consent, regional economic forums, life sciences, financial services, low carbon economy, renewable energy industries, youth and women's employment, veterans, employability programmes.

Roseanna Cunningham

Cabinet Secretary for Environment, Climate Change and Land Reform

Responsibilities included: Climate change, flood prevention, water quality, land reform, physical and marine environment, sustainable development, biodiversity, natural heritage, environmental protection, environmental and climate justice, national parks, Scottish Water, The Crown Estate.

Angela Constance

Cabinet Secretary for Communities, Social Security and Equalities

Responsibilities included: Welfare policy, community empowerment, devolution to communities and reform of local government, equalities, religious and faith organisations, protection and development of social and human rights, third sector and social economy, democratic renewal, local government, housing, homelessness, community planning, planning, business improvement districts, town centres, building standards, social security, implementation of new powers, measures against poverty, disabilities, older people, tackling inequalities, social justice, regeneration.

Shona Robison

Cabinet Secretary for Health & Sport

Responsibilities included: NHS, Elective centres, Health care and social integration, Carers, Adult care and support, Implementing 2020 Vision and National Clinical Strategy, Patient services, NHS staff and pay, Problem alcohol use and recovery, Healthy working lives, National service planning, NHS performance, Acute services, Sporting events and legacy, Patient safety, Quality strategy, Public health, Health protection, Sport and physical activity, Primary care, Mental health, Allied healthcare services, Dentistry, Sexual health, medical records, Health improvement, Drugs policy, Child and maternal health.

Michael Matheson

Cabinet Secretary for Justice

Responsibilities included: The justice system, criminal law procedure, civil law, police, fire and rescue services, legal profession, violence reduction, anti-sectarianism, courts, sentencing, security, human rights, access to justice, community safety, anti-social behaviour, prisons and prisoners, female offenders, criminal justice social work, victims and witnesses, reducing reoffending, youth justice, liquor licensing.

Fiona Hyslop

Cabinet Secretary for Culture, Tourism & External Affairs

Responsibilities included: Culture and the arts, broadcasting, architecture, built heritage, national identity, cross government co-ordination on bringing major events to Scotland, national records, fair trade, tourism, international development, cross-government co-ordination on European Union and international relations, Scottish diaspora, creative industries.

Fergus Ewing

Cabinet Secretary for Rural Economy and Connectivity

Responsibilities included: Rural Scotland, Highlands Islands Enterprise, agriculture, forestry, fisheries, aquaculture, food and drink, crofting, transport, connectivity including 100 per cent broadband, cross government co-ordination on Islands, public transport.

Additional Government Ministers during 2016-17

From 18 May 2016 the Cabinet was supported by the following ministerial team:

Mark McDonald	Minister for Childcare and Early Years
Shirley-Anne Somerville	Minister for Further Education, Higher Education and Science
Jamie Hepburn	Minister for Employability and Training
Joe Fitzpatrick	Minister for Parliamentary Business
Aileen Campbell	Minister for Public Health and Sport
Maureen Watt	Minister for Mental Health
Alasdair Allan	Minister for International Development and Europe
Kevin Stewart	Minister for Local Government and Housing
Jeane Freeman	Minister for Social Security
Annabelle Ewing	Minister for Community Safety and Legal Affairs
Paul Wheelhouse	Minister for Business, Innovation and Energy
Humza Yousaf	Minister for Transport and the Islands
Michael Russell	Minister for UK Negotiations on Scotland's Place in Europe (from 26 August 2016)

Law Officers during 2016-17

Frank Mulholland QC	Lord Advocate (until 2 June 2016)
Lesley Thomson QC	Solicitor General (until 2 June 2016)
James Wolffe QC	Lord Advocate (from 2 June 2016)
Alison Di Rollo	Solicitor General (from 2 June 2016)

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 is the senior civil servant in Scotland and leads the 5,000 plus people working for the Scottish Government. The Permanent Secretary 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.

Scottish Government Senior Management Team (Executive Board)

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

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

The members of the Executive Board during 2016-17 were:

Leslie Evans	Permanent Secretary
Sarah Davidson	DG Communities
Graeme Dickson	DG Enterprise, Environment and Innovation (until 31 May 2016)
Liz Ditchburn	DG Economy (from 18 April 2016)
Paul Gray	DG Health & Social Care
Paul Johnston	DG Learning & Justice
Alyson Stafford CBE	DG Finance
Gordon Wales	Acting DG Finance (from 30 January 2017)
Ken Thomson	DG Strategy & External Affairs

Non-executive members of the Executive Board during 2016-17 were:

Christina Allon (until September 2016)
Janet Hamblin
Linda McKay
Ronnie Hinds (from October 2016)

Register of Interests

Members of the Executive Board whom held company directorships and other significant interests during 2016-17 were:

Janet Hamblin: Director of RSM
Ronnie Hinds: Acting Chair of the Accounts Commission

SG2020 Transformation Programme

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

Open

- accessible, trusted, an engaged and credible partner
- clear about roles and expectations of others
- 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
- 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
- designing better places, networks and systems

How the Scottish Budget is funded

The size of the Scottish Budget is largely determined by the block grant from UK Government which is allocated to the Secretary of State for Scotland through the approval of the UK Parliament (accounted for by the Scotland Office), 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 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 Scotland Office, 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 Scotland Act 2012 empowered the Scottish Parliament to set a Scottish Rate of Income Tax (SRIT). The Scottish Parliament set the Scottish rate of income tax for the first time in 2016-17.

During 2016-17 £4.9 billion in income tax revenues derived from the Scottish Rate of 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, 2016-17 was the second year in which devolved taxes in respect of Land and Buildings Transactions and Landfill Tax have been managed in Scotland. A total of £633 million has been collected, £38 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 taxes. 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 at gov.scot.

A Scottish Cash Reserve facility was created in 2015-16 to support any future fluctuations in tax income, and the surplus of £74 million from cash receipts in 2015-16 transferred to the Scotland Reserve on 1 April 2017 and is available for future deployment.

The Devolved Taxes Account, The Scottish Consolidated Fund Accounts, and these Scottish Government Consolidated Accounts together provide a suite of information describing the fiscal activity of the Scottish Government.

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

Further information on the Scottish Budget for 2016-17 can be found at <http://www.gov.scot/Publications/2015/12/9056>

The total budget approved by the Scottish Parliament includes activities not included in these accounts. Note 21 to these accounts (page 119) provides a reconciliation to the total budget.

Accounting Boundary

These accounts reflect the consolidated assets and liabilities and the results of all entities within the Scottish Government consolidation accounting boundary as required by and defined in the Government Financial Reporting Manual (FRM). This consists of ten internal Portfolios, supported by Administration, their Executive Agencies (each linked to a specific portfolio), the Crown Office and Procurator Fiscal Service and the NHS Bodies responsible for the planning, promotion, commissioning and the delivery of healthcare. The portfolio analysis in these accounts reflects the portfolios designated by the First Minister from 18 May 2016. The consolidation boundary includes the following:

Finance and the Constitution Portfolio

Executive Agency : Scottish Public Pensions Agency (www.sppa.gov.uk)

Health and Sport Portfolio

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

Education and Skills Portfolio

Executive Agencies : Disclosure Scotland (www.disclosurescotland.co.uk)
Education Scotland (www.educationscotland.gov.uk)
Student Awards Agency for Scotland (www.saas.gov.uk)

Economy, Jobs and Fair Work Portfolio

Executive Agency: Accountant in Bankruptcy (www.aib.gov.uk)

Justice Portfolio

Executive Agency : Scottish Prison Service (www.sps.gov.uk)

Communities, Social Security and Equalities Portfolio

Environment, Climate Change and Land Reform Portfolio

Culture, Tourism and External Affairs Portfolio

Rural Economy and Connectivity Portfolio

Executive Agency : Transport Scotland (www.transportscotland.gov.uk)

Other Consolidated Bodies: The Crown Office and Procurator Fiscal Service
(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 web-sites noted above.

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

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, once all the audited information is available, usually in December. 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.

Performance Overview

The Budget Framework

The Scottish Government set out its spending plans for 2016-17 in December 2015 in *Scottish Budget: Draft Budget 2016-17*. Approval for a detailed budget for 2016-17 was given by the Parliament in March 2016 in the Budget (Scotland) Act 2016. The annual Budget is refined through in-year budget revisions, Parliamentary approval for which is given by statutory instrument.

Scotland's Economic Strategy

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 increasing sustainable economic growth.

This remains the Government's ambition to which all our efforts and actions are directed and is at the core of Scotland's Economic Strategy (SES), published in March 2015. The SES is built around two interdependent pillars: increasing competitiveness and tackling inequality. The Scottish Government's National Economic Strategy is available on the Scottish Government's website at <http://www.gov.scot/Topics/Economy/EconomicStrategy>.

Infrastructure Investment

Infrastructure investment in support of better and modern public services and growth in the Scottish economy is a top priority for the Scottish Government.

The Scottish Government is taking forward a comprehensive infrastructure investment programme and further detail about the infrastructure investment plan can be found at <http://www.gov.scot/Topics/Government/Finance/18232/IIP>

Exit from the EU

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

It is not yet possible to fully quantify the impact of this decision on Scotland, but the fluctuations in exchange rates and other economic features will inevitably be reflected in the financial performance reported in these and future accounts.

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

The Scottish Government has sought assurance from the European Investment Bank (EIB) that support will continue to be available for Scottish projects as the UK Government progresses with arrangements for the withdrawal from the EU.

At present Scotland remains part of the EU and current EU-funding remains in place. All programmes that have been approved by the European Commission up to March 2018 will continue as they do now.

During 2016-17, The First Minister appointed Michael Russell as Minister for UK in Negotiations on Scotland's Place in Europe, and he leads the discussions with the UK Government on our future relationship with Europe.

Further information can be found at <http://www.gov.scot/Topics/International/Europe>.

Economic Stimulus

The First Minister announced on 10 August 2016 measures to support and stimulate the economy in the wake of the EU referendum, including acceleration of Capital spending on projects to support and create employment, starting with an additional £100 million of funding in this financial year.

This investment has helped to support jobs and business activity across the Scottish economy at a time when economic uncertainty was heightened as a result of the EU referendum. In addition, such investment provides the assets and infrastructure which will support future economic growth in Scotland.

National Performance Framework

Introduced in 2007 and refreshed in 2011 and 2016, the Scottish Government's National Performance Framework (NPF) sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland and how our actions will improve the quality of life for the people of Scotland. The vision for a successful Scotland is described and measured in five parts which support and reinforce each other:

- **The Scottish Government's Purpose** sets out the direction and ambition for Scotland.
- **Purpose Targets** are high level targets that show progress towards the Purpose.
- **Strategic Objectives** describe where we will focus our actions.
- **National Outcomes** describe what the Scottish Government wants to achieve and the kind of Scotland we want to see.
- **National Indicators** enable us to track progress towards the Purpose and National Outcomes.

Strategic Objectives, National Outcomes and National Indicators

Five Strategic Objectives support delivery of the Government's overarching Purpose *to focus government and public services on creating a more successful country, with opportunities for all Scotland to flourish, through increasing economic sustainable growth*. These Objectives are supported by 16 National Outcomes which describe in more detail what the Scottish Government wants to achieve. The Five Strategic Objectives are:

Wealthier and Fairer

Enable businesses and people to increase their wealth and more people to share fairly in that wealth.

Smarter

Expand opportunities for Scots to succeed from nurture through to life-long learning ensuring higher and more widely shared achievements.

Healthier

Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.

Safer and Stronger

Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

Greener

Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

The sixteen National Outcomes describe what the Government wants to achieve over the next ten years, articulating more fully the Government's Purpose. They help to sharpen the focus of

government, enable our priorities to be clearly understood and provide a clear structure for delivery. The sixteen national outcomes are:

- We live in a Scotland that is the most attractive place for doing business in Europe.
- We realise our full economic potential with more and better employment opportunities for our people.
- We are better educated, more skilled and more successful, renowned for our research and innovation.
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- Our children have the best start in life and are ready to succeed.
- We live longer, healthier lives.
- We have tackled the significant inequalities in Scottish society.
- We have improved the life chances for children, young people and families at risk.
- We live our lives safe from crime, disorder and danger.
- We live in well-designed, sustainable places where we are able to access the amenities and services we need.
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.
- We value and enjoy our built and natural environment and protect it and enhance it for future generations.
- We take pride in a strong, fair and inclusive national identity.
- We reduce the local and global environmental impact of our consumption and production.
- Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

A wide range of indicators are used to assess progress towards the Purpose and National Outcomes. These provide a broad measure of national and societal wellbeing, incorporating a range of economic, social and environmental indicators and targets. Progress against the measures set out in the NPF and SES can be found on the Scotland Performs website (www.scotlandperforms.com). The data is constantly updated, and provides a politically neutral "stocktake".

Performance Analysis

Outturn against Budget

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

As described above, spending plans for financial year 2016-17 were set out in *Scottish Budget: Draft Budget 2016-17* published in December 2015. After consideration by the Scottish Parliament Finance Committee and other Committees, these plans were presented in the Budget Bill introduced in January 2016 and received Royal Assent as the Budget (Scotland) Act 2016 in March 2016. 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 September 2016 and Spring Budget Revision, made in February 2017.

The budget of £33,955 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 a resource budget of £31,890 million and a capital budget of £2,065 million.

The financial results for the year are reported in the attached accounts. They record a Net Resource Outturn of £31,862 million resulting in an underspend of £28 million. The Net Capital Outturn for the year was £2,008 million resulting in an underspend of £57 million. Total underspend of £85 million represents approximately 0.25 per cent of the total budget. An explanation of the major variances is included in these accounts immediately following the Statements of Outturn. Of the total resource outturn of £31,862 million, £7,349 million (23%) is funding to local government.

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

The provisional outturn announcement made by the Cabinet Secretary for Finance and the Constitution in June 2017 indicated that the cash fiscal DEL budget in 2016-17 would be underspent by £191 million and the total DEL budget (including non-cash and financial transaction facilities) would be underspent by £299 million. The announcement reported the position in terms of Scottish Government expenditure against total (DEL) 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 DEL 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, known previously as the balance sheet, (page 62) 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.
- 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

The value of the assets directly owned by the Scottish Government has been increasing over the last three years, largely as a result of capital investment. At the same time the value of liabilities directly owed by the Scottish Government has stayed broadly consistent.

Physical assets are the highest value group of assets in the Consolidated Accounts with a value of £28,562 million at 31 March 2017, of which 62 per cent (£17,662 million) relates specifically to the road network. The Consolidated Accounts provide details of changes in the year. There were additions of £1,108 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' (£25 million, page 86) 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.

The Consolidated Accounts show that the largest financial assets are loans of £2,708 million that have been made to Scottish Water, to finance its capital investment programmes (an increase of £38 million from 31 March 2016), and student loans valued at £3,257 million (an increase of £349 million from 31 March 2016). The latter are made under the terms of the student loans scheme,

administered by the Student Loans Company Limited. Loans to Prestwick Airport, a wholly owned subsidiary of Transport Scotland, of £30 million are also included here.

The total value of taxpayers' equity, reported in the Statement of Financial Position, is £31,171 million at 31 March 2017, an increase of £990 million (3.3%) from 31 March 2016.

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.

National Accounts Classification

Changes in EU statistical accounts classification rules (ESA10) in September 2014 triggered a review of the classification of some Non Profit Distributing (NPD) projects. There are no issues around the accounting entries, as infrastructure assets are recorded in the accounts in accordance with international accounting standards, which largely reflect the statistical national accounts rules. However the ESA10 rules have impacted on how public expenditure is measured against budgets.

The Office of National Statistics reclassification of some NPD projects has resulted in the initial capital value of some NPD projects during their construction period being charged against the capital outturn budget (CDEL), rather than the associated revenue funding over the contractual period when cash payments are made.

Capital Borrowing

The Scotland Act 2012 came in to force from April 2015, and gave the Scottish Ministers the power to borrow funds for infrastructure investment. For 2016-17 the Scottish budget included provision to borrow up to £333 million.

As was the case in 2015-16, the Scottish Government has agreed with HM Treasury for the borrowing against NPD projects to be recorded against the Scotland Act 2012 borrowing limit for the year. £333 million has been recorded against the Scottish Government overall borrowing limit as set out in the Scotland Act 2012. No actual drawdown of borrowing from the National Loans Fund or other sources has been undertaken in 2016-17.

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.

As part of its plan for supporting economic recovery in Scotland, the First Minister announced on 9 October 2008 that the Scottish Government would aspire to 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 through the current economic downturn.

For financial year 2016-17, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.6% of all payments within 10 days (2015-16: 98.4%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.0% of payments within 10 days (2015-16: 98.8%). The NHS bodies in Scotland made 84.6% of all payments within 10 days (2015-16: 84.2%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2016-17 was 99.8% (2015-16: 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 99.8% (2015-16: 99.7%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 93.6% (2015-16: 93.6%) of all payments within the terms of their contractual 30 day payment policy.

Sustainability and Environmental Reporting

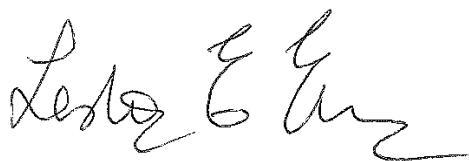
The Scottish Government has developed guidance for central government and the wider public sector on the preparation of sustainability reports to complement Annual Reports and Accounts. The guidance is intended to form a key element of a sustainability reporting framework for the Scottish public sector (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 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 on environmental performance against a range of targets in respect of the core estate including emissions from energy use, waste arisings and recycling rates, transport & travel emissions, water consumption and biodiversity. The development of the Scottish Sustainability Reporting Framework includes consideration of how the current reporting format can be enhanced to embrace other aspects of sustainability performance.

Environmental reporting for the Scottish Government can be found on the Government On-Line Sustainable Performance Information Exchange (GOLSPIE) portal (<http://www.scotland.gov.uk/Topics/Government/sustainabilityperformance>). GOLSPIE is a dynamic platform which provides up-to-date access and reporting on the Scottish Government's environmental targets, indicators and performance.

Each year The Scottish Government publishes a high level Carbon Assessment alongside the Scottish Government's Draft Budget. The Carbon Assessment for 2016-17 is published at <http://www.gov.scot/Publications/2015/12/8862>

A handwritten signature in black ink, appearing to read 'Lesley G. Gray', written in a cursive style.

Principal Accountable Officer
26 September 2017

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 120) 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, a copy of which can be found at www.scotland.gov.uk/Topics/Government/Finance/spfm/Intro.

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 26 September 2017.

Governance Statement

Scope of Responsibility

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

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

Detailed information on the role and responsibilities of Accountable Officers is set out in the Accountability chapter of the Scottish Public Finance Manual (<http://www.gov.scot/Topics/Government/Finance/spfm/Accountability>).

