

The Scottish Government Consolidated Accounts for the Year Ended 31 March 2021

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December 2021



Scottish Government
Riaghaltas na h-Alba
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Performance Report

About the Scottish Government

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

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

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

Scottish Cabinet Ministers and their responsibilities

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

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

Nicola Sturgeon MSP **First Minister**

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

Following the Scottish Parliamentary election on 5 May 2016, the First Minister announced a new Scottish Cabinet, identifying education and the economy as priorities, along with the reform and improvement of public services and the ability to respond to challenges such as climate change in the years to come.

The Cabinet Team members serving during 2020-21 are as follows:

John Swinney MSP

Deputy First Minister and Cabinet Secretary for Education and Skills

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

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

Humza Yousaf MSP

Cabinet Secretary for Justice

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

Shirley-Anne Somerville MSP

Cabinet Secretary for Social Security and Older People

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

Kate Forbes MSP

Cabinet Secretary for Finance

Responsibilities include:
budget bill
managing the public finances
fiscal policy and taxation
income
fiscal framework
Scottish budget, budgetary monitoring and
reporting
government procurement

National Performance Framework
Cross-government coordination of
wellbeing policies
local government finance
public bodies policy
Scottish Futures Trust
public sector pay
Digital Economy
Government statistics

Roseanna Cunningham MSP

Cabinet Secretary for Environment, Climate Change and Land Reform

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

Fergus Ewing MSP

Cabinet Secretary for Rural Economy and Tourism

Responsibilities include:
agriculture and crofting
fisheries and aquaculture
food and drink
Highlands & Islands Enterprise
South of Scotland Enterprise Agency
rural Scotland
animal health
forestry
tourism

Jeane Freeman MSP

Cabinet Secretary for Health and Sport

Responsibilities include:
NHS and its performance, staff and pay
Health care and social integration
patient services and patient safety

primary care, acute services, elective centres, Implementing the 2020 Vision, national clinical strategy, quality strategy and national service planning
allied Healthcare services
carers, adult care and support
child and maternal health
medical records, health improvement and protection

culture
architecture and built heritage
broadcasting
co-ordination on bringing major events to Scotland
National Records
fintech
financial services

Aileen Campbell MSP

Cabinet Secretary for Communities and Local Government

Responsibilities include:
social justice
tackling inequalities
measures against poverty (with CSSS)
place and place-making
community empowerment, community planning, local governance review and democratic renewal regeneration
including business improvement districts
third sector and social economy refugees and asylum
religious and faith organisation
medium and long term housing strategy

Fiona Hyslop MSP

Cabinet Secretary for Economy, Fair Work and Culture

Responsibilities include:
Scottish National Investment Bank
Scottish economy
inclusive growth and fair work
trades unions
Scottish Enterprise – national enterprise agency
trade and inward investment
creative industries

Michael Russell MSP

Cabinet Secretary for the Constitution, Europe and External Affairs

Responsibilities include:
The UK's exit from the European Union
international relations
Government and parliamentary business
Constitutional Relations and intra-governmental affairs

Michael Matheson MSP

Cabinet Secretary for Transport, Infrastructure and Connectivity

Responsibilities include:
transport strategy, analysis and planning
public transport and active travel
bus policy and national concessionary travel
rail and rail infrastructure – ScotRail
maritime policy including ports and canals
aviation including HIAL
freight
low carbon transport and infrastructure
roads and road safety
major infrastructure projects
infrastructure investment
policy/Infrastructure Investment Plan/Infrastructure Commission
City and Regional Growth Deals

The Cabinet is supported by the following ministerial team:

Graeme Dey MSP: Kevin Stewart MSP: Paul	Minister for Parliamentary Business and Veterans
Wheelhouse MSP: Ash	Minister for Local Government, Housing and Planning
Denham MSP: Maree	Minister for Energy, Connectivity and the Islands
Todd MSP: Jamie	Minister for Community Safety
Hepburn MSP: Joe	Minister for Children and Young People
FitzPatrick MSP:	Minister for Business, Fair Work and Skills
	Minister for Public Health, Sport and Wellbeing (until December 2020)
Mairi Gougeon MSP:	Minister for Rural Affairs (until December 2020); Minister for Public Health and Sport (from December 2020)
Clare Haughey MSP:	Minister for Mental Health
Angela Constance MSP	Minister for Drugs Policy (from December 2020)
Christina McKelvie MSP:	Minister for Older People and Equalities
Ivan McKee MSP:	Minister for Trade, Innovation and Public Finance
Jenny Gilruth MSP:	Minister for Europe and International Development
Ben Macpherson MSP	Minister for Public Finance and Migration (until December 2020); Minister for Rural Affairs and the Natural Environment (from December 2020)
Richard Lochhead MSP:	Minister for Further Education, Higher Education and Science

Law Officers during 20-21 (unchanged from 2019-20)

James Wolfe QC	Lord Advocate
Alison Di Rollo	Solicitor General

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

The Civil Service and Government Officials

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

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

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

Scottish Government Senior Management Team (Corporate Board)

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

Directors General in 2020-21 were:

Leslie Evans	Permanent Secretary
Lesley Fraser	DG Organisational Development and Operations
Liz Ditchburn	DG Economy
Malcolm Wright OBE	DG Health & Social Care (until 22 April 2020)
Elinor Mitchell	Interim DG Health & Social Care (from 23 April 2020 to 10 January 2021)
Caroline Lamb	DG Health & Social Care (from 11 January 2021)
Paul Johnston	DG Education, Communities & Justice until 14 February 2021 transforming to DG Communities
Joe Griffin	DG Education and Justice (from 15 February 2021)
Alyson Stafford CBE	DG Scottish Exchequer
Ken Thomson	DG Constitution & External Affairs
Katrina Williams	DG External Affairs (from 1 November 2020)

Directors serving as members of Corporate Board during 2020-21 were:

Barbara Allison	Director of Communications, Ministerial Support and Facilities (until 11 November 2020)
Julie Humphreys	Interim Director of Communications and Ministerial Support (from 12 November 2020 to 31 March 2021)
Nicky Richards	Director of People
Gordon Wales	Chief Financial Officer (until 10 July 2020)
Kerry Twyman	Interim Chief Financial Officer (from 11 July 2020 to 22 November 2020)
Jackie McAllister	Chief Financial Officer (from 23 November 2020)
Ruaraidh Macniven	Solicitor to the Scottish Government
Madhu Malhotra	Director of Equality, Inclusion and Human Rights (from 14 December 2020)

Non-executive members of the Corporate Board during 2020-21 were:

Janet Hamblin (until 31 August 2020)
 Linda McKay
 Ronnie Hinds
 Hugh McKay
 Annie Gunner Logan

Other non-executive directors:

Nichola Clyde
 Ben McKendrick
 Neil Richardson
 Jim Robertson (Deputy Chair of Scottish Government Audit and Assurance Committee)
 Fiona Ross
 Jayne Scott (from January 2021)

The Non-Executive Directors provide direct, external, support, challenge and guidance to their “paired” Directors General (DGs) and senior staff in relation to the delivery of their portfolio-based risk, assurance and internal controls framework, and participate in the Corporate Board, one or more of the formal sub-Boards, DG Assurance meetings linked to their paired DG(s) and Scottish Government Audit and Assurance Committee. Ronnie Hinds, Non-Executive Director, was the Chair of the Scottish Government Audit and Assurance Committee for the 2020-21 period covered by the Accounts - 2020-21. Jim Robertson, Non-Executive Director,

was the Deputy Chair of the Scottish Government Audit and Assurance Committee for the same period. Subsequent to the end of the financial year one member of the Corporate Board has departed the Scottish Government.

Register of Interests

Any member of the Corporate Board whom held company directorships and other significant interests during 2020-21 were:

Staff:

Lesley Fraser, Director General Corporate: Shares with RBS.

Alyson Stafford CBE, Director General Scottish Exchequer: Trust Investments with Fidelity via Origen Financial Services.

Paul Johnston, Director General Communities: Stocks and shares held with Virgin Money.

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

Non-Executive Directors:

Janet Hamblin: Partner of RSM; Member of the Audit Committee of Merchant Company of Edinburgh; Chair of Castle Rock Edinvar Housing Association Audit and Risk Committee; Board Member of the Lyceum Theatre (departed August 2020).

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

Hugh McKay: Non-Executive Director at Lloyds Development Capital; and Non-Executive Director - Trustee at The Chartered Bankers Institute (non-remunerated position ended December 2020).

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

Performance Overview

In the Service of Scotland – our vision for the Scottish Government

In June 2021 the vision for the Scottish Government was launched. We put the people we serve at the heart of everything we do. We use digital thinking and approaches to strengthen our work and provide a better service for everyone. We are driven by our values, always searching for new ways to learn and improve. All in the service of Scotland.

Our five value principles describe how we will all act day in, day out, in the service of Scotland:

Integrity - Our actions reflect the values of the Civil Service:

Principles:

- We are impartial, demonstrate high ethical standards, respect, protect and fulfil human rights and uphold the rule of law.
- We speak up for what is right, even when it feels difficult.
- We are evidence based, open, transparent and honest.
- We build relationships based on trust.

Inclusion - We have a respectful work environment which includes everyone.

Principles:

- We listen to the voices of everyone and respect uniqueness.
- We value equity and create a sense of belonging.
- We continually strive to build a more diverse workforce, representative of the communities we serve.

Collaboration - We work with others to realise Scotland's full potential.

Principles:

- We work with others to improve our effectiveness and make things happen.
- We share connections, ideas and knowledge across boundaries.
- We actively listen and respond to the needs of our citizens, partners, Ministers and colleagues to co-produce a healthier, safer and more prosperous country.

Innovation - We test different approaches and develop new solutions.

Principles:

- We are flexible with our approach, seeing opportunities and pursuing them.
- We embrace ambiguity and uncertainty and have a positive attitude to change.
- We are professional and skilled.
- We are efficient with the money we spend, accountable for the decisions we make and take balanced risks.

Kindness - We care and show kindness towards people and the natural environment.

Principles:

- We put the wellbeing of the people of Scotland and our colleagues at the centre of what we do.
- We are mindful about our impact on future generations.
- We treat everyone with empathy, compassion and care.

How the Scottish Budget is funded

There are a number of sources of funding to support the expenditure planned and approved by the Scottish Parliament in the Scottish Budget Act.

The Scottish Consolidated Fund was established the Scotland Act 1998 operates in accordance with the Public Finance and Accountability (Scotland) Act 2000. The Scottish

Consolidated Fund receives, from the Office of the Secretary of State for Scotland, sums which have been voted by the UK Parliament for the purpose of "grant payable to the Fund". Funding is drawn down by the Scottish Government from the Scottish Consolidated Fund to support the spending plans laid out in the draft budget.

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

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

The Scotland Act 2016 empowered the Scottish Parliament to set Scottish Income Tax rates and bands. During 2020-21, £11.4 billion in income tax revenues derived from Scottish Income Tax were assigned to the Scottish Administration and paid to the Scottish Consolidated Fund. Identification of Scottish taxpayers and administering the tax are matters for the UK Government and Her Majesty's Revenue and Customs (HMRC).

Under devolved powers from the 2012 Scotland Act, devolved taxes in respect of LBTT and SLfT are managed in Scotland. A total of £624 million has been collected in respect of LBTT and SLfT, £133 million below the Budget 2020-21 forecast of £757 million. £517 million was collected for LBTT and £106 million for SLfT.

LBTT outturn was affected in the first half of 2020-21 due to restrictions on buying property with non-residential LBTT remaining weak over the year due to the ongoing economic situation. In the second half of the year, the Scottish Government introduced a lower (but temporary) nil rate band which suppressed revenues. For SLfT, landfill volumes fell sharply in the first quarter as facilities operated under restriction and business waste volumes fell.

This shortfall has been managed within the in-year budget. The block grant has been adjusted to take account of these locally raised tax receipts.

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

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

As further powers are devolved to Scotland, and the ability to use the existing fiscal levers to influence the funds available is increasing, the impact of accurate tax forecasting becomes greater. The Scottish Fiscal Commission was established in June 2014 as a non-statutory body to provide independent scrutiny of Scottish Government forecasts of receipts from taxes

devolved to Scotland. By March 2016 the [Scotland Act 2016](#)¹ devolving more fiscal powers to Scotland was passed, and the associated [Fiscal Framework](#)² 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](#)³ which received Royal Assent on 14 April 2016. Further information about the Scottish Fiscal Commission can be found at fiscal.scot.

Further information about the Scottish Budget setting and authorisation process can be found within The Scottish Budget 2020-21 and in the Government Finance section of the Scottish Government website, which includes the financial reports and accounts⁴.

The total budget approved by the Scottish Parliament includes activities not included in these accounts. Note 22 to these accounts provides a reconciliation to the total budget.

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

¹<http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

²<http://www.gov.scot/Publications/2016/02/3623/0>

³<http://www.legislation.gov.uk/asp/2016/17/contents/enacted>

⁴<https://www.gov.scot/policies/government-finance/setting-the-scottish-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 27 June 2018. The consolidation boundary includes the following:

Finance Portfolio

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

Health and Sport Portfolio

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

Education and Skills Portfolio

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

Justice Portfolio

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

Social Security and Older People Portfolio

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

Environment, Climate Change and Land Reform Portfolio

Rural Economy and Tourism Portfolio

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

Economy, Fair Work and Culture Portfolio

Communities and Local Government Portfolio

Constitution, Europe and External Affairs Portfolio

Transport, Infrastructure and Connectivity Portfolio

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

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

In addition to inclusion within these consolidated accounts, the executive agencies and other bodies detailed above also publish separate accounts providing greater detail about their income and expenditure and assets and liabilities. The accounts can be accessed at the websites noted above.

The Scottish Government is also the sole shareholder of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Limited, Scottish Futures Trust, Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Ltd, and sponsor of a number of executive, advisory and tribunal Non-Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year, but do not fall within the Scottish Government consolidation accounting boundary. Further details of Scottish Public Bodies are available on our [website](#)⁵.

The financial statements of NHS Boards include NHS Endowment Funds. These Endowment Funds are Registered Charities with the Office of the Scottish Charity Regulator (OSCR) and they are also required by OSCR to prepare audited financial statements. NHS Endowment Funds are not part of the Scottish Government accounting boundary, and therefore they have not been included in Scottish Government consolidated accounts.

These accounts report actual outturn compared to the budget authorised by the Scottish Parliament. The Scottish Government also routinely reports to Parliament each year on the Final Outturn for the Scottish Administration in an additional statement. This brings together the audited information from the bodies within the Scottish Administration to show this against the Budget limit authorised by the Scottish Parliament.

⁵ www.gov.scot/Topics/Government/public-bodies

The Budget Framework

The Scottish Government set out its spending plans for 2020-21 in February 2020 in [The Draft Budget](#)⁶. Approval for a detailed budget for 2020-21 was given by the Parliament in March 2020 in the Budget (Scotland) Act 2020. The annual Budget is refined through in-year budget revisions, Parliamentary approval for which is given by statutory instrument. There are usually two revisions, Autumn and Spring. There was an additional [Summer Budget Revision](#)⁷ for 2020-21 to take account of the COVID-19 related budget measures.

The Scottish Government's Purpose

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

The Programme for Government

Through the [Programme for Government](#)⁸ the plans for the year are set out, including the Bills to be introduced to the Scottish Parliament. On 1 September 2020, the First Minister set out a new Programme for Government for 2020-21 *Protecting Scotland, Renewing Scotland* with the focus on ensuring Scotland's economic, health and social recovery from the pandemic.

National Performance Framework

Through the [National Performance Framework](#)⁹ (NPF), the Government sets out:

Purpose

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

- create a more successful country;
- give opportunities to all people living in Scotland;
- increase the wellbeing of people living in Scotland;
- create sustainable and inclusive growth; and
- reduce inequalities and give equal importance to economic, environmental and social progress.

Values

The values guide the Government's approach to:

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

National outcomes

To help achieve its purpose, the framework sets out 'National Outcomes'.

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

The outcomes:

- reflect the values and aspirations of the people of Scotland;

⁶ <https://www.gov.scot/publications/scottish-budget-2020-21>

⁷ <https://www.gov.scot/publications/2020-21-summer-budget-revision/>

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

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

- are aligned with the United Nations Sustainable Development Goals; and
- help to track progress in reducing inequality.

These national outcomes are that people:

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

National Indicators

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

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

More information about performance against outcomes can be found at [National Indicator Performance](https://nationalperformance.gov.scot/measuring-progress)¹⁰.

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

Delivering and Performing for Outcomes

As set out above, the NPF is for all of Scotland, not just the Scottish Government, and the [NPF website](#) provides an overview of how Scotland is progressing towards the national outcomes through a range of social, environmental and economic indicators¹¹. Performance is assessed as improving, maintaining or worsening based on the change between the last two data points of an indicator and includes time series and equality data where available¹². A range of performance information is also published on the [Scottish Government website](#)¹³.

2020-21 was an exceptional year, largely dominated by the organisation's response to COVID-19. Over the course of the financial year, the Government moved from the early phase of the pandemic response to an increasingly more complex set of responses. As well as supporting Ministers to respond to the pandemic and then begin to safely ease restrictions where possible, the organisation was faced with the emergence of game-changing new variants of the virus, significant new public health measures for international travel and managed quarantine, and the ongoing challenges of supporting Ministers to make sound decisions at pace and consistent with the [Government's COVID-19 Framework for Decision Making](#)¹⁴; including through the lenses of the Four Harms: direct harm to people's health; the wider impact on health and social care services and the impacts on non-COVID-19 health harms; harm to our broader way of living and society; and harm to the economy.

Organisational focus shifted swiftly through an agile response, which saw a significant redeployment and mobilisation of staff towards the COVID-19 response. As a result, money and resources were directed differently to the projections set out in the 2020-21 Budget, and key deliverables changed from those originally planned.

In addition, the transition period following the UK's departure from the European Union ended on 31 December 2020. The run-up to, and immediate aftermath of, the end of the transition period created a particular period of pressure from concurrent risks; the extraordinary circumstances of COVID-19 and EU Exit compounded further by the usual winter pressures on the health service and on transport networks. The interaction of COVID-19 and EU Exit impacts resulted in disruption and supply chain issues and priorities were adjusted to enable the Government to respond to these unprecedented circumstances.

Whilst more detail is set out on a portfolio by portfolio basis in the Performance Analysis below, some of the key projects and programmes enabled by Scottish Government funding in 2020-21 include:

- Roll-out of the vaccination programme and the Test and Protect system, supported by the proximity tracing app 'Protect Scotland'; additional support to meet COVID-related costs associated with additional staffing, Personal Protective Equipment, testing and social care support; the prioritisation and maintenance of essential services; wellbeing support for staff; the opening and operation of the Louisa Jordan hospital; the implementation of Re-mobilise, Recover, Re-design: The Framework for NHS Scotland to support Health Boards safely restart services; £500 "Thank you" payments to every health and social care worker in Scotland; continued progress on the delivery of National Treatment Centres to increase capacity and a new Centre for Sustainable Delivery to pioneer and deliver new, better and more sustainable ways of delivering

¹¹ https://nationalperformance.gov.scot/measuring-progress/performance-overview?national_outcome=5

¹² <https://nationalperformance.gov.scot/measuring-progress/national-indicator-performance>

¹³ <https://www.gov.scot/>

¹⁴ <https://www.gov.scot/publications/coronavirus-covid-19-scotlands-strategic-framework-update-june-2021/documents/>

services and improving access for patients; and a new National Drugs Mission led by the Drug Deaths Task Force.

- Launch of the National Transition Training Fund, supporting people aged 25 and over to develop the skills required to move into sectors with the greatest potential for future growth and job opportunities. Also launched the Young Person's Guarantee, with the aim that all 16 to 24 year olds will have the opportunity to study; take up an apprenticeship, job or work experience; or participate in formal volunteering. In addition, the [Employability Fund](#)¹⁵ (EF) provided 7,955 starts in 2020-21.
- Delivery of £568 million in economic development support by Scottish Enterprise, helping 4,000 businesses and safeguarding more than 70,000 jobs. Over 6,900 real living wage jobs secured and £75 million invested into early stage companies.
- Almost £3.4 billion of social security support, including the introduction of the [Scottish Child Payment](#)¹⁶, [Child Winter Heating Assistance](#)¹⁷, and the [Job Start Payment](#)¹⁸. Evaluations of benefits indicates that clients tended to find payments came at a timely moment and enabled them to meet the financial commitments of both caring and childcare in a better way. £19.2 million was provided for the Coronavirus Carer's Allowance Supplement which meant around 83,000 carers in Scotland received up to £690 more than equivalent carers in the rest of the UK.
- Continued investment in the [Scottish Attainment Challenge](#)¹⁹ saw 97% of schools benefit from Pupil Equity Funding. Also enhanced provision of free school meals during school closures and over the summer, and supported digital learning for the most vulnerable through the distribution of over 72,000 Chromebook devices and 14,000 connectivity packages.
- Launch of 'Connecting Scotland' which has provided 60,000 people/households who are digitally excluded and on a low income with a package of a device (iPad or Chromebook), internet connection (4G MiFi), training and support to get online.
- Continued funding for non-domestic energy efficiency and heat programmes, enhanced funding for low carbon infrastructure investment programme and the Low Carbon Infrastructure Transition Programme (LCITP) to support future heat decarbonisation and green recovery from the pandemic.
- Investment in temporary active travel infrastructure, through the Spaces for People initiative, which allowed more people to walk, wheel and cycle safely in local communities. Significant investment in Zero Emission buses through new subsidy scheme and taskforce, helping safeguard jobs across Scottish supply chains; and expanded electric vehicle charge points across all parts of Scotland.

Impact of COVID-19 on National Outcomes

As outlined above, COVID-19 was the most significant issue and area of focus across the Scottish Government in 2020-21. Over the course of the reporting year, progress was made in tackling the pandemic in Scotland. This was achieved through six main tools: the roll-out of the vaccination programme; the use of Test and Protect; applying proportionate protective measures (rules and guidance) to suppress transmission of the virus; measures to manage the risk of importation of the virus; supporting individuals, businesses and organisations to adhere to protective measures; and providing care and support to mitigate the harms of the crisis. The success of the vaccination programme in particular has helped to shift the balance

¹⁵ <https://www.skillsdevelopmentscotland.co.uk/publications-statistics/statistics/employability-fund/?page=1&statisticCategoryId=2&order=date-desc>

¹⁶ <https://www.socialsecurity.gov.scot/reporting/publications/scottish-child-payment-high-level-statistics-to-31-march-2021>

¹⁷ <https://www.socialsecurity.gov.scot/reporting/publications/child-winter-heating-assistance-winter-2020-2021>

¹⁸ <https://www.gov.scot/publications/job-start-payment-high-level-statistics-to-30-june-2021/>

¹⁹ <https://www.gov.scot/publications/closing-poverty-related-attainment-gap-report-progress-2016-2021/>

of harm, reducing the direct harm of the virus and the number of people getting severely ill and dying.

Notwithstanding this progress, it is clear that the pandemic has had significant and wide-ranging impacts on Scotland's health, economy and society and across the national outcomes. As outlined above, progress towards these outcomes is tracked through a set of national indicators, but the necessary delay between data collection and publication means they do not yet reflect the still unfolding impacts of COVID-19. However, [Scotland's Wellbeing: The Impact of COVID-19](#)²⁰, published in December 2020 and relevant to this reporting period, draws on a range of more timely evidence sources, analysis and insight, with the aim of reporting openly and transparently on how COVID-19 has affected progress towards Scotland's national outcomes.

Evidence suggests that the health, economy, fair work and business, and culture outcomes were particularly negatively impacted, and that labour market impacts are likely to have a negative impact on the poverty outcome in the longer term. Education and children outcomes are also likely to be impacted negatively, but these impacts are likely to take longer to emerge. The picture is more mixed for communities, human rights, environment and international outcomes. Each has been impacted in both positive and negative ways, with the eventual impacts less clear and, in some cases, with limited data to draw upon.

A key finding is that the COVID-19 impacts have been – and are likely to continue to be – borne unequally and are, as has already been witnessed in some cases, expected to widen many existing inequalities. It has produced disproportionate impacts for some groups that already face particular challenges, including households on low incomes or in poverty, low-paid workers, children and young people, older people, disabled people, minority ethnic groups, and women. Further evidence, analysis and insight on the impact of COVID-19 across the national outcomes, in addition to its potential future impacts, can be accessed via the [full report](#)²¹.

To address the emerging harms and impacts described above, the Scottish Government has responded quickly throughout the pandemic to put in place extensive support and mitigations. In terms of health and care services specifically, record funding was provided to support NHS Scotland, enabling the provision of emergency, urgent, mental health, maternity, and vital cancer care, support for social care, and maintained COVID-19 capacity and resilience. Innovative approaches to service design were also rolled out, including the use of digital delivery and remote consultations, which have the potential to increase accessibility and transform care experiences going forwards.