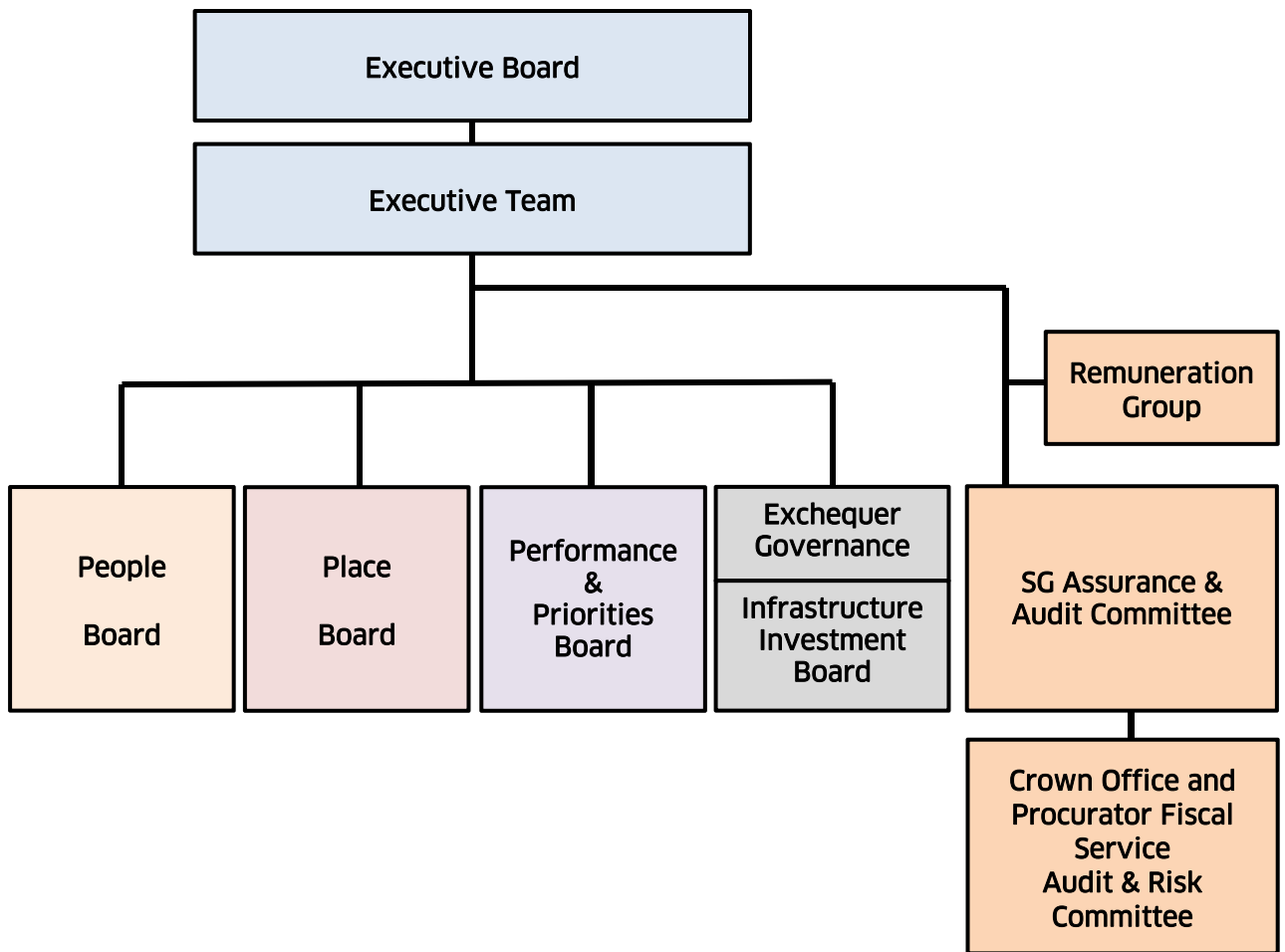
Governance Framework

In line with the transfer of additional powers to the Scottish Government and in recognising the additional demands facing the organisation, I commissioned a review in November 2015 to explore opportunities to streamline the Scottish Government's corporate governance arrangements while ensuring principles of effectiveness and transparency were maintained. This work was highlighted in the 2015-16 annual accounts as the *Review of Corporate Governance 2020*.

The review reported during the summer of 2016 and as a result the Scottish Government's corporate governance arrangements were revised with effect from 1 October 2016. The governance frameworks that were in place throughout the 2016-17 financial year complied with all governance related guidance in the Scottish Public Finance Manual, the Civil Service Code (<https://beta.gov.scot/publications/civil-service-code/>) and relevant elements of the Good Governance Standard for Public Services (<http://www.opm.co.uk/publications/good-governance-standard-for-public-services>) produced by the Independent Commission on Good Governance in Public Services. A schematic of the governance framework is set out at Figure 1.

Governance arrangements for the separate accounting entities within the Scottish Government consolidation boundary similarly comply with relevant guidance in the Scottish Public Finance Manual and generally accepted best practice principles.

Figure 1



The Scottish Government's strategy sets out our development priorities as the civil service supporting the Scottish Government. Responsibility for the strategy rests with the Executive Team, consisting of myself and the six Directors General. The Executive Team meets twice a week. The Executive Team reported directly to Strategic Board (April to September 2016) and under the new governance arrangements it now reports to the Executive Board (October 2016 – March 2017).

The chairs of the Scottish Government Audit and Risk Committee and portfolio audit and risk committees met once in the first six months of the reporting year to ensure consistency in approach, share good practice and provide a clear handover of business to the Director General led assurance groups that were implemented in the second half of the year. Links between all audit and risk committees, and between Non-Executive Directors and senior managers were further facilitated through a network for Scottish Government Non-Executive Directors.

The review of Corporate Governance focussed on six key governance activities: decision-making; assurance, including risk; accountability; challenge; direction and vision; and collaboration and co-production. The conclusion of the review was that there were four key areas where improvements could be made: 1) Structure; 2) Purpose; 3) Communication; and 4) Culture.

The key features of the new structure that was in place from October 2016 are outlined below:

- The work of Strategic Board and its functions has been incorporated into a reframed Executive Board, which meets monthly and has responsibility for operational decisions, strategic direction and Corporate Risk. Membership of the Board consists of myself as Chair, the six Directors General and three Non-Executive Directors. Gordon Wales joined the Executive Board from 30 January 2017 as Acting DG Finance to cover an extended period of leave by DG Finance, Alyson Stafford. The Director of People and the Director of Communications, Ministerial Support and Facilities also regularly attend. Minutes from the Executive Board meetings can be found on the Scottish Government's website (<https://beta.gov.scot/publications>).
- The Executive Team will hold quarterly strategic sessions with input from all Non-Executive Directors, expert advisers, and with external involvement as required.
- The previous operational corporate boards have been revised and streamlined to optimise efficiency. There are now three core Corporate Boards - People Board, Place Board, and Performance and Priorities Board - that meet at least quarterly. All Boards are chaired by Directors General and all Boards contain at least two Non-Executive Directors within its membership. There has been no change made to the Infrastructure Investment Board. All Corporate Boards are expected to report regularly to the Executive Board.
- The Scottish Government Audit and Risk Committee's remit is now with the Scottish Government Assurance and Audit Committee. It continues to monitor and review the risk, control and governance arrangements within the Scottish Government. The revised Scottish Government Assurance and Audit Committee meets quarterly in line with the annual audit and accounts calendar and is chaired by a Non-Executive Director. The membership includes all Non-Executive Directors and now, in addition, all Directors General are expected to attend. The Committee therefore continues to support me in my role as Principal Accountable Officer through the provision of challenge and support.
- The assurance framework supporting Scottish Government Assurance and Audit Committee has been amended with the previous portfolio audit and risk committees having been superseded, with the exception of the Crown Office and Procurator Fiscal Service due to the specific remit of that Committee. A new structure of Director General led quarterly assurance meetings has been established to support the Directors General to fulfil their Accountable Officer roles. Meetings are designed around four key pillars of assurance: 1) Performance and Outcomes; 2) People and Capability; 3) Finance and Risk; and 4) Organisational Efficiency. Meetings are chaired by the relevant Director General and include all Directors within the Portfolio, as well as the Non-Executive Director(s) to provide independent challenge and support. In addition to providing portfolio level assurance, the meetings are used to identify any issues that require escalation to Scottish Government Assurance and Audit Committee or the Executive Board. Audit Scotland is invited to attend at least one Director General level assurance meeting per financial year.
- The number and role of Non-Executive Directors has been reviewed to enhance their direct contribution to me as Permanent Secretary. The total number of Non-Executive Directors has been reduced from twelve to seven, though the individual and collective time commitment provided has increased. Each Non-Executive Director is also now 'paired' with a Director General to allow greater development of subject knowledge, putting them in the best possible place to play an effective support and challenge role. They continue to be commissioned to engage in specific programmes of work and to review the activities of the organisation on a more flexible basis.

- The revised governance arrangements have offered greater means to regularly interrogate corporate management information at the Directorate and Director General levels. A Balanced Scorecard is in development, which will be used to further enhance existing reporting on organisational performance, to drive improvement and inform corporate decision making.

Corporate Governance Review

As the new governance arrangements have now been operating for a period of 11 months, a review has been undertaken to ensure that they are meeting the original principles and objectives established for the new structures. This follow-up review led by the Crown Agent and the Director of Internal Audit was to identify any further recommendations to maximise the efficiency and effectiveness of the arrangements. Interim findings of the review were considered by the Executive Board on 5 September. The Board will be invited to agree final recommendations and an implementation plan at its meeting on 3 October.

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.

National Performance Framework

The effectiveness of Scottish Government governance arrangements is ultimately linked to the achievement of policies, aims and objectives set by the Scottish Ministers.

The introduction of the National Performance Framework (NPF) (<http://www.gov.scot/Resource/0049/00497339.pdf>) and the outcomes approach to government in 2007 have been the foundation for a transformative shift in how policy is made and for our organisational evolution and development as civil servants. Our “Scottish Approach” is focused on outcomes – on driving improvement; on building on the strengths and assets of individuals and communities; and on services which are shaped and co-produced by both service providers and the people and communities who receive and engage with those services.

The NPF sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland. A wide range of indicators are used to assess progress towards this vision. These provide a broad measure of national and societal wellbeing, incorporating a range of economic, social and environmental indicators and targets. Progress against the measures can be found on the Scotland Performs website (www.scotlandperforms.com).

Scottish Ministers are currently reviewing the National Outcomes to meet the duties in Part 1 of the Community Empowerment (Scotland) Act 2015.

Matching Resources to Priorities

The Scottish Government has taken steps this year to enhance the structure placed around ensuring organisational resources are managed as effectively as possible to respond to competing priorities, new responsibilities and changing circumstances. New powers coming to the Scottish Parliament, budget reductions and responding to external drivers such as the UK withdrawal from the EU require additional controls to be placed on the systematic approach taken to the use of resources across the Scottish Government. Work was undertaken by an operational group led by Directors General to improve the comprehensive methodology used in 2016-17 to ensure senior management allocated operating resources

to support the delivery of Ministers' priorities most effectively, alongside longer-term workforce planning.

Capacity and Capability

The substantial change to the financial powers being devolved to the Scottish Government, in the form of new responsibilities for taxes, social security and borrowing, and the fiscal institutional landscape evolving with the creation of Revenue Scotland and the Scottish Fiscal Commission, was the stimulus for the Director General Finance to commission work to review the internal processes, capacity and skills needed to meet the evolved needs of the organisation looking towards 2020. As a result of this work, action has been taken to strengthen further key professional finance teams.

Assurance Framework

An annual assurance on the adequacy and effectiveness of the core Scottish Government's internal control system, including risk management and 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. In the annual assurance report submitted to the Scottish Government Assurance and Audit Committee on 22 June 2017, the Director of Internal Audit confirmed that reasonable assurance could be placed on the internal control arrangements.

Audit Scotland reviews the Scottish Government's internal audit arrangements on an annual basis and for 2016-17 concluded that reliance could be placed on the work undertaken. Audit Scotland also provides assurance through the work undertaken on behalf of the Auditor General in auditing the Scottish Government consolidated accounts.

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 (<http://www.gov.scot/Topics/Government/Finance/spfm/risk>).

The culmination of this process is the provision of certificates of assurance from the Directors General to me, following advice from Non-Executive Directors. The Non-Executive Directors review, and advise on, the comprehensiveness of assurances provided to the Directors General. This includes the annual assurances provided by the Scottish Government Internal Audit, reports from managers and the consideration of information on control issues received in respect of any associated executive agencies, non-ministerial departments and sponsored bodies.

Each portfolio reports annually to the Scottish Government Assurance and Audit Committee to provide assurances that they are operating in accordance with Scottish Public Finance Manual guidance and to draw the Committee's attention to relevant issues. Directors General have sought assurance from their respective Directors and have met with the Scottish Government Assurance and Audit Committee, prior to the finalisation of the Scottish Government consolidated accounts, to discuss their reports and any relevant issues. At this meeting on 26 September 2017, no significant control weaknesses were raised.

The Scottish Government Assurance and Audit Committee provides me with an annual assurance, timed to support the signature of the Scottish Government consolidated accounts and the associated governance statement, following consideration of the accounts by Executive Board on 5 September 2017. In providing such assurance the Scottish Government Assurance and Audit Committee must consider the comprehensiveness of the Scottish Government assurance framework, the reliability and integrity of assurances

provided and the findings of both internal and external auditors. The Scottish Government Assurance and Audit Committee also advises on what, if any, issues arising during the financial year, and the period up to signature of the accounts, would warrant being recorded in the governance statement for the Scottish Government consolidated accounts. This process was completed in the course of the Scottish Government Assurance and Audit Committee meeting on 26 September 2017.

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

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the Scottish Public Finance Manual (SPFM) (<http://www.gov.scot/Topics/Government/Finance/spfm/fraud>). Development work in this area has included the adoption of the Police Scotland recommended Integrity Group model to improve the Scottish Government's prevention of and response to fraud, bribery, corruption and wrongdoing.

The Integrity Group has a broader remit to its predecessor, the Counter Fraud Group, and is responsible for improving fraud prevention measures across corporate services within 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 advise on the handling of specific allegations of external and internal wrongdoing where required.

The Scottish Government has continued to engage with cross-government groups, sharing our approach and supporting the prevention agenda through the Fraud, Error and Debt Team within Cabinet Office. The Scottish Government also continues to participate in the biennial National Fraud Initiative data matching exercise led by Audit Scotland to help public bodies minimise fraud and error in their organisations.

Data Security Framework

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

There were 4 significant data security incidents in 2016-17 that could have resulted in the loss of Scottish Government information. Three of these incidents were also reported to the Information Commissioner's Office (ICO). While no enforcement action was taken by the Information Commissioner, appropriate actions were taken by the Scottish Government 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 global cyber-attack on 12th May 2017 affected more than 150 countries worldwide and had a high profile impact on some NHS services in Scotland. This underlined the seriousness of cyber-related threats to the Scottish Government. In partnership with the National Cyber Resilience Leaders Board, the Scottish Government is leading a coordinated action plan that sets out the key actions to be undertaken during 2017-18 to help bring about even higher standards of cyber resilience across Scotland's public bodies. Scottish

Government will itself become a 'cyber-catalyst' organisation, sharing learning and knowledge in order to help drive best practice in respect of cyber resilience across the Scottish public sector.

Risk Management Arrangements

The Scottish Government approach to risk management is consistent with the principles highlighted in the Scottish Public Finance Manual and is published on the Scottish Government intranet and website.

The Scottish Government operates in a dynamic environment, delivering the priorities of the Scottish Government whilst managing associated risks and opportunities. Over the last year a number of key risks have been scrutinised at a corporate level in the organisation. These include:

- The Common Agricultural Policy (CAP) Futures Programme. Designed to deliver the IT functionality plus associated system and controls, to support implementation of the new CAP including payments to farmers and crofters in 2016-17 and comply with EC paying agency requirements.
- The Scottish Government's capability and capacity to deliver the Government's priorities while maintaining high standards of competence.
- Public Service Reform activities to enable the whole system change required to deliver improved outcomes and contribute to the sustainability of public services.
- The Scottish Government's strategy to ensure that Scotland's interests are protected in the UK withdrawal from the EU.
- Health and Social Care Partnerships to assure the quality of outcomes achieved and sustainability of services.
- The Scottish Government's ability to respond to cyber-attacks and its role in ensuring a common approach to achieving higher standards of cyber resilience amongst Scotland's public sector organisations.
- Reducing greenhouse gas emissions in decision making across the Scottish Government to enable statutory climate change targets to be met in the future.
- The safe and secure transition of new powers over social security from the UK Government to the Scottish Government.

Significant Internal Control Issues

Freedom of Information (FOI) Performance: While there are appropriate arrangements in place to ensure staff are appropriately trained and supported to handle FOI and Environmental Information Regulations (EIR) requests, the Scottish Government does not consistently meet the statutory 20 working day deadline for responding to FOI/EIRs requests and reviews. New targets and reporting arrangements have been agreed with the Scottish Information Commissioner and steps have been taken to support improvements in performance. The targets are 85% of requests and reviews on time from April 2017, 90% in 2018 and 95% within the following 2 years. Since these targets and reporting arrangements

were put in place, our overall performance has improved. In addition, an FOI improvement project has been set up to look at ways of achieving and maintaining the higher levels of performance required in subsequent years. New arrangements have also been put in place to publish all FOI responses on the Scottish Government website.

Common Agricultural Policy (CAP) Payments: Ensuring CAP payments are delivered effectively continues to be extremely challenging. Controls in this area are developing but they require sustained improvement work in order to reach the required standard of confidence. There remain significant challenges to the business meeting its regulatory requirements and mitigating the risk of potential penalties. It should be noted that improvement work has already taken place, chiefly, in the areas of Risk, Project and Programme Management, Business Planning, Investment and Human Resources. The programme continues to be the subject of extensive scrutiny arrangements and, given the progress achieved in the latter part of the year, I am confident these inspection arrangements will recognise further improvements during the year ahead.

NHS Tayside: The Scottish Government agreed to a request for brokerage from NHS Tayside of £13.2 million in respect of 2016-17 financial year, taking the total outstanding level of brokerage due from NHS Tayside to £33.2 million. This followed close monitoring of the position at NHS Tayside over the course of 2016-17. The Assurance and Advisory Group, appointed by the Scottish Government, reported in June that current financial projections for 2017-18 are likely to be underestimated, after adjusting for risks to planned savings and asset disposals. With support from a Transformation Support Team, NHS Tayside will carry out a rigorous and comprehensive review of its financial planning framework with the results to be provided to Scottish Government by the end of September 2017. This will form the basis of an agreed financial plan for NHS Tayside and an update to NHS Tayside's Five Year Transformation Programme.

Fire Health and Safety: In response to the fire health and safety issues raised following the fire at Grenfell Tower, a Ministerial Working Group has been established to examine building and fire safety, to provide public reassurance of the safety of high rise buildings in Scotland. Assurance has been sought on the safety of public sector estate; NHS buildings, schools, universities and hospitals, with action taken as appropriate where required to ensure safety.

Details of the risk and control frameworks in place in the separate accounting entities within the Scottish Government consolidation boundary are provided in the governance statements provided by the entities concerned as part of their annual accounts.

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, as the case may be Ministers or governing boards before taking any action which we consider to be inconsistent with the proper performance of our functions as Accountable Officers.

No such written authority was required during the 2016-17 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 disclosed in tables on pages 33-43 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.

Director General members of the Scottish Government Executive 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 Executive 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.

Further information about the work of the Civil Service Commissioners can be found at civilservicecommission.independent.gov.uk.

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

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 (available at www.civilservice.gov.uk) 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 at www.ome.uk.com.

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the Directors General, Chief Executive of the Crown Office and Non-executive members of the Executive Board, ensures that the Pay and Performance Management policy falls within the parameters set by the SSRB and Cabinet Office. The Scottish Government's Top Level Pay Committee has agreed that for SCS pay in 2016-17:-

- all SCS staff, apart from poor performers and those near the maximum of the pay range, will receive a 1% pay uplift to their base pay;
- those staff paid at the lowest end of the Deputy Director 1 pay band will receive a slightly higher increase with salaries lifted to a revalorised rate of £70,800; and
- in line with Scottish Public Sector Pay Policy there will be no non-consolidated performance payments.

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 regular Scottish Government Executive Board meetings and 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 2017 and members of the Scottish Government Executive Board is noted below.

Ministers and Law Officers

The remuneration of the First Minister and the Cabinet Ministers during the year to 31 March 2017 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 £87,910 and for all other Cabinet Ministers is £45,605.

	2016-17	2015-16
	Ministerial	Ministerial
	Gross Salary	Gross Salary
	£	£
Nicola Sturgeon, MSP (1)	87,910	85,598
John Swinney, MSP	45,605	44,406
Keith Brown, MSP	45,605	44,406
Roseanna Cunningham, MSP	45,605	44,406
Angela Constance, MSP	45,605	44,406
Shona Robison, MSP	45,605	44,406
Alex Neil, MSP (2)	6,007	44,406
Michael Matheson, MSP	45,605	44,406
Richard Lochhead, MSP (2)	6,007	44,406
Fiona Hyslop, MSP	45,605	44,406
Derek Mackay, MSP (3)	39,721	-
Fergus Ewing, MSP (3)	39,721	-

(1) The First Minister has a benefit-in-kind for 2016-17 of £334 arising from the provision of accommodation at Bute House (2015-16: £93.81).

(2) Alex Neil and Richard Lochhead resigned as Cabinet Ministers on 18 May 2016. The full year equivalent salary is £45,605.

(3) Derek Mackay and Fergus Ewing were appointed as Cabinet Ministers on 18 May 2016. The full year equivalent salary is £45,605.

Scottish Government Ministers Pay Freeze Commitment

The Scottish Parliament Corporate Body 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 of the serving Law Officers for the year to 31 March 2017 is shown below:

	2016-17	2015-16
	Gross Salary	Gross Salary
	£	£
James Wolffe, QC (1)	99,887	-
Alison Di Rollo, QC (2)	86,186	-
Frank Mulholland, QC (1)	20,712	117,102
Lesley Thomson, QC (2)	17,871	101,040

(1) On 2nd June 2016 James Wolffe QC superseded Frank Mulholland QC as Lord Advocate. The full year equivalent gross salary for James Wolffe QC was £120,265.

(2) On 2nd June 2016 Alison Di Rollo QC superseded Lesley Thomson QC as Solicitor General. The full year equivalent gross salary for Alison Di Rollo QC was £103,769.

Senior Management Team

The remuneration for the Permanent Secretary and members of the Scottish Government Executive Board for the year to 31 March 2017 were as follows:

	Salary	Salary	Pension	Pension	Total	Total
	2016-17	2015-16	*2016-17	*2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000	£'000	£'000
Sir Peter Housden KCB (1)	-	60-65	-	-	-	60-65
Leslie Evans (2)	160-165	150-155	28	258	190-195	410-415
Sarah Davidson	115-120	115-120	46	70	160-165	185-190
Graeme Dickson (3)	15-20	115-120	3	38	20-25	155-160
Liz Ditchburn (4)	110-115	-	124	-	230-235	-
Paul Gray	145-150	145-150	-	-	145-150	145-150
Paul Johnston (5)	115-120	80-85	93	72	205-210	150-155
Alyson Stafford CBE	135-140	135-140	53	66	190-195	200-205
Ken Thomson	115-120	115-120	11	43	125-130	160-165
Gordon Wales (6)	15-20	-	23	-	40-45	-

*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.

(1) Sir Peter Housden KCB left the Executive Board on 30 June 2015. The full year salary band was £180-185k.

(2) Leslie Evans served the Executive Board as DG Learning and Justice, until 1 July 2015 when she was appointed as Permanent Secretary. The full year salary band as Permanent Secretary was £160-165k. A retrospective update to pensionable pay has resulted in the Permanent Secretary's 2015-16 pensionable pay being reduced from £298k to £258k.

(3) Graeme Dickson left the Executive Board on 31 May 2016. The full year salary band was £115-£120k.

(4) Liz Ditchburn joined the Executive Board on 18 April 2016. The full year salary band was £115-120k.

(5) Paul Johnston joined the Executive Board on 15 June 2015. The full year salary band was £105-110k. A retrospective update to pensionable pay has resulted in the DG Learning and Justice's 2015-16 pensionable pay being increased from £70k to £72k.

(6) Gordon Wales joined the Executive Board on 30 January 2017. The full year salary band was £105-110k.

No members of the Scottish Government Executive Board received benefits-in-kind.

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

	2016-17	2015-16
	£'000	£'000
Minimum Total Remuneration	17	17
Maximum Total Remuneration	164	162
Band of Highest Paid member of the Executive Board	160-165	150-155
Total Remuneration (1)	31,811	31,340
Ratio	5.1	4.9

(1) The 2015-16 full year salary band for this role was £160-165k.

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 employer pension contributions and the cash equivalent transfer value of pensions.

Non-Executive Members

Salary

'Salary' includes gross salary; non-consolidated performance related pay; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex-gratia payments.

Benefits-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.

The fees for the non-executive members of the Scottish Government Executive Board are as follows:

	2016-17	2015-16
	Fees	Fees
	£'000	£'000
Christina Allon (until September 2016)	0-5	5-10
Janet Hamblin (from September 2015)	5-10	0-5
Linda McKay	5-10	5-10
Ronnie Hinds (from October 2016)	0-5	-

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

*Pension Benefits**Ministers and Law Officers*

The pension entitlements of the Cabinet Team for the year to 31 March 2017 are shown below:

	Accrued pension at age 65 as at 31-Mar-17 £'000	Real increase in pension at age 65 £'000	CETV at 31-Mar-17 £'000	CETV at 31-Mar-16 £'000	Real Increase in CETV £'000
Nicola Sturgeon	40-45	2.5-5	241	204	37
John Swinney, MSP	20-25	0-2.5	147	124	23
Fiona Hyslop, MSP	20-25	0-2.5	147	124	23
Richard Lochhead, MSP	25-30	0-2.5	128	109	19
Alex Neil, MSP	25-30	0-2.5	175	149	26
Angela Constance, MSP	15-20	0-2.5	67	53	14
Shona Robison, MSP	20-25	0-2.5	139	118	21
Keith Brown, MSP	20-25	0-2.5	136	113	23
Michael Matheson, MSP	20-25	0-2.5	78	61	17
Roseanna Cunningham, MSP	20-25	0-2.5	175	149	26
Derek Mackay, MSP	70-75	2.5-5	37	-	37
Fergus Ewing, MSP	130-135	5-7.5	112	-	112

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 2016 may not match those shown in last year's accounts.

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 of which are available from www.sppa.gov.uk.

The pension entitlements of the Law Officers are shown below:

	Accrued pension at age 65 as at 31-Mar-17 £'000	Real increase in pension at age 65 £'000	CETV at 31-Mar-17 £'000	CETV at 31-Mar-16 £'000	Real Increase in CETV £'000
Frank Mulholland, QC *	20-25	0-2.5	343	316	26
Lesley Thomson, QC *	10-15	0-2.5	204	192	13
James Wolffe, QC *	0-5	0-2.5	36	-	36
Alison Di Rollo, QC *	0-5	0-2.5	32	-	32

* On 2nd June 2016 James Wolffe QC and Alison Di Rollo QC superseded Frank Mulholland QC and Lesley Thomson QC as Lord Advocate and Solicitor General respectively.

Senior Management Team

The pension entitlements of the Permanent Secretary and executive members of the Scottish Government Executive 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 age 60 and related lump sum as at 31-Mar-17	Real increase in pension and related lump sum at pension age	CETV at 31-Mar-17	CETV at 31-Mar-16	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
Leslie Evans	65-70 plus lump sum 200-205	0-2.5 plus lump sum 5-7.5	1,525	1,431	27
Sarah Davidson	30-35 plus lump sum 85-90	2.5-5 plus lump sum 0-2.5	514	471	18
Graeme Dickson	40-45 plus lump sum 140-145	0-2.5 plus lump sum 0-2.5	1,108	1,100	3
Liz Ditchburn	30-35 plus lump sum 15-20	5-7.5 plus a lump sum 2.5-5	631	492	113
Paul Johnston	25-30 plus lump sum 60-65	2.5-5 plus lump sum 5-7.5	354	290	45
Alyson Stafford CBE	30-35	2.5-5	470	419	25
Ken Thomson	50-55	0-2.5	939	888	8
Gordon Wales	35-40 plus lump sum 100-105	0-2.5 plus lump sum 0-2.5	631	614	15

Paul Gray, Director General for Health & Social Care, chose not to be covered by the Civil Service pension 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 2016 may not match those shown in last year's accounts.

No employer contributions have been made to the partnership pension 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium, classic plus, nuvos** and all other members of **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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values for Civil Service pensions

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

For 2016-17 Scottish Government employers' contributions of £59m (2015-16: £71m) were payable to PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2016-17 the value of Scottish Government employers' contributions relating to the partnership pension account is £384k (2015-16: £348k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

People and Culture

Staff numbers and related costs

	No of Special Advisors	Permanent Staff	Other	2016-17 Total	2015-16 Total
Staff numbers (Full time equivalent)					
Finance and the Constitution	0	682	37	719	610
Health and Sport	0	143,333	1,959	145,292	145,655
Education and Skills	0	1,191	380	1,571	1,454
Economy, Jobs and Fair Work	0	235	24	259	228
Justice	0	4,631	17	4,648	4,755
Communities, Social Security and Equalities	0	507	20	527	480
Environment, Climate Change and Land Reform	0	113	6	119	125
Culture, Tourism and External Affairs	0	67	4	71	78
Rural Economy and Connectivity	0	1,888	240	2,128	1,902
Crown Office and Procurator Fiscal Service	0	1,358	259	1,617	1,607
Administration	10	1,186	105	1,301	1,254
SG Executive Board	0	7	0	7	7
Total	10	155,198	3,051	158,259	158,155
Staff costs				2016-17 £'m	2015-16 £'m
Wages and Salaries (Permanent staff)				5,517	5,399
Social security costs (Permanent staff)				555	433
Other pension costs (Permanent staff)				749	746
Sub-total				6,821	6,578
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)				284	279
Total				7,105	6,857
Less recoveries in respect of outward secondments				(37)	(52)
Total net costs				7,068	6,805

Number and cost of exit packages

Exit Packages Cost Band	No of departures agreed 2016-17	Cost of exit packages 2016-17 £000	No of departures agreed 2015-16	Cost of exit packages 2015-16 £000
<£10,000	23	124	46	201
£10,000 to £25,000	50	834	34	629
£25,000 to £50,000	40	1,406	44	1,619
£50,000 to £100,000	31	2,174	38	2,586
£100,000 to £150,000	1	122	3	519
£150,000 to £200,000	0	0	3	536
£200,000 to £250,000	0	0	0	0
£250,000+	0	0	1	315
Total number / cost of exit packages	145	4,660	169	6,405

There were no compulsory redundancies in 2016-17 or 2015-16.

Staff Relations, Diversity and Equal Opportunities

The Scottish Government is an equal opportunities employer. Policies are in place to guard against bullying, harassment and discrimination, to ensure that there is no unfair or unlawful discriminatory treatment or any barriers to employment or advancement in the Scottish Government. We also have a diversity policy to promote diversity and inclusion in the workplace. The Scottish Government is also committed to meeting its public sector duties under the Equality Act 2010.

The Scottish Government Equal Opportunities policy states that all staff should be treated equally irrespective of their sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability, religion or belief, work pattern, employment status, gender identity (transgender), maternity or paternity status, caring responsibility or trade union membership. Employment and promotion are solely on merit and all opportunities are available to all staff irrespective of working pattern. Furthermore the Scottish Government is committed to increasing the diversity of staff within the organisation. We are committed to developing all our staff, whilst ignoring all irrelevant differences in their management and development. In addition, we will positively value the different perspectives and skills of all our staff and make full use of these in our work.

The Scottish Government gives a high priority to the development of all its people. This is set out in the Scottish Government's People Strategy. Learning events are tested and evaluated on an on-going basis to ensure the high quality of content, relevance and accessibility is maintained. Learning and Development in the Scottish Government is quality assured through its commitment to the Investor in People (IiP) Scheme. In August 2013, the Scottish Government became the first central UK Civil Service organisation to be recognised with a Gold Award. The Scottish Government is committed to a programme of continuous improvement in relation to its implementation of the People Strategy and the IiP standard, attaining accreditation for Investors in Young People.

The Scottish Government recognises that the success of any organisation depends largely on the effective performance, engagement and attendance of all its employees. People are a valued resource. Therefore, as an employer the Scottish Government's Attendance Management procedures are designed to maintain a well-motivated and healthy workforce. The procedures are intended to:

- be supportive and positive;
- promote fair and consistent treatment for everyone;
- encourage, assist and make it easy for people to return to and stay in work; and
- explain employees' entitlements and the roles and responsibilities of HR.

In 2016-17 an average of 7.4 working days (2015-16: 7.2) 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 2017 was 5.2% of total contracted hours (2015-16: 4.7% of total contracted hours). Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

During 2016-17 there were 39,000 male employees, 137,943 female employees and 3 who prefer not to say. This is measured as head count numbers and not full time equivalents as used in the staff numbers table.

The Scottish Government made significant progress over the last 2 years jumping 163 places from 216 to 50 on the Stonewall UK Workplace Equality Index (WEI), the fourth top

public sector organisation in Scotland. The Stonewall WEI is an evidence-based benchmarking tool used by employers to assess their achievements and progress on LGBT equality in the workplace.

The Scottish Government supports the wider Civil Service Talent Action Plan in its drive to mainstream equality and diversity further into every aspect of its business. This includes changing behaviours and culture to create a fully inclusive Civil Service, confident in its diversity; promoting strong leadership and clear accountability for delivering diversity; attracting, keeping and developing talent from all societies in Scotland; and becoming representative of the society we serve, at all levels.

Employment of Disabled People

The Scottish Government follows Civil Service good practice guidance on the employment of disabled people and has been awarded the Disability Confident standard this standard recognises organisations evidence best practice in employing, retaining and developing disabled applicants and disabled staff. As such, the Scottish Government ensures that there is no discrimination on the grounds of disability and that access to employment and career advancement is based solely on merit, competence and suitability for the work.

The Scottish Government has also been awarded the Carers Kitemark for its policies and commitment to carers in the organisation and by carrying the “Happy to Talk Flexibly” strapline is open about the commitment to ensuring staff are able to work flexibly and have a positive work life balance.

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 2017 was 1,791 (2015-16: 1,947).

Losses and special payments

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

Losses Statement

Portfolio	2016-17	2016-17	2015-16
	No of Cases	£m	£m
Finance and the Constitution	-	-	0.17
Health and Sport	5,394	3.11	3.06
Education and Skills	2	0.05	0.19
Economy, Jobs and Fair Work	-	-	0.56
Justice	486	0.48	0.03
Communities, Social Security and Equalities	-	-	0.69
Rural Economy and Connectivity	21	0.48	0.15
Environment, Climate Change and Land Reform	-	-	0.17
Culture, Tourism and External Affairs	-	-	0.02
Administration	16	0.20	0.04

Details of cases over £0.25m

The Justice portfolio wrote off fruitless payments relating to a failed Electronic Procurement System project costs amounting to £0.44m. There were no cases over £0.25m in 2015/16.

Special Payments

Portfolio	2016-17 No of Cases	2016-17 £m	2015-16 £m
Finance and the Constitution	12	0.03	-
Health and Sport	1,227	32.89	50.47
Education and Skills	-	-	0.02
Justice	271	1.53	1.26
Rural Economy and Connectivity	3	0.03	-
Administration	22	0.02	0.04

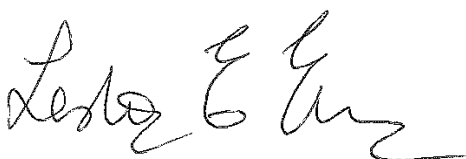
Details of cases over £0.3m	2016-17 No of Cases	Details	2016-17 £m	2015-16 £m
Portfolio				
Health and Sport: NHS Boards:		Clinical Compensation Payments:		
	1	Ayrshire and Arran Health Board	0.5	1.45
	-	NHS Borders	-	0.71
	-	NHS Dumfries and Galloway	-	-
	3	Fife Health Board	3.17	0.41
	2	Forth Valley Health Board	3.02	1.04
	1	Grampian Health Board	0.83	2.98
	5	Greater Glasgow and Clyde Health Board	3.14	10.88
	1	NHS Highland	0.35	0.81
	2	Lanarkshire Health Board	2.60	10.27
	6	Lothian Health Board	2.04	3.26
	2	Tayside Health Board	0.54	4.21
	1	NHS 24	0.53	-
	-	Scottish Ambulance Service	-	0.94
	1	Western Isles Health Board	0.27	-

Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2016-17 No of Cases	2016-17 £m	2015-16 £m
Administration	116	0.002	0.003

There were no cases over £0.25m in 2016/17 (2015/16: £nil).



Principal Accountable Officer
26 September 2017

Report of the Auditor General for Scotland to the Scottish Parliament

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.

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 2017 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Summary of Resource Outturn, the Summary of Capital Outturn, the Summary of Total Outturn, the 11 Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Consolidated Statements of Comprehensive Net Expenditure and Changes in Taxpayer's Equity, the Consolidated Statement of Cash Flows, and the notes to the accounts, 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 2016/17 Government Financial Reporting Manual (the 2016/17 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 2017 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 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Principal Accountable Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Scottish Government and its consolidated entities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Principal Accountable Officer; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) 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.

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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the Scottish Government Consolidated Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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 auditable 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 auditable 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.



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

27 September 2017

Summary of Resource Outturn

Restated 2015-16 Outturn £m		Outturn £m	2016-17 Budget £m	Variance £m
Programme Resources				
69	Finance and the Constitution	87	102	(15)
12,159	Health and Sport	12,875	12,763	112
2,578	Education and Skills	2,666	2,693	(27)
320	Economy, Jobs and Fair Work	302	324	(22)
2,371	Justice	2,403	2,404	(1)
11,224	Communities, Social Security & Equalities	10,783	10,783	-
165	Environment, Climate Change and Land Reform	162	183	(21)
244	Culture, Tourism and External Affairs	260	267	(7)
1,983	Rural Economy and Connectivity	2,041	2,077	(36)
110	Crown Office and Procurator Fiscal Service	109	111	(2)
31,223	Total Programme Outturn	31,688	31,707	(19)
176	Administration	174	183	(9)
31,399	TOTAL OUTTURN	31,862	31,890	(28)

Summary of Capital Outturn

Restated 2015-16 Outturn £m		Outturn £m	2016-17 Budget £m	Variance £m
Programme Resources				
6	Finance and the Constitution	4	2	2
440	Health and Sport	478	478	-
463	Education and Skills	480	497	(17)
9	Economy, Jobs and Fair Work	18	15	3
3	Justice	2	11	(9)
230	Communities, Social Security & Equalities	176	238	(62)
54	Environment, Climate Change and Land Reform	41	40	1
6	Culture, Tourism and External Affairs	4	5	(1)
687	Rural Economy and Connectivity	794	762	32
4	Crown Office and Procurator Fiscal Service	4	4	-
1,902	Total Programme Outturn	2,001	2,052	(51)
7	Administration	7	13	(6)
1,909	TOTAL OUTTURN	2,008	2,065	(57)

Summary of Total Outturn

Restated 2015-16 Total Outturn £m	Resource Outturn £m	Capital Outturn £m	2016-17 Total Outturn £m	Budget £m	Variance £m
Programme Resources					
75	Finance and the Constitution	87	91	104	(13)
12,599	Health and Sport	12,875	13,353	13,241	112
3,041	Education and Skills	2,666	3,146	3,190	(44)
329	Economy, Jobs and Fair Work	302	320	339	(19)
2,374	Justice	2,403	2,405	2,415	(10)
11,454	Communities, Social Security & Equalities	10,783	10,959	11,021	(62)
219	Environment, Climate Change and Land Reform	162	203	223	(20)
250	Culture, Tourism and External Affairs	260	264	272	(8)
2,670	Rural Economy and Connectivity	2,041	2,835	2,839	(4)
114	Crown Office and Procurator Fiscal Service	109	113	115	(2)
33,125	Total Programme Outturn	31,688	33,689	33,759	(70)
183	Administration	174	181	196	(15)
33,308	TOTAL OUTTURN	31,862	33,870	33,955	(85)

Financial performance and variance explanations

The Scottish Government has been aligned around the 5 Strategic Objectives that underpin the Purpose and describe a Scotland that is Wealthier and Fairer, Smarter, Healthier, Safer and Stronger and Greener. In order to monitor the progress in these key areas, the Scottish Government was set up in a portfolio structure. Performance by the chief operating decision maker is assessed by portfolio, not by strategic objectives. Major variances greater than £3m are explained in detail within the detailed portfolio outturn statements.