Beyond this, specific support was put in place to help those most at risk of COVID and its wider impacts. In addition to the key projects and programmes already detailed above, this included the provision of specific funding through the Winter Plan for Social Protection to promote equality and tackle social isolation and loneliness – including through digital inclusion. Additional support and funding was provided to schools and families, particularly with safety mitigations aligned to published guidance; support to accelerate learning recovery, including recruitment of additional staff, additional digital devices and the provision of family support. Specific support was also made available to students facing hardship. In addition to the introduction of the Scottish Child Payment, the Child Winter Heating Assistance, and the Job Start Payment described above, investment in the Scottish Welfare Fund was increased in response to the pandemic. Specific financial support was also provided to businesses across Scotland, including via Business Support Fund Grants, Pivotal Enterprise Resilience Fund and Strategic Framework Business Fund – and emergency funding was made available to the culture, heritage and events sector.

²⁰ <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19-summary>

²¹ <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19>

Despite the extensive support measures and mitigations that have been put in place to address the harms of the crisis, the impacts of COVID continue to be felt acutely by many individuals, businesses and other organisations across Scotland. Whilst there is considerable uncertainty about the long term impacts of the pandemic, they are likely to be significant.

Leading Scotland safely through the pandemic remains the priority for the Scottish Government and, as the organisation maintains that resilience against COVID-19 and other pressures, there is also an increased focus on recovery – with a particular focus on tackling inequality and disadvantage. The strategic objectives and accompanying actions set out within the [Programme for Government 2021-22: A Fairer, Greener Scotland](#)²² and the [COVID Recovery Strategy: For a Fairer Future](#)²³, reflect and demonstrate the Scottish Government's commitment to the long term vision in the National Performance Framework. They are centred around addressing the systemic inequalities made worse by COVID; rebuilding a stronger, more resilient health and care system centred on people; renewing the drive to eradicate child poverty and improve living standards; ending Scotland's contribution to climate change; accelerating inclusive person-centred public services; and building a wellbeing economy which secures sustainable, inclusive growth for everyone, in all parts of Scotland.

Performance Analysis

The following sections outline the initial strategic policy aims and the key deliverables of each of the twelve Ministerial portfolios (as at April 2020) across 2020-21, with an indication of how priorities – and progress against them – have been affected by COVID-19. Where possible, key deliverables have been broken down by [Level 2 budget](#)²⁴ lines; and some examples of how each portfolio has intended to contribute towards the national outcomes have been provided.

Further to this, a list of references to relevant and detailed performance information already published elsewhere is included for each portfolio. Due to the timing of publications, some of the performance reports signposted below will refer to the previous financial year.

Delivery and Performance by Portfolio

Health and Sport

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)²⁵ were: to strengthen support in shifting the balance of spend from hospitals towards community services and supports the commitment that, by the end of this Parliament, more than half of spending will be in community health services; to improve primary care, mental health and social care, and to improve access to services, with an emphasis on prevention and providing care closer to home; to improve access to hospital-based services through the Waiting Times Improvement Plan and Access Collaborative programmes; to invest in health and social care infrastructure in support of the Scottish Government's strategic priorities of economic growth, climate change and the place principle; to contribute to reducing health inequalities through the establishment of Public Health Scotland and investment to reduce harm caused by poor diet, alcohol, tobacco and other drugs; and to promote a more active nation, investing in people, places and spaces providing sport and physical activity to provide opportunities for all to participate.

²² <https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/documents/>

²³ <https://www.gov.scot/publications/covid-recovery-strategy-fairer-future/>

²⁴ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/1/>

²⁵ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/6/>

Expected to contribute to the following National Outcomes: Health; Economy; Poverty; Communities; Children and Young People.

COVID Impact on 2020-21 Priorities

Whilst the NHS prioritised and maintained essential services, such as urgent, emergency, mental health, maternity and vital cancer care, the pandemic had significant impacts on the delivery of key priorities, particularly regarding non-urgent elective procedures and screening, and primary and community care services, such as general practice, pharmacy, dentistry. Over £2.9 billion has been allocated to the Portfolio to support the pandemic response. Public health measures to address the pandemic and support the health and social care system were prioritised, particularly in relation to Personal Protective Equipment (PPE), Test and Protect measures, and vaccinations.

2020-21 Deliverables

The focus has been on the response to the pandemic. The NHS was put on an emergency footing, and the Government has been working with NHS Health Boards to support the initial response, ensure workforce sustainability and wellbeing, and take action on the recovery, remobilisation and reform of services. Additional funding of £1.7 billion was allocated to NHS Boards and Integration Authorities to meet COVID related costs such as additional staffing, PPE, test and protect, social care and remobilisation costs. A further £1.2 billion was utilised against a range of programmes, including a successful roll-out of the Test & Protect and vaccination programmes, £500 “Thank you” payments to every health and social care worker in Scotland, and the successful opening and operation of the Louisa Jordan hospital.

Throughout the challenges of COVID-19, work has continued to deliver on the policy aims set out in the budget. In the face of unprecedented pressure, access to essential NHS and social care services has been maintained, and improvements taking place in line with national plans and strategies. Since the implementation of *Re-mobilise, Recover, Re-design: The Framework for NHS Scotland* in May 2020, Health Boards safely restarted services, and activity rates across most specialities have increased since April-May. Investment has continued in health and social care infrastructure, and progress has been maintained on the delivery of National Treatment Centres to increase capacity, and a new Centre for Sustainable Delivery was established to pioneer and deliver new, better and more sustainable ways of delivering services and improving access for patients. Work also progressed on tackling health inequalities through actions within the *Tobacco Control Action Plan*, the *Alcohol Framework*, and a new *National Drugs Mission* led by the Drug Deaths Task Force.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Health: Support Scotland’s public health system to respond to the pandemic, including primary, secondary and community health care services; provide continuous support for the social care sector; support improvement of population health through work to address drug, alcohol and substance abuse issues. Despite the pandemic challenges, continue to support the [mental health](#)²⁶ and wellbeing of the population.

Children and Young People: Support child wellbeing and happiness, from [healthy start](#)²⁷ to provision of quality health services, including addressing health inequalities and contributing to The Promise & Children’s Rights.

²⁶ <https://www.gov.scot/publications/mental-health-scotlands-transition-recovery/>

²⁷ <https://www.gov.scot/publications/best-start-five-year-forward-plan-maternity-neonatal-care-scotland/>

Human Rights: Provide services to achieve positive impacts for people with protected characteristics and/or those experiencing socio-economic disadvantage. Respond to the Independent Review of Adult Social Care (IRASC) and the preventative and proactive care programme, taking a human rights based approach.

Secondary Outcomes

Economy: COVID-19 testing, vaccinations and treatment to support the gradual reopening of society and the economy in a safe way. Contribute to the reablement of wider population workforce through fast and effective treatment. Help drive economic growth in related sectors through purchasing power of the health and social care sector.

Poverty: Provide health services free at the point of use according to individual need, including free prescriptions; help tackle underlying health and wellbeing inequalities; and improve population health. Help address a root cause of poverty through the Drugs mission and the response to IRASC.

Communities: Provide services at a local level through investment in Integration Authorities and Health and Social Care Partnerships and investment in primary and community health care services.

Education: Increase educational attainment through strengthening of children and young people's health resilience, improving mental health and eliminating health inequalities. Upskilling and professionalization of the social services workforce.

Fair Work and Business: Pay fair wages to health and social care sector employees, and have fair and progressive workforce policies. Support Scottish businesses through fair procurement practices.

Environment: New care models (e.g. NHS near me) to help contribute to reduced energy consumption and emissions.

Other Relevant Performance Information

[NHS Scotland and Integration Authorities consolidated financial reporting 2020-21](#)
[Care Inspectorate Annual Report and Accounts 2019-20](#)
[Performance Reports from Integrated Authorities](#)
[Sports Scotland Annual Report and Accounts 2019-20](#)
[Independent Living Fund Annual Report and Accounts 2019-20](#)

Communities and Local Government

Policy Aims in 2020-21 draft Budget

The portfolio's [overarching aims in 2020-21](#)²⁸ were to: tackle inequalities and reduce child poverty; create a fairer Scotland; support regeneration and inclusive growth; ensure provision of accessible, affordable, energy-efficient housing; and to promote community empowerment and the participation of people in all aspects of Scottish life.

Expected to contribute to the following National Outcomes: Communities; Children and Young People; Economy; Environment; Fair Work and Business; Health; Human Rights; and Poverty

COVID Impact on 2020-21 Priorities

Response to the pandemic required reprioritisation and pausing of some key work programmes. For example, in Housing, funds were diverted to community and household

²⁸ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/7/>

support; the Schools project was delayed; the programme to Transform Planning in Practice was paused; Building Standards paused recruitment and progress on the Futures Board programme was therefore impacted. COVID consequentials were used for the Supporting Communities Fund; Winter Plan for Social Protection; £50 million Wellbeing Fund; £40 million Supporting Communities Fund; £20 million Third Sector Resilience Fund; and £15 million Ethical Lenders Fund.

2020-21 Deliverables

Central Government Grants to Local Authorities: Delivered the Vacant & Derelict Land Fund (VDLF), enabling Local Authorities to tackle long-term vacant land and deliver regeneration in disadvantaged areas.

Connected Communities: £550,000 funding to third sector organisations supporting asylum-seekers and people subject to No Recourse to Public Funds (NRPF) during the pandemic as part of the Immediate Priorities Fund. Six organisations received funding to respond to people's immediate needs, focusing on access to essentials including food, clothing, travel and digital access. Outreach and advocacy support also supported people's understanding and access to essential services as well as maintaining support networks.

Governance Election and Reform: £500,000 grant to the Improvement Service to support Shaping Places for Wellbeing; funded a study on Participatory Scotland; and supported Compassionate Communities Scotland.

Housing: Funded the Affordable Housing Supply programme, delivering 6,466 homes, and provided loan support to 38 SME homebuilders. Continued investment in tenant rights (including additional protections for renters and guidance for landlords through the pandemic); mitigated the bedroom tax and supported homelessness interventions, including Housing First and the Third Sector Homelessness Fund.

Local Government: Additional £1.2 billion funding for welfare support, free school meals, education recovery and a lost income scheme. Weekly grant payments were front-loaded and £972 million of Non-Domestic Rates Income (NDRI) replaced.

Planning and Building Standards: Maintained the [planning system](#)²⁹; published [safer spaces guidance](#)³⁰ to support relaxation of restrictions; published Scotland's National Planning Framework 4 Position Statement for a long term spatial plan for Scotland; launched the [Digital Transformation Delivery Programme](#)³¹ which aims to deliver the digital tools, technology and data to make planning more inclusive and efficient and implemented priority measures from Planning (Scotland) Act 2019, strengthening community and individuals' involvement. Also used digital planning tools to support mapping and tracking the package of support for communities and for vaccine distribution. Introduced new fire safety standards and progressed the energy standards review.

Social Justice, Regeneration and Scottish Child Payment: Created pandemic support payments; supported organisations to coordinate the local [response to COVID](#)³²; and delivered the Winter Plan for Social Protection. Funding to make period products available continued.

²⁹ <https://www.gov.scot/collections/chief-planner-letters/>

³⁰ <https://www.webarchive.org.uk/wayback/archive/20200629122259/http://www.gov.scot/publications/coronavirus-covid-19-safer-public-spaces-scotland-urban-centres-green-spaces/>

³¹ <https://www.transformingplanning.scot/news/news/digital-transformation-programme-launched/>

³² <https://community-funding-mapping-1-1-scotgov.hub.arcgis.com/>

Third Sector: Grants of £22.7 million were provided to 1,323 third-sector organisations to cover core costs, safeguarding over 14,000 jobs. The Adapt and Thrive programme provided business support, whilst the Scottish Ethical lenders fund provided awards to Credit Unions and Community Development Financial Institutions (CDFIs).

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes:

Communities: Safer Public Spaces guidance set out design principles for safer urban centres and green spaces during the pandemic. Strengthen local people's involvement in planning, for example a new right for communities to produce their own local place plans. Improve safety in buildings by enhancing the Building Standards system and introducing fire safety standards for sprinklers. Housing guidance and close working with landlords through the pandemic ensured the continuation of essential housing services and supported more tenants to remain in their homes and work with their landlords to address any changes in circumstances. Homelessness interventions led to local reports of very low numbers of people sleeping rough in urban centres.

Children and Young People: Help low-income households with children by creating two pandemic payments, and support families to take part in social activities. Strengthen children and young people's involvement in planning, along with commitments to open space and play, via The Planning Act.

Economy: Support locally developed, place based regeneration, and local construction and employment. The SPRUCE fund supported 17 projects, with estimated development costs of over £309 million, creating more than 6,000 jobs. Assistance to SME house builders supported the sector through lockdown periods.

Poverty: Provide support on emergency food, social isolation and loneliness, and a range of direct payments, to those most at risk including people experiencing homelessness and housing crisis, and people in fuel poverty. Planning's [digital transformation programme](#)³³ aims to identify priorities for investment to address inequality.

Education: Pandemic support to help allow participation in educational opportunities on a fair and equal basis, e.g. Connecting Scotland, addressing the poverty related attainment gap.

Health: Embed 20 Minute Neighbourhoods into wider policies and strategies; and use the planning system to support greenspace, active travel and access to food production, and community growing.

Human Rights: Fund work to promote inclusion, to counter radicalisation and hate crime, and to embed mainstreaming equality, inclusion and human rights across policy and practice.

Secondary Outcomes

Environment: Planning policies aim to balance development aspirations with environmental protection and enhancement, to help make the most of natural resources and respond to the climate emergency.

Fair Work and Business: Maintain the planning system to support development and help maintain confidence for investment, which can then help support business and job creation.

³³<https://www.transformingplanning.scot/digital-planning/scotlands-digital-strategy-for-planning/the-published-strategy/>

Culture: Providing families with higher household incomes could provide greater resources to engage with cultural activities. Planning aims to support and reflect Scotland's diverse cultures, with the historic built environment and provision of cultural facilities reflected in casework decisions.

Other Relevant Performance Information

[Local Government Finance Statistics](#)

[Local Government Benchmarking Framework Overview Report 2019-20](#)

[Local Government Finance Circular 05/2021 - Annex G](#)

[Accounts Commission Local Government in Scotland Overview 2021](#)

[Individual Councils Best Value Assurance Reports](#)

[Non-Domestic Rates \(Business Rates\) Accounts](#)

[Non-Domestic Rates Revaluation Appeals](#)

[Scottish Housing Regulator Annual Report and Accounts 2019-20](#)

[Affordable Housing Supply Programme; Outturn Report 2019-20](#)

[Housing Statistics Scotland - Affordable Housing Supply](#)

[Architecture and Design Scotland Annual Review 2020](#)

[Architecture and Design Scotland Corporate Strategy for 2021-31 and Corporate Plan for 2021-24](#)

Finance

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)³⁴ were: to have a globally competitive, entrepreneurial, inclusive and sustainable economy; to have thriving and innovative businesses, with quality jobs and fair work for everyone; to be open, connected and make a positive contribution internationally; and to be well educated, skilled and able to contribute to society. Priorities were expected to contribute to the following National Outcomes: Economy, Fair Work and Business, Communities.

COVID Impact on 2020-21 Priorities

Planned projects in Finance were delayed; Digital Strategy outturn was higher due to launch of the Connecting Scotland programme; and salary and operating costs in Scottish Public Pensions Agency Admin were lower due to a recruitment freeze and changes in ways of working.

2020-21 Deliverables

Digital Strategy: The Connecting Scotland programme has provided 60,000 people/households who are digitally excluded and on a low income with a package of a device (iPad or Chromebook), internet connection (4G MiFi), training and support to get online. The digital strategic programme is building new and effective operating platforms, opening up the potential for government to consult more widely, share openly and involve people across Scotland in shaping how we grow and thrive in a Digital world. With a focus on modern government and organisations working together to adopt shared scalable and flexible systems and processes, reducing unnecessary duplication of work, improving the way data is used, and services are delivered to Scotland's people.

Finance: Delivered the Programme for Government 2020-21; Scottish Budget 2021-22; The Scottish Government's Medium Term Financial Strategy; The Infrastructure & Investment Plan for Scotland; The Capital Spending Review; Scotland's Wellbeing Report – the impact of COVID-19; Tax Policy; and allocation of £8.6 billion of additional funding to tackle COVID-19.

³⁴ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/8/>

Scottish Public Pensions Agency Admin: Maintained effective services for members, meeting all key performance indicators, and assured colleague safety and well-being while working remotely. Provided expert policy advice to stakeholders to support the development of the Coronavirus Life Assurance Scheme, which afforded many frontline medical workers the assurance of working with pension benefits secured irrespective of their status in the pension scheme. Worked with Scottish National Investment Bank, delivering advice regarding future investment taking into consideration complex investment and pension landscapes ([SPPA Website](#)³⁵).

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Economy: The Finance portfolio is responsible for key functions of government around performance; public finances; fiscal policy; taxation; procurement; and digital strategy and digital economy. It coordinates an outcomes-focused approach across the Scottish Government and Scotland more widely, including through delivery of statutory responsibilities for the National Performance Framework (NPF). Analysis of Income Tax policy for 2020-21 found that around 56 per cent of Scottish income taxpayers paid less tax than people earning the same in the rest of the UK in 2020-21, and that, taken together with the changes in the UK-wide Personal Allowance, the Scottish Government's Income Tax policy choices over the course of the last parliament (2016-17 to 2021-22) have been redistributive and protected low income earners.

Communities: By providing those at clinical risk from COVID-19 with a device, internet access and skills, the Connecting Scotland programme aimed to help keep individuals safe by reducing the need for face to face contact. Online networks are an important way for communities to engage and builds resilience, supports relationships and fights loneliness. Along with COSLA, the Scottish Government also published an [analytical report on Scotland's wellbeing](#)³⁶, drawing together the impacts of COVID-19 on the national outcomes. It set out the unequal impacts that the COVID-19 pandemic is having across individuals and communities in Scotland. The report is intended to support decision-makers across all sectors in Scotland faced with having to make decisions in order to reset progress towards the National Outcomes.

Fair Work and Business: Provision of policy advice in support of developing the Coronavirus Life Assurance Scheme; and future infrastructure investment with the Scottish National Investment Bank (SNIB).

Other Relevant Performance Information

[Government Expenditure and Revenue Scotland 2020-21](#)
[Scottish Government Procurement Annual Report 2020](#)
[A changing nation: how Scotland will thrive in a digital world - gov.scot \(www.gov.scot\)](#)

Education and Skills

Policy Aims in 2020-21 Draft Budget

³⁵ <https://pensions.gov.scot/>

³⁶ <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19-summary>

[Key priorities for 2020-21](#)³⁷ were: improving numeracy and literacy; raising attainment and closing the poverty related attainment gap; promoting health and wellbeing, securing rights for children and young people through the incorporation of the UN Convention on the Rights of the Child; commencing work to transform the care system based on the findings of the independent Care Review; expanding funded early learning and childcare to 1140 hours a year; improving skills and employability; and maximising the contribution of colleges and universities to support sustainable and inclusive economic growth.

Expected to contribute to the following National Outcomes: Education; Children and Young People; Poverty; Economy; Fair Work and Business; International; Health; Human Rights

COVID Impact on 2020-21 Priorities

COVID-19 had a significant impact on activity, prioritising focus on managing school closures and developing a blended learning approach, supporting mental wellbeing and the impact of isolation, and protecting the most vulnerable children and their families. Additional funding to support the COVID response included £23.5 million within the Winter Plan for Social Protection; £50 million for education recovery; £130 million for additional teachers and support staff; £25 million financial support for the childcare sector; £30 million to support digital learning, £2.5 million for science centres, and £95 million for university research. Lockdown restrictions impacted services such as children's hearings, and demand-led services such as safe-guarding. Whilst the statutory entitlement to 1140 hours of funded ELC was delayed by one year to take account of the impact of the pandemic on construction activities and recruitment, implementation of the expansion continued throughout the year. Higher Education impacts included extensions to student courses; restricted summer employment; and chargeable student accommodation unable to be used.

2020-21 Deliverables

Learning: Recognised the enduring importance of ensuring that Scottish education delivers both excellence – in terms of children and young people acquiring a broad range of skills and capacities at the highest levels – and equity – so that every child and young person can thrive and have the best opportunity to succeed. In response to the pandemic, introduced a flexible staffing fund that enabled local authorities to recruit 1,400 additional teachers and 250 additional support staff in schools by November 2020. Provided additional funding to maintain these staff and support additional recruitment over the 2021-22 academic year. Enhanced focus on addressing the poverty related attainment gap by providing additional flexibility over use of Pupil Equity Funding, and allocated £12.6 million to Local Authorities to provide free school meals over the summer, further supporting the health and wellbeing of children and young people.

Children and Families: The Promise Scotland was established and will be supported by £2 million annually to oversee implementation of the conclusions of the Independent Care Review. The Promise Partnership Fund was launched, with funding of £4 million annually over five years, to deliver change and better support children, young people and families in or on the edges of care. The UNCRC (Incorporation) (Scotland) Bill and the Redress (Scotland) Bill were passed by the Scottish Parliament³⁸. A Winter Plan for Social Protection package was provided to support vulnerable children and young people during the pandemic, a national children's hearings advocacy scheme was introduced, and engagement and consultation on child protection guidance progressed and has since been published. The COVID-19 Children

³⁷ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/9/>

³⁸ The UK Government referred certain provisions of the Bill to the Supreme Court on matters relating to legislative competence and the Court found those provisions to be outwith the powers of the Scottish Parliament. The Scottish Government remains committed to the incorporation into domestic law of the United Nations Convention on the Rights of the Child to the maximum extent possible, as soon as practicable.

and Families [Collective Leadership Group](#)³⁹ was established and took action to address emerging issues from COVID affecting children, young people and families with vulnerabilities.

Childcare sector, including the Early Learning and Childcare Programme: Targeted financial support was made available to childcare providers in the private, third and childminding sector to help them to mitigate the impact of COVID. This included over £22 million of support being made available to day care of children services through the Transitional Support Fund (in Autumn 2020) and the Temporary Restrictions Fund (to cover the restrictions in early 2021). Up to £3.2 million was made available to childminding services through the Childminding Business Sustainability Fund in March 2021.

Central Government Grants to Local Authorities: Over £126 million of Pupil Equity Funding to support closure of the attainment gap; Specific Revenue Grant funding of £487 million for the expansion of funded Early Learning & Childcare (ELC) to 1140 hours; and support to 27 local authorities to deliver Gaelic education at all levels.

Support to colleges and universities: Recognising the valuable role that universities and colleges play in the lives of learners and the economy, the Scottish Government supported them through the pandemic to adjust and operate in a safe way.

Higher Education and Student Support: An additional £24.2 million available in Higher Education hardship fund; funding made available to facilitate delayed study completion; and additional places available as a result of SQA exam scoring. The support provided to students over the course of the pandemic has been substantial with now over £96 million provided via hardship funding, digital access, mental health support, and for student associations.

Advanced Learning and Science: Ensured science centres could continue online operation during the pandemic.

Scottish Funding Council: Additional funding for universities and colleges to address COVID costs; and for the Young Persons Guarantee, Transition Training Fund, and support for mental health and wellbeing.

Skills and Training: Established Lived Experience Panels to support [No One Left Behind](#)⁴⁰ approach; new stakeholder groups including the Employability Operational Group; Developing Young Workforce (DYW) School Coordinators to support summer leavers; continued to provide, through Skills Development Scotland's core grant, work based learning opportunities e.g. modern, foundation and graduate apprenticeships, and introduced a suite of support measures to support apprentices and employers through the pandemic; supported learners to upskill and reskill through Individual Training Accounts (ITAs) and the Flexible Workforce Development Fund (co-funded with EFWC portfolio) which extended its reach to SMEs; and additional funding to Inspiring Scotland, supporting 16-17 year olds.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above helped progress towards the following outcomes:

Primary Outcomes

Education: Continued investment in the Scottish Attainment Challenge – and the flexibility provided in the use of this funding to mitigate the impact of the pandemic – was instrumental in supporting not only the educational attainment of children and young people, but also their health and wellbeing and access to learning (including digital). During the pandemic there were many examples of innovative and collaborative practice, with the most successful

³⁹ <https://www.gov.scot/groups/covid-19-children-and-families-collective-leadership-group/>

⁴⁰ <https://www.gov.scot/publications/one-left-behind-next-steps-integration-alignment-employability-support-scotland/>

interventions resulting in fewer exclusions from school better punctuality, improvements in behaviour at school, healthy family eating, increased pupil motivation and engagement and increased resilience among pupils. The gap in the proportion of young people in education, employment and training has narrowed year-on-year between 2017 (11.6 % points) and 2021 (9.3% points). Contributing to this were: national training programmes such as apprenticeships and Career Information, Advice and Guidance, funding to support the re-opening of schools and help mitigate loss of learning; the Education Maintenance Allowance to help more young people remain in post-16 school education; and continuing investment in the [Scottish Attainment Challenge](#)⁴¹ which saw 97% of schools benefit from Pupil Equity Funding.