As a result of the First Minister's announcement on 18 May 2016 on the restructuring of the Scottish administration, the portfolio structure has changed. Outturn figures for 2015-16 have been restated.

The detail of the total 2016-17 staff cost expenditure of £7,068m (2015-16: £6,805m) can be viewed within the Remuneration and Staff Report.

Finance and the Constitution

Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
	16 Scottish Public Pensions Agency		18	-	18	18	-
	53 Other Finance	1	70	1	69	84	(15)
	69 Total DEL		88	1	87	102	(15)
	69 TOTAL RESOURCES		88	1	87	102	(15)
	6 Capital DEL - Additions		4	-	4	2	2
	6 TOTAL CAPITAL		4	-	4	2	2
	75 TOTAL OUTTURN		92	1	91	104	(13)

In addition to direct expenditure, the share of administration costs allocated to the Finance and the Constitution Portfolio is £3m. This gives total net expenditure of £94m.

Explanation of Major Variances greater than £3m:

Note 1 £4m of savings against original IT spend forecast for Scottish Rate of Income Tax (SRIT) implementation costs. Further £4m of savings against estimates for HMRC running costs associated with the Scottish income tax powers. £4m variance following the reclassification of Scottish Futures Trust expenditure and £1m variance in local government elections budget due to reprofiling of expenditure on stage four of the e-counting project with additional £2m in other minor variances.

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

Health and Sport

Portfolio Outturn Statement for the Year Ended 31 March 2017

2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
11,968	Health	1	18,763	6,324	12,439	12,446	(7)
63	Sport		44	-	44	44	-
12,031	Total DEL		18,807	6,324	12,483	12,490	(7)
Annually Managed Expenditure (AME)							
109	Health	2	360	-	360	236	124
109	Total AME		360	-	360	236	124
Other Expenditure (ODEL)							
19	Health - Revenue-financed infrastructure	3	44	12	32	37	(5)
19	Total ODEL		44	12	32	37	(5)
12,159	TOTAL RESOURCES		19,211	6,336	12,875	12,763	112
361	Capital DEL - Additions	4	433	-	433	422	11
(9)	Capital DEL - Disposals/Repayments	4	(32)	-	(32)	(20)	(12)
88	Capital ODEL - Additions		77	-	77	76	1
440	TOTAL CAPITAL		478	-	478	478	-
12,599	TOTAL OUTTURN		19,689	6,336	13,353	13,241	112

In addition to direct expenditure, the share of administration costs allocated to the Health and Sport Portfolio is £16m. This gives a total net expenditure of £13,369m.

Explanation of Major Variances greater than £3m:

Note 1	Expenditure on depreciation charges within NHS Boards lower than anticipated.
Note 2	Provision of £160m relating to estimated additional non-cash costs in respect of the change to the discount rate used to assess damages claims. This was partially offset by £36m in lower than anticipated charges for property impairments.
Note 3	Lower than anticipated charges for property impairments in relation to projects funded through private finance.
Note 4	Additional Health Boards capital expenditure supported by higher than anticipated capital income.

Education and Skills

Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
168	Learning	1	183	2	181	199	(18)
85	Children and Families	2	124	48	76	97	(21)
511	Higher Education Student Support	3	517	2	515	523	(8)
1,627	Scottish Funding Council (SFHEFC)	4	1,746	-	1,746	1,759	(13)
5	Advanced Learning and Science		5	-	5	5	-
268	Skills and Training	5	226	-	226	236	(10)
5	Central Government Grants to Local Authorities		4	-	4	4	-
2,669	Total DEL		2,805	52	2,753	2,823	(70)
Annually Managed Expenditure (AME)							
(91)	Higher Education Student Support	6	(43)	44	(87)	(130)	43
(91)	Total AME		(43)	44	(87)	(130)	43
2,578	TOTAL RESOURCES		2,762	96	2,666	2,693	(27)
2	Capital DEL - Additions	7	2	-	2	6	(4)
591	Capital AME - Additions		620	-	620	621	(1)
(130)	Capital AME - Disposals/Repayments	8	(142)	-	(142)	(130)	(12)
463	TOTAL CAPITAL		480	-	480	497	(17)
3,041	TOTAL OUTTURN		3,242	96	3,146	3,190	(44)

In addition to direct expenditure, the share of administration costs allocated to the Education and Skills Portfolio is £15m. This gives a total net expenditure of £3,161m.

Explanation of Major Variances greater than £3m:

- Note 1 £14m variance due to later than anticipated implementation by schools and local authorities of all elements within the Scottish Attainment Challenge programme at the start of the financial year. The full £750 million allocation will be spent over the course of this parliament. Further £3m as a result of lower than anticipated Scottish Qualifications Authority working capital requirement with additional £1m in other minor variances.
- Note 2 £8m variance as a result of Disclosure Scotland retaining the English & Welsh Basics disclosure check business beyond an originally planned end date of December 2016, resulting in additional income in last quarter of the financial year. £6m variance due to the planned reprofiling of Baby Boxes expenditure to 2017-18. Further £3m following a revision to the Early Learning and Childcare expansion expenditure profile to 2017-18 with additional £4m in other minor variances.
- Note 3 £4m variance due to lower than forecast cost of student loans write down. This cost, recognising that not all student loans will be recouped at a future date, is calculated using a model which takes into account future earnings and repayment models and uses economic factors which are updated throughout the year to inform the budget and actual costs. This is a technical accounting adjustment, where the budgetary impact is against a specific ring-fenced non-cash element of Scottish Government DEL budget which cannot be spent elsewhere. Further £3m as a result of lower than anticipated uptake on demand-led student support budgets with additional £1m in other minor variances.
- Note 4 Lower than anticipated Scottish Funding Council working capital requirement.
- Note 5 £5m variance in respect of the Education Maintenance Allowance demand-led activity. Further £2m as a result of lower than anticipated Skills Development Scotland working capital requirement with additional £3m in other minor variances.
- Note 6 Higher than anticipated Student Loans Sale Subsidy non-cash impairment following the discount rate change.
- Note 7 £2m variance as a result of lower than anticipated requirement of School Financial Transaction funding due to the impact of ESA10 classification issues leading to a reprofiling of actual project delivery timescales with additional £2m in other minor variances.
- Note 8 Student Loan cash repayments were higher than forecast.

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

Economy, Jobs and Fair Work

Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
35	Parliamentary Business and Government Strategy		47	-	47	48	(1)
253	Enterprise and Energy	1	228	-	228	254	(26)
(1)	Accountant in Bankruptcy		13	13	-	1	(1)
1	Employability and Promoting Fair Work	2	17	-	17	21	(4)
-	European Social Fund 2014-20 Programmes		2	-	2	-	2
European Regional Development Fund 2014-20							
-	Programmes		2	2	-	-	-
-	European Structural Funds - Closed Schemes	3	32	16	16	-	16
4	ESF Programme Operation		5	3	2	3	(1)
292	Total DEL		346	34	312	327	(15)
Annually Managed Expenditure (AME)							
28	European Funds Programme Operation	4	(9)	-	(9)	(3)	(6)
-	Enterprise and Energy		-	1	(1)	-	(1)
28	Total AME		(9)	1	(10)	(3)	(7)
320	TOTAL RESOURCES		337	35	302	324	(22)
9	Capital DEL - Additions	5	18	-	18	15	3
9	TOTAL CAPITAL		18	-	18	15	3
329	TOTAL OUTTURN		355	35	320	339	(19)

In addition to direct expenditure, the share of administration costs allocated to the Economy, Jobs and Fair Work Portfolio is £12m. This gives a total net expenditure of £332m.

Explanation of Major Variances greater than £3m:

- Note 1 £11m due to lower than anticipated take-up of demand-led capital grant schemes such as Renewable Energy Capital, Innovative Energy Storage, Low Energy Challenge Fund, District Heating, Community And Renewable Energy Scheme (CARES) and Scotland's Energy Efficiency Programme (SEEP) partially offset by additional expenditure on Hydrogen Buses, Renewable Energy Investment Fund, Research and Development and other capital projects within SG. Further £4m as a result of lower than anticipated take-up of demand-led current grant schemes in Energy Efficiency, Low Carbon Economy and Hydrocarbons partially offset by additional expenditure on Renewable Energy projects. £4m following public sector loans reclassification. £3m due to a repayment in respect of the mixed plastics recycling fund with further £3m of planned savings in Knowledge Transfer and in Innovation and Investment Hubs which will be allocated to new hubs with additional £1m in other minor variances.
- Note 2 £2m of savings relating to Community Jobs Scotland with additional £2m in other minor variances.
- Note 3 £16m of net costs relating to the closure of legacy European Structural Funds programmes.
- Note 4 Adjustments to provisions for ESF schemes and fair value adjustments relating to foreign exchange rate movements.
- Note 5 £4m following public sector loans reclassification partially offset by £1m in other minor variances.

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

Justice

Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
28	Community Justice Services		25	-	25	26	(1)
11	Judiciary		1	-	1	3	(2)
18	Criminal Injuries Compensation		17	-	17	18	(1)
150	Legal Aid	1	146	-	146	138	8
26	Police Central Government		29	2	27	27	-
6	Safer and Stronger Communities		10	6	4	4	-
427	Police and Fire Pensions	2	372	-	372	380	(8)
265	Scottish Prison Service		277	8	269	269	-
35	Miscellaneous		37	-	37	37	-
1,083	Scottish Police Authority		1,075	-	1,075	1,075	-
287	Scottish Fire and Rescue Service	3	275	-	275	268	7
86	Central Government Grants to Local Authorities		88	-	88	88	-
2,422	Total DEL		2,352	16	2,336	2,333	3
Annually Managed Expenditure (AME)							
(4)	Scottish Prison Service	4	(9)	-	(9)	(5)	(4)
(115)	Police and Fire Pensions		-	-	-	-	-
(119)	Total AME		(9)	-	(9)	(5)	(4)
Other Expenditure (ODEL)							
63	Scottish Prison Service		71	-	71	71	-
5	Scottish Police Authority Loan Charges		5	-	5	5	-
68	Total ODEL		76	-	76	76	-
2,371	TOTAL RESOURCES		2,419	16	2,403	2,404	(1)
4	Capital DEL - Additions	5	2	-	2	11	(9)
(1)	Capital DEL - Disposals/Repayments		-	-	-	-	-
3	TOTAL CAPITAL		2	-	2	11	(9)
2,374	TOTAL OUTTURN		2,421	16	2,405	2,415	(10)

In addition to direct expenditure, the share of administration costs allocated to the Justice Portfolio is £8m. This gives total net expenditure of £2,413m.

Explanation of Major Variances greater than £3m:

Note 1	Additional Scottish Legal Aid Board grant-in-aid drawdown for working capital purposes.
Note 2	Variance due to demand-led activity within Police and Fire Pensions.
Note 3	Additional Scottish Fire and Rescue Service grant-in-aid drawdown for working capital purposes.
Note 4	Variance due to Scottish Prison Service asset impairments being lower than expected.
Note 5	£4m as a result of revised timing of UK Government-led projects within the Emergency Services Mobile Communications Programme. Further £4m following Emergency Responder Telecommunications costs reclassification with additional £1m in other minor variances.

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

Communities, Social Security and Equalities
Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
7,854	Local Government		7,349	-	7,349	7,349	-
5	Planning		4	-	4	4	-
19	Third Sector		22	-	22	23	(1)
2	Local Governance and Elections		1	-	1	2	(1)
23	Equalities		24	-	24	24	-
385	Housing	1	464	8	456	470	(14)
13	Social Security		1	-	1	1	-
-	Social Justice and Regeneration	2	47	-	47	55	(8)
114	Central Government Grants to Local Authorities		105	-	105	104	1
8,415	Total DEL		8,017	8	8,009	8,032	(23)
Annually Managed Expenditure (AME)							
2,788	Non-Domestic Rates		2,768	-	2,768	2,768	-
21	Housing	3	6	-	6	(17)	23
2,809	Total AME		2,774	-	2,774	2,751	23
11,224	TOTAL RESOURCES		10,791	8	10,783	10,783	-
251	Capital DEL - Additions	4	219	-	219	248	(29)
(21)	Capital DEL - Disposals/Repayments	5	(43)	-	(43)	(10)	(33)
230	TOTAL CAPITAL		176	-	176	238	(62)
11,454	TOTAL OUTTURN		10,967	8	10,959	11,021	(62)

In addition to direct expenditure, the share of administration costs allocated to the Communities, Social Security and Equalities Portfolio is £26m. This gives a total net expenditure of £10,985m.

Explanation of Major Variances greater than £3m:

- Note 1 £8m of additional housing receipts with further £6m of demand-led activity.
- Note 2 £5m following the planned re-profiling of Regeneration Capital Grant Fund expenditure due to timing issues in committing of funding by a number of Local Authorities. Further £2m in European Structural Funds Tackling Poverty Strategic Intervention variance with additional £1m in other minor variances.
- Note 3 Fair value adjustments for Housing Shared Equity due to movement in the House Price Index and fair value adjustments on other investments, including charitable bonds.
- Note 4 Variance due to the demand-led nature of the housing related schemes. The key area that this relates to is the Infrastructure Loan Fund which is a new scheme for 2016-17. The scheme is dependent upon sites becoming available from local authorities and private developers. The underspend was partially redirected to the Help to Buy and Open Market Shared Equity schemes covering the higher than anticipated demand for these schemes.
- Note 5 Housing capital receipts higher than forecast.
- Remaining £1m consists of other minor variances across a number of programmes within the portfolio.

Environment, Climate Change and Land Reform
Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	Programme	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
	63 Research, Analysis and Other Services		63	1	62	64	(2)
	55 Marine	1	60	7	53	57	(4)
	129 Environmental Services	2	127	-	127	142	(15)
	15 Climate Change & Land Managers Renewables Fund		15	-	15	15	-
	(97) Scottish Water		2	97	(95)	(95)	-
	165 Total DEL		267	105	162	183	(21)
	165 TOTAL RESOURCES		267	105	162	183	(21)
	53 Capital DEL - Voted Loans	3	39	-	39	39	-
	1 Capital DEL - Additions		2	-	2	1	1
	54 TOTAL CAPITAL		41	-	41	40	1
	219 TOTAL OUTTURN		308	105	203	223	(20)

In addition to direct expenditure, the share of administration costs allocated to the Environment, Climate Change and Land Reform Portfolio is £5m. This gives a total net expenditure of £208m.

Explanation of Major Variances greater than £3m:

- Note 1 Variance due to lower than anticipated staff and administration costs, grant funding for the Coastal Communities Fund and depreciation of the Ellis Building.
- Note 2 £6m as a result of lower than anticipated grant awards from demand-led Scottish Land Fund. Further £4m following the revised timetable for uptake of Zero Waste grants and projects. Additional £2m through lower than anticipated Scottish Environmental Protection Agency working capital requirement with £3m in other minor variances.
- Note 3 Voted Loans to Scottish Water are budgeted for on a net expenditure basis so that advances of £343m are shown net of repayments of £304m.
- Remaining £1m consists of other minor variances across a number of programmes within the portfolio.

Culture, Tourism and External Affairs

Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
	12 External Affairs		12	-	12	13	(1)
	194 Culture, Tourism and Major Events	1	207	-	207	213	(6)
	38 Historic Environment Scotland		41	-	41	41	-
	244 Total DEL		260	-	260	267	(7)
	244 TOTAL RESOURCES		260	-	260	267	(7)
	6 Capital DEL - Additions		4	-	4	5	(1)
	6 TOTAL CAPITAL		4	-	4	5	(1)
	250 TOTAL OUTTURN		264	-	264	272	(8)

In addition to direct expenditure, the share of administration costs allocated to the Culture, Tourism and External Affairs Portfolio is £5m. This gives a total net expenditure of £269m.

At 1 October 2015 Historic Scotland merged with Royal Commission on the Ancient and Historical Monuments of Scotland, forming Historic Environment Scotland. 2015-16 figures have not been restated.

Explanation of Major Variances greater than £3m:

Note 1 Variance due to agreed reprofiling of sporting events and other projects expenditure.

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

Rural Economy and Connectivity
Portfolio Outturn Statement for the Year Ended 31 March 2017

Restated 2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
136	EU Support and Related Services	1	693	533	160	163	(3)
3	Fisheries		10	6	4	5	(1)
40	Rural Services	2	32	-	32	39	(7)
65	Highlands and Islands Enterprise		62	-	62	64	(2)
749	Rail Services		738	-	738	740	(2)
252	Concessionary Fares and Bus Services	3	250	-	250	261	(11)
78	Other Transport Policy, Projects and Agency Administration	4	105	-	105	110	(5)
265	Motorways and Trunk Roads	5	285	1	284	289	(5)
164	Ferry Services	6	189	4	185	167	18
48	Air Services	7	39	1	38	42	(4)
76	Digital Strategy	8	87	5	82	86	(4)
30	Central Government Grants to Local Authorities		22	-	22	22	-
1,906	Total DEL		2,512	550	1,962	1,988	(26)
Annually Managed Expenditure (AME)							
(2)	EU Support and Related Services	9	6	-	6	-	6
(1)	Provision for Road Improvement		-	-	-	2	(2)
(3)	Total AME		6	-	6	2	4
Other Expenditure							
	- Animal License Fees		-	-	-	-	-
80	Motorways and Trunk Roads PPP/PFI	10	73	-	73	87	(14)
80	Total Other Expenditure		73	-	73	87	(14)
1,983	TOTAL RESOURCES		2,591	550	2,041	2,077	(36)
596	Capital DEL - Additions	11	880	-	880	610	270
(6)	Capital DEL - Disposals/Repayments	11	(245)	-	(245)	(5)	(240)
(2)	Capital AME - Additions		2	-	2	-	2
99	Capital ODEL - Additions		157	-	157	157	-
687	TOTAL CAPITAL		794	-	794	762	32
2,670	TOTAL OUTTURN		3,385	550	2,835	2,839	(4)

In addition to direct expenditure, the share of administration costs allocated to the Rural Economy and Connectivity Portfolio is £18m. This gives a total net expenditure of £2,853m.

Explanation of Major Variances greater than £3m:

Note 1	£3m as a result of lower than anticipated uptake on demand-led services.
Note 2	£2m in exchange rate gain in respect of EU CAP payments loan scheme. Further £2m in respect of additional EU support for floodbank restoration with additional £3m in other minor variances.
Note 3	£13m of lower than anticipated expenditure partially offset by £4m of additional expenditure on demand-led bus service operator grants due to increased distance travelled and increased number of low carbon buses qualifying for higher rate. Further variance of £2m following the reprofiling of Integrated Travel In Scotland set up expenditure and the reduction in Electronic Ticket Machine upgrade costs.
Note 4	Variance reflects the final level of allocation to support the Green Bus Fund and emerging savings on a number of projects including research and procurement.
Note 5	Variance is due to the reclassification of Network Strengthening expenditure.
Note 6	The variance reflects in-year additional expenditure of £4m in Pension Fund contributions in line with the recovery plan to address the deficit on the Calmac Pension Fund, £9m in contractual variations reflecting timetable and demand-led changes, Clyde and Hebrides Ferry Service contract variations and £2m due to fuel price increases. Further additional expenditure of £1m on Colintrave/Rhubodach project brought forward to commence in 2016-17, £1m on additional support to Caledonian Maritime Assets Ltd in respect of the Brodick Harbour project and £1m on other minor projects.
Note 7	A one-off receipt of £6m for a legal settlement at Highlands and Islands Airports Limited (HIAL), partially off-set by £2m of additional expenditure on Lifeline Air Services arising from Public Service Obligation contracts.
Note 8	£2m savings in Connectivity Resource expenditure with additional £2m in other minor variances.
Note 9	Higher than anticipated Agriculture and Rural Economy provisions and asset impairments.
Note 10	£6m reduction in M8 Unitary charges and £8m reduction in M6 (M74) Unitary charges due to traffic and work plan.
Note 11	Net variance of £30m, comprising: £77m of increased funding support for CAP farmers' loans due to be repaid in 2017-18, partially offset by £3m underspend as a result of programme reprofiling for CAP Futures. £44m variance in Transport Scotland made up of £42m of savings on the Forth Replacement Crossing (£8 million of savings will flow to 2017-18, reflecting a change in the timing of the drawdown of the remaining risk provision rather than any movement in the physical works), £6m saving due to in-year change in the loan payment profile for two 100m ferries and £16m transferred to another budget category partially offset by additional contractual payments for M8/73/74 project (£11m) and changes to the accounting treatment for contractual payments (£13m) and further variances in other areas of £7m including £3m on A9 Kincaig to Dalraddy, £2m on A82 Pulpit Rock and £1m on Aberdeen Western Peripheral Route.

Remaining £5m consists of other 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 2017

2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
Staff Costs							
68	The Crown Office and Procurator Fiscal Service		71	-	71	73	(2)
2	Other		1	-	1	1	-
Administration Expenditure							
9	Accommodation		9	-	9	10	(1)
1	Travel/Transport		1	-	1	-	1
18	Legal		15	-	15	13	2
5	Supplies and Services		6	1	5	6	(1)
-	Training		-	-	-	-	-
5	Capital Charges		5	-	5	5	-
2	Other Office Costs		2	-	2	2	-
110	Total DEL		110	1	109	110	(1)
Annually Managed Expenditure (AME)							
-	Impairment		-	-	-	1	(1)
-	Total AME		-	-	-	1	(1)
110	TOTAL RESOURCES		110	1	109	111	(2)
4	Capital DEL - Additions		4	-	4	4	-
4	TOTAL CAPITAL		4	-	4	4	-
114	TOTAL OUTTURN		114	1	113	115	(2)

Explanation of Major Variances greater than £3m:

There are a number of minor variances across a range of programmes within COPFS.

Administration

Portfolio Outturn Statement for the Year Ended 31 March 2017

2015-16 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Departmental Expenditure Limit (DEL)							
Staff Costs							
134	Directly Employed Staff		141	-	141	142	(1)
8	Seconded Staff Costs		7	-	7	7	-
4	Other Staff Costs		1	-	1	1	-
(1)	VAT		(4)	-	(4)	(4)	-
Administration Expenditure							
21	Accommodation	1	14	-	14	18	(4)
3	Travel		2	-	2	2	-
1	Transport		-	-	-	-	-
1	Legal		1	-	1	1	-
1	Supplies and Services		2	-	2	2	-
2	Training		2	-	2	2	-
-	Hospitality		-	-	-	-	-
1	Audit Fee		1	-	1	1	-
10	Depreciation		13	-	13	15	(2)
12	Other Office		13	-	13	13	-
Administration Income							
(1)	Accommodation Charges		-	1	(1)	(1)	-
(8)	Staff Secondments and Other Staff Income		-	8	(8)	(8)	-
(7)	Fees and Charges		-	6	(6)	(6)	-
(2)	Miscellaneous Income		-	2	(2)	(2)	-
179	Total DEL		193	17	176	183	(7)
Annually Managed Expenditure (AME)							
(3)	Provisions and Impairments		(2)	-	(2)	-	(2)
(3)	Total AME		(2)	-	(2)	-	(2)
176	TOTAL RESOURCES		191	17	174	183	(9)
7	Capital DEL - Additions	2	7	-	7	13	(6)
7	TOTAL CAPITAL		7	-	7	13	(6)
183	TOTAL OUTTURN		198	17	181	196	(15)

The administration costs that can be directly allocated to portfolios amount to £108m.

Due to organisational restructuring and new areas of government programme activity in several portfolios, prior year comparative figures for the apportionment of administration costs are not available.

Explanation of Major Variances greater than £3m:

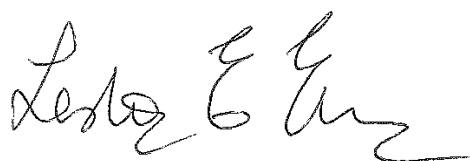
- Note 1 Variance includes £2m due to the rephasing of the settlement of dilapidation claims and £2m due to the introduction of the Smarter Workplaces programme in several public bodies now planned to take place in 2017-18.
- Note 2 Variance includes £3m of expenditure on the replacement of the electronic records management system reprofiled to 2017-18, £2m following the review of the Streamlining Corporate Systems project progress and £1m of savings on contract price for IT equipment for the roll out of the Smarter Workplaces programme.

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

Consolidated Statement of Financial Position*As at 31 March 2017*

2015-16 £m		Note	2016-17 £m
	Non-Current Assets		
27,317	Property, Plant and Equipment	5a	28,562
148	Intangible Assets	6	159
6,834	Other Financial Assets Including Investments Due In More Than One Year	9a	7,668
47	Trade Receivables and Other Assets Due in More Than One Year	10	48
34,346	Total Non-Current Assets		36,437
	Current Assets		
102	Inventories	8	106
1,332	Receivables and Other Current Assets	10	1,229
134	Cash and Cash Equivalents	2	625
516	Other Financial Assets Including Investments Due Within One Year	9a	433
29	Assets Classified as Held for Sale	7	25
2,113	Total Current Assets		2,418
36,459	Total Assets		38,855
	Current Liabilities		
(2,408)	Payables and Other Current Liabilities	11	(3,117)
(27)	Other Financial Liabilities Due Within One Year	11	(32)
(185)	Provisions for Liabilities and Charges Due Within One Year	12a	(244)
(2,620)	Total Current Liabilities		(3,393)
33,839	Total Assets less Current Liabilities		35,462
	Non-Current Liabilities		
(2,474)	Payables and Other Liabilities	11	(2,946)
(652)	Other Financial Liabilities Due in More Than One Year	11	(641)
(532)	Provisions for Liabilities and Charges Due in More Than One Year	12a	(704)
(3,658)	Total Non-Current Liabilities		(4,291)
30,181	Assets less Liabilities		31,171
	Taxpayers' Equity		
20,623	General Fund	SoCTE	21,064
9,558	Revaluation Reserve	SoCTE	10,107
30,181	Total Taxpayers' Equity		31,171

The notes on pages 66 to 119 form part of these accounts



Principal Accountable Officer
26 September 2017

**Consolidated Statements of Comprehensive Net Expenditure
and Changes in Taxpayers' Equity**
For the year ended 31 March 2017

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2016		20,623	9,558	30,181
Net operating cost for the year		(31,862)	-	(31,862)
Net gain/(loss) on revaluation/indexation of property, plant and equipment		-	771	771
Net gain/(loss) on asset transfers & adjustments		-	-	-
Actuarial gain/(loss) on NHS Highland Pension Liability		-	-	-
Total Comprehensive Net Expenditure		(31,862)	771	(31,091)
Non Cash Charges				
Non cash charges - auditor's remuneration	3a	2	-	2
Non cash charges - NHS adjustment		(10)	-	(10)
Non current asset adjustment		-	-	-
Non cash charges - Roads adjustment		-	-	-
Total Non Cash Charges		(8)	-	(8)
Other Reserve Movements				
NHS Highland pension adjustment		-	-	-
Movement in working capital - non-territorial health boards		-	-	-
Transfer of fixed assets (to)/from other bodies		(3)	5	2
Transfers between reserves		222	(222)	-
Non-current asset adjustments		5	(5)	-
Roads historic value adjustment		(125)	-	(125)
Prior Year Adjustments		9	-	9
Net movement on investment funds		2	-	2
Total Other Reserve Movements/Adjustments		110	(222)	(112)
Funding				
Parliamentary Funding		33,189	-	33,189
Less funding to pensions schemes		(347)	-	(347)
Less funding to NRS, OSCR, Scottish Courts and Tribunals Service, Revenue Scotland and Scottish Housing Regulator		(140)	-	(140)
Net parliamentary funding drawn down		32,702	-	32,702
Movement of balance with the SCF		(489)	-	(489)
Movement in working capital		(12)	-	(12)
Net Funding Position	22	32,201	-	32,201
Net increase/(decrease) in year		441	549	990
Balance at 31 March 2017		21,064	10,107	31,171

Explanation of Reserves:

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

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

**Consolidated Statements of Comprehensive Net Expenditure
and Changes in Taxpayers' Equity**
For the year ended 31 March 2016

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance as at 1 April 2015		18,843	9,841	28,684
Net operating cost for the year		(31,399)	-	(31,399)
Net gain/(loss) on revaluation/indexation of property, plant and equipment		-	(79)	(79)
Net gain/(loss) on asset transfers & adjustments		(1)	-	(1)
Actuarial gain/(loss) on NHS Highland Pension Liability		3	-	3
Total Comprehensive Expenditure for the year ended 31 March 2015		(31,397)	(79)	(31,476)
Non Cash Charges				
Non cash charges - auditor's remuneration	3a	3	-	3
Non current asset adjustment		-	-	-
Non cash charges - minor NHS adjustments	3a	-	-	-
Total Non Cash Charges		3	-	3
Other Reserve Movements				
NHS Highland pension adjustment		4	-	4
Movement in working capital - non-territorial health boards		(4)	-	(4)
Transfer of fixed assets (to)/from other bodies		(8)	(17)	(25)
Transfers between reserves		166	(166)	-
Non-current asset adjustments		478	(21)	457
Net movement on investment funds		1	-	1
Total Other Reserve Movements/Adjustments		637	(204)	433
Funding				
Parliamentary Funding		31,100	-	31,100
Less funding to pensions schemes		(360)	-	(360)
Less funding to NRS, OSCR, Scottish Court Service and Scottish Housing Regulator		(104)	-	(104)
Net parliamentary funding drawn down		30,636	-	30,636
Funding from National Insurance Contributions		1,912	-	1,912
Movement of balance with the SCF		(11)	-	(11)
Net Funding Position	22	32,537	-	32,537
Net increase/(decrease) in year		1,780	(283)	1,497
Balance at 31 March 2016		20,623	9,558	30,181

Explanation of Reserves:

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

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

Consolidated Statement of Cash Flows
For the year ended 31 March 2017

2015-16 £m	Note	2016-17 £m
(30,935) Net cash outflow from operating activities	(A)	(30,636)
(1,621) Net cash outflow from investment activities	(B)	(1,785)
(234) Payments to the SCF	(D)	(29)
32,801 Cash flows from financing activities	(C)	32,941
11 Increase/(Decrease) in cash in the period		491
(A) Reconciliation of operating costs to operating cash flows		
-31,399 Net operating cost	SoCTE	(31,862)
39 Income not applied	4a	30
562 Adjust for non-cash transactions	3a	557
155 Add back: interest payable for financing	4d	158
(2) (Increase)/decrease in inventories	3d	(4)
(101) (Increase)/decrease in receivables and other current assets	3d	(108)
(60) Increase/(decrease) in trade and other payables	3d	168
(45) Increase/(decrease) in provisions	3d	511
(84) Interest receivable	4c	(86)
(30,935) Net cash outflow from operating activities		(30,636)
(B) Analysis of cash flows from investment activities		
(848) Purchase of property, plant and equipment		(955)
(41) Purchase of intangible assets		(46)
22 Proceeds of disposal of property, plant and equipment		47
- Proceeds of disposal of intangible assets		-
10 Proceeds of disposal of assets held for sale		1
- Interest Receivable (Investment)		-
(1,235) Advances of Investments	3d, 9a	(1,587)
457 Repayments of Investments	3d, 9a	725
14 NLF Loans	9a	30
(1,621) Net cash outflow from investment activities		(1,785)
(C) Analysis of cash flows from financing activities		
30,636 From Scottish Consolidated Fund	SoCTE	32,702
1,912 National Insurance Contributions	SoCTE	-
- Funding of NHS working capital	SoCTE	(12)
(14) Loan transactions with the National Loans Fund	9a	(24)
Capital elements of payments in respect of finance leases and		
338 NPD/PPP/PFI contracts included in SoFP		352
84 Interest received		81
Interest element of finance leases and NPD/PPP/PFI		
(155) contracts included in SoFP		(156)
- Interest paid		(2)
32,801 Cash flows from financing activities		32,941
(11) Decrease/(Increase) in cash and cash equivalents	2	(491)
32,790 Net cash and cash equivalents requirement		32,450

(D) Payments to the Scottish Consolidated Fund (SCF) represents the income not applied, £30m (Note 4b) less the decrease in balances payable to the SCF of £2m (Note 11).

NOTES TO THE ACCOUNTS

For the Year Ended 31 March 2017

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 2016-17 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 *Accounting Convention and basis of consolidation*

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

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

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

1.2 *Property, Plant and Equipment (PPE)*

Recognition

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

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

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

Capitalisation

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

Valuation

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

Losses in value reflected in valuations are accounted for in accordance with IAS 36, Impairment of Assets as adapted by the 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 Structures Baxter Index, published quarterly by the Department of Business, Innovation and Skills
- Communications Traffic Scotland provide new gross and calculated depreciated values each year
- Land Land indices produced by the Valuation Office Agency (VOA)

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

The trunking or detrunkings of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt

with as disposals in accounting terms at nil consideration. Any associated profit or loss is processed through the general fund.

Subsequent Cost

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

1.3 Assets Held for Sale

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

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

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

1.4 Donated Assets and European Union Grants

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

1.5 Intangible Assets

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

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

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

Intangible assets under development are not amortised.

1.6 Depreciation and Amortisation

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

Assets under construction are not depreciated.

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

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

1.7 Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with IAS 32 and 39, IFRS 7, and IFRS 13 as interpreted by the FReM. IFRS 7 requires the classification of financial instruments into separate categories for which the accounting treatment is different. 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 and will be reported in the 'Loans and Receivables' category. This will also include investment funds managed by third parties which will be reported separately.
- 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 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.
- Loans and receivables and other liabilities are held at amortised cost and 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 do not have a quoted market price in an active market, and the fair value cannot be reliably measured and reported at historic cost less impairment with any impairment losses going through the outturn statement.

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, 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.

Student Loans

Student loans are classified as 'Loans and Receivables', and are initially valued at fair value. They are subsequently recorded in the accounts at amortised cost.

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 19.

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 liabilities are measured initially at their fair value and subsequently at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Financial Transactions

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

1.8 Inventories

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

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

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

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

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

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

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

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

1.10 Revenue

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

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

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

1.11 Administration and Programme Expenditure

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

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

income applied. A note to the accounts provides an analysis of total programme income between income applied and income not applied (Note 4).

1.12 Grants

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

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

1.13 European Union Funds

Funds received from the European Union (EU), are treated as income and shown in the relevant Portfolio Outturn Statement. Expenditure in respect of grants or subsidy claims is recorded in the period that the underlying event or activity giving entitlement to the grant or subsidy claim occurs. Any related payable or receivable balances are reflected in the Statement of Financial Position.

1.14 Foreign Exchange

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

1.15 Leases

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

1.16 Pensions

The Scottish Government as an employer

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

The Scottish Government as a scheme administrator

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

NHS Bodies

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

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

1.17 Provisions

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

Student Loans

The provision is established to reflect the debt sale subsidy.

Early Departure Costs

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

CNORIS

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

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

The outcome of the review is that, as a result of participation in the CNORIS scheme, NHS Boards are now required to create a separate related, but distinct, provision recognising their respective shares of the total CNORIS national scheme liability. This is in addition to the recognition by NHS Boards of a provision for individual claims against their Board along with

an associated debtor. The recognition of the separate provision is a technical accounting adjustment to more appropriately reflect the underlying substance of Boards' liabilities.

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

NHS

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

1.18 Contingent Liabilities

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

1.19 Value Added Tax (VAT)

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

1.20 Segmental Reporting

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

1.21 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an estimate of likely impairment. Impairment of trade receivables is made where there is objective evidence that the Scottish Government will not be able to collect all amounts due according to the original terms of the receivables.

1.22 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Balances are analysed between those held with the Government Banking Service and balances held in commercial banks.

1.23 Trade Payables

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

1.24 Short Term Employee Benefits

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

1.25 New Accounting Standards

A number of new accounting standards have been issued or amendments made to existing standards, but do not come in to force until future accounting periods and therefore are not yet applied. 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 9 – Financial Instruments

This standard was issued in November 2014, and is effective from 1 January 2018. The adoption of this standard could change the classification and measurement of financial assets. The interpretation for the public sector is still under consideration and the impact has not been determined.

IFRS 16 – Leases

This standard will come into effect for accounting periods beginning after 1 January 2019, when the distinction between finance and operating leases is removed and all leases become “on balance sheet”. FRAB will consider if this standard is to be adapted or applied in full although it is anticipated that the principles of the standard will be applied.

2. Cash and Cash Equivalents

	2016-17 £m	2015-16 £m
Government Banking Service	555	121
Commercial banks and cash in hand	70	13
At 31 March	625	134
At 1 April	134	123
Net change in cash and cash equivalent balances	491	11
At 31 March	625	134

The balance at 31 March comprises	Note	2016-17 Net £m	2015-16 Net £m
Cash due to be paid to the Scottish Consolidated Fund	11	625	132
Consolidated Fund extra receipts received and due to be paid to SCF	11	-	2
At 31 March		625	134

3. Note to the Cash Flow Statement

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

	2016-17 Net £m	2015-16 Net £m
Depreciation	463	483
Impairment/Write-backs	57	(2)
Total Capital Charges	520	481
Loss/(Profit) on disposal of property, plant and equipment	(27)	(10)
Change arising on revaluation of assets held for sale	1	-
Capitalised Interest - financial assets	(45)	(44)
Investment fair value adjustment	131	146
Income from donated asset additions	(12)	(13)
Auditors Fees	2	3
Unrealised exchange rate (gain)/loss	-	14
NHS Lothian - transfer of assets	-	1
Other non-cash items	-	(12)
Release of finance lease liability	(1)	-
NHS Forth Valley - family health services	(5)	-
NHS Highland - movement in year in LG pension costs	(7)	(4)
Total	557	562

3b. Analysis of Capital Charges by Portfolio

Portfolio	Depreciation £m	Impairment/ Write Backs £m	2016-17 Total £m	2015-16 Total £m
Finance and the Constitution	4	-	4	3
Health and Sport	301	68	369	319
Education and Skills	1	-	1	5
Economy, Jobs and Fair Work	1	-	1	1
Justice	38	(11)	27	27
Communities, Social Security and Equalities	-	-	-	-
Environment, Climate Change and Land Reform	5	-	5	5
Culture, Tourism and External Affairs	-	-	-	1
Rural Economy and Connectivity	96	-	96	105
Crown Office and Procurator Fiscal Service	4	1	5	5
Total Programme	450	58	508	471
Administration	13	(1)	12	10
Total Capital Charges	463	57	520	481

3c. Audit Fee

The consolidated audit fee for 2016-17 is £6m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted above. Other entities within the consolidation boundary pay fees. The consolidated audit fee for 2015-16 year was £6m (Core Portfolios £1m). There were no additional charges in relation to non audit work undertaken by Audit Scotland.