Children and Young People: The Scottish Government committed to Keeping the Promise and establishing cross-government action which will, over ten years, transform how Scotland supports families, children and young people in or on the edges of care, enabling access to the help families need, where and when they need it and significantly reducing the number of children and young people living away from their families by 2030. Around 130,000 children are expected to benefit from the expanded [Early Learning and Childcare](#)⁴² provision in 2021-22. An evaluation strategy for the expansion of 1140 hours will set out how it contributes to its intended outcomes and baseline data collection has been completed. Play and Parenting initiatives, such as Bookbug and Outdoor Community Play Fund, supported children's health and wellbeing; and third sector organisations were supported to deliver vital services through the Children, Young People and Families Early Intervention Fund. To keep children safe, the Partnership Drugs Initiative supported families affected by substance misuse and there was enhanced enforcement activity due to the heightened risk of online child sexual abuse and exploitation due to COVID. Funding through the winter support package to support children and families social work services in areas experiencing significant challenge in meeting demand during the pandemic.

Economy: Young people were supported and prepared for the world of work through the DYW programme, which contributes to providing a skilled generation. The No One Left Behind programme supported those experiencing barriers and structural inequalities in the labour market; and the [Employability Fund](#)⁴³ (EF) provided 7,955 starts in 2020-21. Funding of science centres allowed investment in university research and knowledge exchange.

International: Work exploring ways to re-associate to Erasmus+, and to develop a Scottish Education Exchange Programme, aim to contribute to help ensure Scotland remains an attractive destination for international students, and that Scottish staff and learners can gain valuable experience abroad. Work was initiated on Scotland's International Education Strategy, which aims to support international education as being a high priority, and encourage international students to apply to study in Scotland.

Secondary Outcomes

Poverty: Expansion of high quality [ELC](#)⁴⁴ supports good outcomes for children over the long term and reduces costs for families, enabling parents to work, train or study.⁴⁵ The Parental Employability Support Fund (PESF) supports low income parents to access and progress in employment. Enhanced provision of free school meals during school closures and over the

⁴¹ <https://www.gov.scot/publications/closing-poverty-related-attainment-gap-report-progress-2016-2021/>

⁴² <https://www.gov.scot/publications/funding-follows-child-national-standard-early-learning-childcare-providers-principles-practice/>

⁴³ <https://www.skillsdevelopmentscotland.co.uk/publications-statistics/statistics/employability-fund/?page=1&statisticCategoryId=2&order=date-desc>

⁴⁴ <http://www.healthscotland.scot/media/1786/provision-of-early-learning-and-childcare-and-parents-outcomes-an-evidence-brief.pdf>

⁴⁵ <https://www.oecd.org/education/starting-strong-2017-9789264276116-en.htm>;
<http://www.healthscotland.scot/media/1786/provision-of-early-learning-and-childcare-and-parents-outcomes-an-evidence-brief.pdf>

summer; supported digital learning for the most vulnerable through the distribution of over 72,000 Chromebook devices and 14,000 connectivity packages; and aimed to reduce inequalities in access to outdoor experiences via the £1 million [outdoor clothing fund](#)⁴⁶.

Human Rights: The incorporation of the United Nations Convention on the Rights of the Child into Scots law to the maximum extent possible is critical to ensuring children's rights are at the centre of all decision making in Scotland. Steps to address and acknowledge historical child abuse in care were significantly progressed with the passing of the Redress (Scotland) Act, and the Advance Payment Scheme, which continued throughout the pandemic, providing recognition and payments to a further 173 survivors during the 2020/21 period. Work continued to tackle discrimination via the work of the Gender Based Violence in Schools Working Group; working to implement the LGBT Inclusive Education recommendation; guidance to support Transgender Young People in schools; establishment of the [Race Equality and Anti-Racism in Education](#)⁴⁷ Programme; and investment in a rights-respecting preservation of legal protections in most urgent children's hearings cases.

Fair Work and Business: The National Standard for funded ELC supports fair work practices, meaning all staff providing funded ELC are required to be paid the real living wage.

Health: Support improvements in early child health and working to reduce future childhood obesity through package of measures to support maternity, neonatal and IVF services during the COVID response. Support the provision of counselling through schools to meet children and young people's mental health and wellbeing needs quickly and locally; this was also supported via the £0.6 million funding for Social Workers to gain additional mental health qualifications. Aim to provide better access to 'big issue' health-related information from reliable, independent sources via funding for science centres.

Culture: Funding towards Gaelic and Scots to help sustain language communities in rural areas while increasing the opportunities for those interested in living their lives through the Gaelic language.

Other Relevant Publications

[Scottish Funding Council Annual Report and Accounts 2019-20](#)

[Education Scotland Annual Report and Accounts 2020-21](#)

[SQA Annual Report and Accounts 2019-20](#)

[Closing the poverty-related attainment gap: progress report 2016 to 2021](#)

[Scottish Credit and Qualifications Framework Annual Impact Report 2020-21](#)

[Student Awards Agency Scotland \(SAAS\) Annual Report and Accounts 2019-20](#)

[Early Learning and Childcare Expansion Delivery Progress Report \(September 2021\)](#)

Justice

Policy Aims in 2020-21 draft Budget

The [main policy priorities for 2020-21](#)⁴⁸ were to: enable communities to be safe and supportive, where individuals exercise their rights and responsibilities; enable people, economy and infrastructure to respond to major risk, recover from emergencies and adapt to emerging threats; modernise civil and criminal law and the justice system to meet the needs of people in Scotland in the 21st century; work with others to improve health and wellbeing in justice settings, focusing on mental health and substance use; quickly identify offenders and

⁴⁶ <https://www.inspiringscotland.org.uk/what-we-do/our-funds/thrive-outdoors/scottish-government-outdoor-clothing-fund/>

⁴⁷ <https://education.gov.scot/media/e1ykcihd/promoting-and-developing-race-equality-and-anti-racist-education.pdf>

⁴⁸ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/10/>

ensure responses are proportionate, just, effective and promote rehabilitation; improve the experience of victims and witnesses, minimising court attendance and supporting them to give best evidence; use prison only where necessary to address offending or to protect public safety, focusing on recovery and reintegration.

Priorities were expected to contribute to the following National Outcomes: Human Rights; Communities; Economy; Children; Health; Environment; Fair Work and Business; International

COVID Impact on 2020-21 Priorities

The pandemic resulted in delays across the criminal, community and civil justice systems. For example, criminal court business was significantly reduced, criminal justice social work capacity was impacted by restrictions and there was a reduction in the demand for legal aid. COVID regulations made it difficult for many grant-funded projects to deliver services. The Scottish Fire and Rescue Service reduced its preventative and training activities, and the Scottish Prison Service saw the shutdown of estate construction works. There were some increased costs, for example for PPE, investment in court technology and remote jury centres.

2020-21 Deliverables

The justice organisations continued service provision while adapting to working in a COVID environment. They reprioritised, refocused and paused elements of work as required.

Central Government Grants to Local Authorities: Continued with a reduction in capacity.

Community Justice Services: Improved the effectiveness and capacity of community justice services.

Criminal Injuries Compensation: Contributed to costs of compensation claims.

Judiciary: Supported the salaries of judicial office holders and staff and running costs for the Court of the Lord Lyon, and the Judicial Appointments Board for Scotland.

Legal Aid: Provision of Legal Aid, including grant funded programmes, and a network of board employed solicitors; contribution to the Renew, Recover and Transform Programme.

Police and Fire Pensions: Funded the pension costs of retired police and fire officers.

Police Central Government: Supported police transformational change, Lord Bracadale's Public Inquiry and transition to the new emergency services telecommunications system.

Safer and Stronger Communities: Implementation of the recommendations of the Dame Elish Angiolini report; expanded the reach of the Scottish Violence Reduction Unit and the work of Medics Against Violence; and supported a range of anti-sectarianism initiatives.

Scottish Fire and Rescue Service: Maintained front line services at normal confidence levels throughout the pandemic, and provided support to partners.

Scottish Police Authority: Ensured the delivery of a proportionate and effective policing response to the pandemic.

Scottish Prison Service: Maintained safe and stable prison operations, and progressed the construction of new prison estate.

Scottish Courts and Tribunal Service: Supported the continuing vital work of courts and tribunals, including increased use of remote and online capacity, and the introduction of remote jury centres.

Miscellaneous: The miscellaneous budget included support for a range of costs, including funding for victims organisations.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Communities: Help create an inclusive and respectful society in which all people and communities live in safety and security. The Recover, Renew and Transform (RRT) programme is responding to the impacts of COVID-19 to ensure a fair justice system that takes account of the health, safety and wider interests of all. Investment in a range of system-wide measures to tackle the causes of crime which are often rooted in inequality thus reducing offending and re-offending.

Human Rights: Investment in systems of justice to support Human Rights outcomes: the right to liberty and security of person, the right to a fair trial and the right to freedom from punishment without law.

Secondary Outcomes

Economy: Investment in justice systems supports an environment where sustainable economic activity can prosper, enabling communities and businesses to thrive.

Poverty: Poverty is a key driver of crime and the consequences of crime such as having a criminal record or having spent time in prison can then exacerbate poverty further. Scotland's prison population predominantly reflects our most socially deprived communities with individuals from the 10% most deprived areas over represented in prison arrivals by a factor of three. By tackling the causes of crime and through work to prevent offending and reoffending – which are often rooted in inequality and risk factors such as deprivation, adverse childhood experiences and addiction and health problems – through an increased emphasis on prevention and rehabilitation, the Justice portfolio plays a key role in breaking cycles of poverty.

Children and Young People: Civil courts and tribunals play an important role in the protection of children and vulnerable young people. Investment to tackle violence against women and girls (VAWG) aims to have an ongoing and positive impact on young people.

Health: Supporting the health and wellbeing of those in custody, and those returning from prison to their communities.

Environment: Supporting decarbonisation via investment in a fleet of electric and lower-emission vehicles and charging infrastructure across the justice system.

Culture: Support for the arts and culture through the reinvestment of money from proceeds of crime into activities through the [Cashback for Communities](https://cashbackforcommunities.org/)⁴⁹ Programme.

International: Contribute to global safety and wellbeing through Police Scotland's International Development Strategy, which aims to enhance policing nationally and internationally.

Other Relevant Performance Information

[Scottish Police Authority Annual Report and Accounts](#)
[Policing Performance Framework and Annual Assessment](#)

⁴⁹ <https://cashbackforcommunities.org/>

[Scottish Fire and Rescue Service \(SFRS\) Annual Performance Review](#)
[Scottish Public Pensions Agency \(SPPA\) Annual Report and Accounts](#)
[Scottish Legal Aid Board Annual Report and Accounts](#)

Transport, Infrastructure and Connectivity

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁵⁰ were: ensuring sustainable and inclusive economic growth across all of Scotland by providing the transport, energy and digital infrastructure and connectivity that communities need to deliver real economic and social benefit, whilst protecting the climate and environment, and improving lives across urban, rural and island communities.

Priorities were expected to contribute to the following National Outcomes: Economy; Fair Work and Business; Environment; Communities; Poverty; Health; Human Rights; International.

COVID Impact on 2020-21 Priorities

The COVID-19 pandemic changed the immediate priorities in supporting the public transport system in the face of significantly reduced passengers and consequential reduction in revenue, coupled with increased costs incurred to help make public transport safe. Necessary restrictions in place to combat the pandemic continue to present a significant challenge for Scotland's overall connectivity as we continue to plan our economic recovery. The Transport Transition Plan, launched in May 2020 is a continuously evolving document to map out and monitor the transition from the COVID-19 pandemic. The emerging risks relate to the continuing consequences of the transition for how we continue to adapt to achieve priorities. The Phase One recommendations – contained within the Strategic Transport Projects Review 2 – focus on accelerating economic recovery and lay the groundwork for an inclusive, greener transport network. There was slippage on major projects in a number of areas including Rail Services, Air Services, and Motorway and Trunk Roads, due to COVID-19, and delays to demand-led schemes in Energy and delays in finalising the Green Datacentres and Terrestrial/International Connectivity strategy. There was re-profiling of Ferry Services loan-funding and of support for the Glasgow Subway Modernisation Programme. Travel restrictions led to reduced demand on the Air Discount Scheme and demand for Concessionary Travel Schemes was lower. COVID Support for Bus operators and light rail operators was provided.

2020-21 Deliverables

Digital Connectivity: Continued delivery of future-proofed full fibre broadband networks, through £600 million Reaching 100% (R100) programme contracts and the Scottish Broadband Voucher Scheme (SBVS). Secured Scotland's fair share of UK Government funding to push full fibre and gigabit capable networks further into rural Scotland, and bringing 4G services to up to 55 rural, remote and island communities, reducing the digital divide.

Cities Investment and Strategy: Full Deals agreed for Ayrshire, Tay Cities, and Borderlands, with Tay Cities Deal enabling draw down of over £20 million. Heads of Terms agreed for Moray, Argyll and Bute and the Islands, enabling progression to Full Deal, and funding quantum agreed for Falkirk Deal. Successful adaptation of key projects to respond to COVID, including a job matching portal in Edinburgh/SE Scotland, connecting people who had lost their jobs with opportunities in sectors facing shortages (e.g. care); and development of a STEM 'kit in a box' to support remote teaching.

Energy: Continued funding for non-domestic energy efficiency and heat programmes, including SME loan fund, Non Domestic Energy Efficiency (NDEE) and District Heating Loan

⁵⁰ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/11/>

Fund. Enhanced funding for low carbon infrastructure investment programme, LCITP to support future heat decarbonisation and green recovery from the pandemic. Continued delivery of flagship CARES programme, and small scale renewables including wave and tidal and energy technology innovation.

Rail Services: Since April 2020, Scottish Ministers have put in place emergency temporary variations to both the ScotRail and Caledonian Sleeper Franchise Agreements. These variations temporarily transfer revenue and cost risk to Scottish Ministers, vary certain performance benchmarks and suspend some contractual obligations. These agreements have helped to secure the sustainability of Scotland's rail services. Progress on Zero emission Hydrogen Train project at Bo'ness, and rail freight being utilised to support modal shift. Rail Services De-carbonisation Action Plan and Team Scotland Strategy and Execution plan published.

Concessionary Fares and Bus Services: COVID support grants enabling essential bus services to continue during the initial lockdown and then to increase capacity as restrictions eased to meet safely people's needs to travel despite severely depressed commercial revenue. Towards the end of the financial year, around 80% of pre COVID service kilometres were operated, carrying around 35% of pre COVID patronage. The concessionary travel scheme for older and disabled people continued to support the travel costs of these groups, who tend to be particularly dependent on bus services. An Order was made in March 2021 to establish a new free bus scheme for young people under the age of 19, in order to encourage more sustainable travel choices and help address child poverty and improve social, economic and educational opportunities. The Bus Partnership Fund opened to bids for investment in bus priority infrastructure in November 2020 and temporary infrastructure was supported via the Bus Priority Rapid Deployment Fund throughout the year. COVID Support Grant to support the Bus Industry; Bus Priority Rapid Development Fund; and Bus De-carbonisation working group.

Active Travel, Low Carbon and Other Transport: Enabled significant investment in Zero Emission buses through new subsidy scheme and taskforce, helping safeguard jobs across Scottish supply chains; expanded electric vehicle charge points across all parts of Scotland, including through network project (Project Pace); supported home charge point installations and purchasing of electric vehicles through Interest free Low Loans to consumers and businesses; rolled out investments in two new innovation centres to support drivetrain developments alongside targeted support for new zero emission mobility products, services and supply chains.

Motorways and Trunk Roads: A9 dualling between Luncarty and Birnam; A9 Berriedale Braes Improvement; progress on A77 Maybole by-pass and A92/A96 Haudagain Improvements projects; £15 million in landslide mitigation measures at the Rest and Be Thankful; and continued delivery of road and bridge maintenance works despite impact of the pandemic.

Ferry Services: Support for Lifeline Ferry Services.

Air Services: Provided Highlands and Islands Airports Limited (HIAL) with an additional £13.8 million in subsidy over and above the original allocation for 2020-21. Additional funding ensured that, despite a significant reduction in commercial revenue as a result of the dramatic drop in passenger numbers, services were maintained throughout the period to support the communities they serve and protect jobs at HIAL's airports. During the pandemic, the Scottish Government contracted Loganair to operate a skeleton air service that ensured all island airports retained at least one connection to a mainland airport.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Economy: Investing in education to train Scotland's future workforce in low carbon skills, and decarbonisation programmes to contribute to sustainable economic growth through the use of Scottish supply chains. Improving digital connectivity to contribute to delivering sustainable inclusive economic growth by providing digital access for disadvantaged groups to products and services. Investing in cities and regions to boost local economies, focusing on inclusive growth and aim to ensure that all sections of the community benefit from the investments. Continuing delivery of the National Islands Plan to support sustainable economic development across all Scottish islands. Investing in the delivery of road and bridge maintenance works across the trunk road network to maintain key links across the country.

Secondary Outcomes

Communities: Investing in temporary active travel infrastructure, through the Spaces for People initiative, allowed more people to walk, wheel and cycle safely in local communities, with due process, local authorities can now consider which of these schemes to make permanent. Continuing delivery of the National Islands Plan to help improve outcomes for all Scottish island communities.

Poverty: Continuing to subsidise the delivery and use of public transport and investing in active travel schemes in deprived areas to help make sustainable transport modes more accessible for those on lower incomes. Emergency funding supporting public transport operators to help ensure services, including lifeline services, continued to run. Those living in deprived areas are at a higher risk of injury due to road accidents; Transport Scotland's continued delivery of the [Road Safety Framework](#)⁵¹ should help reduce this inequality. Improving digital connectivity provides access for disadvantaged groups to products and services while supporting greater inclusion, equality and participation. Two of the heat in buildings capital investment programmes – Warmer Homes Scotland and Area Based Schemes – are targeted at those in fuel poverty, helping to remove poor energy efficiency as a driver of fuel poverty.

Children: Funding support for more targeted children's cycle training to improve road awareness and safety as well as helping encourage behaviour change at an early stage to active travel modes. Delivering the Road Safety Framework aims to reduce risk of injury or death in children as a result of road traffic accidents.

Health: Investment in active travel, such as the Spaces for People initiative, aims to incentivise physical activity such as walking, wheeling or cycling which would improve health outcomes. Improving digital connectivity for all provides remote access to information, care and support; enabling a more inclusive healthcare system. Scotland's Road Safety Framework to 2030 aims to reduce the risk of injury or death as a result of road accidents. The skeleton air service ensured that remote communities were still able to access healthcare on the Scottish mainland timeously.

Environment: Funding measures that incentivise the use of more sustainable transport modes e.g. the Scotland Cycle Repair Scheme, electric vehicle infrastructure and Spaces for People. Continue support for onshore and offshore wind, hydro, wave and tidal energy projects. Increase spending on heat decarbonisation and energy efficiency investment projects to support the necessary shift to reduce emissions from heating homes and buildings. Continue investment in Scotland's colleges through the Energy Skills Partnership to help build capacity and capability to deliver training for electric vehicle repair and maintenance, and to anticipate future skills needed to support low carbon mobility. Low Emission Zones regulations to come

⁵¹ <https://www.transport.gov.scot/media/49193/scotlands-road-safety-framework-to-2030.pdf>

into force by May 2021. Funding to support installation of over 75 new publicly accessible EV charge points, hosted by private businesses, as part of expansion of the 'ChargePlace Scotland' network. Establish a Bus Decarbonisation Taskforce to co-design a pathway to a fully decarbonised bus fleet. Funding to establish the Sustainable Aviation Test Environment (SATE) at Kirkwall Airport to support our aims of the Highlands and Islands becoming the world's first net zero aviation region by 2040 and to support the trialling of low and zero emission aircraft.

Other Relevant Performance Information

[Transport Scotland Annual Report and Accounts 2019-20](#)

Rural Economy and Tourism

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁵² were: strengthening rural, island and coastal communities; optimising the value and sustainability of Scotland's land and marine assets; and supporting the Tourism sector, in the face of challenges from EU exit and climate change, with a package of measures set out in the Programme for Government.

Expected to contribute to the following National Outcomes: Economy; Environment; Communities; Fair Work and Business; Education; Health; International; Culture.

COVID Impact on 2020-21 Priorities

Reprioritisation of resources to support businesses and communities through the pandemic and delivery of national COVID-19 support programmes.

2020-21 Deliverables

EU Support and Related Services: Direct Payments to active farmers and crofters via the Common Agricultural Policy (CAP), and continued support for agri-environment, farm advice and knowledge transfer, crofting and the food and drink sector. Delivering more than 95 per cent – almost £400 million – of area based Pillar 1 payments to more than 97 per cent of eligible farmers and crofters, four months ahead of target. Continued to develop plans to simplify current CAP schemes and work towards creating a successful replacement. Delivery of European Maritime and Fisheries Fund (EMFF) grant funding.

Rural Services: Delivered the Food and Drink recovery plan and supported the sector in COVID recovery and preparing for EU Exit. Continued support for Animal Health in Scotland, including in the lead up to and following EU Exit.

Tourism and Hospitality: Supported VisitScotland's role as Scotland's national tourism organisation, which provided business support to the Tourism, Hospitality and Events sector affected by COVID restrictions. Focused on businesses that were not able to access other support, or where, due to their cost base, this support was not adequate. Established the Tourism Recovery Task Force, developed the Tourism Recovery Strategy, with a focus on supporting recovery in the short and medium term, to stabilise and put the sector back on course to the vision set out in Scotland's National Tourism Strategy Outlook 2030, launched in March 2020. Provided £103.4 million in dedicated business support funding for the sector, and a further £25 million for Phase 1 recovery.

Rural Economy Enterprise: Highlands and Islands Enterprise invested £92.4 million in Rural Economy projects, including £8.9 million in fragile areas; it supported 1,865 FTE jobs and delivered seminars to over 10,300 participants. South of Scotland Enterprise provided £11.7

⁵² <https://www.gov.scot/publications/scottish-budget-2020-21/pages/13/>

million of support via various funds to over 700 businesses, communities and projects, safeguarding/creating 3,700 jobs. A range of support initiatives were put in place to support tourism, snowsports and Rural and Island Communities more widely from the impacts of the pandemic.

Scottish Forestry: The Strategic Timber Transport Fund funded 52 projects, supporting sustainability and climate change targets. The Scottish Forestry Strategy funded 70 projects, helping to support initiative and innovation. There was 10,600 hectares of new planting.

Forestry and Land Scotland: Restocked 4,254 hectares (ha) of land with trees, created 483 ha of new woodland, restored 89 ha of vacant land, increased high conservation value forests and land by 1329 ha, and undertook 900 ha of initial peatland restoration. Maintained timber supply for use in the COVID response; published the [New Timber Marketing Framework](#)⁵³; and created 38 apprenticeships and student placements.

Fisheries and Aquaculture: Delivery of tailored Fisheries and Aquaculture funding packages during the pandemic to support Scotland's fleet. Support for table producing shellfish and trout business through £3 million Aquaculture Hardship Fund, and for shellfish wild and aquaculture, and trout in the Seafood Producers' Resilience Fund.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Economy: [Scottish Forestry](#)⁵⁴ programme activities aim to provide a boost to rural economies by supporting the use of land for forestry purposes rather than carbonised industries, and providing good quality jobs. Further expansion of sustainable, productive woodland underpins private sector investment, increasing capacity and helping demonstrate the vibrancy of the Scottish Forestry sector. It is expected to generate £37 million Gross Value Added of new economic activity each year. Over £630 million in ongoing support has been provided to create stability across the rural economy to withstand shocks from EU Exit whilst supporting the green and blue recoveries. Seafood support schemes administered by Marine Scotland aimed to mitigate the economic and social impact of COVID-19 and help safeguard future economic benefits. Support for tourism and hospitality sector to provide a lifeline to businesses that were amongst some of the hardest hit sectors as a result of the pandemic, and support with restart when restrictions eased.

Secondary Outcomes

Communities: Engage with 94 community groups, facilitating 122 [community projects](#)⁵⁵ across Scotland. A further funding package of £7.75 million to support fishermen, seafood businesses and ports and harbours threatened by the ongoing effects of COVID-19 and EU Exit; and the Strategic Timber Transport Scheme provides grants to Local Authorities to repair roads across the country, impacted by timber extraction.

Environment: The achievement of annual woodland creation targets will help meet net zero, improve biodiversity and increase the social value/accessibility to the outdoors. Investment in the Agricultural Transformation Programme to support farmers, crofters and land managers to reduce their carbon emissions. Scottish Forestry review of biosecurity advice and simplifying guidance to help ensure the long-term health of Scotland's trees, woods and forests.

⁵³ <https://forestryandland.gov.scot/what-we-do/timber-industry>

⁵⁴ <https://forestryandland.gov.scot/what-we-do/who-we-are/corporate-information/corporate-performance-reports?highlight=corporate%20performance%20report>

⁵⁵ <https://forestryandland.gov.scot/what-we-do/communities/community-asset-transfer-scheme>

Fair Work and Business: Forestry and Land Scotland expanding youth employment opportunities, and creating a 'blue-print' for other public/private employers in Forestry to use.

Other Relevant Performance Information

[Agricultural Payments: Common Agricultural Policy \(CAP\)](#)
[Growth Sector Statistics - Tourism](#)

Environment, Climate Change and Land Reform

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁵⁶ were: tackling climate change; protecting iconic species and landscapes; investing in biodiversity and natural capital; improving the quality of Scotland's air, land, seas and fresh water; developing a circular economy; empowering communities and improving the way land is owned, used and managed; and investing in the research base. Expected to contribute to the following National Outcomes: Environment; Communities; Economy; Health; International; Human Rights; Fair Work and Business.

COVID Impact on 2020-21 Priorities

Work and projects across the portfolio were impacted by COVID, for example in Land Reform policy and Research Analysis. The establishment of a Committee on Climate Change (CCC) Scotland office was delayed; activity with communities was curtailed; planned environmental projects by delivery partners were delayed, including the river basin management plan; and there was a reduction in utilisation of funding for noise and air quality action.

2020-21 Deliverables

Land Reform: The Scottish Land Fund provided £9.7 million of support to communities to acquire ownership of urban and rural land and buildings, this equated to 63 project awards, resulting in 6,655 acres and 38 buildings coming under community ownership. This directly contributes to the National Performance Framework indicator for the number of assets in community ownership. The indicator has consistently trended positively: as of 31 December 2020 there were 612 assets in community ownership. This is 15 (2.5%) higher than the revised figure of 597 for 2019. Completed the implementation of the core parts of the Land Reform (Scotland) Act 2016; sponsorship of the Scottish Land Commission, along with support for Development Trusts Scotland, Community Land Scotland and Scottish University Land Unit; delivered support to communities seeking to own assets or become more engaged in local land decisions, including through good practice work, advice and awareness raising of land reform issues.

Climate Change: Published an updated Climate Change Plan, recast in the context of a green COVID recovery; and launched a [new website](#)⁵⁷ and national campaign. Ongoing delivery of: statutory requirements of Scottish climate change legislation; corporate sponsorship of the independent advisory Climate Change Committee (CCC); capacity-building support to public bodies, businesses and communities through the Adaptation Scotland programme; and international commitments around Climate Justice. Delivery of 68 Climate Challenge Fund (CCF) and 280 Climate Challenge Asset Fund (CCAF) projects.

Scottish Water: Published net-zero route map; reduced carbon footprint by a further 2%; achieved 99.95% drinking water quality compliance; and delivered investment of £612 million. Continued roll-out of top up taps. 138,472 litres of water have been taken from the taps – saving 419,612 single-use plastic bottles.

⁵⁶ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/12/>

⁵⁷ <https://www.netzeronation.scot/>

Environmental Services: Collaborated across Scotland and internationally to protect and restore nature and the biodiversity of Scotland, invested £11 million in the restoration of 5,000 hectares of degraded peat, and took action on wildlife management, wildlife crime and animal welfare, including leading the Edinburgh Process on biodiversity. Delivered improvements to the condition of Scotland's water environment by removing barriers to migratory fish and working in partnership with local authorities to deliver projects to create river-based greenspace in Scottish towns. Reservoir Safety and Coastal Change adaptation delivered Water Resilient Places – a Policy Framework for Surface Water Management to address the increasing impacts Scotland will face from surface water flooding as climate impacts play out over the coming decades. Provided £42 million to Local Authorities to reduce flood risk across Scotland; £193,000 to the Scottish Flood Forum to support flood risk communities; £1.395 million to SEPA for Flood Forecasting and Warning. Ongoing delivery of statutory requirements of Flood Risk Management (Scotland) Act 2009, Reservoirs (Scotland) Act 2011 and Coast Protection Act 1949.

Research Analysis and Other Services: Extension of the Strategic Research Programme to ensure continuity and support research institutes to continue their work in the COVID-19 period. There was also reprioritisation to work under three headings – COVID-19; the Green Recovery and EU Exit, as well recovery of work which had to be delayed or suspended due to the pandemic and associated restrictions. New spending in this area included work to establish the possibility of developing wastewater testing for COVID-19, and then developing statistical models to link wastewater testing results with COVID test results from human testing. Overall, spending has been focussed on research to inform the COVID-19 recovery response while maintaining momentum for knowledge exchange partnerships working across environment, land, agriculture, food and rural community priorities.

Marine Scotland: Launched the Sectoral Marine Plan for offshore wind, enabling the subsequent launch of the ScotWind leasing round for up to 10GW of offshore wind development in Scottish Waters; implemented fish farm changes during the pandemic; delivered Scotland's [Marine Assessment 2020, providing an updated bank of evidence on the state of Scotland's seas](#)⁵⁸; and reduced the grounds on which the licensed killing of seals is permitted as part of the Animal and Wildlife Act. Designated a number of Marine Protected Areas and Special Protected Areas for seabirds as part of the approach to tackling the nature emergency. Distributed £9.7 million of Scottish Crown Estate net revenues from Crown Estate assets within 12 nautical miles to coastal communities for investment in coastal community benefit. Supported the negotiation of 2021 stocks as an independent Coastal State and delivered COVID-19 hardship funding support to fishers and small aquaculture businesses. Ensured Scotland's interests have been represented in the UK Fisheries Bill.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Environment: Help to maintain high standards of environmental governance through the establishment of Environmental Standards Scotland, the incorporation of the EU guiding principles on the environment into Scots law, and the development of an Environment Strategy Monitoring Framework. Continue investment in the Biodiversity Challenge Fund, peatland restoration, water environment, and broader actions to support the improvement of Scottish biodiversity and reduce greenhouse gas emissions. CCF and CCAF funded projects to support communities to take action, including reducing reliance on car travel, cutting waste, and lowering energy use. Make progress towards waste and recycling targets, with the

⁵⁸ <http://marine.gov.scot/sma/>

amount of Scottish landfill waste reaching its lowest level since recording began. COVID waste contingencies programme to enable waste services to be sustained during the pandemic, helping reduce litter and flytipping. Promote Nature Based Solutions for Flood Risk Management and Coastal Change Adaptation.

Economy: Work to deliver economic benefits through the launch of the sectoral marine plan for offshore wind energy which identifies sustainable options for the future development of commercial-scale offshore wind energy in Scotland, which will both be a vital component for meeting ambitious targets for net zero but also building Scotland's Blue Economy. Respond to climate and flood risk impacts by investing in climate change adaptation.

Secondary Outcomes

Communities: Work to help empower communities through the Community Right to Buy and Scottish Land Fund, which underpin Government ambitions to ensure communities can acquire land and buildings to further their own objectives and sustainable development. Work to improve community resilience to flood risk through sponsorship of the Scottish Flood Forum and promotion of property flood resilience.

Health: Investing in Scotland's Great Trails, the National Cycle Network and Scottish Canals to help support a green recovery from the pandemic, tackle climate change, and help more people enjoy the outdoors and enjoy the significant health benefits that can be delivered through active travel.

Education: Work to support improved climate literacy levels via the publication and consultation on draft public engagement strategy, which aims to improve climate literacy levels amongst the population and educate people on the climate emergency; also support through the delivery of Eco Schools and Climate Ready Classrooms which continue to grow.

International: Support communities in Malawi, Rwanda and Zambia in becoming more resilient to the impacts of climate change through the Climate Justice Fund, for example, supporting Malawian youth to engage in international climate discourse through the Malawi Climate Leaders project.

Human Rights: Support the protection of citizens' rights through The Land Rights and Responsibilities Statement, which sets out rights for citizens and responsibilities for landowners and land managers. It takes a human rights approach and sets out a vision of a strong and dynamic relationship between Scotland's land and its people.

Other Relevant Performance Information

[Scottish Natural Capital Accounts 2021](#)

[Scottish Energy Statistics](#)

[Natural Capital Asset Index](#)

[SEFARI Progress Report on Strategic Research Programme Delivery](#)

[Scottish Environment Protection Agency \(SEPA\) Performance Report 2019-20](#)

Economy, Fair Work and Culture

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁵⁹ were: investing in infrastructure, communities and people; supporting and promoting innovation; strengthening international links and promoting Scotland to the global economy; ensuring economic growth is inclusive and that everybody benefits

⁵⁹ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/2/>

from it; and investing in culture and heritage to support our vision that Scotland is a place where culture is valued, protected and nurtured.

Expected to contribute to the following National Outcomes: Economy; Fair Work and Business; Culture; Communities; Poverty; Education; Environment; Health; International.

COVID Impact on 2020-21 Priorities

COVID impacted staff resources and associated delivery of planned priorities as many people pivoted to support, for example, the PPE and testing supply chain work and to develop early guidance for retail and deliver business support schemes. Public bodies across the Portfolio were similarly affected. Work on culture was almost wholly focussed on managing the impacts of the pandemic which had a profound effect on the culture, heritage and creative industries sector, with restrictions meaning that many attractions and activities were closed for most of the year. In the very earliest days of the pandemic the Scottish Government honoured funding commitments for Scotland's cultural organisations, regardless of whether activity had to be cancelled, reduced or rescheduled, and Creative Scotland repurposed regular funding to help with the COVID-19 response. Further to regular funding, in 2020/21 the Scottish Government provided £150 million to the culture, heritage and events sector. That is far more than funding received, or still due to receive, in consequentials for cultural recovery from the UK Government. Providing this support has been a lifeline to Scotland's venues and organisations, and in particular to the freelancers who are such a crucial part of the creative economy

2020-21 Deliverables

Enterprise, Trade and Investment: The Business Support Fund Grants, Pivotal Enterprise Resilience Fund and Strategic Framework Business Fund paid out more than £1.4 billion in 2020-21 to businesses required to close or modify their operations throughout the pandemic. In addition, more than £355 million was paid out through sector specific business support funds to sectors which were not eligible for wider Scottish Government or UK Government support and the £20 million DigitalBoost Grant Fund supported 2,300 SMEs to use technology to continue trading.

Scottish Enterprise delivered £568 million in economic development support, helping 4,000 businesses and safeguarding more than 70,000 jobs. Secured over 6,900 real living wage jobs and invested £75 million into early stage companies, including a new scheme to fill COVID-related gaps in the Scottish investment market. In support of Scotland's international trade and investment ambitions, the Scottish Government published the overarching [Vision for Trade and Global Capital and Inward Investment Plans](#)⁶⁰ and continued to enhance and expand networks of GlobalScots and Trade Envoys as well as funding additional in-country specialists in priority markets as part of Scottish Development International's presence overseas. In spite of the combined challenges of COVID and EU Exit, Scottish Development International were successful in supporting businesses to achieve over £1bn in export sales. In the face of significant economic headwinds, Scotland also retained its place as the most attractive location for inward investment in the UK outside of London for the eighth time, with Scotland's share of UK inward investment also growing from 9.1% in 2019 to 11% in 2020 with 107 inward investment projects secured.

Culture: In addition to the £150 million of emergency funding to the culture, heritage and events sector, the Scottish Government continued to provide regular funding to culture bodies and core funded organisations. Worked closely with partners, agencies and stakeholders to monitor the ongoing impact of the pandemic and were as flexible as possible with grant conditions for the sector so they could be repurposed for resilience. This has enabled culture to continue to play a vital role in people's lives during the pandemic, through its positive effect on mental health, and in bringing people together. There has been an acceleration in online

⁶⁰ <https://www.gov.scot/publications/scottish-government-vision-trade/>

performances and an increase in the proportion of people (particularly the under 45s) who engage with culture digitally.

Historic Environment Scotland (HES): HES continues to lead on the care and promotion of Scotland's historic environment, giving the public access to the historic estate, promoting interpretation and understanding, regulating the management of heritage. Funding was also provided to support financially viable historic environment organisations at risk of failure, through the Historic Environment Recovery Fund.

Employability and Training: Supported [Fair Start Scotland](#)⁶¹ (FSS) providers to adapt in light of COVID and continue to provide employability support services. There have been over 35,500 starts on Fair Start Scotland in the first three and a quarter years of delivery (April 2018 to June 2021) and more than 11,500 people have been supported into work. Performance analysis, evaluation evidence and feedback from providers suggest that the service has responded well to the pressures brought on by the pandemic and has continued to provide a quality service that is highly rated by participants. **Launched the Young Person's Guarantee**, with the aim that all 16 to 24 year olds will have the opportunity to study; take up an apprenticeship, job or work experience; or participate in formal volunteering. DYW provided support for the summer leaver cohort. Invested £2 million in equalities groups, including Enable and Intercultural Youth Scotland. **Launched the National Transition Training Fund (NTTF)** in response to the pandemic, supporting over 6,000 individuals at risk of unemployment to upskill or retrain; and extended reach of the Flexible Workforce Development Fund (co-funded with E&S portfolio) to include SMEs. **Fair Work:** Launched a public consultation to gather views about how to achieve the Scottish Government's Fair Work Nation ambitions, to inform Fair Work priorities, particularly in the context of COVID, EU Exit and wider economic recovery and renewal and a just transition to a net zero and wellbeing economy. **Fair Work First** was extended across the whole public sector and the criteria expanded to support flexible and family friendly and oppose the use of fire and rehire practice and guidance published. The real Living Wage rate of £9.50 per hour was promoted through accreditation. Implementation of a new Living Hours Accreditation Scheme for employers began in August 2021. Continued implementation of Fair Work, Gender Pay Gap and Disabled People's Employment Action Plans, and initiated work on race and employment to address labour market inequalities, including establishment of a Public Social Partnership to support employers to recruit and retain disabled people; delivery of the Public Sector Leadership Summit on Race Equality in Employment; publication of a Minority Ethnic Recruitment toolkit; and delivery of the Workplace Equality Fund and Women Returners' Programme.

Scottish National Investment Bank: Launched in November 2020 and has commenced investing in projects and companies aligned with the Missions set by Scottish Ministers.

Accountant in Bankruptcy: See the Agency's Annual Report and Accounts on their [website](#)⁶².

European Social Fund (ESF) and European Regional Development Fund (ERDF) Programmes: Around £50 million of ESF and ERDF grant support was allocated to partners with the aim of boosting smart, inclusive and sustainable growth and assisting Scotland's economic and social recovery from COVID-19. Key projects included Skills Development Scotland's apprenticeships, transforming vacant urban land into greenspaces via the Green Infrastructure Fund, and building low carbon travel infrastructure such as Electric Vehicle charging points. A Scottish plan for the Shared Prosperity Fund, which is set to be the UK Governments replacement for European Structural Funds, was also developed and published. **Regional Support:** Concluded funding allocations for 58 SOSEP-funded projects in the South of Scotland.

⁶¹ <https://www.gov.scot/publications/fair-start-scotland-annual-report-year-2/>

⁶² <http://www.aib.gov.uk/>

£2 million Regional Recovery Fund enabled regional partners to accelerate Deal projects, develop Community Wealth Building work within their regions, and make progress on Regional Economic Strategies. This supported, for example, the development of the South of Scotland's first Regional Economic Strategy, allowed Ayrshire and Edinburgh to move at pace on key activities to progress Deal projects, and gave Glasgow the opportunity to resource work on Community Wealth Building. The £42 million contract to build the HQ to the National Manufacturing Institute Scotland, a £75 million Scottish Government investment, was awarded to Morrison Construction in May 2020 who are committed to achieving the design team's aspirations of the building being awarded BREEAM 'outstanding' for sustainability. Construction commenced in December 2020 and is expected to last 18 months. The Aerospace Response Group helped reposition the industry for post-pandemic recovery and for future sustainable aviation activity, and assisted with retraining those leaving the industry. Work was also undertaken on development, in partnership with industry and academia, of the Scottish Space Strategy.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Economy: The Partnership Action for Continuing Employment provided information to 34,222 individuals and additional support to 3,396, with a survey suggesting 81% had obtained employment within six months. 115 work placements were created and filled through Community Jobs Scotland (CJS), with 49.5% achieving a positive outcome, such as a job or moving into Further Education. There were 7,955 starts on Employability Fund provision. International Trade and Investment had a net positive impact on the economy. Further development work is underway to develop a wider range of metrics on return on investment for A Trading Nation; and evaluation measures for the Inward and Capital plans will seek to capture a wider range of impacts aligned to supporting Fair Work, Net Zero and Wellbeing elements as well as economic impact in monetary terms.

Fair Work and Business: All international trade and investment plans have the commitment to Fair Work at their heart; and delivery aims to contribute to the Government's ambition to be a Fair Work Nation by 2025. The whole of the public sector has been asked to adopt Fair Work First as employers and through their public spend.

Human Rights: [NOLB](#)⁶³ and the Parental Employability Support Fund (PESF) to support the right to work and deliver improved accessibility with the aim of tackling barriers for protected groups and enhancing children's rights. International economy plans reference the protection and promotion of human rights and set clear expectations that Scottish based businesses and international investors should adopt ethical business practices.

Secondary Outcomes

Communities: NOLB and PESF: support collaborative working with Local Government in developing and delivering employability provision integrated with local services. SOSEP funded projects: support community-led entrepreneurship, town centre regeneration and significant investments in education and skills, including expanding college digital infrastructure. The development of Regional Economic Partnerships involves engaging and representing the communities within those regions and using regional economic strategies that consider skills and employability requirements to ensure that future investment is utilised in a way that enhances the wellbeing of the people and place.

⁶³ <https://www.gov.scot/publications/no-one-left-behind-funding-stream-equality-impact-assessment-summary/#:~:text=From%201%20April%202019%2C%20the%20Scottish%20Government%20will,findi ng%20and%20maintaining%20employment%2C%20reach%20their%20true%20potential>

Poverty: PESF activities support low income parents to access and progress in employment, increasing household income. Fair Start Scotland (FSS) eligibility was extended for particularly disadvantaged groups, including care experienced individuals who are resident in 15% most deprived SIMD areas, minority ethnics and lone parents.

International: International trade and investment plans aim to reinforce Scotland's role as a good global citizen. Developing Brand Scotland and reinforcement of international networks to contribute to enhancing Scotland's reputation.

Environment: Create a Green Investment Portfolio to help investors identify green opportunities in Scotland, releasing the first £1 billion tranche of projects. Decarbonisation of transport and energy have been identified as key in the inward investment plan.

Culture: Investment in Scotland's unique heritage and culture through HES, Creative Scotland, the National Collections and the National Performing Companies, as well as investing in its capacity for creativity and major events, aims to enhance the quality of life for Scotland's communities and enables a variety of programmes to be run, helping to ensure Scotland's culture reaches a diverse and inclusive audience, as well as future generations

Other Relevant Performance Information

[State of the Economy: September 2020](#)

[Economy Statistics](#)

[ONS Business Industry and Trade](#)

[Business and Innovation Statistics](#)

[Business Support statistics](#)

[Export Statistics](#)

[Labour Market Statistics](#)

[Trade Union Statistics](#)

[Skills Development Scotland Annual Review 2020-21](#)

[Skills Development Scotland Statistics - Modern Apprenticeships and Employability Fund](#)

[Fair Start Scotland Annual Report Year 2](#)

[Graduate Apprenticeships Progress Report June 2021](#)

[Scotland's Centre for Regional Inclusive Growth \(SCRIG\) Dashboard](#)

[Scottish Replacement For EU Structural Funds](#)

[Fair Work Action Plan Annual Report 2021](#)

[Fairer Scotland for Women: Gender Pay Gap Action Plan Annual Report 2021](#)

[A Fairer Scotland for Disabled People: Employment Action Plan Annual Report 2021](#)

[Fair Work First Guidance 2021](#)

[EY UK Attractiveness Survey 2021](#)

Social Security and Older People

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁶⁴ were: to prioritise funding to support the development, design and implementation of social security powers and delivery of all benefits through Social Security Scotland, improving on the current system wherever possible; and to continue to support strategic and front-line projects to address inequality and discrimination across the protected characteristics, delivering on the commitment to provide security for the third sector through 3-year funding streams.

Expected to contribute to the following National Outcomes: Poverty; Children and Young People; Human Rights.

⁶⁴ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/15/>

COVID Impact on 2020-21 Priorities

Reprioritisation to support the organisation's response to the pandemic, meant planned development work in Equalities and roll out of new funding streams were delayed. The Social Security Programme responded rapidly to understand and mitigate the impact of COVID, identifying priorities and ring-fencing resource to deliver them, whilst pausing other areas to allow staff to support the Government's overall response to COVID. In Social Security Scotland, re-planning meant that the timetable for delivery of the remaining benefits was revised, requiring recruitment plans to be amended, including recruiting additional temporary staff to meet delivery needs and customer requirements. The refurbishment of St Agnes Husband House in Dundee was also affected by COVID and work will be completed in 2021-22. The cost of Agency Agreements with the Department for Work and Pensions were lower than expected because of expenditure reductions related to COVID.

2020-21 Deliverables

Equalities: Provided over £16 million to tackle [violence against women and girls](#)⁶⁵, including front line support, and support for the pandemic response; and over £11 million to support work to progress Equality & [Human Rights](#)⁶⁶.

Social Security: 2020-21 was the third year that [Social Security Scotland](#)⁶⁷ was in operation. Three additional benefits were fully developed by the Programme and introduced by Social Security Scotland over the course of the year – [Job Start Payment](#)⁶⁸, [Scottish Child Payment](#)⁶⁹ (the biggest benefit launched to date in regard to the level of client volumes), and [Child Winter Heating Assistance](#)⁷⁰. The Programme continue to design and subsequently develop future benefits, which include Adult Disability Payment and Child Disability Payment, the latter launched during 2021-22.

Social Security Assistance: Almost £3.4 billion of support has been provided to the people of Scotland this year. Investment in the Scottish Welfare Fund was increased in response to the pandemic, with an additional £22 million distributed to Local Authorities, and £20 million of flexible funding provided to tackle financial insecurity over the winter period. £8 million was added to Discretionary Housing Payments, increasing the non-bedroom tax mitigation budget from £11 million to £19 million, and £19.2 million was provided for the Coronavirus Carer's Allowance Supplement which meant around 83,000 carers in Scotland received up to £690 more than equivalent carers in the rest of the UK.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Poverty: The Scottish Child Payment represents an intervention, which is unparalleled across the UK, to tackle child poverty, providing support to low-income families with children under six. It will be rolled out to under 16s by end 2022, depending on the UK Government providing the data needed for 6 -16 year olds. Evaluations of benefits show that clients tended to find payments came at a timely moment and enabled them to meet the financial commitments of both caring and childcare in a better way.

⁶⁵ <https://www.gov.scot/publications/equally-safe/>

⁶⁶ <https://www.gov.scot/publications/national-taskforce-human-rights-leadership-report/>

⁶⁷ <https://www.socialsecurity.gov.scot/reporting/publications/corporate-plan>

⁶⁸ <https://www.gov.scot/publications/job-start-payment-high-level-statistics-to-30-june-2021/>

⁶⁹ <https://www.socialsecurity.gov.scot/reporting/publications/scottish-child-payment-high-level-statistics-to-31-march-2021>

⁷⁰ <https://www.socialsecurity.gov.scot/reporting/publications/child-winter-heating-assistance-winter-2020-2021>

Human Rights: The Social Security (Scotland) Act 2018 and the [Social Security Charter](#)⁷¹ recognise that social security is itself a human right and essential to the realisation of other human rights. Supported projects to address inequality and discrimination across the protected characteristics, and to address violence against women and girls, along with the development of proposals for legislation to drive long-term, systemic change in relation to human rights and supports embedding of equality and human rights across the Scottish Government and wider public sector.

Children and Young People: The five Family Payments (Scottish Child Payment, Best Start Grant Pregnancy and Baby Payment, Early Years Payment, School Age Payment and Best Start Foods) are all aimed at supporting low income families with children to ensure they get the best start in life. The evaluation of Best Start Grant highlighted that payments eased financial strain on low income families, prevented some families from going into debt, and led to positive outcomes for child and parent alike. Launched Child Winter Heating Assistance which provides financial assistance to severely disabled children and young people with an annual payment during the winter to assist in mitigating the increased costs incurred in heating their homes as a result of having a disability or long-term condition. This new form of assistance delivered over 14,000 payments.

Secondary Outcomes

Economy: The Job Start Payment, introduced in August 2020, provides a single payment to young people who have been unemployed for at least six months, to give them support when they start work, for example for transport, clothing or equipment.

Health: Evaluations of benefits published to date all record that clients found greater control and reduced financial stress as a result of payments received.