3d. Movement in Working Capital

	Note	Opening Balances £m	Closing Balances £m	2016-17 Net Movement £m	2015-16 Net Movement £m
Inventories	8	102	106		
Net Decrease/(Increase)				(4)	(2)
Receivables and other assets					
Due within one year	10	1,332	1,229	103	(288)
Due after more than one year	10	47	48	(1)	7
Less: Capital included in PPE		(10)	(23)	13	(4)
Less: Capital included in investment		-	(10)	10	(34)
Less: Receivable from SCF	10	(289)	(298)	9	215
Less: General Fund receivable included above	10	-	(10)	10	3
NHS boards prior year adjustments		(1)	-	1	-
NHS Greater Glasgow and Clyde adjustment		-	(1)	(1)	-
NHS boards consolidation adjustment		410	662	(252)	-
Total		1,489	1,597		
Net Decrease/(Increase)				(108)	(101)
Payables and other liabilities					
Due within one year	11	2,435	3,149	714	100
Due after more than one year	11	3,126	3,587	461	352
Less: Capital included in PPE		(61)	(93)	(32)	(149)
Less: Capital included in intangibles		(4)	(4)	-	(5)
Less: Capital included in Investment		(12)	(2)	10	(12)
Less: SCF corporate payable included in above	11	(132)	(625)	(493)	(21)
Less: Payable to SCF	11	(2)	-	2	(2)
Less: NLF payable included in above	11	(676)	(652)	24	15
Less: PFI imputed leases	11	(2,326)	(2,783)	(457)	(338)
Less: Financial Guarantees included in above		-	(21)	(21)	-
NHS boards consolidation adjustment		118	78	(40)	-
Total		2,466	2,634		
Net (Decrease)/Increase				168	(160)
Provisions (Current and non-current)	12a	717	948	231	(61)
Less: Capital provisions		-	-	-	16
NHS boards consolidation adjustment		252	532	280	-
Total		969	1,480		
Net (Decrease)/Increase				511	(45)
Total Net Movement				567	(148)

4. Income

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

	Total Income £m	Income Not Applied £m	2016-17 Income Applied £m	Restated 2015-16 Income Applied £m
Administration Income:				
Allowable within admin cost limit	11	-	11	11
Other:				
Fees and charges (1)	6	-	6	7
Total Administration Income	17	-	17	18
Programme Income:				
Finance and the Constitution	1	-	1	1
Health and Sport	6,336	-	6,336	1,277
Education and Skills	96	-	96	92
Economy, Jobs and Fair Work	35	-	35	105
Justice	42	26	16	17
Communities, Social Security & Equalities	8	-	8	15
Environment, Climate Change and Land Reform	105	-	105	105
Culture, Tourism and External Affairs	-	-	-	30
Rural Economy and Connectivity	550	-	550	491
Crown Office and Procurator Fiscal Service	5	4	1	1
Total Programme Income	7,178	30	7,148	2,134
Total	7,195	30	7,165	2,152

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

4b. Income Not Applied

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

The major items of income not applied are:	Cash Received £m	Accrued £m	2016-17 £m	2015-16 £m
Repayment of interest	-	-	-	-
Designated receipts - Fines, forfeitures and fixed penalties	23	-	23	28
Non-designated receipts - Proceeds of Crime and other	7	-	7	11
Total Income Not Applied	30	-	30	39

4c. Interest Receivable

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

	Total Income £m	Income Not Applied £m	2016-17 Income Applied £m	2015-16 Total Income £m
Programme Income:				
Environment, Climate Change and Land Reform	80	-	80	84
Communities, Social Security and Equalities	1	-	1	-
Rural Economy and Connectivity	5	-	5	-
Total	86	-	86	84

4d. Interest Payable

	2016-17 Total £m	2015-16 Total £m
Finance lease charges allocated in the year	156	154
Other interest	2	1
Total	158	155

5a. Property, Plant and Equipment

	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Cost or valuation										
At 1 April 2016	508	6,666	671	20,778	200	1,179	405	89	2,138	32,634
Additions	1	45	1	12	10	51	20	1	967	1,108
Adjustments	(2)	-	-	(133)	-	(1)	1	-	-	(135)
Transfers	6	169	-	4	3	20	11	-	(224)	(11)
Transfers (to) assets classified held for sale	(13)	-	-	-	-	-	-	-	-	(13)
Disposals	(12)	(90)	(4)	-	(7)	(57)	(23)	(1)	(10)	(204)
Revaluations to Revaluation Reserve	1	(102)	(27)	881	1	-	-	-	-	754
Revaluations to Outturn Statement	(8)	(59)	(4)	-	-	-	-	-	(1)	(72)
At 31 March 2017	481	6,629	637	21,542	207	1,192	414	89	2,870	34,061
Depreciation										
At 1 April 2016	-	356	19	3,654	116	796	315	61	-	5,317
Charged in year	-	192	20	79	16	84	32	7	-	430
Adjustments	-	2	(2)	(8)	-	-	(1)	(3)	-	(12)
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers (to) assets classified held for sale	-	(1)	-	-	-	-	-	-	-	(1)
Disposal	-	(100)	(3)	-	(7)	(55)	(23)	(1)	-	(189)
Revaluations to Revaluation Reserve	-	(175)	(29)	155	1	-	-	-	-	(48)
Revaluations to Outturn Statement	-	5	(4)	-	1	-	-	-	-	2
At 31 March 2017	-	279	1	3,880	127	825	323	64	-	5,499
Net book value at 31 March 2017	481	6,350	636	17,662	80	367	91	25	2,870	28,562
Net book value at 31 March 2016	508	6,310	652	17,124	84	383	90	28	2,138	27,317
Analysis of asset financing:										
Owned	474	4,587	554	15,276	73	350	88	23	1,947	23,372
Finance Leased	-	38	-	-	3	1	-	-	-	42
PFI included in Statement of Financial Position	7	1,675	82	2,386	-	1	1	1	916	5,069
Donated Asset	-	50	-	-	4	15	2	1	7	79
Net book value at 31 March 2017	481	6,350	636	17,662	80	367	91	25	2,870	28,562
Donated Asset Movement										
Additions	-	3	-	-	-	3	-	-	6	12
Disposals	-	(1)	-	-	-	(3)	-	-	-	(4)

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

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

Prior Year

	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Cost or valuation										
At 1 April 2015	497	6,594	653	20,164	204	1,180	393	84	1,497	31,266
Additions	-	21	1	14	4	38	14	1	920	1,013
Adjustments	-	-	-	(44)	-	-	-	-	-	(44)
Transfers	1	133	4	1,001	(1)	58	17	6	(277)	942
Transfers (to) assets classified held for sale	1	(7)	(1)	-	-	-	-	-	-	(7)
Disposals	(7)	(7)	-	-	(5)	(84)	(16)	(2)	-	(121)
Revaluations to Revaluation Reserve	19	(36)	16	(357)	(1)	-	-	-	1	(358)
Revaluations to Outturn Statement	(3)	(32)	(2)	-	(1)	(13)	(3)	-	(3)	(57)
At 31 March 2016	508	6,666	671	20,778	200	1,179	405	89	2,138	32,634
Depreciation										
At 1 April 2015	-	357	45	3,167	108	808	304	56	-	4,845
Charged in year	-	191	19	94	15	90	34	7	-	450
Adjustments	-	-	-	(6)	-	-	-	-	-	(6)
Transfers	-	(6)	1	475	(2)	(6)	(5)	-	-	457
Transfers (to) assets classified held for sale	-	(6)	-	-	-	-	-	-	-	(6)
Disposal	-	(7)	-	-	(5)	(84)	(15)	(2)	-	(113)
Revaluations to Revaluation Reserve	-	(164)	(39)	(76)	-	-	-	-	-	(279)
Revaluations to Outturn Statement	-	(9)	(7)	-	-	(12)	(3)	-	-	(31)
At 31 March 2016	-	356	19	3,654	116	796	315	61	-	5,317
Net book value 31 March 2016	508	6,310	652	17,124	84	383	90	28	2,138	27,317
Net book value 31 March 2015	497	6,237	608	16,997	96	372	89	28	1,497	26,421
Analysis of asset financing:										
Owned	488	4,689	570	14,773	75	382	90	28	1,627	22,722
Finance Leased	-	41	-	-	5	1	-	-	-	47
PFI included in Statement of Financial Position	20	1,579	82	2,351	-	-	-	-	511	4,543
Donated Assets	-	1	-	-	4	-	-	-	-	5
Net book value at 31 March 2015	508	6,310	652	17,124	84	383	90	28	2,138	27,317
Donated Asset Movement										
Additions	-	1	-	-	-	6	1	-	5	13
Disposals	-	-	-	-	-	(3)	-	-	-	(3)

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

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

	Land ¹ £m	Buildings ² £m	Dwellings £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Cost or valuation									
At 1 April 2016	389	6,011	37	94	1,130	339	85	444	8,529
Additions	1	43	-	10	50	12	1	387	504
Transfers	6	169	-	3	20	9	-	(207)	-
Transfers (to) assets classified held for sale	(15)	-	-	-	-	-	-	-	(15)
Disposals	(12)	(87)	(4)	(7)	(55)	(21)	(1)	(10)	(197)
Revaluations to Revaluation Reserve	2	(88)	(1)	-	-	-	-	-	(87)
Revaluations to Outturn Statement	(9)	(62)	(3)	-	-	(1)	-	(1)	(76)
At 31 March 2017	362	5,986	29	100	1,145	338	85	613	8,658
Depreciation									
At 1 April 2016	-	288	4	59	761	268	56	-	1,436
Charged in year	-	169	1	11	80	24	6	-	291
Transfers (to) assets classified held for sale	-	(1)	-	-	-	-	-	-	(1)
Disposal	-	(96)	(3)	(7)	(54)	(21)	(1)	-	(182)
Revaluations to Revaluation Reserve	-	(155)	(1)	-	-	-	-	-	(156)
Revaluations to Outturn Statement	-	10	-	1	-	-	-	-	11
At 31 March 2017	-	215	1	64	787	271	61	-	1,399
Net book value at 31 March 2017	362	5,771	28	36	358	67	24	613	7,259
Net book value at 31 March 2016	389	5,723	33	35	369	71	29	444	7,093
Analysis of asset financing:									
Owned	354	4,062	28	36	340	65	23	387	5,295
Finance Leased	-	27	-	-	1	-	-	-	28
PFI included in Statement of Financial Position	7	1,632	-	-	1	1	-	219	1,860
Donated Asset	1	50	-	-	16	1	1	7	76
Net book value at 31 March 2017	362	5,771	28	36	358	67	24	613	7,259
Donated Asset Movement									
Additions	-	3	-	-	3	-	-	6	12
Disposals	-	(1)	-	-	(3)	-	-	-	(4)

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

5b. 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	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
At 1 April 2015	393	5,921	39	94	1,119	316	78	324	8,284
Additions	-	18	-	3	36	8	1	374	440
Transfers	-	155	-	2	65	21	8	(252)	(1)
Transfers (to) assets classified held for sale	2	(7)	(1)	-	-	-	-	-	(6)
Disposals	(1)	(6)	-	(4)	(77)	(3)	(2)	-	(93)
Revaluations to Revaluation Reserve	(2)	(33)	(1)	-	-	-	-	1	(35)
Revaluations to Outturn Statement	(3)	(37)	-	(1)	(13)	(3)	-	(3)	(60)
At 31 March 2016	389	6,011	37	94	1,130	339	85	444	8,529

Depreciation

At 1 April 2015	-	274	4	53	764	248	52	-	1,395
Charged in year	-	168	1	10	85	26	7	-	297
Transfers (to) assets classified held for sale	-	(6)	-	-	-	-	-	-	(6)
Disposal	-	(6)	-	(4)	(76)	(3)	(2)	-	(91)
Revaluations to Revaluation Reserve	-	(136)	(1)	-	-	-	-	-	(137)
Revaluation to Outturn Statement	-	(6)	-	-	(12)	(3)	(1)	-	(22)
At 31 March 2016	-	288	4	59	761	268	56	-	1,436

Net book value 31 March 2016	389	5,723	33	35	369	71	29	444	7,093
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Net book value 31 March 2015	393	5,647	35	41	355	68	26	324	6,889
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Analysis of asset financing:	Land ¹ £m	Buildings ² £m	Dwellings £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Owned	369	4,160	33	35	368	71	29	289	5,354
Finance Leased	-	28	-	-	1	-	-	-	29
PFI included in Statement of Financial Position	20	1,535	-	-	-	-	-	155	1,710
Net book value at 31 March 2015	389	5,723	33	35	369	71	29	444	7,093

Donated Asset Movement	Land ¹ £m	Buildings ² £m	Dwellings £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Additions	-	1	-	-	6	-	-	5	12
Disposals	-	-	-	-	(3)	-	-	-	(3)

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

5c. Non Current Asset Disclosures

	2016-17 £m	2015-16 £m
Net book value of Property, Plant and Equipment	28,562	27,317
Total value of assets held under:		
Finance Leases	42	47
PFI and PPP Contracts	5,069	4,543
Total	5,111	4,590
Total depreciation charged in respect of assets held under:		
Finance leases	5	5
PFI and PPP contracts	-	962
Total	5	967

As part of the 5-year rolling programme, 6 properties including St Andrew's House and Old Governor's House underwent a formal inspection and revaluation on the basis of Existing Use Value, as at 31 March 2017. Valuations were carried out by the VOA. These valuations were carried out in accordance with the Valuation Professional Standards 2014 (the Red Book) published by the Royal Institution of Chartered Surveyors.

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

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

6. Intangible Assets

	EC Emission Rights £m	Software Licenses £m	Information Technology Software £m	Websites that Deliver a Service £m	Assets Under Development £m	Total £m
Cost or Valuation						
Balance at 1 April 2016	-	162	277	1	15	455
Additions	-	5	6	-	35	46
Disposals	-	(3)	(17)	-	-	(20)
Adjustments	-	(1)	-	-	-	(1)
Transfers	-	1	37	-	(38)	-
At 31 March 2017	-	164	303	1	12	480
Amortisation						
Balance at 1 April 2016	-	136	170	1	-	307
Charged in year	-	8	25	-	-	33
Disposals	-	(3)	(16)	-	-	(19)
At 31 March 2017	-	141	179	1	-	321
Net book value at 31 March 2017	-	23	124	-	12	159
Net book value at 31 March 2016	-	26	107	-	15	148

Prior Year	EC Emission Rights £m	Software Licenses £m	Information Technology Software £m	Websites that Deliver a Service £m	Assets Under Development £m	Total £m
Cost or Valuation						
Balance at 1 April 2015	-	162	234	1	23	420
Additions	-	5	5	-	36	46
Donations	-	-	-	-	-	-
Disposals	-	(4)	(6)	-	-	(10)
Transfers	-	(1)	45	-	(44)	-
Impairments	-	-	(1)	-	-	(1)
At 31 March 2016	-	162	277	1	15	454
Amortisation						
Balance at 1 April 2015	-	129	155	1	-	285
Charged in year	-	11	22	-	-	33
Disposals	-	(4)	(6)	-	-	(10)
Revaluations	-	-	(1)	-	-	(1)
At 31 March 2016	-	136	170	1	-	307
Net book value at 31 March 2016	-	26	107	-	15	147
Net book value at 31 March 2015	-	33	79	-	23	135

7. Assets Classified as Held for Sale

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

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

	Property, Plant and Equipment £m	Intangible Assets £m	Investment Assets £m	Total £m
At 1 April 2016	29	-	-	29
Transfers from Non-Current Assets	13	-	-	13
Change arising on revaluation	(1)	-	-	(1)
Disposals	(16)	-	-	(16)
At 31 March 2017	25	-	-	25
Prior year				
At 1 April 2015	42	-	-	42
Transfers from Non-Current Assets	1	-	-	1
Change arising on revaluation	(4)	-	-	(4)
Disposals	(10)	-	-	(10)
At 31 March 2016	29	-	-	29

8. Inventories

	2016-17 £m	2015-16 £m
NHS inventories	103	100
Other inventories	3	2
Total	106	102

9. Financial Assets

9a. Non-Current Financial Assets

	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Association Loans £m	Shared Equity Housing £m	Other Housing Loans £m	Other Funds £m	Total £m
Balance at 1 April 2016	25	2,476	652	2,778	59	627	34	183	6,834
Add element reported within current assets	-	308	24	130	-	-	-	54	516
Advances and acquisitions:									
Acquisitions	-	-	-	-	-	-	-	21	21
Cash advances	1	372	-	577	-	137	24	466	1,577
Fair value adjustment	-	-	-	(171)	-	14	(12)	(9)	(178)
Capitalised interest	-	-	-	43	-	-	-	2	45
Repayments and disposals	(1)	(309)	(24)	(143)	-	(29)	(2)	(251)	(759)
Unwinding of discounted cash flow	-	-	-	43	2	-	-	-	45
Balance at 31 March 2017	25	2,847	652	3,257	61	749	44	466	8,101
Loans repayable within 12 months transferred to current assets	-	(81)	(30)	(135)	-	-	-	(187)	(433)
Balance at 31 March 2017	25	2,766	622	3,122	61	749	44	279	7,668

Investments have been measured and presented in accordance with IAS 32, IAS 39, IFRS 13 and IFRS 7 as modified by the Government Financial Reporting Manual (FRoM). See also note 1.7

Scottish Water National Loans Fund repayments of £24m have not been included in the Environment, Climate Change and Land Reform portfolio capital outturn.

Prior Year	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Restated* Student Loans £m	Housing Association Loans £m	Shared Equity Housing £m	Other Housing Loans £m	Other Funds £m	Total £m
Balance at 1 April 2015	24	2,419	676	2,451	58	450	27	127	6,232
Add element reported within current assets	-	276	14	130	-	-	-	-	420
Advances and acquisitions:									
Cash advances	1	365	-	549	-	200	13	119	1,247
Fair value adjustment	-	-	-	(170)	-	(8)	(5)	(9)	(192)
Capitalised interest	-	-	-	43	-	-	-	1	44
Adjustments	-	-	-	(1)	-	-	-	-	(1)
Repayments and disposals	-	(276)	(14)	(130)	-	(15)	(1)	(1)	(437)
Revaluations to revaluation reserve	-	-	-	46	1	-	-	-	47
Balance at 31 March 2016	25	2,784	676	2,908	59	627	34	237	7,350
Loans repayable within 12 months transferred to current assets	-	(308)	(24)	(130)	-	-	-	(54)	(516)
Balance at 31 March 2016	25	2,476	652	2,778	59	627	34	183	6,834

Investments have been measured and presented in accordance with IAS 32, IAS 39, IFRS 13 and IFRS 7 as modified by the Government Financial Reporting Manual (FRm). See also note 1.7

Scottish Water National Loans Fund repayments of £14m have not been included in the Environment, Climate Change and Land Reform portfolio capital outturn.

9b. Nationalised Industries

As at 31 March 2017, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited and Prestwick Holdco Limited. The Scottish Ministers hold the following investments:

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

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

	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m	Highlands and Islands Airports Ltd £m	Prestwick Holdco Ltd £m
Net Assets/(Liabilities) as at 31 March 2017	57	19	(28)	(27)
Turnover	36	199	22	12
Profit/(Loss) for the financial year	5	5	(1)	(9)

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

Caledonian Maritime Assets Ltd

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

David MacBrayne Ltd

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

Highlands and Islands Airports Ltd (HIAL)

The 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.

9c. Other Interests

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

Student Loan Company (SLC)

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

Scottish Futures Trust Ltd (SFT)

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

Scottish Health Innovations Ltd

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

Voted Loans

The Scottish Ministers have provided loans from voted provision to Caledonian Maritime Assets Limited of £133m to be used for the construction of new shipping; £6m to crofters for building purposes; and £2,708m to Scottish Water for their capital investment programmes.

National Loans Fund

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

Scottish Water's 2016-17 annual report and accounts can be found at <http://www.scottishwater.co.uk/About-Us/Publications/Annual-Reports/Annual-Report-1617>

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 Business, Innovation and Skills. These loans are accounted for on the basis of the loan balances of students domiciled in Scotland and adjusted for fair value and impairment.

9c. Other Interests (Cont.)

Housing Association Loans

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

Shared Equity and Other Housing Loans

The Other Housing Loans include Deferred Financial Commitment Loans. The fair value estimation for housing loans is based on the underlying property valuation using the Nationwide Pricing Index method.

Other Funds

The Scottish Government provides funding to three organisations, Salix Finance Limited, Social Investment Scotland (SIS) and Energy Saving Trust (EST), to deliver programmes which include the issue of loans. Salix provides loans (£10m) to the public sector to improve their energy efficiency and reduce their carbon emissions. SIS administer and manage the Scottish Investment Fund (£17m) 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. EST administer and manage funds on behalf of the Scottish Government which provide loans (£62m) to save energy and reduce carbon dioxide emissions.

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 (£41m) that helps fund regeneration and energy efficient projects within targeted areas of Scotland.