Other Relevant Performance Information

[Social Security Scotland - Publications, Statistics and Research](#)
[Social Security Scotland Corporate Plan](#)
[Social security policy research and evaluation: publications](#)

Constitution, Europe and External Affairs

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁷² were to: engage in negotiations and support preparation on the UK's future relationship with the EU, and protect the rights of EU citizens resident in Scotland, and Scots in EU countries; develop and disseminate detailed information on the case for independence and continue to prepare for a referendum; and continue to pursue our ambition for a society founded on fairness and equality through our democratic frameworks. Expected to contribute to the following National Outcomes: Economy; Communities; International

COVID Impact on 2020-21 Priorities

Work to prepare for an independence referendum in 2020 was paused in the light of the COVID crisis. The portfolio coordinated a range of work on the response to COVID.

2020-21 Deliverables

⁷¹ <https://www.socialsecurity.gov.scot/about/our-charter>

⁷² <https://www.gov.scot/publications/scottish-budget-2020-21/pages/2/>

External Affairs: Delivered the International Development Fund and Humanitarian Emergency Fund. Provided a package of support for EU Citizens to help them secure their status now the UK has left the EU. Operated an External Network of Offices to enhance the Government's reach and Scotland's international reputation, and to support the delivery of the Scottish Government's objectives. Led work on international aspects of COVID, including repatriations and international travel.

Government Business: Delivered a major suite of primary and secondary COVID legislation and guidance as well as coordinating work on intra-UK COVID liaison, parliamentary reporting and policy on domestic travel; and overall governance, coordination, monitoring and reporting of concurrent EU Exit and [COVID-19](#)⁷³ risks and associated programme of work.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Economy: Preparatory work for the end of the transition period following the UK's Exit from the EU sought to mitigate the risks to, and minimise the impact on, Scotland's economy, including from the ending of freedom of movement.

International: Ahead of the UK's Exit from the EU, and in the months after, set out Ministers position on Scotland's place in Europe, and Scotland's place in the world; and use networks to position Scotland as a great place to do business, and a place that welcomes migrants, students and visitors.

Other Relevant Performance Information

[Freedom of Information performance](#)
[International Development 2019-20: Contribution Report](#)
[International Development-National Indicator Development: Research Report](#)

Crown Office and Procurator Fiscal Service (COPFS)

Policy Aims in 2020-21 draft Budget

The [main priorities for 2020-21](#)⁷⁴ were to: maintain the rule of law and administration of justice in Scotland; secure justice for the people of Scotland through the independent, effective and fair investigation and prosecution of crime in the public interest; investigate sudden and unexpected deaths in order to identify their causes and, where appropriate, so lessons are learned from avoidable deaths; underpin public confidence in the police through the independent, effective and fair investigation and prosecution of criminal allegations against police officers; help to protect individuals and communities from harm, including through the use of the powers available under the Proceeds of Crime Act and otherwise.

Expected to contribute to the following National Outcomes: Communities, Human Rights, Economy.

COVID Impact on 2020-21 Priorities

Due to COVID-19 restrictions, the criminal justice system in Scotland scaled down all but the most essential court proceedings. The implementation of new legislation, the Coronavirus (Scotland) Act 2020, and Coronavirus (Scotland) (No.2) Act, affected COPFS including allowing for remote, electronic attendance of parties at court; electronic signature and transfer of documents; extension of time limits; and admission of statements in evidence in certain

⁷³ <https://www.gov.scot/collections/coronavirus-covid-19-scotlands-route-map/>

⁷⁴ <https://www.gov.scot/publications/scottish-budget-2020-21/pages/17/>

circumstances. Successful business continuity plans ensured that there was no interruption to business activities within COPFS.

2020-21 Deliverables

There was a significantly increased number of reportable deaths requiring further investigation. A dedicated Unit was established to investigate COVID-19 deaths that required to be reported, and a memorandum of understanding implemented with the medical profession on the reporting of COVID-19 deaths to the Procurator Fiscal.

A project was completed to review and modernise the processes involved in deaths investigations and Fatal Accident Inquiries. COPFS worked with toxicology suppliers on a service improvement plan which has assisted in reducing the caseload and improving turnaround times. COPFS tackled increasing caseloads of serious cases, in line with Scottish Courts and Tribunal Service (SCTS) court programmes, recruited for additional essential posts, and inducted and trained staff.

COPFS worked with Justice Partners to formulate and deliver the Court Recovery Programme with Scottish Government support; and the Future Ways of Working programme is taking account of lessons learned during the COVID-19 pandemic to shape future ways of working.

Overall Intended Portfolio Contribution to National Outcomes

The deliverables described above were intended to contribute to the following outcomes:

Primary Outcomes

Communities: Contribute to the resilience and safety of communities across Scotland through action taken in response to crime reports, investigations into deaths that need further explanation, and allegations of criminal conduct against police officers while on duty.

Economy: Maintain an effective system for the investigation and prosecution of crime, and the investigation of deaths, helping to reduce the detrimental impact that crime can have on Scotland's economy.

Human Rights: Investment to support the following Human Rights outcomes: the right to a fair trial and the right to freedom from punishment without law.

Secondary Outcomes

Environment: Continue to exceed target to reduce CO2 emissions from the use of gas and electricity in its buildings by over 2.5% per year. Emissions were reduced by 23% by end March 2021, due to an increase in national renewable energy generation and a reduction in electricity consumption of 18%.

Other Relevant Performance Information

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

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 22.

As described above, spending plans for financial year 2020-21 were set out in the Scottish Budget 2020-21 published on 6 February 2020. These plans were presented alongside the introduction of the Budget Bill. After consideration by the Scottish Parliament Finance and Constitution Committee and other Committees the Bill received Royal Assent as the Budget (Scotland) Act 2020 in March 2020. Parliamentary approval for the in-year revisions to the plans set out in the Budget (Scotland) Act was granted in the Summer Budget Revision made in June 2020, Autumn Budget Revision made in November 2020 and Spring Budget Revision, made in March 2021. Over the course of the three budget revisions the Scottish Government allocated £8.6 billion Covid-19 consequentials in 2020-21.

The budget of £50,701 million reported in these accounts is net of adjustments to reflect those activities not included in the accounting boundary as described above. This is made up of an operating budget of £48,573 million and a capital budget of £2,128 million.

The financial results for the year are reported in the attached accounts. They record an explanation of the major variances is included in these accounts in the portfolio outturn statements. They record a Net Resource Outturn of £48,200 million against a budget of £48,573 million, resulting in an underspend of £373 million. The Net Capital Outturn for the year was £1,921 million against a budget of £2,128 million representing an underspend of £207 million. The total underspend was £580 million, 1.1% of the total budget.

Under the current devolution settlement, the Scottish Parliament is not allowed to overspend its budget. As a consequence, the Scottish Government has 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 Minister for Public Finance, Planning and Community Wealth in June 2021 acknowledged that the financial challenges of responding to the pandemic have been unprecedented and reported that the provisional fiscal outturn for 2020-21 was £48.0 billion against a total fiscal budget of £48.5 billion. The announcement reported the position in terms of Scottish Government expenditure against totals as set by HM Treasury. The two sets of outturn information are not strictly comparable. The scope of what is included in these accounts is determined by the requirements of the Government's Financial Reporting Manual (FRM) and covers elements that are not included in the HM Treasury figures.

Over the course of the three budget revisions the Scottish Government allocated £8.6 billion of Covid-19 consequentials in 2020-21. Information on the breakdown of this is available within the Budget Revision documents and other sources, such as FOI releases.⁷⁵ The net funds deployed included funds reprioritised from non Covid allocations.

⁷⁵ for example FOI Reference: FOI/202100189799: <https://www.gov.scot/publications/foi-202100189799/>

Additional information on COVID spend

There is understandable interest in the level of spending on Covid response. “Covid spend” is not, however, a budgetary or accounting classification and the portfolio statements in these accounts necessarily report against the authorised budgets at a higher level.

Audit Scotland has produced a series of reports considering the impact of COVID-19 on Scotland’s public finances; the latest, from September 2021⁷⁶, highlights Audit Scotland’s tracking of the Covid-19 public spending announcements and includes a Scottish Government estimated breakdown of actual spend on Covid-19 in 2020-21 as £8.8 billion.

This estimate came from detailed analysis of provisional outturn for the financial year as part of the annual accounts process and this information was subsequently published⁷⁷. A portfolio level summary is provided below, highlighting the more significant elements of spend within the portfolios.

Outwith the specific support schemes, there is an element of judgement in attributing some spend, particularly where existing mechanisms were used to provide aspects of support; this list cannot therefore be considered exhaustive but can be considered as a minimum listing.

The performance analysis on pages 20 to 57 provides additional information highlighting the impact of Covid on priorities and deliverables. There is also information in the Governance statement on pages 59 to 81, setting out the approach to governance and assurance for the new Covid support schemes.

There is, progressively, a great deal of information now available from different sources about the different forms of support. Some of this is signposted from the Performance analysis sections which cover delivery and some of this is not restricted to specific financial years.

Portfolio Level 2	Capital £m	FTs £m	Resource £m	Total £m
Health and Sport	-	25	2,730	2,755
Personal Protective Equipment	-	-	448	
Hospital scale up - Staffing and beds	-	-	341	
£500 bonus payment	-	-	198	
Social Care	-	-	196	
Test and Protect	-	-	130	
Adult social care winter plan	-	-	112	
Equipment and Maintenance	-	-	90	
Public Health Measures	-	-	70	
NHS Louisa Jordan	-	-	57	
Other direct Health Board spend	-	-	358	
Other Core Health spend	-	-	700	
Sport	-	25	30	

⁷⁶ [Covid-19: Tracking the impact of Covid-19 on Scotland’s public finances | Audit Scotland \(audit-scotland.gov.uk\)](#)

⁷⁷ <https://www.gov.scot/publications/foi-202100239702/>

Portfolio		Capital	FTs	Resource	Total
<i>Level 2</i>		£m	£m	£m	£m
Communities and Local Government		30	52	3,221	3,303
<i>Local Government</i>	Small Business Grant Scheme	-	-	800	
	Retail, Hospitality and Leisure Business Grant Scheme	-	-	220	
	Rates Relief	-	-	972	
	UK Government Consequentials Lost Income Scheme	-	-	204	
	Local Government Barnett Consequentials	-	-	200	
	Other Local Government	-	-	523	
<i>Housing</i>	Housing Sector Funds	-	20	11	
<i>Social Justice and Regeneration</i>	Addressing Financial Hardship	-	-	40	
	Free School Meals and Community Food	-	-	39	
	Other Social Justice and Regeneration	30	-	126	
<i>Third Sector</i>	Third Sector Funds	-	32	86	
Finance		47	-	43	90
<i>Digital Strategy</i>	Digital Strategy Grants	47	-	-	
<i>Other Finance</i>	Communications, Ministerial Support & Workplace Registers of Scotland	-	-	32	
		-	-	11	
Education and Skills		132	-	330	462
<i>Learning</i>	Free School Meals over holidays	-	-	17	
	Additional Teachers and Support Staff	-	-	53	
	Digital Inclusion	21	-	3	
	Education Recovery Funding	-	-	90	
	Other Learning	1	-	2	
<i>Children and Families</i>	Winter Plan Social Protection	-	-	25	
	Other Children and Families	-	-	8	
<i>Higher Education Student Support</i>	Winter Covid Fund	-	-	21	
	Other HESS	-	-	3	
<i>Advanced Learning and Science</i>	Student Hardship funding	-	-	30	
	Further /Higher Education Funding through Scottish Funding Council	-	-	40	
	Additional research funding through Scottish Funding Council	95	-	-	
	Exam Support and other funding to Scottish Funding Council	-	-	26	
	Other Advanced Learning and Science	15	-	12	
Justice		6	-	30	36
<i>Legal Aid</i>	Lawyers hardship fund	-	-	2	
<i>Scottish Police Authority</i>	Covid support	-	-	13	
<i>Scottish Prisons Service</i>	Covid support	3	-	9	
	Other Justice spend	3	-	6	
Transport, Infrastructure and Connectivity		31	-	615	646
<i>Rail Services</i>	Support for Rail	-	-	421	
	Support for Light Rail	-	-	21	
<i>Concessionary Fares & Bus Services</i>	Support for Buses	-	-	123	
<i>Active Travel, Low Carbon and Other Transport</i>	Scottish Canals	2	-	1	
	Future Transport Fund	9	-	-	
<i>Motorways and Trunk Road</i>	Road Network	20	-	-	
<i>Ferry Services</i>	Support for Ferries	-	-	35	
<i>Air Services</i>	Support for Air	-	-	14	
Environment, Climate Change and Land Reform		35	-	9	44
<i>Research, Analysis and Other Services</i>	Covid related research	23	-	-	
<i>Environmental Services</i>	National Parks support	1	-	1	
	Other support	1	-	7	
<i>Climate Change</i>	Green Recovery Funds	10	-	-	
<i>Scottish Water</i>	Water Testing	-	-	1	

Portfolio <i>Level 2</i>	Capital £m	FTs £m	Resource £m	Total £m
Rural Economy, Enterprise and Tourism	10	-	165	175
<i>Rural Services</i>				
Wholesale Food and Drink Resilience Fund	-	-	6	
Support through Highlands and Islands Enterprise	2	-	9	
Support through South of Scotland Enterprise	-	-	2	
Other Rural Services Funds	8	-	4	
<i>Fisheries & Aquaculture Grants</i>				
Seafood Hardship Fund	-	-	14	
Sea Fisheries Support	-	-	9	
<i>Forestry and Land Scotland</i>				
Forestry Land Scotland	-	-	4	
<i>Tourism</i>				
Support for Tourism through Visit Scotland	-	-	83	
Self Catering Fund	-	-	7	
Support for Tourism through Scottish Enterprise	-	-	27	
Economy, Fair Work and Culture	73	1	1,164	1,238
<i>Enterprise, Trade and Investment</i>				
Strategic Framework Business Fund	-	-	345	
Hospitality, Retail and Leisure Top-up Fund	-	-	234	
Other Covid support to Local Authorities	71	-	169	
Pivotal Enterprise Resilience Fund and Hardship	-	-	145	
<i>Culture and Major Events</i>				
Self Catering Fund and Digital Support	-	-	21	
Culture Funds through Creative Scotland	-	-	73	
Historic Environment Scotland	-	-	29	
Other Cultural support	2	1	19	
<i>Employability and Training</i>				
Early Stage Funding	-	-	37	
Young Persons Guarantee	-	-	44	
Apprenticeship Employment Grant	-	-	21	
National Transition Training Fund	-	-	11	
Other employability and training spend	-	-	16	
Social Security and Older People	-	-	27	27
<i>Social Security Assistance</i>				
Carers Allowance Supplement	-	-	19	
Other Social Support	-	-	8	
Constitution, Europe and External Affairs	-	-	-	
Crown Office and Procurator Fiscal Service	-	-	-	
Grand Total	364	78	8,334	8,776

Statement of Financial Position

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

The Consolidated Statement of Financial Position, (page 117) is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the Scottish Government. This shows taxpayers' equity – an accounting measurement of the amount invested by taxpayers that has continuing public benefit. It shows how much of this has arisen from the application of revenues (including the Scottish Block Grant) and that which has resulted through changes over time in the value of physical assets.

It is important to note that the consolidated accounts bring together the “balance sheets” of bodies that are significant in their own right. Detailed financial and narrative information on the major items, for example the road network, is available in the accounts and related reports of the relevant body - Transport Scotland; similarly, information about NHS bodies is in the

detailed accounts for each body; the Student Awards Agency also provides separate reporting around student loans i.e. the loans are not within SAAS' accounts but they do provide information about their administration, and the loans themselves are reported within these consolidated accounts.

The Statement of Financial Position includes:

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

Assets and liabilities

Physical assets are the highest value group of assets in the Consolidated Accounts with a value of £30,808 million at 31 March 2021 of which £20,757 million (67 per cent) relates specifically to the road network. There were additions of £710 million that resulted from capital investment, offset by disposals and the net effect of depreciation and revaluations.

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

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

Where Scottish Ministers decide to make investments directly through the Scottish Government, Accountable Officers must ensure that appropriate diligence and consideration is carried out before any commitment is made to invest in accordance with the detailed guidance in the Scottish Public Finance Manual⁷⁸, support specific economic objectives and are in line with the outcomes set out in the National Performance Framework.

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

For the purposes of assessing the valuation of such investment for accounting purposes, IFRS 9 applies an "expected credit loss model". This is not a write-off of those investments or a prediction of loss but a measure of the risk in the investment which means that the

⁷⁸ <https://www.gov.scot/publications/scottish-public-finance-manual/borrowing-lending-and-investment/annex-a-investment-in-businesses-by-scottish-ministers/>

assessment for accounts purposes has to take a prudent view of whether a positive outcome can yet be substantiated.

Burntisland Fabrications Limited (BiFab)

Burntisland Fabrications Limited (BiFab): In the 2018/19 financial year, the Scottish Government converted £37.4 million of loans previously advanced to BiFab on a commercial basis to equity in the company. As a result of the conversion of these loans, the Scottish Government now holds a 32.4% equity stake in BiFab. The equity stake in BiFab was valued at nil in the 2019/20 annual accounts.

In the current financial year, the Scottish Government has advanced further loans on a commercial basis to BiFab totalling £4.5 million. Collectively, this financial support ensured that the Beatrice Offshore Wind Farm, Moray East Pin Piles and First E&P contracts were completed – creating over 1,000 jobs across the 3 yards at Arnish, Burntisland and Methil. In consultation with commercial advisors, the Scottish Government has written down the carrying value of the outstanding loan balances owed from BiFab to nil.

The delays to the NnG contract award, the decision to award the Seagreen contract to overseas competitors, compounded by the majority shareholder's continued lack of financial support for the business greatly weakened BiFab's cashflow and balance sheet. In light of this, the company was placed into administration on 14 December 2020. Scottish Ministers remain committed to a sustainable future for the sites at Arnish, Burntisland and Methil. In support of this the Scottish Government provided funding to the Administrators of BiFab to allow a sales process to be conducted. This process resulted in a sale of the business to InfraStrata PLC, trading as Harland & Wolff, in February 2021.

Scottish Government continue to work with administrators to maximise the recovery to the public purse from the loans previously provided.

Ferguson Marine (Port Glasgow) Limited

On 16 August 2019, Ferguson Marine shipyard in Port Glasgow was placed in administration. In order to remove the threat of closure, the Scottish Government took control of the operations at the yard under a management agreement with the Administrators of the business. This intervention by Scottish Ministers ensured continuity of employment for the workforce and continued work on the vessels under construction during the period of Administration. On 2 December 2019, following a marketing process by the Administrators, the Scottish Government completed a commercial transaction to bring the shipyard into public ownership. The move to bring Ferguson Marine into public ownership demonstrates Scottish Ministers' commitment to protecting the jobs at the Port Glasgow yard, delivering the two ferries under construction and securing a future for commercial shipbuilding on the Clyde.

Since the business was brought into public ownership, significant progress has been made on the vessels despite the impact that COVID-19 and shortages of local skilled labour has had on delivery schedules and pandemic-related costs. The yard did everything possible to limit the impact of the COVID-19 closures and skilled labour shortages on the delivery of the two ferries under construction. The delivery of Glen Sannox is now planned for a date in the range of July 2022 to September 2022. The delivery of 802 is now planned for April 2023 to July 2023.

The contracts for the completion of vessels 801/802 by Ferguson Marine were restructured to implement a contractual relationship which reflected the commitment from Scottish Ministers to fund the completion and delivery of the two ferry vessels. The Scottish Government entered into new contracts with Ferguson Marine which replaced the original contracts between CMAL and the shipyard. This reorganisation resulted in the vessels being transferred onto the

Scottish Government's balance sheet as Assets Under Construction in partial repayment of the outstanding voted loans and also resulted in a write-off of the residual voted loan balance.

Lochaber

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

Pensions

The Scottish Government 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 Scottish Government 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.

Borrowing

Capital Borrowing

Under Section 32 of the Scotland Act 2012, as amended by Scotland Act 2016 Section 20, additional borrowing powers were conferred on Scottish Ministers with effect from 1 April 2015. Any sums borrowed and repaid under these provisions must do so via the Scottish Consolidated Fund and hence be reflected in those accounts.

The first exercise of the Capital borrowing powers took place in 2017-18 where £450 million (the maximum available) has been drawn down to the Scottish Consolidated Fund from the National Loans Fund. This was followed by borrowing of £250 million in 2018-19, £405 million in 2019-20, and £200 million in 2020-21.

The repayment of borrowing outstanding as at 31 March 2021 is scheduled as follows:

	Principal £m	Interest £m	Total £m
<1 year	59.8	14.2	74.0
1 – 5 years	260.1	50.5	310.6
>5 years	899.8	99.6	999.4
Total	1,219.7	164.3	1,384.0

An arrangement was agreed with HM Treasury for notional borrowing in 2015-16 and 2016-17 to meet the budget implications of the classification decision related to the introduction of The European System of National and Regional Accounts (ESA10) which required the capital value of a small number of NPD projects to be budgeted for in the years of asset construction. This required the notional amounts borrowed to be recorded against the Scottish Government's borrowing cap in each of these years, however no actual borrowing was undertaken.

Resource Borrowing

The first exercise of the Resource borrowing powers took place in 2020-21 where £207 million has been drawn down to the Scottish Consolidated Fund from the National Loans Fund. This was within the final limit for Resource Borrowing for the financial year 2020-21 of £300m. Further detail on the specific, annual and cumulative limits for Resource Borrowing are available in the Fiscal Framework Outturn Report for 2020-21⁷⁹.

The repayment of borrowing outstanding as at 31 March 2021 is scheduled as follows:

	Principal £m	Interest £m	Total £m
<1 year	20.6	0.5	21.0
1 – 5 years	165.6	1.2	166.8
>5 years	20.8	0.0	20.8
Total	207.0	1.7	208.7

Payment Policy

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

The Scottish Government has a 10-day target for paying bills to businesses in Scotland. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business. The Scottish Government responded to the challenges of the pandemic and remote working by deploying continuity measures and introducing additional measures to enable payments to be made as quickly as possible. Payment performance did not drop significantly.

⁷⁹ <https://www.gov.scot/publications/fiscal-framework-outturn-report-2021/>

For financial year 2020-21, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 96.6% of all payments within 10 days (2019-20: 98.7%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 96.7% of payments within 10 days (2019-20: 99.1%). The NHS bodies in Scotland made 83.3% of all payments within 10 days (2019-20: 84.3%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2020-21 was 99.5% (2019-20: 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 99.6% (2019-20: 99.7%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 92.9% (2019-20: 93.7%) of all payments within the terms of their contractual 30 day payment policy.

Sustainability and Environmental Reporting

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

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

The guidance relates specifically to information to be included in Scottish Public Sector Sustainability Reports⁸⁰ 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.



Leslie Evans
Principal Accountable Officer

15 December 2021

⁸⁰ <https://www.gov.scot/policies/sustainable-performance/sustainable-performance-reports/>

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. The current Governance Systems have been in place for the year under review and up to the date of approval.

Statement of Accountable Officer's Responsibilities

In accordance with the accounts direction (reproduced on page 176) 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 Manual¹.

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

The Principal Accountable Officer authorised these accounts for issue on the date signed at the end of this report.

¹<https://www.gov.scot/publications/scottish-public-finance-manual/background-and-applicability/background-and-applicability/>

Governance Statement

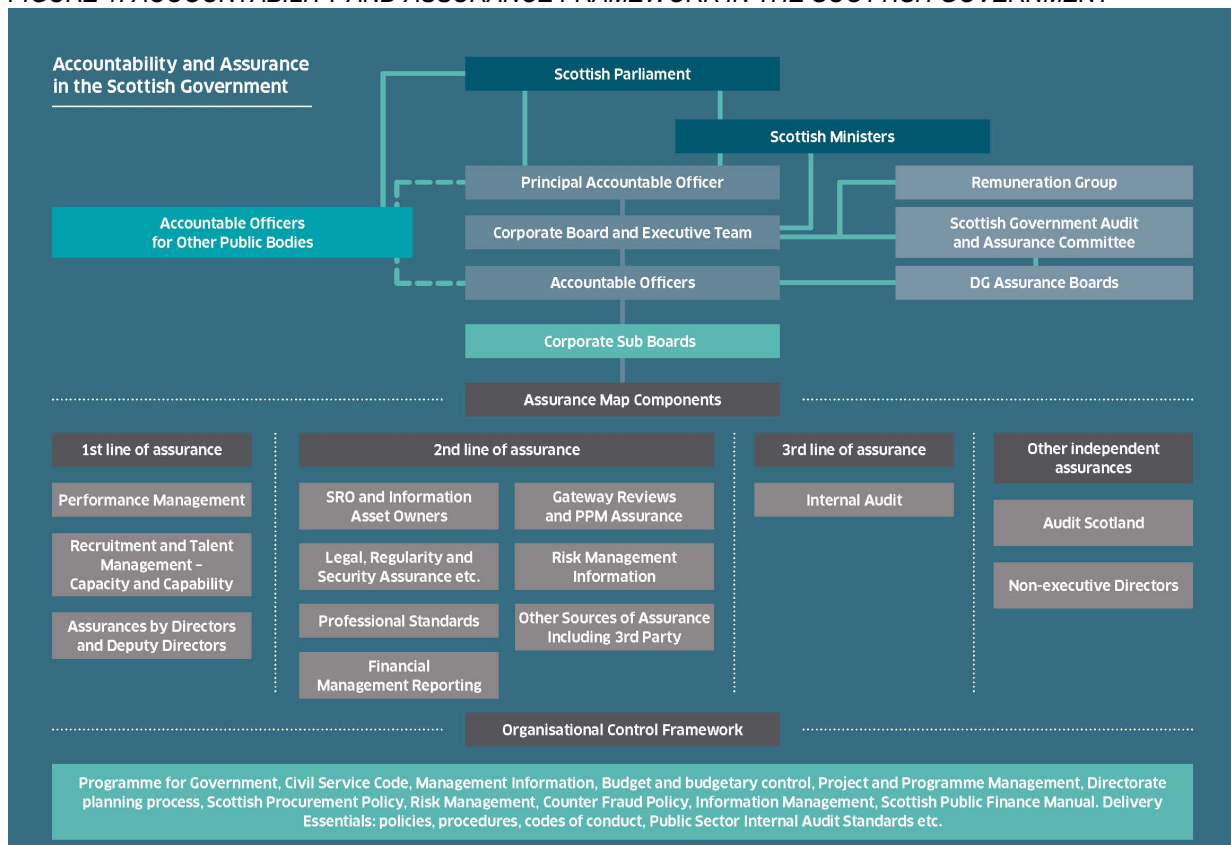
Scope of Responsibility

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

As the Permanent Secretary, I am responsible for ensuring that robust governance arrangements are in place to ensure that we deliver our Purpose and National Outcomes in an open, capable and responsive way. I am also the Principal Accountable Officer (PAO) for the Scottish Administration (under the terms of the Public Finance & Accountability (Scotland) Act 2000) and responsible for ensuring the propriety and regularity of finances and the economic, efficient and effective use of resources. In discharging these overall responsibilities I am supported by the designated Portfolio Accountable Officers within the core Scottish Government; the Crown Office and Procurator Fiscal Service (COPFS); Scottish Government Executive Agencies and Health Bodies.

Detailed information on the role and responsibilities of Accountable Officers is set out in the Accountability chapter² of the Scottish Public Finance Manual (SPFM) and further detail on the context and purpose of the Governance Statement can be found in the Governance Statement chapter³ of the SPFM. Figure 1 sets out the approach I have put in place to achieve this.

FIGURE 1: ACCOUNTABILITY AND ASSURANCE FRAMEWORK IN THE SCOTTISH GOVERNMENT



Corporate Governance System

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

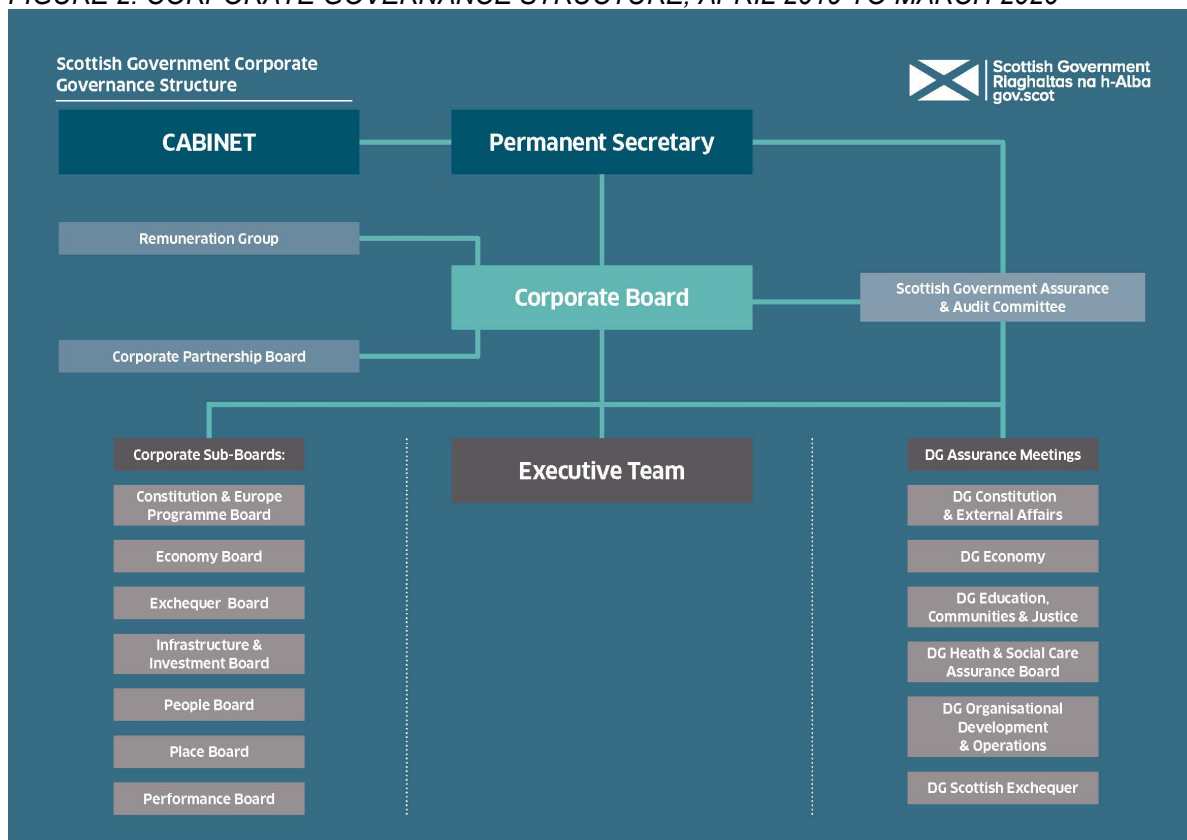
² <http://www.gov.scot/Topics/Government/Finance/spfm/Accountability>

³ <https://www.gov.scot/publications/scottish-public-finance-manual/governance-statements/governance-statements/>

The Scottish Government’s corporate governance system provides for clear lines of accountability, effective reporting and appropriate escalation routes. It enables scrutiny and oversight of the Scottish Government’s activities and provides me with a source of assurance on the effectiveness of the corporate governance arrangements in place. In addition, it complies with all governance-related guidance in the SPFM, the Civil Service Code⁴ and relevant elements of the Good Governance Standard for Public Services⁵ produced by the Independent Commission on Good Governance in Public Services.

During this reporting period, the streamlined governance structures which were put in place in March 2020 to support the Covid-19 response, and which were set out in my Governance Statement in 2019-20, have continued to operate. Accountable Officer duties set out in the Public Finance and Accountability (Scotland) Act 2000⁶ and the SPFM remain extant. The structures were kept under on-going review, and as we moved to Covid-19 recovery, some elements which had been paused, were re-commenced. In April 2021 for example, the People and Place sub-Boards which, prior to being paused during the Covid-19 response period, operated as separate Boards, had their first combined meeting. This is reflective of our new ways of working, and of the organisation and its governance structures living our vision and values detailed in our internal “In the Service of Scotland” document. At the time of writing this statement, the governance landscape and structures continue to be under review. The previous structure in place is detailed in Figure 2 below and for comparison the adapted structure which was operational during most of 2020-21 is set out at Figure 3 below, this is the structure which was most relevant during the period to which this statement relates.

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

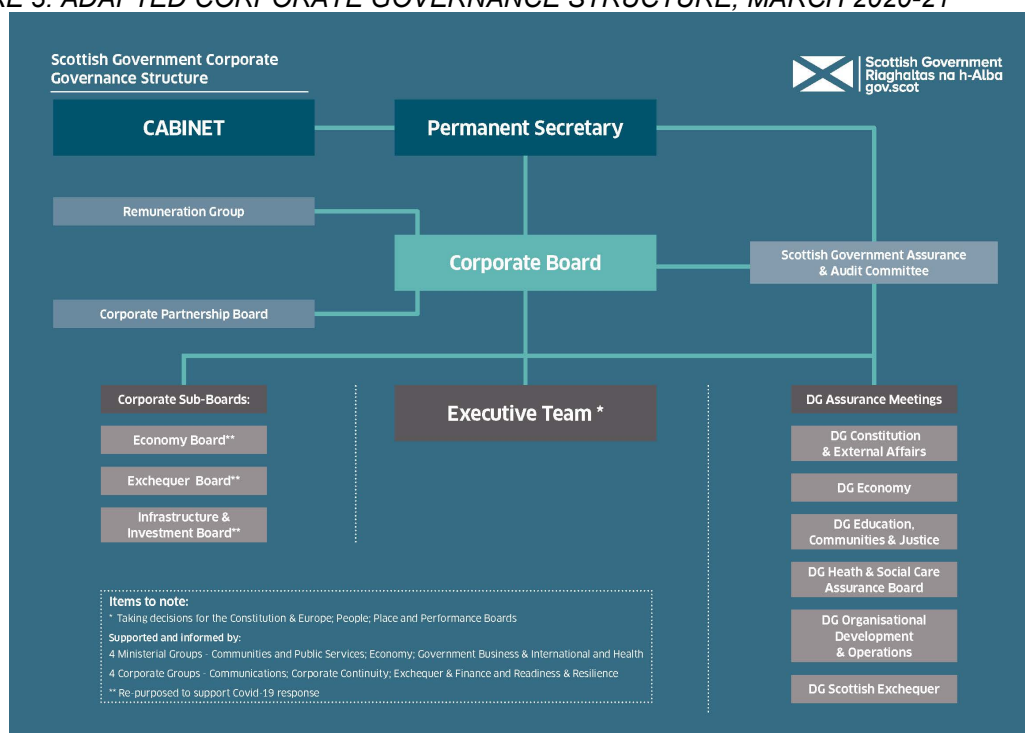


⁴ <https://beta.gov.scot/publications/civil-service-code/>

⁵ <https://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services>

⁶ <https://www.legislation.gov.uk/asp/2000/1/contents>

FIGURE 3: ADAPTED CORPORATE GOVERNANCE STRUCTURE, MARCH 2020-21



NB: During the 2020-21 financial year DG Organisational Development and Operations was transitioned to DG Corporate and DG Education, Communities and Justice was split into DG Communities and DG Education and Justice.

Governance arrangements for separate accounting entities

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

Corporate Board

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

Over the reporting period, it has consisted of myself; Directors General as my Portfolio Accountable Officers; five Non-Executive Directors⁷; the Chief Financial Officer; Director of People; the Director for Communications and Ministerial Support, the Director for Equality, Inclusion and Human Rights, the Solicitor to the Scottish Government and the Board Secretary⁸.

Corporate Board continued to meet quarterly over the course of the reporting period which this Statement covers and its minutes are published. It has considered the following issues over the reporting period: financial performance and budget monitoring throughout the year to support its consideration of the Annual Accounts; Covid-19 and concurrent risk; an economy

⁷ The following NXDs have been members of Corporate Board in the reporting period of the Accounts: Annie Gunner Logan; Linda McKay; Hugh McKay; Janet Hamblin (until August 2020) and Ronnie Hinds;

⁸ The Board Secretary has overall responsibility for the Scottish Government's Corporate Governance structures.

deep dive; Public Service Reform; climate change deep dive; and the 2020-21 Scottish Government Annual Consolidated Accounts and this companion Governance Statement. It also undertook its annual review of corporate risk. The Balanced Scorecard has continued to be developed to support the Board to scrutinise the organisation's key performance and delivery metrics as well as progress towards our National Performance Framework outcomes.

Scottish Government Audit and Assurance Committee

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

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

Relevant issues discussed at Director General Assurance meetings are escalated for awareness and discussion (and if appropriate, action) to SGAAC based on clear escalation criteria. Issues which have been considered for assurance purposes at SGAAC in this reporting period have included: staffing capacity and capability; EU Exit preparedness; the impact of Covid-19; and a number of other areas I have referenced later in this Statement. The issues raised throughout this year, alongside the Director General Certificates of Assurance which underpin this Statement, have been discussed by SGAAC in the period up to my signature of the Statement and the Scottish Government's Annual Accounts. SGAAC subsequently considered the Statement and the draft Annual Accounts on 13 December 2021 following consideration by Corporate Board on 7 December 2021 and no significant control weaknesses were raised other than those disclosed in the significant control issues section of this Statement.

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

DG Assurance

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

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

Improvements to the Scottish Government's assurance arrangements continue. The Risk Improvement Project which was undertaken has enhanced the arrangements for risk management and reporting which feed into the DG Assurance meetings. The on-going improvement of risk management will continue to be an area of focus in 2021-22 and further detail on these improvements is included later in this statement. The arrangements for the

reporting and scrutiny of performance and outcomes were also reviewed in this reporting period and will continue to be developed into 2021-22.

Other Corporate Governance Boards

The Corporate Board is supported by a number of corporate sub-boards;

People and Place Board: chaired by DG Corporate

As outlined above, the People and Place sub-Boards were paused in 2020-21 as part of the streamlined governance arrangements that were put in place to support the organisation in pivoting towards the Covid-19 response. In August 2021, the Corporate Board approved the permanent merger of the People and Place Boards to the combined People and Place Board. The combined Board met for the first time in April 2021 and for the first time as a formally combined Board in September 2021. The Board considered its revised draft Terms of Reference at its meeting in September 2021. The purpose of the Board is to provide advice and guidance to Corporate Board on the creation of the culture and conditions for individuals to thrive and be successful in the Scottish Government, 'In the Service of Scotland' and in the delivery of the Scottish Government's priorities. This is in respect to both the People of the organisation, and the Place that houses and operates for those People. 'People' refers to individuals and teams and the culture and policy environment within which they operate. 'Place' refers to the physical and digital space which supports people, visitors and the wider community to work together effectively across and, as necessary, beyond Scotland.

Performance Board: chaired by DG Scottish Exchequer

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

Economy Board: chaired by DG Economy

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

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

Exchequer Board: chaired by DG Scottish Exchequer

The Exchequer Board provides strategic assurance, advice and challenge on Exchequer governance within Scottish Government. This enables DG Scottish Exchequer to provide advice on the medium and long-term sustainability of Scotland's public finances and on the resilience of Scotland's fiscal landscape.

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

Infrastructure Investment Board: chaired by DG Scottish Exchequer

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

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

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

The Constitution and Europe Programme Board's (CEPB) role is to ensure that, following the EU referendum result, the Scottish Government brings clarity and leadership to its engagement with: citizens, the UK Government, other administrations, the European institutions and civic and business organisations. Its role is to protect and advance Scotland's economic, financial, social, environmental and constitutional interests, ensuring that, whatever happens, Scotland is ready and responds effectively. As outlined above, in figure 3 the sub-Board was paused in 2020-21 as part of the streamlined governance arrangements that were put in place to support the organisation in pivoting towards the Covid-19 response therefore during 2020-21 the board did not meet and Executive Team as noted above undertook any decisions required for that board during the period.

Internal Audit and Assurance

The Directorate of Internal Audit and Assurance (DIAA) brings together three independent assurance teams; Internal Audit; Digital Assurance Office; Portfolio, Programme and Project Assurance; and the role of the Data Protection Officer. While the services provided by each of the teams continue independently, an enhanced integrated approach to assurance is being developed to support the Scottish Government's expanding responsibilities through a proportional provision of assurance activities throughout the policy to delivery lifecycle. Since the year-end, a new post of Head of Counter Fraud Profession has also been established in the Directorate to enhance the Scottish Government's capacity and capability in counter-fraud.

Audit Scotland, as the Scottish Government's External Auditors, assess the extent to which they will use the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, and meet their wider responsibilities, depending on their direct relevance to their work. Each year they also undertake a review of the Scottish Government's Internal Audit arrangements. Audit Scotland confirmed that their review found that the improvements in the standard of internal audit work noted in the previous two years have continued during 2020-21 and that they did not find any areas of significant non-compliance with standards.

Audit Scotland

Audit Scotland attend Director General Assurance meetings and SGAAC, providing updates in relation to current and future work plans. Bi-annual meetings take place between Executive Team, the Auditor General and Audit Scotland as part of the Scottish Government's wider commitment to working together, with the most recent taking place in October 2021.

In addition, regular engagement has taken place between Audit Scotland and the Directors General, the Chief Financial Officer, the Director of Internal Audit and Assurance and the Board Secretary and others as required. In addition, Audit Scotland meet regularly with the Chair and Deputy Chair of SGAAC in order that Audit Scotland can support them in discharging its responsibilities to me as Principal Accountable Officer.

Non-Executive Directors (NXDs)

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

Scottish Government response to Covid-19

Covid-19, the Four Harms of Covid-19⁹, and recovery has been the most significant issue and area of focus across the Scottish Government in 2020-21.

Covid-19 was directly referenced in eleven of the risks in the Corporate Risk Register during 2020-21 and it is also covered indirectly through a number of other risks, which reflect the all-encompassing nature of Covid-19. The rapid transition and sustained shift to an entirely remote working model and adapting to new ways of working, as well as additional demands on staff such as home-schooling and other caring responsibilities, have impacted on organisational capacity and staff wellbeing, despite the successful rollout of digital tools to support staff, such as Microsoft Teams. Learning from the Covid-19 response has been considered in the looking back to look forward initiative, which has helped shape the new organisational vision '*In the Service of Scotland*' which was launched internally in June 2021. DG Scottish Exchequer and DG Corporate have worked closely on this initiative given the connections through leading transformational change and performance improvement.

All Directors General redeployed key staff into other areas of the Scottish Government to facilitate the organisation's response to Covid-19. DG Scottish Exchequer also redesigned its work to prioritise the Covid-19 response and recovery, and took the lead in establishing the Renew Programme. A number of re-prioritisation decisions have been taken in conjunction with Ministers to reflect the need for the organisation to pivot to the Covid-19 response. The evidence presented in the '*Scotland's Wellbeing: The Impact of Covid-19*'¹⁰ report which was prepared by the Scottish Government together with input from the Convention of Scottish Local Authorities (COSLA) and the Improvement Service and was published in December 2020, showed that the pandemic is likely to have significant and wide-ranging impacts right across the National Outcomes, and that the impacts of the pandemic have been, and are likely to continue to be, borne unequally.

The Scottish Fiscal Commission's (SFC's) January 2021 forecasts indicated that the criteria for a Scotland-specific economic shock occurring in 2021-22 would be met. This was confirmed by the subsequent Office for Budget Responsibility (OBR) forecasts, published alongside the UK Budget in March 2021. The significant challenges in the medium term fiscal outlook required concerted action across Government and additional resources and processes were put in place in parallel to those dedicated to in-year financial management in 2020-21 and the development of the Budget 2021-22 to address the immediate risk, the longer term corporate risk is detailed later in this statement.

⁹ The four harms are as follows: **direct health impact; wider health impacts; societal impacts; economic impacts and are set out in [Covid-19: Scotland's Route Map - Framework for Decision making](#)**

¹⁰ <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19-foreword>

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

Assurance on grants to Local Authorities for payment of Covid-19 support schemes

I have provided information within the performance section of these accounts which highlights the response to the pandemic in terms of funding available and support schemes delivered. Effective governance of the schemes was also essential.

In March 2020, Scottish Ministers announced the intention to provide support grants to eligible businesses. It was essential that these be implemented quickly and Ministers recognised that the speed of delivery introduced a greater risk of fraud. Policy design and delivery minimised that risk by using established and tested mechanisms for the delivery of support:

- Grant funding was provided to Local Authorities to administer grants to eligible businesses. Grant conditions for most of the grants specified that Local Authorities were responsible for ensuring that procedures for administering the grants were “suitably robust”.
- Local Authorities used established administrative capabilities which included mature fraud prevention and detection activities.
- The schemes were founded on the key qualification criteria of liability for non-domestic rates which meant that Local Authorities were using a well-established, robust, existing data set and had an existing financial relationship with any business claiming a grant, to validate the existence of the business and other information relevant to determining eligibility.
- The schemes were application based, eligibility criteria was set and guidance provided; this guidance evolved further over time as business support policy developed, enhancing effective control and targeting of support.

The business support funding available under the Strategic Framework, established from November 2020, followed the same principles.

The Scottish Ministers made payment of grants to Local Authorities in exercise of their powers under Sections 126 and 127 of the Housing Grants, Construction and Regeneration Act 1996¹¹. The plans and related funding were confirmed in the additional Summer Budget Revision of May 2020 (page 174).

A number of additional grant schemes were put in place to provide specific support to sectors of the economy or groups of workers who were particularly affected by the pandemic or by the restrictions in place. Some of these schemes were specifically designed to support businesses who did not have premises and were not liable for non-domestic rates, and so were not eligible for the main funds. These additional grant schemes were administered by a range of delivery partners, including local authorities, the Enterprise Networks, Creative Scotland, Visit Scotland and a private contractor. In each case, the processes set out above were applied to the policy design and administration of the schemes, setting these out in grant conditions or contracts with a requirement to address fraud risks, allowing delivery partners to use existing data or knowledge where relevant to validate information on applications, setting clear eligibility criteria that applicants would have to meet, and with arrangements for managing fraud risk. These varied depending on the specific aspects of individual funds – for

¹¹ <https://www.legislation.gov.uk/ukpga/1996/53/contents>

example where the delivery body had existing relationships with the organisations that were eligible to apply for support.

Ongoing monitoring, review and management of the schemes, including information sharing and collaborative working between Local Authorities, helped to further increase detection of fraud, and reduce fraudulent claims:

- Guidance to Local Authorities specifically advised of the need for due diligence to be undertaken to mitigate fraud and control mechanisms to be in place for effective fraud control.
- There was an ongoing relationship and engagement between the Scottish Government and Local Authorities as schemes were delivered. A Local Authority working group met regularly and fraud was a live issue that was regularly monitored and reviewed.
- Grant conditions required Local Authorities to provide regular information on expenditure and there was regular information sharing between Local Authorities, and shared with Scottish Government, on potential fraudulent applications.

In addition a significant amount of retrospective assurance activity was carried out by the Scottish Government policy teams, by Local Authorities and by the Head of Counter Fraud Profession and reported to the Business Support Governance Board, chaired by Director General Economy and set up to provide assurance over the Covid-19 business support schemes:

- The Head of Counter Fraud Profession assessed the levels of inherent fraud risk within the highest value business support schemes, reviewing the mitigating controls in place in order to provide an opinion on the Scottish Government's resultant exposure to fraud risk, and recommendations to enhance financial governance for future grants. Finding that within Local Authorities, effective controls were in place to mitigate the majority of fraud risks associated with business support, with some areas where controls could be improved. Overall providing an opinion of Reasonable Assurance for the business support grants.
- The Scottish Government's Internal Audit and Assurance Directorate provided a self-assessment checklist to assist teams responsible for business support grants to ensure they had addressed relevant policy questions, including fraud risk, and recorded decisions on policy development appropriately. Policy teams used these to consider fraud risk and the steps taken to mitigate fraud including the reliance placed on the work of the Local Authorities.
- The policy team carried out an assurance mapping exercise to assess the assurance processes in place to control risk. This also provided reasonable assurance that fraud risks were managed and adequate controls were in place.

All assessments provided reasonable assurance against the fraud risk for business support schemes, and found that the controls in place were adequate.

The assurance work did however highlight some areas for improvement. The Business Support Scheme fraud assessment recommended that assurance could be improved by the Scottish Government embedding formal processes to assess the risk of fraud within grants design, using this to inform agreements with delivery partners on fraud mitigation activity. The Scottish Government could also have enhanced these activities by promoting the use of business validation tools freely available through UK Government Cabinet Office but not widely used by Scottish Local Authorities. It was also recommended that the Scottish Government should review its requirements for the recording and reporting of fraud and error, ensuring that consistent and specific data is collected across grants and made available to provide better fraud and error metrics.

Assessment of Fraud and Error

Information from these assurance processes can inform an assessment of the estimated level of fraud and error within the schemes. Using the most significant schemes; Figure 4 provides headline spend figures for the three most significant schemes; considering prevented fraud, actual detected fraud, initial proxy comparators and then subsequent estimates.

FIGURE 4: HEADLINE SPEND FIGURES FOR THE THREE MOST SIGNIFICANT SCHEMES

Name of scheme	Take-up	Spend £m
Small Business Grant (SBG) Scheme	82,267 grants	800
Retail, Hospitality and Leisure (RHL) Business Grant Scheme	9,162 grants	220
Strategic Framework Business Fund (SFBF)	47,658 premises	345
SFBF RHL top-up		234
Total		1,599

Information on rejected applications

The effectiveness of the verification process for applications provides a good level of assurance on fraud prevention. The rates were approximately: 25% for RHL grants, 14% for SBG, and 30% for SFBF. These demonstrate an effective control regime within each scheme which is corroborated by the high number of prevented fraud attempts recorded by Local Authorities.