During the course of 2015-16, a Scottish Government national loans scheme was put in place to provide support to the farming economy. In 2016-17, advances of £370m were made with repayments of £239m; 80% of loans advanced in 2015-16 were repaid in 2016-17.

Over the past 3 years, the Scottish Government has provided £8.4m 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 funds are used to support subordinated debt investment in individual hub DBFM projects at a commercial rate of return. Interest on this investment contributes to the funding of on-going SFT activity.

The Scottish Government has invested £29.3m in Charitable Bonds to be repaid in 2025-26 with housing associations for the development of new affordable homes. A balance of £6.7m will be donated to one or more charitable Housing Associations by the bond issuer for the provision of new social housing, funded by the Scottish Government foregoing interest on the bond.

In 2016-17, the Scottish Government entered into a guarantee contract in respect of a power purchase agreement between the hydro plant and aluminium smelter at Lochaber (owned by SIMEC and Liberty House respectively). The total discounted value of premiums due to the Scottish Government in respect of this guarantee is £21.4m, and is included within the Other Funds balance.

10. Receivables and Other Assets

	2016-17 £m	2015-16 £m
Amounts falling due within one year		
Trade receivables	54	62
VAT	58	68
Deposits and advances	-	-
Other receivables	71	89
Prepayments and accrued income	325	294
Accrued income relating to EU funding	393	499
Interest receivable	30	28
Balances receivable from SCF	298	289
Corporate balance with the SCF	-	3
Balance as at 31 March	1,229	1,332
	2016-17 £m	2015-16 £m
Amounts falling due in more than one year		
Other receivables	17	3
Prepayments and accrued income	31	44
Balance as at 31 March	48	47
Total balance as at 31 March	1,277	1,379

Included within the total is interest receivable on NLF loans of £9m (2015-16: £9m) that will be paid to the Scottish Consolidated Fund as income not applied once the debt has been settled.

	2016-17 £m	2015-16 £m
Trade Receivables are shown net of impairments as follows:		
At 1 April	11	9
Charge for the year	5	6
Unused amount released	-	(1)
Utilised during the year	(5)	(3)
At 31 March	11	11

11. Payables and Other Liabilities

	2016-17 £m	Restated 2015-16 £m
Amounts falling due within one year		
Trade payables	444	471
Other taxation and social security	131	118
Superannuation payable	97	95
Other payables	212	103
Deferred income and accruals	1,545	1,430
Accrued interest due on NLF loans	9	9
Finance leases	2	3
PFI imputed finance leases	51	44
PFI deferred residual interest	1	1
Corporate balance with the SCF	625	132
Balances payable to the SCF	-	2
	3,117	2,408
Other financial liabilities:		
Current instalments on NLF loans	30	24
Bank overdraft	-	3
Financial guarantees	2	-
Other financial liabilities	-	-
	32	27
Total current liabilities	3,149	2,435
	2016-17 £m	2015-16 £m
Amounts falling due in more than one year		
Other payables	163	104
Deferred income and accruals	25	61
Finance leases	25	26
PFI imputed finance leases	2,732	2,282
Lease adjustment for rent free period	1	1
	2,946	2,474
Other financial liabilities		
Instalments on NLF loans	622	652
Financial guarantees	19	-
	641	652
Total non-current liabilities	3,587	3,126

12a. Provisions for Liabilities and Charges

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2016-17 £m
Balance as at 1 April 2016	42	141	256	-	93	532
Add: element reported as due within one year	-	13	107	3	62	185
Balance as at 1 April 2016	42	154	363	3	155	717
Provided for in year	-	18	330	1	24	373
Provisions not required written back	-	(4)	(56)	-	(4)	(64)
Provisions utilised in year	(2)	(19)	(25)	(1)	(48)	(95)
Discount amortised	2	13	-	-	2	17
Balance as at 31 March 2017	42	162	612	3	129	948
Payable within one year	(2)	(13)	(174)	(3)	(52)	(244)
Balance as at 31 March 2017	40	149	438	-	77	704

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

Payable in 1 year	2	13	174	3	52	244
Payable between 2 - 5 yrs	12	66	338	-	56	472
Payable between 6 - 10 yrs	28	39	15	-	21	103
Thereafter	-	44	85	-	-	129
Balance as at 31 March 2017	42	162	612	3	129	948

Prior Year	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2015-16 £m
Balance as at 1 April 2015	44	141	118	-	108	411
Add: element reported as due within one year	-	14	184	2	167	367
Balance as at 1 April 2015	44	155	302	2	275	778
Provided for in year	-	15	144	2	39	200
Provisions not required written back	(1)	(3)	(42)	(1)	(68)	(115)
Provisions utilised in year	(2)	(13)	(41)	-	(90)	(146)
Discount amortised	1	-	-	-	(1)	-
Balance as at 31 March 2016	42	154	363	3	155	717
Payable within one year	-	(13)	(107)	(3)	(62)	(185)
Balance as at 31 March 2016	42	141	256	-	93	532

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

Payable in 1 year	-	13	107	3	62	185
Payable between 2 - 5 yrs	12	68	171	-	82	333
Payable between 6 - 10 yrs	30	33	13	-	11	87
Thereafter	-	40	72	-	-	112
Balance as at 31 March 2016	42	154	363	3	155	717

12b. Provisions for Liabilities and Charges

Student Loans

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

NHS Clinical and Medical Negligence

Included within provisions is an amount of £612m (2015-16: £363m) 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 2016-17 £330m (2015-16: £144m) of estimated settlement value of medical and clinical negligence claims were added to the provision. This includes an increase of £160 million which arises from the change to the discount rate in relation to damages for personal injury. The change to the discount rate in Scotland is applicable from 28 March 2017 and follows the same approach taken in England and Wales.

In 2016-17 £25m (2015-16: £41m) in claims were settled and £56m (2015-16: £42m) was written back as no longer required.

Early Departure Costs

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

Prisoner Compensation

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

Other Provisions - NHS Balances

Other provisions include NHS balances of £19m (2015-16: £38m). 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

Also included within other provisions are Transport Scotland balances of £84.02m (2015-16: £83.02m) including £73.52m relating to land & property acquisition (2015-16: £72.14m), £4.95m relating to major projects (15-16: £5.27m), and £5.54m relating to other retirement benefit costs (2015-16: £5.61m).

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

Major projects provisions relate to compensation claims made in respect of work done under on projects that have not yet fully settled

Transport Scotland agreed to meet the additional cost of benefits payable to specific employees who retired early until they reach the age of 60 at which point the liability is assumed by the PCSPS. The cost of these benefits is provided in full when the employee retires.

Other Provisions - European funded schemes

European Structural Funds Programmes - In 2015-16 a provision of £14m was made in recognition of the anticipated cost of self corrections relating to closed schemes (2007-13). This provision has now been utilised, and a new provision of £1m has been created in anticipation of exchange rate fluctuations between the euro and sterling.

CAP schemes - Provision (£3.5m) has been made in anticipation of exchange rate fluctuations between sterling and the euro, and to recognise the estimated costs of adjustments to EU-related income and expenditure that may arise in future years (£2.5m).

13. Capital Commitments

	2016-17	2015-16
	£m	£m
Property, Plant and Equipment		
Contracted capital commitments for which no provision has been made	2,326	1,001
Total	2,326	1,001
Intangible Assets		
Contracted capital commitments for which no provision has been made	21	19
Total	21	19
Total Commitments	2,347	1,020

2016-17 Property, plant and equipment commitments include future payments of £2,133m (2015-16: £771m) in respect of major road schemes currently under construction, and a number of capital projects being undertaken by NHS Boards £193m (2015-16: £230m)

2016-17 Intangible asset commitments include the development of a replacement IT system for Marine Scotland's vessels of £1.6m (2015-16: £1.7m) (90% reimbursement expected from the European Union), the development of a new pensions administration system of £1.6m (2015-16: £1.7m), and £13m (2015-16: £15m) to complete the CAP Futures project.

14. Commitments Under Leases

14a. 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:

	2016-17 £m	2015-16 £m
Land		
Within one year	1	1
Between two and five years (inclusive)	3	3
After five years	6	6
Total	10	10
Buildings		
Within one year	37	36
Between two and five years (inclusive)	116	113
After five years	148	115
Total	301	264
Other Commitments		
Within one year	20	21
Between two and five years (inclusive)	30	33
After five years	-	-
Total	50	54

14b. 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:

	2016-17 £m	2015-16 £m
Buildings		
Within one year	6	6
Between two and five years (inclusive)	19	20
After five years	65	70
Total	90	96
Less the interest element	(65)	(68)
Total	25	28
Other Commitments		
Within one year	-	-
Between two and five years (inclusive)	1	1
After five years	-	1
Total	1	2
Less the interest element	-	(1)
Total	1	1

This total net obligation under finance leases is analysed in Note 11.

14c. Commitments Under Leases

Within the Scottish Government core estate, the main leasing arrangements are entered into on the basis of Market Rent, often incorporating a 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 other index (often also upwards only).

The ground leases 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.

15. Other Financial Commitments

15a. Other Commitments

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

	2016-17 £m	2015-16 £m
Payable in 1 year	741	760
Payable between 2 - 5 years	3,994	3,094
Payable in more than 5 years	-	-
Total	4,735	3,854

Other financial commitments payable within one year include £425m (2015-16: £464m) as a committed income stream to Network Rail in accordance with the Deed of Grant, £291m (2015-16: £247m) to Abellio ScotRail and £23m (2015-16: £19m) to Serco Caledonian Sleeper under the Franchise Agreements.

Commitments payable within 2 to 5 years include £2,062m (2015-16: £1,585m) to Network Rail, £1,751m (2015-16: £1,449m) to Abellio, £106m (2015-16: £86m) to Serco and £57m (2015-16: £63m) to fund Scotland's successful bid to co-host the European Sports Championships in 2018.

15b. Guarantees, Indemnities and Letters of Comfort

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

Guarantees

Education and Skills

Guarantees to Local Government Pension Funds in relation to the admission of Children's Hearing Scotland and the Scotland's Rural College.

Communities, Social Security and Equalities

Guarantee of a £0.15m (2015-16: £0.15m) loan between Social Investment Scotland and Glencraft (Aberdeen) Ltd following the restructuring of the business, and guarantees to the Lothian Pension Fund in relation to the admission of the Scottish Homes Pension Fund and Scottish Futures Trust.

Finance and the Constitution

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

Rural Economy and Connectivity

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.

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

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

Economy, Jobs and Fair Work

Guarantee in respect of a power purchase agreement between the hydro plant and aluminium smelter at Lochaber (owned by SIMEC and Liberty House respectively) valued at £21.4m (2015-16: nil). The guarantee would be triggered in the event that Liberty House does not make agreed payments to the hydro plant.

Justice

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

15b. Guarantees, Indemnities and Letters of Comfort (Cont.)

Indemnities

Culture, Tourism and External Affairs

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 £1,165m (2015-16: £1,111m).

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 £22.198m (2015-16: £15.565m) at 31 March.

Communities, Social Security and Equalities

Mortgage lenders held indemnities by Scottish Homes for £0.516m (2015-16: £0.516m) at 31 March.

Rural Economy and Connectivity

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 8 years.

Economy, Jobs and Fair Work

Indemnity cover of up to a total of £0.4m (2015-16: £0.4m) to cover legal costs incurred by the Carbon Trust or Salix in the novation of loans to another party.

Letters of Comfort

None

16. 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.

*16a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position***Description of Schemes****Health Bodies:**

Ayrshire and Arran Woodland View (formerly North Ayrshire Community Hospital) - sharing a site in Irvine with the Ayrshire Central Hospital. The building is a Non-Profit Distributing model (NPD) 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). At the end of the 25 year contract period, negotiations will have been undertaken to determine future options available for the site.

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

Dumfries and Galloway Maternity and Day Surgery Unit - situated in Dumfries, is included on the balance sheet (land and buildings) at a valuation of £10.606m as at 31 March 2017 (2015-16 - £10.322m). The premises opened in January 2002 and the contract ends in January 2032. Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a fixed 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.

Dumfries and Galloway (New) District General Hospital – The Board are in the construction phase of an NPD project to deliver the new District General Hospital replacing the existing Dumfries and Galloway Royal Infirmary. To date, a total of £186.085m of a £212.6m total construction cost has been added to Assets under Construction. The new hospital is due to open during 2017-18. The NPD (Non-Profit Distributing) funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI (Private Finance Initiative) model in Scotland.

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

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

Forth Valley Clackmannanshire Community Healthcare Centre (CCHC) – CCHC is a service concession for the development and right of use of Community Health Facilities (incorporating a Health Centre Building including accommodation for 3 GP practices, Associated Clinical Services and accommodation for local Health and Social Work Teams, a Mental Health Resource Centre, a Day Therapy Unit and 45 Inpatient Beds) and provision of services, including maintenance of the facility, under a Project Agreement. Certain facilities management services such as cleaning will be provided by the Board. Services Commencement date was 18th May 2009 and the contract term ends in July 2037. The payment mechanism is incorporated in the Project Agreement and subject to annual adjustment for inflation in line with the Retail Price Index (RPI) and risk sharing arrangements around usage and price of utilities (gas, electricity and fuel oil). At the end of the agreement the asset will revert to the ownership of the Board. There were no significant changes to the contract in the year.

16a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Forth Valley Royal Hospital (FVRH) - Forth Valley Royal Hospital (FVRH) is a service concession for the NHS Forth Valley development and right of use of a new Acute Hospital for Forth Valley (FVRH) and associated provision of services including facilities management services such as patient catering, portering, cleaning and maintenance. Services Commencement (handover of the facility to the Board) was in three phases May 2010, August 2010 and April 2011. The duration of the agreement is for 30 years from practical completion to the end of the financial year in which the 30th anniversary occurs. The payment mechanism is incorporated in the Project Agreement and subject to annual adjustment for inflation in line with the Retail Price Index (RPI) and risk sharing arrangements around volumes of patient catering supplied and usage and price of utilities (gas, electricity and fuel oil). At the end of the agreement the asset will revert to the ownership of the Board. There were no significant changes to the contract in the year.

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

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

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

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

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

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

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

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

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

Greater Glasgow and Clyde (New) 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 £15.8m.

16a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

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

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

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

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

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

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

Lanarkshire Hairmyres Hospital - The provision of a large general hospital. The period of contract is 26 March 2001 to 30 June 2031. The estimated capital value is £73.538m. The hospital services are provided under a contract between Lanarkshire Health Board and Prospect Healthcare (Hairmyres) Limited, with hard and soft facilities management services being supplied under a subcontract to ISS Mediclean Limited. The hospital building is provided by way of a capital rental which is non indexed linked and is profiled for the duration of the contract. Major maintenance, risk overhead and margin are set within the contracts financial framework but these increase on an annual basis in line with the retail price index. Hard facilities management services include the provision of estates services, information technology, window cleaning, pest control and energy services. These services are subject to increase in line with the retail price index. Soft facilities management services includes full provision of catering services for patients and staff, housekeeping / ward hostess, linen, portering, transport security, switchboard and waste management. These services are subject to increase in line with the retail price index. The services provided are subject to a performance regime where reductions in the payments are recovered in line with the performance measurement regime. The services provided are subject to "market testing" every seven years.

Lanarkshire Wishaw Hospital - The provision of a large general hospital. The period of contract is 28 May 2001 to 30 November 2028. The estimated capital value is £150.695m. 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. A managed radiology service is provided by Siemens Ltd. and under this service all major radiology diagnostic equipment is provided, maintained and replaced in line with an investment programme. This sum is fixed within the contract and increased in line with the retail price index. The hospital building is provided by way of an Availability payment which is largely non indexed linked and is profiled for the duration of the contract. Life cycle maintenance costs and insurance are set within the contracts financial framework but these increase on an annual basis in line with the retail price index. Hard facilities management services include the provision of estates and energy services. These services are subject to increase in line with the retail price index. Soft facilities management services include full provision of catering services for patients and staff, cleaning/domestics, linen, portering, security, switchboard and waste management. The services are set to increase in line with the retail price index. The services provided are subject to a performance regime where reductions in the payments charged are recovered in line with the performance measurement regime. The services provided are subject to "market testing" every seven years.

16a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Lanarkshire Stonehouse Hospital - The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034. The estimated capital value is £4.282m. 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 contract is managed under a performance regime with deduction applied to the payment for performance failures. The current estimated capital value of these facilities is £39.486m.

Lothian Royal Infirmary of Edinburgh at Little France - an Acute Teaching hospital. The contract started 1 November 2001 and will end 30 June 2053. The estimated capital value is £177.828m.

Lothian Ferryfield House – The provision of a 30 bedded facility for frail elderly and dementia patients which replaced the 100 year old Northern General Hospital. The contract started 1 October 1996 and will end 1 October 2021. The estimated capital value is £3.091m.

Lothian Ellens Glen - service provides a 60 bedded facility for frail elderly and dementia patients. The contract started 1 November 1999 and will end 1 November 2029. The estimated capital value is £3.805m.

Lothian Findlay House - service provides a 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital. The contract started 13 June 2003 and will end 12 June 2033. The estimated capital value is £4.013m.

Lothian Tippethill - service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn. The contract started 6 September 2000 and will end 5 September 2025. The estimated capital value is £2.889m.

Lothian Bathgate Primary Care Centre - service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality. The contract started 1 October 2001 and will end 30 September 2026. The estimated capital value is £2.239m.

Lothian Midlothian Community Hospital - This hospital provides 88 beds for frail elderly and dementia patients, outpatient clinics and a number of CHP led community activities. The contract started 1 September 2010 and will end 31 August 2040. The estimated capital value is £14.946m.

Lothian Royal Edinburgh Hospital Phase 1 - service provides 185 beds for both mental health services and a national acquired brain injury service. The contract started on 5 December 2016 and will end on 4 December 2041. The estimated capital value is £38.175m

Tayside The Carseview Centre - Located on the Ninewells Hospital site in Dundee the centre provides in-patient facilities for Adult Psychiatry and Learning Disability. The contract commenced 11 June 2001 and will be completed 11 June 2026, when NHS Tayside may negotiate a further contract or purchase the facility.

Tayside The Susan Carnegie Clinic (Mental Health NPDO Phase 1) - Located on the Stracathro Hospital site by Brechin, it provides in-patient facilities and a day hospital for both General Adult Psychiatry and Psychiatry of Old Age. The contract start date was 2 December 2011 and the end date will be 17 May 2042, when NHS Tayside will become owners of the facility.

Tayside Whitehills Community Resource Centre - Covers Forfar, Kirriemuir and the surrounding area in conjunction with Angus Council and Lippen Care. The contract commenced 21 March 2005 and will be completed 21 March 2030, when NHS Tayside will become owners of the facility.

Tayside The Mental Health NPDO - Phase 2 is located on the Murray Royal Hospital site in Perth and provides in-patient, day-patient and out-patient facilities for NHS Tayside's General Adult Psychiatry, Psychiatry of Old Age and Low Secure Forensic services, as well as a regional in-patient unit providing Medium Secure Forensic services for patients from the North of Scotland Health Boards. The contract start date was 1 June 2012 and the end date will be 17 May 2042, when NHS Tayside will become owners of the property.

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).

16a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

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 Public Private Partnership (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 will upgrade the A8 Baillieston to Newhouse, completing the M8 motorway between Glasgow and Edinburgh, including improvements to the M74 Raith Interchange and widening of key sections of the M8, M73 and M74. The Non Profit Distributing (NPD) contract also incorporates the management, operation and maintenance (routine, winter and major maintenance works) of this core section of the motorway network for the next 30 years. The unitary charge payments will become committed after construction completion in 2017 and will cease in 2047.

Aberdeen Western Peripheral Road/Balmedie and Tipperty - The project will construct a new dual carriageway to bypass the City of Aberdeen and upgrade the road between Balmedie and Tipperty to dual carriageway. The Non Profit Distributing (NPD) contract also incorporates the management, operation and maintenance of these roads for a period of 30 years. The unitary charge payments have been committed in phases from Autumn 2016 until construction completion in 2018 and will cease in 2048.

Scottish Prison Service:

HMP Kilmarnock - The contract covers the design, construction, financing and operation of a prison, HMP Kilmarnock. The contract commenced in 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 in December 2008 for a period of 25 years.

Court Custody and Prisoner Escort Service - This service concession arrangement covers a service let for 7 years with an option to extend for a further 3 years. The contract commenced in January 2012.

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

16b. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position
(Cont.)

Under IFRIC 12 the asset is treated as an asset of the Scottish Government and included in the Scottish Government's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

Gross Minimum Lease Payments	NHS Bodies			2016-17 Total £m	2015-16 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	199	70	95	364	195
Due within 2 to 5 years	812	226	341	1,379	813
Due after 5 years	3,630	565	1,590	5,785	3,526
Total	4,641	861	2,026	7,528	4,534

Interest Element	NHS Bodies			2016-17 Total £m	2015-16 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	119	7	28	154	150
Due within 2 to 5 years	441	24	104	569	563
Due after 5 years	1,150	39	229	1,418	1,495
Total	1,710	70	361	2,141	2,208

Present Value of Minimum Lease Payments	NHS Bodies			2016-17 Total £m	2015-16 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	80	63	67	210	45
Due within 2 to 5 years	371	202	237	810	250
Due after 5 years	2,480	526	1,361	4,367	2,031
Total	2,931	791	1,665	5,387	2,326

Service elements due in future periods, included above	NHS Bodies			2016-17 Total £m	2015-16 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	44	59	55	158	150
Due within 2 to 5 years	190	187	179	556	567
Due after 5 years	1,122	453	314	1,889	1,966
Total	1,356	699	548	2,603	2,683

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 £22m (2015-16: £21m).

17. Contingent Assets/Liabilities disclosed under IAS 37

17a. 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. Contingent Assets often cannot be reliably quantified; where values can be determined these have been provided.

Health and Sport

Clinical and Medical compensation payments of £124.4m (2015-16: £39.7m).

NHS Employer's Liability estimated at £1.4m (2015-16: £1m).

Economy, Jobs and Fair Work

2007-2013 ESF programmes – Closed Schemes.

Recovery of costs from organisations in the public, private and third sectors where errors were found in the detailed operation of projects funded by the programmes and where funds, initially provided by Scottish Government, cannot be reclaimed from the EC. It is recognised that there are a number of organisations which will find it difficult to repay the amount due, and some organisations no longer exist.

Rural Economy and Connectivity

Transport Scotland successfully defended an allegation of Glasgow Airport Rail Link (GARL) copyright infringement, and a subsequent appeal which was dismissed in May 2012. The process of recovering the expenses awarded by the Court of Session is now in the hands of Accountant in Bankruptcy.

Transport Scotland successfully defended a legal challenge in respect of the procurement of the Northern Isles Ferry Service. The legal judgement was confirmed in March 2016. The process of recovering the expenses awarded by the Court of Session is continuing.

Education and Skills

Disclosure Scotland (DS) planned to replace the BT service contract with a new contract for the care and maintenance of the PVG system which would better meet the needs of the organisation. It awarded a new contract to a new supplier in May 2014 with the service due to transfer in December 2014. The delivery and transfer of the service by the "new supplier" did not take place as planned and to protect the business critical operations, DS continued the existing service contract with BT until the end of March 2015. It awarded a new contract to BT for the support and maintenance of the PVG system starting April 2015. DS continues to be in discussions with the "new supplier" around the non-completion of the contract awarded in May 2014 and is therefore unable to quantify any amount claimable or payable at this time.

Communities, Social Security and Equalities

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 incomes 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.

Receipts payable following right to buy sales of ex-council housing stock and ex-Scottish Homes housing stock. Timing uncertain as to when events giving rise to the realisation of this contingent asset are likely to occur.

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 uncertain as to when events giving rise to the contingent asset are likely to occur.

17b. *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 as follows:

- 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 present 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.

Contingent Liabilities often cannot be reliably quantified; where values can be determined these have been provided.

Health and Sport

Clinical and Medical compensation payments of £304.4m (2015-16: £225.2m).

NHS Employer's Liability estimated at £3.2m (2015-16: £2.7m).

NHS Third Party Liability and non-clinical compensation estimated at £0.9m (2015-16: £1.4m)

Education and Skills

Additional subsidy chargeable on the Income Contingent Repayment Student Loans if the Bank of England Base Rate plus 1 percentage point is lower than RPI rate modelled to calculate the cost of providing Student Loans over the Spending Review period.

Justice

Claims against former independent Conveyancing and Executry 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 executry practitioners, as defined by the Law Reform (Miscellaneous Provisions) Scotland Act 1990.

Potential prisoner compensation estimated at £3.4m (2015-16: £0.8m). (See note 12).

Scottish Prison Service other costs estimated at £2.9m (2015-16: £0.2m).

Rural Economy and Connectivity

Court of Session has found that the Agricultural Holdings Act 2003 has breached the European Convention of Human Rights - Art 1 P1. Remedial legislation has now been put in place, and the Scottish Government is supporting mediation between parties.

Following the 2015 scheme year for CAP Pillar 1, both 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. EU CAP audits can result in future disallowances and a number of audits are in progress.

As part of Transport Scotland's normal course of business the Forestry Commission granted the right to use a forestry track as an emergency diversion route on the A83 Rest And Be Thankful on the understanding that Transport Scotland will have liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m (2015-16: £5m) but it is not considered likely that any liability will occur.

17b. Contingent Liabilities Disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets (Cont.)

Communities, Social Security and Equalities

A liability of up to £73.7m (2015-16: £100.1m) following the Glasgow Stock Transfer could arise if HMRC were to successfully challenge the terms of the original VAT agreement that was entered into in 2004 by Glasgow Housing Association and Glasgow City Council.

The Mortgage Indemnity New Home Scheme (MI New Home) allows credit-worthy borrowers, locked out of the market by high deposit requirements, access to 90% to 95% LTV mortgages. The scheme is supported by a SG guarantee which sits behind cash indemnities set aside by participating housebuilders (for each house sold under the scheme). The guarantee valued at £7.19m (2015-16: £7.35m) can only be called upon once the indemnities are exhausted and lasts for 7 years.

National Housing Trust guarantees of £3.2m (2015-16: £3.1m) which the Scottish Government are committed to but which are not activated until construction has been completed.

Culture, Tourism and External Affairs

If the 2019 Solheim Cup were to be cancelled a payment of £5.6m (2015-16: £5.6m) would be due to the European Ladies Tour.

A shortfall in anticipated receipts from the 2019 European Indoor Athletics Championship would trigger a liability of £0.73m (2015-16: nil).

If the 2018 European Championships were to be cancelled or service agreements were breached, a liability capped at £18.3m (2015-16: £7m) could arise.

18. Related Party Transactions

The Scottish Government is the sole shareholder and sponsor of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Ltd, Scottish Futures Trust and Prestwick Airport Holdco Ltd; a shareholder in Scottish Health Innovations Ltd and the Student Loans Company; and sponsor of Scottish Water, a number of non-consolidated Health Bodies, and of a number of executive, advisory and tribunal Non Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year. Further details of Scottish Public Bodies are available from the Scottish Government website - www.scotland.gov.uk/government/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.

None of the senior officers, key managerial staff or other related parties has undertaken any material transactions with the Scottish Government during the year.

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.

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.

19. Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with International Accounting Standard (IAS) 32, IAS 39 and International Financial Reporting Standard (IFRS) 7 as interpreted by the Financial Reporting Manual. International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have played during the period in creating or changing the risks that an entity faces in its activities. The Scottish Government is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way that government is financed. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the organisation in undertaking its activities.

Liquidity Risk

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

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

Maturity Profile

Financial Liabilities	<1yr £m	1 - 2 yrs £m	2 - 5 yrs £m	>5yrs £m	2016-17 Total £m	2015-16 Total £m
Trade payables	444	-	-	-	444	471
Accruals	1,396	12	6	-	1,414	1,266
Other payables	212	163	-	-	375	207
NLF loans	30	31	110	481	652	676
Accrued Interest due on NLF Loans	9	-	-	-	9	9
Balances Payable to SCF	-	-	-	-	-	2
Corporate balance with SCF	625	-	-	-	625	132
PFI Imputed finance leases	52	57	196	2,479	2,784	2,327
Lease payables	1	3	7	16	27	30
Bank overdraft	-	-	-	-	-	3
Financial guarantees	2	2	7	10	21	-
Other financial liabilities	-	-	-	-	-	-
Total	2,771	268	326	2,986	6,351	5,123

19. Financial Instruments (Cont.)

Credit risk

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

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

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

Market risk

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

Interest Rate Risk

64% (2015-16: 66%) of the Scottish Government's financial assets and 100% (2015-16: 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 relate in the main to student loans.

Foreign Currency Risk

Within payables, the Scottish Government has a balance that is subject to exchange rate fluctuations. This relates to advances received by the Economy, Jobs and Fair Work portfolio from the European Commission (EC) for the 2014-20 European Structural Funds' (ESF) programme. The advances are either utilised by the end of the programme period or returned to the EC when the individual programme is closed. The year end balance of £27.455m is the sterling equivalent of €32.092m translated at the accounting date (at the official EU exchange rate at 31 March 2017).

The Scottish Government has instituted funding advances for certain EU CAP payments. Euro denominations are sold once EU funding is received. As at 31 March the year end balance of £93.908m is the sterling equivalent of €105.109m.

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 £749m (2015-16: £627m).

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

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

Financial Assets			Fair Value Through Profit and Loss	Loans and Receivables	Shares Held in or Loans Advanced to Public Sector	2016-17 Total
Current Year	Note		Note a £m	Note b £m	Note c £m	£m
Description						
Voted loans	9a	-	-	6	2,841	2,847
NLF loans	9a	-	-	-	652	652
Housing association loans	9a	-	-	61	-	61
Shared Equity Housing	9a	749	-	-	-	749
Other Housing Loans	9a	-	-	44	-	44
Other Funds	9a	-	-	466	-	466
Student loans	9a	-	-	3,257	-	3,257
Interests in nationalised industries	9a	-	-	-	25	25
Trade receivables	10	-	-	54	-	54
Accrued income	10	-	-	497	-	497
Interest receivable	10	-	-	30	-	30
Amounts receivable from the SCF	10	-	-	298	-	298
Deposits and advances	10	-	-	-	-	-
Other receivables	10	-	-	88	-	88
Corporate balance with the SCF	10	-	-	-	-	-
Cash and cash equivalents	2	-	-	625	-	625
Total			749	5,426	3,518	9,693

Note: As not all assets are financial instruments, the above table excludes VAT £58m and prepayments £252m included in the associated asset note (Note 10).

19. Financial Instruments (Cont.)

Financial Assets		Fair Value	Restated	Shares Held in or Loans	
Prior Year		Through	Loans and	Advanced to Public	
Description	Note	Profit and	Receivables	Sector	2015-16
		Loss	Note b	Note c	Total
		Note a	£m	£m	£m
		£m			£m
Voted loans	9a	-	7	2,778	2,785
NLF loans	9a	-	-	676	676
Housing association loans	9a	-	59	-	59
Shared Equity Housing	9a	627	-	-	627
Other Housing Loans	9a	-	35	-	35
Other Funds	9a	-	236	-	236
Student loans	9a	-	2,908	-	2,908
Interests in nationalised industries	9a	-	-	25	25
Trade receivables	10	-	62	-	62
Accrued income	10	-	636	-	636
Interest receivable	10	-	28	-	28
Amounts receivable from the SCF	10	-	289	-	289
Deposits and advances	10	-	-	-	-
Other receivables	10	-	92	-	92
Corporate balance with the SCF	10	-	3	-	3
Cash and cash equivalents	2	-	134	-	134
Total			627	4,489	3,479
					8,595

Note: As not all assets are financial instruments, the above table excludes VAT £68m and prepayments £201m included in the associated asset note (Note 10). Interests in nationalised industries (£25m) has been categorised as Shares Held in or Loans Advanced to Public Sector - this is a minor correction to the 2015-16 published accounts.

19. Financial Instruments (Cont.)

Financial Liabilities		Fair Value	All Other	Shares Held in or Loans	
		Through	Financial	Advanced to the Public	
Current Year		Profit and	Liabilities	Sector	2016-17
Description	Note	Loss	Note d	Note c	Total
		Note a	£m	£m	£m
		£m			
Trade payables	11	-	444	-	444
Accruals	11	-	1,414	-	1,414
Other payables	11	-	375	-	375
NLF loans	11	-	-	652	652
Accrued Interest due on NLF Loans	11	-	-	9	9
Balances payable to the SCF	11	-	-	-	-
Corporate balance with SCF	11	-	625	-	625
PFI Deferred Residual Interest	11	-	-	-	-
PFI Imputed finance leases	11	-	2,784	-	2,784
Lease payables	11	-	27	-	27
Financial guarantees	11	-	21	-	21
Total		-	5,690	661	6,351

Note: As not all liabilities are financial instruments, the above table excludes deferred income £98m, other tax and social security £131m, superannuation payable £97m and employee benefit accrual £58m included in the associated liability note (note 11). The finance leases are disclosed at the discounted cash flow value.

19. Financial Instruments (Cont.)

Financial Liabilities		Fair Value Through Profit and Loss	All Other Financial Liabilities	Shares Held in or Loans Advanced to the Public	2015-16 Total
Prior year	Note	Note a £m	Note d £m	Sector Note c £m	£m
Description					
Trade payables	11	-	471	-	471
Accruals	11	-	1,266	-	1,266
Other payables	11	-	207	-	207
NLF loans	11	-	-	676	676
Accrued Interest due on NLF Loans	11	-	-	9	9
Balances payable to the SCF	11	-	2	-	2
Corporate balance with SCF	11	-	132	0	132
PFI Deferred Residual Interest	11	-	-	-	-
PFI Imputed finance leases	11	-	2,327	-	2,327
Lease payables	11	-	30	-	30
Bank overdraft	11	-	3	-	3
Total		-	4,438	685	5,123

Note: As not all liabilities are financial instruments, the above table excludes deferred income £156m, other taxation and social security £118m, superannuation payable £95m and employee benefit accrual £69m from the associated liabilities note (Note 11). The finance leases are disclosed at the discounted cash flow value.

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

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

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

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

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

20. Third Party Assets

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

	2015-16 £m	Gross Inflows £m	Gross Outflows £m	2016-17 £m
Monetary amounts such as bank balances and monies on deposit	49	32	(42)	39
Unclaimed dividends and unapplied balances	19	-	(2)	17
Securities	-	-	-	-
Other monetary assets	-	-	-	-
Total Monetary Assets	68	32	(44)	56

Accountant in Bankruptcy holds funds of £45m (2015-16: £56m) 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 £28m (2015-16: £37m). The balance of £17m (2015-16: £19m) 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 2016-17 (2015-16: £10m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2015-16: £1m).

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

Description	2016-17	Restated 2015-16
	Number held	Number held
Residential property	1,211	1,267
Motor vehicles, boats and caravans	157	170
Life Policies	434	810
Shares and Investments	153	430
Miscellaneous	290	1,512

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

21. 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.

	2016-17 £m	2015-16 £m
Budget (Scotland) Act 2016	36,949	37,322
Scotland's Autumn Budget Revisions - Scottish Statutory Instrument 2016 No. 377	259	88
Scotland's Spring Budget Revisions - Scottish Statutory Instrument 2017 No. 104	372	(2)
Total approved spending	37,580	37,408
Less activities not included in these accounts:		
National Records of Scotland	(26)	(23)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Courts and Tribunals Service	(107)	(94)
Revenue Scotland	(5)	(5)
Food Standards Scotland	(15)	(16)
Scottish Housing Regulator	(4)	(4)
NHS and Teachers' Pension Schemes	(3,300)	(3,398)
Forestry Commission (Scotland)	(57)	(63)
Scottish Parliament Corporate Body	(100)	(92)
Audit Scotland	(8)	(10)
Consolidated Portfolios' approved estimates	33,955	33,700

Portfolio analysis	Budget Act Approval £m	2016-17 Capital Budget £m	2016-17 Operating Budget £m
Finance and the Constitution	104	2	102
Health and Sport	13,241	478	12,763
Education and Skills	3,190	497	2,693
Economy, Jobs and Fair Work	339	15	324
Justice	2,415	11	2,404
Communities, Social Security & Equalities	11,021	238	10,783
Environment, Climate Change and Land Reform	223	40	183
Culture, Tourism and External Affairs	272	5	267
Rural Economy and Connectivity	2,839	762	2,077
Crown Office and Procurator Fiscal Service	115	4	111
Administration	196	13	183
	33,955	2,065	31,890

21. Resource Budget (Cont.)

Budgets approved by the Scottish Parliament are applied to the consolidated accounts as detailed above. The budgets advised to HM Treasury include items outwith the scope of the Scottish Parliament. A reconciliation between the 2016-17 budget approved by the Scottish Parliament and the amount drawn down from HM Treasury is provided below.

	2016-17 £m
Total spending approved by Scottish Parliament	37,580
NDPB's non cash budgets	163
Judicial salaries	30
Repayment of NLF and other loans by Scottish Water	(39)
Forth Road Crossing technical adjustment	(22)
Sleeper contract technical adjustment	14
Provision of SFC grant-in-aid to support working capital requirements	(5)
Provision of Creative Scotland grant-in-aid to support working capital requirements	(7)
IFRS - PPP/PFI adjustments	(104)
IFRS - revenue financed infrastructure projects (Transport Scotland)	(157)
Police loan charges	(5)
HM Treasury funding for DEL not included in Spring Budget Revision	37
HM Treasury funding for AME not included in Spring Budget Revision (inc. NDPBs)	254
Total Managed Expenditure budget draw down from HM Treasury	37,739

Analysed by spending category:

Departmental Expenditure Limit (DEL)	30,837
Annually Managed Expenditure (AME)	6,902
	37,739

22. Cash Authorisation

	2016-17 £m	2015-16 £m
Cash authorisation for the Scottish Administration:		
Budget (Scotland) Act 2016	33,187	33,345
Amended by:		
Scotland's Autumn Budget Revisions - Scottish Statutory Instrument 2016 No. 377	310	93
Scotland's Spring Budget Revisions - Scottish Statutory Instrument 2017 No. 104	294	653
Total Approved Cash Authorisation for the Scottish Administration	33,791	34,091
Less non core activities not included in these accounts:		
National Records of Scotland	(25)	(20)
NHS and Teachers' Pension Schemes	(384)	(475)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Housing Regulator	(3)	(4)
Forestry Commission (EU Funding)	-	5
Scottish Courts and Tribunals Service	(93)	(80)
Revenue Scotland	(5)	(5)
Food Standards Scotland	(15)	(15)
Available Cash Authorisation for Consolidated Bodies	33,263	33,494
Funding Drawn down from the Scottish Consolidated Fund (SOCTE)	32,201	32,537



SCOTTISH MINISTERS

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

1. The consolidated statement of accounts for the financial year ended 31 March 2014 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 4 August 2014

Glossary

Departmental Expenditure Limit (DEL)	Public Expenditure within departmental programmes which form departments' multi-year budget plan against which departments manage their spending. Departmental Expenditure Limits will identify separate elements for capital and current spending.
Annually Managed Expenditure (AME)	Public Expenditure within departmental programmes but outside the Departmental Expenditure Limit and managed annually because it cannot reasonably be subject to firm multi-year limits, or should be subject to special handling.
Other Expenditure Outwith the Departmental Expenditure Limit (ODEL)	Expenditure that is provided for in the budget but is not included in the total budget for Scotland for control purposes.
Capital charges	An annual charge reflecting the consumption of fixed assets (depreciation) and any impairment, to ensure that the full cost of departmental activities is measured.
Resource accounting	The application of accruals accounting for reporting the expenditure of central government and a framework for analysing expenditure by departmental objectives, relating these to outputs where possible.
Resource budgeting	Planning and controlling public expenditure on a resource accounting basis.



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