Information on detected fraud

The rates of detected fraud were low. The number of detected or suspected frauds as at June 2021 was 2,186. Of these, 2,086 were prevented and only 100 had been paid, to a value of £605K. This means that only 4.6% of detected fraud resulted in a fraud loss, therefore 95% did not result in loss and were prevented. This indicates proactive and effective pre-payment fraud prevention measures in operation. This data included all Local Authorities, so no extrapolation is required in relation to detected fraud.

For the SBG Scheme and the RHL Business Grant Scheme as at 31st March 2021, 93 grants that were awarded had been successfully recovered due to detection of either fraud or error by Local Authorities. Recovery action had been taken against 115 further awards, although these had not resulted in any recovery at the time of collection. Further information about the outstanding recoveries will be collected from Local Authorities by the end of the 2021-22 financial year.

In relation to undetected fraud, the assurance work confirms that the types of fraud detected aligns with the key risks identified at the outset of the schemes.

Issues in the quality and completeness of fraud information provided by Local Authorities means that there are some limitations in certainty of the overall value of fraud prevented, levels of fraud and consistency of fraud controls in place. The Scottish Government have good information about the fraud controls for business support grants in three Local Authorities, giving a consistent picture between each authority, but recognise that there may be a wider variation in controls across the remaining 29 authorities, and therefore less assurance. We can demonstrate, however, that all 32 local authorities were engaged in fraud prevention activities within business support grants, as fraud detection data was shared between Local Authorities and with the Scottish Government. Inconsistency in that data means total values of fraud prevented is unknown. The data shows approximately £3.1 million of fraud prevented, but this is likely to be between 0.5% and 0.8% (£6.9 million and £10.8 million) based on average grant amounts.

The estimated levels of undetected fraud within business support grants is based on the intelligence available of schemes being targeted, the quality and completeness of fraud controls and the evidence of fraud detected. We recognise that there will have been fraud that

went undetected as schemes were inherently higher risk and evidence suggests active organised crime activity in this space. We are confident however, that the controls identified in the sample of three Local Authorities were likely to be replicated across most authorities and were effective in providing assurance against key fraud risks. Information on the fraud detected was shared between all Local Authorities, who also routinely collaborate on best practice as facilitated by the Scottish Local Authorities Investigators Group. This indicates a consistent counter fraud approach. All of which provides confidence that grants were well protected, corroborated by the high number of rejected applications. Whilst the estimated levels of fraud is limited by a number of assumptions, as outlined, the small number of fraudulent grant payments also suggests there were not large numbers of fraudulent applications undetected.

Based on the above we are therefore confident that a reasonable estimate of fraud can be no more than 1-2% equating to £16.0 million - £32.0 million.

Management information and evaluation

Management information was collected for Business Support Schemes (Local Authority and non-Local Authority data providers) for operational and monitoring purposes. These figures were collected at an aggregate level to reduce the administrative burden on data providers, whilst maintaining the value for monitoring.

Scottish Government published regular management information and experimental statistics¹² about all of the business support schemes.

- Business Support regular management information and experimental statistics¹³
- Local Government statistics¹⁴
- Scottish Government has already published ad hoc experimental statistics publications on the detailed data on the closed schemes that we have now collected from local authorities and other data providers.¹⁵

This collection provides the most up-to-date high level data on the number of awards and payments made to a large number of schemes as they were delivered. In addition to the management information the experimental statistics provide more detailed breakdowns for a subset of Local Authority delivered funds. This dataset was developed as experimental statistics, as the data collection and quality assurance processes were more robust than the management information collection and the publication as a whole underwent improvements to meet stakeholders' needs.

The next ad hoc experimental statistics will be published on 21st December 2021 and include Local Authority breakdowns of non-Local Authority administered schemes. More detailed statistics will follow early in 2022.

The Office of the Chief Economic Adviser is undertaking an ongoing programme of evaluation of Covid-19 business support schemes available to businesses in Scotland. An interim evaluation will be published soon, and a full evaluation of the support package is planned for 2022.

¹² Experimental statistics are defined by the Code of Practice for Statistics as 'a subset of newly developed or innovative official statistics undergoing evaluation, that are published in order to involve users and stakeholders in the assessment of their suitability and quality at an early stage'. [Types of official statistics – UK Statistics Authority](#)

¹³ <https://www.gov.scot/collections/coronavirus-covid-19-business-support-funding-statistics/>

¹⁴ <https://www.gov.scot/publications/coronavirus-covid-19-business-support-fund-grant-statistics/>

¹⁵ <https://www.gov.scot/collections/coronavirus-covid-19-business-support-funding-statistics/#adhocpublications>

National Performance Framework

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

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

The statutory responsibility of Scottish Ministers to "prepare and publish reports about the extent to which the national outcomes have been achieved" is discharged through the NPF website¹⁶, where data and performance assessment are published as and when new data on the NPF National Indicators becomes available. In May 2019 the Scottish Government published "*Scotland's Wellbeing – Delivering the National Outcomes*"¹⁷, a report which drew together longer term trends and data across the National Outcomes. The Scottish Government have also produced a follow up analytical report on *Scotland's Wellbeing: The impact of Covid-19*¹⁸ which was published in December 2020 the publication aims illustrate the profound effect that Covid-19 has had on Scotland's wellbeing as a nation, and how it has disrupted progress towards Scotland's National Outcomes.

The monitoring of our progress towards the delivery of our key commitments and their contributions to National Outcomes has been further developed via the Balanced Scorecard process for the Corporate Board and is becoming better integrated into corporate governance processes. This has helped the organisation to track its progress and sits alongside the continuing improvements to performance reporting on key policy priorities in the Consolidated Accounts, further detail can be found within the Performance section of these accounts

Social Security Scotland – Next phase

The next phase of devolution is the most complex, with benefits for those who have disabilities amongst a series of commitments due to be delivered in the new Parliamentary term. Devolved benefits are demand led and fully funding these, together with the associated Programme charged with their delivery and the Agency which provides services to clients (Social Security Scotland), will remain one of the Government's top priorities in the years ahead. Finally, wherever the Department for Work & Pensions (DWP) delivers services for the Scottish Government under Agency Agreements, Audit Scotland might qualify its regularity opinion on Social Security Scotland's benefit expenditure. The regularity qualification on Social Security Scotland's 2019-20 accounts did not impact the Scottish Government consolidated accounts because the amounts were not material. For 2020-21 the Agency Accounts have again been qualified but the estimated level of overpayments attributable to fraud and error in the benefits delivered by the DWP is not deemed material for the consolidated accounts.

Establishment of Propriety and Ethics Directorate – Response to Complaints Handling Inquiry

The Directorate for Organisational Continuity has undergone transformation into the Directorate of Propriety and Ethics since the completion at the end of March 2021 of the

¹⁶ <https://nationalperformance.gov.scot/>

¹⁷ https://nationalperformance.gov.scot/sites/default/files/documents/NPF_Scotland%27s_Wellbeing_May2019.pdf

¹⁸ <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19-summary>

parliamentary inquiry into the Scottish Government's Handling of Harassment Complaints. The review by Laura Dunlop QC and James Hamilton's investigation into the alleged breaches of the Ministerial Code by the First Minister were also completed by the end of March 2021. On receipt of Laura Dunlop QC's review, the Deputy First Minister committed to finalising an implementation plan by June 2021 that drew on the lessons highlighted by this review, as well as the report from the parliamentary inquiry. The SG's response was published in June 2021 with the updated external procedure for handling complaints about Ministers forming the critical path to taking forward the Implementation Plan by December 2021. The SG's response to the reports also committed the organisation to establishing the Propriety and Ethics Directorate to ensure the highest standards of propriety and integrity across the civil service in Scotland. This necessitates change in the purpose and shape of the directorate, requiring changes in its core skillset to become more strategic and programme focussed, while still maintaining the ability to pivot quickly to respond to the likely variation and unknown quantity of what may lie ahead.

Scottish Government's Assurance Framework

Annual assurance on the adequacy and effectiveness of the core Scottish Government's internal control system, including risk management, safeguards against losses and the extent to which it can be relied upon is provided through the professional opinion of the Scottish Government's Director of Internal Audit and Assurance. In the annual assurance report submitted to SGAAC at its meeting on 21 June 2021 the Director of Internal Audit and Assurance confirmed that reasonable assurance could be placed on the internal control arrangements.

Risk Management Arrangements

Effective risk management is at the heart of the Scottish Government's Assurance Framework. The Scottish Government's approach is published on the Scottish Government website¹⁹ within the Scottish Public Finance Manual which was reviewed in March 2019. It is also consistent with the UK Government's Orange Book²⁰.

As referenced earlier in this statement a range of improvement work has continued during 2020-21 led by Director General Corporate and the Chief Financial Officer, supported by the Board Secretary, to address the key recommendations from the 2019 Risk Improvement Project. This work has focussed on consistency and compliance via an organisation wide housekeeping exercise which tested each Director General family's compliance with Scottish Government guidance; this enabled an assessment of the maturity of risk management in each area and highlighted any gaps or requirements to ensure the consistency of approach across the organisation. Areas assessed included:

- governance arrangements including risk appetite and escalation arrangements;
- reporting processes;
- discussions and calibration and moderation forums;
- risk register compliance with corporate requirements and;
- risk management training levels.

Following this exercise a report was provided to each DG family with key recommendations for each directorate. This exercise will be undertaken periodically going forward. The Governance and Risk Branch have also published enhanced guidance in April 2021 with further templates and materials to support continued improvement. Alongside this the Branch have also launched the new role of Directorate Risk Champions to further embed and drive consistency of risk management across the organisation; each directorate will be expected to have a Champion and they will be supported by training and a best practice network. The

¹⁹ <https://www.gov.scot/Topics/Government/Finance/spfm/risk>

²⁰ <https://www.gov.uk/government/publications/orange-book>

Branch has also completed recruitment of several staff to new roles within the team, once in place this further capacity will further support the culture and implementation of the Scottish Government Risk Management framework.

Scottish Government Corporate Risks

The Scottish Government's corporate governance system has been designed to ensure that risks to its organisational health and performance in this environment are identified, managed and mitigated effectively.

Over the last year a number of policy-specific corporate risks have been identified, managed and monitored through the assurance processes and included in the Scottish Government's Corporate Risk Register. The Register is a living document and is updated on an ongoing basis. A snapshot of the risks as they were articulated at the end of the period covering this Statement (March 2021) is included below:

- The Scottish Government fails to ensure the long term sustainability of the public finances through effective budget-setting and medium term strategic financial planning, with resulting lack of clarity on financial management and spending priorities and failure to achieve Value for Money and delivery of key outcomes.
- We do not protect Scotland's interests in management of the UK/EU relationship, or establish effective 3rd-country relationships with EU institutions and Member States; and we do not respond to or prepare adequately for impacts on Scotland of leaving the EU and related concurrent issues.
- We do not have the capability and capacity to deliver the Government's priorities and fail to maintain high standards of competence when faced with the concurrent pressures of Covid-19, EU Exit and the new Programme for Government.
- Managing the annual financial outturn is increasingly more challenging due to an increase in the number of variable factors and demand-led expenditure in the budget, increasing the risk of overspend. For 2020-21, this has been significantly exacerbated by Covid-19 related expenditure and a currently incomplete picture of the impact of changes to spending at UK level.
- If combined impacts of Covid-19 and EU exit create significant and prolonged economic downturn, then unemployment will increase significantly and there will be an impact on business viability, investment and trade across sectors of the economy, as well as on household incomes, levels of financial hardship, inequalities and demand on the third sector.
- Due to the ongoing challenges arising from Covid-19, there is a risk that short and medium term demand for health and social care services will exceed current capacity to treat and care for both Covid and non-Covid patients and care service users, and that the vaccination programme may have an insufficient impact in time to sufficiently mitigate this and allow an exit from the current acute phase of the pandemic response. This may result in health and social care services becoming overwhelmed and unable to provide necessary levels of care, with an associated increased risk of mortality and disproportionate impacts on already disadvantaged communities, as well as further exacerbating existing pressures on the health and social care workforce and budgets.
- There is a risk to the safe management of prisons in light of the growing prison population, complexity of the prison population and on-going Covid-19 health restrictions.

- Further waves of Covid-19 and/or a major concurrent event (e.g. EU Exit) occur during the Covid emergency resulting in the Scottish Government being unable to deliver Ministerial priorities or government business.
- Our approach to managing Scotland's response to Covid-19 across the Scottish Government is not strategic, not underpinned by robust analysis and evidence, and is not integrated into corporate decision-making structures.
- If we fail to maintain the independence and efficiency of the Scottish Child Abuse Inquiry we risk losing the confidence of adult survivors of child abuse in residential care.
- If school buildings are unable to re-open to all pupils and remote learning at home continues after mid-February causing some limitations on the provision of learning &/or data collection on educational performance then there will be subsequent impacts on the vision for excellence and equity in Scottish education (Scottish Attainment Challenge), including on attainment levels, the attainment gap, and the Health and Wellbeing of Children and Young People. The National Improvement Framework has refocused on recovery and support and work has begun on the longer term refresh of the Attainment Challenge programme. Resulting in young people are not being able to fulfil their potential and become active contributors to Scotland's future economy.
- Resilience arrangements, staffing levels, skills, (senior capability) and understanding across Scottish Government are not sufficient to deal with the medium to long term response to Covid-19 and other sustained and complex, concurrent incidents in 2020 threatening the reputation and competence of the Scottish Government.
- If new powers over social security are not successfully implemented, with smooth transition from the Department of Work and Pensions (DWP) to new Scottish policies and administrative arrangements then we will be unable to deliver the Scottish Government's intended social security system to the citizens resulting in a failure to deliver on Scottish Government commitments and reputational damage.
- Any cost pressures as a result of the continued Covid-19 response could impact services being provided by councils and Arm's Length External Organisations. This could negatively impact relationships between Scottish Government and local government resulting in non-delivery of key policies and priorities as well as diluting collaboration on Covid recovery and responding to EU Exit impacts. The longer-term outlook for Non-Domestic Rates Income continues to be subject to significant volatility and uncertainty and will in part be linked to business survival when the furlough scheme ends, the persistence of Covid-19 impacts on the economy and the conclusion of circa 40,000 Covid-related Material Change of Circumstance appeals
- If the Business critical corporate systems that underpin effective governance, performance and organisational health were to fail or become obsolete then this would have a material impact on the ability of core Scottish Government and our shared service partners to function efficiently and effectively, resulting in significant operational and reputational damage.
- We are unable to reprioritise Freedom of Information handling across the Scottish Government to the extent that we are able to address improvement and return to the standards of improvement achieved pre-Covid before the Commissioner's review, due in "early 2021-22", which may lead to enforcement action and reputational damage.

- If the Scottish Government does not adequately resource its capability to respond to several concurrent inquiries into complaints handling it is likely to be unable to respond timeously and fully to the various requests and suffer reputational damage and negative impacts to staff wellbeing as a consequence.
- Due to the significant and ongoing impact of Covid-19, including the need to learn to 'live with the virus', alongside on-going and long term challenges arising from demographic change, financial challenges (including capital investment) and workforce, there is a risk that current health and social care service models are unsustainable in the longer term. This may result in an inability to meet our National Performance Framework ambitions around work class health outcomes, including reducing health inequalities and improving population health, as well as resulting in a deteriorating long term financial position, capital infrastructure unable to meet future demands, and an unsustainable workforce.
- If we lack suitable arrangements to test the coherence and penetration of our public service reform programmes, then we will not sufficiently demonstrate corporate commitment to whole-systems approaches to reform, nor fully understand progress and challenges to these resulting in the Scottish Government being unable to ensure and demonstrate that our public services are adapting wherever needed to improve outcomes and reduce inequalities in sustainable ways.
- If Scottish Government fails to deliver policies that will result in the reduction in carbon emissions as required by legislation then its reputation may suffer.
- If our systems, personnel and processes do not protect SCOTS infrastructure and services from Cyber threats, then this will jeopardise our ability to conduct the business of government in a safe, secure and reliable manner, leading to significant service, financial and reputational damage and undermining the ability of Scottish Government to play its part in the development of the wider cyber security community.
- If the National Qualifications 2021 Group do not work with the Scottish Qualifications Authority (SQA) and stakeholders to take an appropriate and fair approach to awarding SQA qualifications in 2021, then there remain risks in to the ability to recognise the hard work and achievement of young people this year, with subsequent impacts on their onwards destinations. Resulting in impacts on Further Education and Higher Education institutions, concerns over credibility of results and the reputation of the SQA, trend reporting on education performance and allocation of attainment funding which will severely reduce public confidence.
- If sponsorship teams and senior sponsors don't fully understand their roles in terms of governance and accountability then we risk the opportunity for appropriate and timely interventions to support our sponsored bodies resulting in failure of effective delivery of public services.
- Our culture does not support and enable greater diversity and inclusion and we fail to achieve our published equality outcomes for 2017-20 and demonstrate that we are an exemplar employer.

These risk management arrangements have also surfaced several cross-cutting risks and themes, which are reflected in the current iteration of the Corporate Risk Register and have been highlighted in the Certificates of Assurance provided to me by my Directors General, these risks and themes are also addressed specifically within other sections of the statement as appropriate, specifically including:

- The **impact of Covid-19 on the delivery of existing policies and new commitments** designed to support our National Outcomes and the overall aims of the National Performance Framework
- **Resourcing: Capability, Capacity and Wellbeing** of the Scottish Government's staff to deliver during Covid-19 and EU Exit alongside new and existing pressures;
- **Exiting the European Union** and the on-going programme of work on planned activities, issues and impacts arising from EU Exit
- The challenges surrounding the **annual financial outturn** amidst a backdrop of the resource spending review, challenging manifesto commitments and the development of the Programme for Government, and Covid-19 recovery.
- Delivering an ambitious policy agenda on **Climate change** that meets emissions reductions targets; delivering net zero in a way that ensures a just transition; engaging with stakeholders in developing climate policy; and understanding and addressing the impact climate change has and will increasingly have on our society and economy and how we need to adapt to these changes.
- The importance of ensuring appropriate **information management** following the review of corporate processes for the storage, retrieval and deployment of corporate information which identified a number of areas for required improvement of which work to address this is underway.

Sponsorship of Public Bodies

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

In spite of having to reprioritise resource to address the Covid-19 pandemic, positive steps have been taken to strengthen understanding of the roles and responsibilities relating to the sponsorship of our Public Bodies. In December 2020 the Director General Communities hosted a sponsorship workshop which focused on roles, responsibilities and learning lessons from Section 22 reports. This event was coproduced with sponsors and had involvement from Audit Scotland.

In March 2021, Director General Communities outlined the latest steps of an improvement plan which focusses on the sponsorship of Public Bodies to the former Public Audit and Post Legislative Scrutiny Committee (now Public Audit Committee). This included the launch of a review of the Scottish Government's relationship with Public Bodies which will report to Executive team in autumn 2021, alongside the rollout of sponsorship training sessions complemented by a mandatory training module for sponsorship practitioners in summer 2021 and work to support the role of the Accountable Officers.

Significant Issues

The process for the provision of annual assurances by senior staff within the core Scottish Government (and the other constituent parts of the Scottish Administration) is set out in the Scottish Public Finance Manual²¹.

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

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

Resourcing: Capability, Capacity and Well-being

Over the period, capacity across the Scottish Government has been stretched, compounded by the cumulative impact of EU Exit, Covid-19, the Parliamentary Inquiry and working through the delivery priorities of an incoming Administration, including planning the delivery of the First 100 Days commitments. The scale and complexity of staffing demand means that close attention to capacity and well-being continues to be required. A number of mitigating actions have been put in place to address this throughout 2020-21, including; including a strong focus on recruitment, measures in place to support employee well-being both at a local level and corporately, and more support for line managers. Challenges mobilising staff resourcing in DG Health and Social Care (HSC), have been resolved by filling vacancies with recruitment drives and utilising staff from other areas across SG. The Army was also mobilised to provide logistic and delivery support to HSC Directorates. Further, improvement programmes aimed at addressing resourcing and wellbeing risks were also explored, including; work around modelling sustainable and compassionate and collective leadership, staff wellbeing conversations, and 'Building Communication' sessions. As a return to the office is now becoming a possibility, capability, capacity and wellbeing will continue to be a key area of focus in 2021-22.

Exiting the European Union (EU)

The EU Exit Oversight Board met regularly in 2020 throughout the transition period to oversee EU exit readiness preparations and continued in 2021 to govern the ongoing programme of work on planned activities, issues and impacts arising from EU Exit. The extraordinary circumstances of Covid and EU exit was compounded further by the usual winter pressures on the Health Service and on transport networks. Specifically in relation to Health, this required significant preparation, planning and engagement, with a particular emphasis placed on the potential effects on the availability of medicines, Covid-19 vaccine supply, medical devices, clinical consumables and wider supply issues, as well as the possible workforce implications for the Health and Social Care system and support networks, the complexity of this was managed through robust risk management frameworks. The ongoing impact of EU Exit will continue to be a cross-cutting issue in 2021-22, with particular focus on work across the SG on the economic impact, the engagement between the SG and UK Government and international relations. Strong oversight arrangements were put in place by Organisational Readiness (OR) Directorate and is now supporting Ministers on issues emerging in the latter portion of this reporting period, and the next.

²¹ <https://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts>

Managing the Annual Financial Outturn

This will remain a significant area of challenge and risk in 2021-22; set amidst a backdrop of the resource spending review, challenging manifesto commitments; the development of the Programme for Government; and Covid-19 recovery. There were a unique set of uncertainties and challenges brought about by the Covid-19 pandemic, with significant demand led programmes taken forward late in the financial year, and impacts on forecasting. These issues have already been flagged as part of the work to develop options against targets for 2021-22. Further, over the period, the Scottish Exchequer led on, delivered and supported a range of activity, including, supporting the Cabinet Secretary for Finance and working with Financial Management colleagues, to secure a vital Barnett guarantee from HM Treasury so that the Scottish Government was protected from year-end reductions to its settlement, given substantial expenditure that was Covid-demand led for critical public health interventions and business support.

EU Common Agricultural Policy (CAP)

In response to ongoing uncertainty from EU Exit, some significant risks were mitigated by the progress of the Agriculture (Retained EU Law and Data) (Scotland) Bill through Parliament. While this ensured continuity of payments and improvement outside EU CAP, there remains the issue of a replacement for CAP, meeting the manifesto commitment to align with EU policy within the constraints of the UK Internal Market Act. This programme will need to manage the considerable task of the transition of operational and IT arrangements which will have significant resource implications. Strategic and policy development was impacted as a result of pivoting to support the response to Covid-19.

European Structural Funds – suspension

The European Commission (EC) suspended payments to SG in respect of the European Social Fund (ESF) and subsequently the European Regional Development Fund (ERDF). The ERDF suspension was lifted by the EC on 18 December 2020 and the flow of ERDF reimbursements to SG has resumed. At April 2021, the ESF suspension was still in place because the EC is seeking further assurance that checks have been tested before being re-submitted for final assessment. Once the ESF suspension is lifted, a series of retrospective claims will also be submitted for reimbursement from the EC. There is a further risk that the programmes do not meet their annual expenditure targets required by the EC. A working group has been established to analyse this and to propose solutions to increase the claim rates and amounts going forward.

Impacts of the Pandemic within Health and Social Care

During 2020-21, DG Health and Social Care (DGHSC) responded rapidly to the Pandemic, recognising the need for clear governance supporting unprecedented decision making. Specifically, establishing response arrangements within Health and Social Care Directorates, releasing national stockpiles, feeding into wider SG response (SGORR) and engaging with the four nations of the UK coordinated response, and publishing a joint Covid-19 action plan in March 2020. The SG *Re-Mobilise, Recover and Re-Design Framework*²² was also published on 31 May 2020, followed by the *Winter Preparedness Plan*²³. Covid-19 short term financial governance principles were implemented to support decision making. The Boards developed and submitted their Covid-19 Remobilisation Plans in line with Scottish Government requirements.

The distribution and supply of PPE was managed through NHS National Services Scotland (NSS) throughout 2020-21 working with SG and NHS Boards. The SG *PPE Action Plan*²⁴ was published in October 2020, while a Programme Board is overseeing planning and delivery of vaccinations in autumn/winter 2021-22, namely seasonal flu vaccination, Covid-19 boosters,

²² <https://www.gov.scot/publications/re-mobilise-recover-re-design-framework-nhs-scotland/>

²³ <https://www.gov.scot/publications/winter-preparedness-plan-nhs-scotland-2020-21/pages/1/>

²⁴ <https://www.gov.scot/news/ppe-action-plan/>

and outstanding Covid vaccinations, and to develop proposals for long term vaccinations activity. In 2020-21, Scotland has grown its testing capacity over the year and expanded asymptomatic community testing, while introducing routine testing for specific workplaces, additional health and care staff and close contacts of confirmed cases. The Framework for NHS Mobilisation outlined how Health Boards will safely and incrementally prioritise the resumption of services and is monitored through both Health & Social Care Management Board and the Mobilisation Recovery Group. After pausing the Waiting Times Improvement Plan in early 2020, the *Framework for Clinical Prioritisation of Elective Care*²⁵ was approved by the Chief Medical Officer and launched by the then-Cabinet Secretary for Health and Sport in November 2020 alongside the *NHS Scotland Winter Preparedness Plan 2020-21*²⁶ and the *Redesign of Urgent Care (RUC)*²⁷. Further work was also progressed on unscheduled care pathways, ICU capacity and early detection and intervention. Due to the increased pressure on mental health arising from Covid-19, we have published and are working to deliver a *Mental Health in Scotland Transition and Recovery Plan*²⁸. SG has been working closely with Health Boards to ensure NHS in-patient and community mental health services are maintained within current constraints.

Directors of Public Health (DPHs) provided enhanced clinical leadership as part of local multi-agency oversight teams to support care homes during the pandemic. The Care Inspectorate further augmented care home inspection guidance in line with the Coronavirus (Scotland) (No. 2) Act to effectively assess Care Homes. Public Health Scotland and NSS jointly published the *Covid-19: Information and Guidance for Care Home Settings (Adults and Older People)*²⁹ in December 2020 to support Care Homes in managing Covid-19. Following the *Independent Review of Adult Social Care in Scotland*³⁰, The Scottish Government will support the consultation on the legislation to create a National Care Service within five years.

The pandemic has significantly altered the resourcing context across the NHS with ongoing demand on resourcing. A Sustainable Vaccinations Workforce Group has been convened to resource vaccination roll out and there has been a focus on recruiting for the National Contact Tracing Centre. Going forward a significant international recruitment effort will be required to tackle elective treatment back-logs. Further, DGHSC is developing support to safeguard long-term physical and mental health and wellbeing of the health and social care workforce. An Oversight Group and Programme Board have been established to support HSC Wellbeing and Mental Health, while an Expert Advisory Group and short life working group were established to also look into staff recovery and supporting staff, post pandemic. A National Wellbeing Hub website, Wellbeing helpline and champions network were also launched.

NHS Board's Financial Management

Due to the impact of the Covid-19 pandemic, the Scottish Government paused the Annual Operating and financial planning process, along with the ladder of escalation. Recognising the exceptional nature of 2020-21 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. A review of escalated Boards was undertaken by Health and Social Care Management Board in March 2021. Despite the challenges of responding to the Covid-19 pandemic, a number of

²⁵<https://www.gov.scot/news/protecting-patients-with-the-greatest-need/#:~:text=The%20Framework%20for%20the%20Clinical%20Prioritisation%20of%20Elective,appropriate%20COVID-19%20safety%20and%20priority%20measures%20in%20place>

²⁶<https://www.gov.scot/publications/winter-preparedness-plan-nhs-scotland-2020-21/>

²⁷<https://www.gov.scot/publications/nhs-scotland-redesign-urgent-care-first-national-staging-review-report-1-december-2020-31-march-2021/pages/7/>

²⁸<https://www.gov.scot/publications/mental-health-scotlands-transition-recovery/>

²⁹<https://www.publichealthscotland.scot/publications/covid-19-information-and-guidance-for-care-home-settings-adults-and-older-people/covid-19-information-and-guidance-for-care-home-settings-adults-and-older-people-version-24/>

³⁰<https://www.gov.scot/groups/independent-review-of-adult-social-care/#:~:text=On%201%20September%202020%20the%20First%20Minister%20announced,Social%20Care%20and%20Chief%20Executive%20of%20NHS%20Scotland>

Boards were found to have demonstrated sufficient improvement in relation to the issues which had led to their escalation. Scottish Government officials will continue to closely monitor Board performance during this challenging period.

Cultural Issues related to allegations of Bullying and Harassment at NHS Highland

In May 2019 NHS Highland received a report commissioned by the Cabinet Secretary for Health and Sport, undertaken by John Sturrock QC, the (the Sturrock Report), which found that bullying or inappropriate behaviour occurred within NHS Highland. As part of the action plan to address this NHS Highland have begun the delivery of a Culture Programme, overseen by an independent External Culture Advisor. An independent review of Culture in Argyll & Bute was commissioned in late 2019 from the Progressive Partnership and Internal Audit. An external Speak up Guardian Service was set up in August 2020 and an Employee Assistance Programme was launched. Work on the Culture Programme now progresses under the guidance of a Culture Oversight Group.

Royal Hospital for Children and Young People, the Department of Clinical Neuroscience and the Queen Elizabeth University Hospital

In June 2020, the Cabinet Secretary for Health and Sport ordered an independent inquiry to protect the safety and wellbeing of patients and their families and to investigate the issues around the built environment identified at the Royal Hospital for Children and Young People, the Department of Clinical Neuroscience, and the Queen Elizabeth University Hospital. The inquiry commenced in August 2020 and is led by Lord Brodie QC. Scottish Government is currently gathering documentary evidence and is a core participant in the inquiry. Rectification work to address the issues in the built environment at the Royal Hospital for Children and Young People and Department of Clinical Neuroscience (DCN) in Edinburgh progressed throughout 2020-2021. The Royal Hospital for Children & Young People / Department of Clinical Neurosciences is now open, the Scottish Hospitals Public Inquiry was launched on 3 August 2020 to review all aspects of work in relation to the QEUH including the HSE Appeal and the Legal Claim lodged against the building contractors.

Queen Elizabeth University Hospital (QEUH)

To address concerns about patient safety at the Queen Elizabeth University Hospital (QEUH). The Cabinet Secretary for Health and Sport set up an independent review to look at the buildings' "design, commissioning and construction, handover and ongoing maintenance and how these matters contribute to effective infection control". The Review concluded that the hospital offers a setting for high quality healthcare for patients, staff and visitors and there is no clear evidence linking failures in its design, build commissioning and maintenance to avoidable deaths. A formal response to the report's findings and recommendations by the Scottish Government was published in 2020-21. In 2021-22, the Scottish Government will be taking forward work to support the implementation of the QEUH review's recommendations by Health Boards.

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the SPFM³¹. The Integrity Group is responsible for improving fraud prevention measures across the Scottish Government as well as monitoring relevant cases of suspected external and internal wrongdoing made through formal reporting lines. This includes supporting and reporting on the concerns that are raised under the Public Interest Disclosure Act 1998. The Group is also available to provide advice on the handling of specific allegations of external and internal wrongdoing where required.

An annual report on fraud within the Scottish Government's consolidation boundary is prepared annually for SGAAC and includes any and all types of fraud, error and other acts of dishonesty such as theft which have been reported to the Scottish Government during the

³¹ <http://www.gov.scot/Topics/Government/Finance/spfm/fraud>

2020-21 financial year excluding the NHS which is reported by NHS National Services Scotland Counter Fraud Services (NHS NSS CFS). Within the 2020-21 financial year a total of 31 cases of fraud and error were reported; this number excludes those where subsequent investigations indicated that no actual or attempted fraud had taken place.

The Scottish Government also continues to participate in the biennial National Fraud Initiative (NFI) exercise led by Audit Scotland to help public bodies minimise fraud and error in their organisations. To date, the 2020 NFI exercise identified a total of 2,634 matches for the Scottish Government, ranging over 18 reports. As in prior years, the investigations are split between payables (creditors), payroll and procurement. The total number of matches processed so far has been 911, of that number; 33 were closed due to already being known, 878 were closed after finding no frauds or errors were detected a further 1,723 matches were closed as they were not selected for investigation due to their being assessed as low risk. The next set of data matches for the 2022-23 exercise will be available for review in 2023.

The Covid-19 pandemic has continued to bring significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses under extremely unprecedented and challenging circumstances. Scottish Government have noted the fraud and error issues highlighted in regards to Carer's Allowance in the 2019-20 Audit of Social Security Scotland in December 2020, including acknowledgement that processes and procedures have since been strengthened within Social Security Scotland. The Scottish Government welcomed the Audit Scotland report *Covid-19: Emerging fraud risks*³² in 2020 and in recognising this context and following an Internal Audit Directorate review of counter fraud measures, the Scottish Government recruited a new Head of the Counter Fraud Profession to enhance counter fraud capacity and capability; support operational and assurance activity; minimise the financial, statutory and reputational fraud risks to the Scottish Government and work with stakeholders across the Scottish public sector to promote a national focus on counter fraud, cross-organisational counter fraud measures and post-event assurance. More recently Audit Scotland have released the Fraud and Regularity Report in July 2021 which resonates with the increased risks SG have faced in regards to Fraud as a direct result of the pace, scale and pressure of spend and activity in relation to managing the Covid-19 Pandemic.

The new post holder took up the post in April 2021. The initial focus of their work has been to provide support to the oversight of the range of Business Support Grant schemes that have been initiated in response to the pandemic previously noted earlier in this statement, and to develop the organisation's approach to fraud risk assessments.

Cyber Security

Cyber resilience is a critical enabler as we move towards economic and societal recovery. The landscape has changed significantly over the last 18 months. Whilst organisations have been focused on rapidly adapting to new working arrangements, cyber criminals have been evolving their capabilities and methods considerably in tandem.

As demonstrated very visibly by the cyber-attack on the Scottish Environment Protection Agency (SEPA) at the end of 2020, the cyber threat is very real, growing and potentially devastating. In May 2021, Audit Scotland published a blog³³ which highlighted the risk and potential impact of cybercrime in the public sector in Scotland. It also highlighted that fraud risks have increased with the pandemic, with phishing remaining the most common form of attack, however it also noted that there has been a worrying rise in sophisticated ransomware attacks – such as those in SEPA and the University of Highlands and Islands. The Scottish Government is reviewing its public sector cyber resilience and response risk and its strategic

³²<https://www.audit-scotland.gov.uk/report/covid-19-emerging-fraud-risks>

³³<https://auditscotland.wordpress.com/2021/05/25/cyber-crime-a-serious-risk-to-scotlands-public-sector/>

capability and capacity to respond to the escalating level of threat. Cyber security and resilience will require attention and focus in 2021-22.

Proportionate cyber protection is established, with a Cyber Incident Response Plan in place. Several work streams which underpin the strategy are in progress and a Cyber Education plan has been developed. Cyber security incidents are co-ordinated as required with relevant stakeholders and the Scottish Government are demonstrating leadership around cyber resilience; sharing knowledge and learning and seeking to pro-actively identify and resolve issues.

Data Security Framework

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

One hundred and fifteen data security incidents were internally reported to the Scottish Government Data Protection and Information Assets team in 2020-21 for the Core Departments, of which two were reported to the Information Commissioner's Office (ICO) during the year. While no enforcement action was taken by the Commissioner, appropriate actions were taken in each case to ensure that the probable impact of any loss was minimised. Additional local procedures were also put in place to minimise the likelihood of any future recurrence. The number of incidents is similar to that recorded last year (106) and most are minor (misdirected e-mails and redaction errors) and reflect good reporting practice. The number of recorded data security incidents has been increasing year on year since the General Data Protection Regulations (GDPR) came into force but appears to have stabilised this year. The type and rate of incidents do not suggest that remote working has impacted on data handling compliance. Directorates have continued to meet their data handling obligations during the Covid-19 response.

A dedicated Data Protection Officer has been in place since the introduction of the GDPR in May 2018 and registration with the ICO is up to date.

Written Authority

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

No such written authority was required during the 2020-21 financial year, or the period up to the signature of the accounts, by Accountable Officers within the Scottish Government consolidation boundary.

Remuneration and Staff Report

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

Appointments

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

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

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

The Civil Service Commissioners website¹ provides further information about their work.

The Non-Executive Directors (NXDs) provide direct, external, support, challenge and guidance to their "paired" Directors General (DGs) and senior staff in relation to the delivery of their portfolio-based risk, assurance and internal controls framework, and participate in the Corporate Board, one or more of the formal sub-Boards, DG Assurance meetings linked to their paired DG(s) and Scottish Government Audit and Assurance Committee. Ronnie Hinds, Non-Executive Director, was the Chair of the Scottish Government Audit and Assurance Committee for the period covered by the Accounts – 2020/21.

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

Three of the SG's experienced NXDs – Annie Gunner Logan, Hugh McKay and Linda McKay - had their Terms of Appointment extended in January 2020, while Ronnie Hinds' was extended in March 2021 for an additional two years in order to continue to draw on their expertise and

¹ <http://civilservicecommission.independent.gov.uk/>

ensure continuity. The NXDs appointed in 2019 continued to increase their knowledge and experience of the Scottish Government. Jayne Scott was appointed in January 2021 increasing the number of NXDs to 10. As is the case for all of our NXDs such appointments can be terminated with one month's notice period.

Remuneration Policy

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

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code² and with independent advice from the Review Body on Senior Salaries (SSRB).

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

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

Further information about the work of the SSRB can be found via the Office of Manpower Economics³.

Within the Scottish Government the Talent Action Group (TAG), comprising the Permanent Secretary, Director People and two Non-executive Directors, approve SCS pay structures and pay awards. They ensure that pay proposals fall within Scottish Public Sector Pay Policy, and the Cabinet Office framework for SCS pay.

The SCS pay ranges with effect from 1 April 2020:

SCS Pay Steps	Deputy Director 1	Deputy Director 1A	Director	Director General
Target Rate-4	£77,340	£77,340	£95,930	£122,605
Target Rate-3	£78,814	£78,814	£97,822	£125,037
Target Rate-2	£80,287	£80,287	£99,713	£127,468
Target Rate-1	£81,760	£81,760	£101,604	£129,899
Target Rate	£83,233	£83,233	£103,495	£132,330
Target Rate +1 (DD1A)		£84,706		

Consolidated pay:

- 1 April 2020 – all salary points within DD1 and DD1A pay ranges revalorised by 3%;

² <http://www.civilservice.gov.uk/>

³ <http://www.ome.uk.com>

- 1 April 2020 – all salary points within Director and Director General pay ranges increased by £2,000;
- 1 April 2020 – all staff on a defined pay step within their pay range remain on that step, but at the revalorised rate;
- 1 April 2020 – all staff above the Target Rate for their pay range receive an increase of £2,000;
- 1 October 2020 – all staff on a defined pay step within their pay range which is below the Target Rate progress towards the Target Rate by one pay step.

There were no non-consolidated payments in 2020-21.

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 on a quarterly basis. Non-executive members are also reimbursed for expenses incurred in the course of their duties.

Remuneration

The remuneration of the Cabinet Ministers who served over the year to 31 March 2021 and members of the Scottish Government Corporate Board is noted below.

Ministers and Law Officers

The remuneration of the First Minister and the Cabinet Ministers during the year to 31 March 2021 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 £93,391 (2019-20: £92,101) and for all other Cabinet Ministers is £48,449 (2019-20: £47,780).

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2020-21	2019-20	*2020-21	*2019-20	2020-21	2019-20
	£	£	£	£	£	£
Nicola Sturgeon, MSP (1)	93,391	96,379	41,573	39,005	134,964	135,384
John Swinney, MSP	48,449	47,780	21,565	20,239	70,014	68,019
Roseanna Cunningham, MSP	48,449	47,780	19,783	19,243	68,232	67,023
Michael Matheson, MSP	48,449	47,780	19,783	19,243	68,232	67,023
Fiona Hyslop, MSP	48,449	47,780	21,565	20,238	70,014	68,018
Fergus Ewing, MSP	48,449	47,780	19,687	19,078	68,136	66,858
Humza Yousaf, MSP	48,449	47,780	19,273	18,740	67,722	66,520
Michael Russell, MSP	48,449	47,780	19,273	18,740	67,722	66,520
Shirley-Anne Somerville, MSP	48,449	47,780	19,273	18,740	67,722	66,520

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2020-21	2019-20	*2020-21	*2019-20	2020-21	2019-20
	£	£	£	£	£	£
Aileen Campbell, MSP	48,449	47,780	19,273	18,740	67,722	66,520
Jeane Freeman, MSP	48,449	47,780	21,695	21,129	70,144	68,909
Derek Mackay (2)	-	52,448	-	16,305	-	68,753
Kate Forbes, MSP (3)	48,449	5,629	18,920	2,131	67,369	7,760

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

(1) The First Minister's salary and total remuneration for 2020-21 includes no benefit-in-kind arising from the provision of accommodation at Bute House (2019-20: £4,278). The First Minister took the decision not to stay at Bute House during the current Covid-19 pandemic in order to lessen the pressure on staff resources and therefore there is no benefit-in-kind to record for 2020-2021.

(2) Derek Mackay resigned as Cabinet Minister on 5 February 2020. The full year equivalent salary for 2019-20 was £47,780. Mr Mackay received an office-holder resettlement grant of £11,945 on 29 May 2020, included within the £52,448 salary reported for 2019-20.

(3) Kate Forbes was appointed as Cabinet Minister on 18 February 2020. The full year equivalent salary in 2019-20 was £47,780. The pension benefits for 2019-20 are restated from £25,663 to £2,131 to reflect solely the pension accrued in the Cabinet position, consequently total remuneration for 2019-20 is restated from £31,292 to £7,760.

Scottish Government Ministers' Pay Freeze Commitment

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

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

Law Officers

The remuneration, comprising of salary and pension benefits, of the serving Law Officers for the year to 31 March 2021 is shown below:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2020-21	2019-20	*2020-21	*2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000	£'000	£'000
James Wolffe, QC	128	126	52	50	180	176
Alison Di Rollo, QC	110	109	45	43	155	152

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

No Law Officers received benefits-in-kind.

Senior Management Team

The remuneration for the Permanent Secretary and members of the Scottish Government Corporate Board for the year to 31 March 2021 were as follows:

	Salary	Salary	Pension Benefits	Pension Benefits	Total Remuneration	Total Remuneration
	2020-21	2019-20	*2020-21	*2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	170-175	165-170	73	64	240-245	225-230
Sarah Davidson (1)	-	45-50	-	12	-	85-90
Lesley Fraser (2)	120-125	90-95	108	156	225-230	245-250
Liz Ditchburn	130-135	125-130	78	59	205-210	180-185
Malcom Wright OBE (3)	10-15	180-185	-	-	10-15	180-185
Paul Johnston	130-135	125-130	78	66	205-210	190-195
Ken Thomson	130-135	125-130	76	66	205-210	190-195
Alyson Stafford CBE	145-150	145-150	-	-	145-150	145-150
Barbara Allison (4)	75-80	100-105	13	30	85-90	130-135
Nicky Richards	100-105	95-100	61	44	160-165	135-140
Gordon Wales (5)	35-40	105-110	15	36	50-55	140-145
Ruaraidh Macniven (6)	110-115	70-75	67	85	160-165	155-160
Katrina Williams (7)	35-40	-	-	-	35-40	-
Elinor Mitchell (8)	85-90	-	175	-	260-265	-
Caroline Lamb (9)	40-45	-	16	-	55-60	-
Joe Griffin (10)	15-20	-	7	-	20-25	-
Kerry Twyman (11)	35-40	-	40	-	75-80	-
Jackie McAllister (12)	35-40	-	56	-	90-95	-
Madhu Malhotra (13)	25-30	-	11	-	35-40	-
Julie Humphreys (14)	35-40	-	29	-	60-65	-

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

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

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

(3) Malcolm Wright was appointed on secondment up until his permanent appointment to the Scottish Government on 17 June 2019. He stepped down on 22 April 2020 for personal reasons and formally departed the Scottish Government on 31 July 2020. The full year salary band for this post is £180-185k.

(4) Barbara Allison left the Corporate Board on 11 November 2020. The full year salary band for the post is £100-105k.

(5) Gordon Wales left the Corporate Board on 10 July 2020. The full year salary band for the post is £105-110k.

(6) Ruairaidh Macniven was appointed as the Solicitor to the Scottish Government on 17 June 2019. The full year salary band for this post in 2019-20 was £90-95k.

(7) Katrina Williams joined as the Director General of External Affairs on a secondment from the UK Department of Business, Energy and Industrial Strategy for an initial 6-month period from 1 November 2020 to assist with responding to the challenges of COVID-19 and the impact of EU Exit. She left the Corporate Board and the Scottish Government on 6 June 2021. Her salary and pension matters are the responsibility of her parent employer. The Scottish Government reimbursed her employer on a pro-rata basis to reflect salary, ERNIC and employer pension costs for a secondment equivalent to 0.5 full time.

(8) Elinor Mitchell was on the Corporate Board between 23 April 2020 and 10 January 2021 as an interim DG Health & Social Care until Caroline Lamb's permanent appointment. The full year salary band for this post is £120-125k.

(9) Caroline Lamb joined the Corporate Board on 11 January 2021. The full year salary band for this post is £190-195k.

(10) Joe Griffin was appointed to the role of DG Education and Justice on 15 February 2021. The full year salary band for the post is £120-125k.

(11) Kerry Twyman served on the Corporate Board as interim Chief Financial Officer between 11 July 2020 and 22 November 2020. The full year salary band for the post is £95-100k.

(12) Jackie McAllister took up the permanent post of Chief Financial Officer on 23 November 2020. The full year salary band for the post is £95-100k.

(13) Madhu Malhotra was appointed to the newly created role of Director of Equality, Inclusion and Human Rights on 14 December 2020. The full year salary band for the post is £95-100k.

(14) Julie Humphreys was the interim Director of Communications and Ministerial Support between 12 November 2020 and 31 March 2021. The position was taken up by Andy Bruce from 1 April 2021. The full year salary band for the post is £95-100k. performance pay, or payments for voluntary severance or loss of office.

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

the payroll system. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration.

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

	2020-21	2019-20
	£'000	£'000
Minimum Total Remuneration	20	19
Maximum Total Remuneration	190	183
Band of Highest Paid member of the Corporate Board Total Remuneration	180-185	180-185
Median Total Remuneration	38,541	37,418
Ratio	4.9	4.9

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

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

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

Non-Executive Directors

Remuneration

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

Benefit-in-Kind

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

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

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

	2020-21	2019-20
	Fees	Fees
	£'000	£'000
Janet Hamblin (1)	0-5	5-10
Linda McKay	5-10	5-10
Ronnie Hinds	5-10	5-10
Hugh McKay	5-10	5-10
Annie Gunner Logan	5-10	5-10

(1) Janet Hamblin departed on 31 August 2020. The full year fee for this post is £5-10k.

Pension Benefits

Ministers and Law Officers

The pension entitlements of the Cabinet Team for the year to 31 March 2021 are shown below:

	Accrued pension at age 65 as at 31-Mar-21	Real increase in pension at age 65	CETV at 31-Mar-21	CETV at 31-Mar-20	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
Nicola Sturgeon	30-35	2.5-5	451	402	36
John Swinney, MSP	15-20	0-2.5	267	238	22
Fiona Hyslop, MSP	15-20	0-2.5	267	238	22
Michael Matheson, MSP	5-10	0-2.5	111	90	15
Roseanna Cunningham, MSP	5-10	0-2.5	152	126	20
Fergus Ewing, MSP	5-10	0-2.5	114	87	21
Humza Yousaf, MSP	0-5	0-2.5	34	21	8
Michael Russell, MSP	0-5	0-2.5	66	41	19
Shirley-Anne Somerville, MSP	0-5	0-2.5	43	26	11
Aileen Campbell, MSP	0-5	0-2.5	39	24	9
Jeane Freeman, MSP	0-5	0-2.5	66	41	21
Kate Forbes MSP (1)	0-5	0-2.5	12	1	6

(1) CETV at 31 March 2020 for Kate Forbes is restated from £12,000 to £1,000 to reflect the CETV earned solely in Ms Forbes' Cabinet position.

The real increase in CETV is the increase due to additional benefit accrual (i.e. as a result of salary changes and service) that is funded by the employer. It will be smaller than the difference between the start and end CETVs because it does not include any increase in the value of the pension due to inflation or due to the contributions paid by the employee or the value of any benefits transferred from another pension scheme. Nor does it include any increases (or decreases) because of any changes during the year in the actuarial factors used to calculate CETVs.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, and not just their current appointment as a Minister. The Ministers are members of the Scottish Parliamentary Pension Scheme, full details are available on the scheme website⁴.

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential

⁴ [Scottish Parliamentary Pension Scheme | SPPA](#)

reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The pension entitlements of the Law Officers are shown below:

	Accrued pension at pension age as at 31-Mar-21	Real increase in pension at pension age	CETV at 31-Mar-21	CETV at 31-Mar-20	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000
James Wolffe, QC	15 - 20	2.5 - 5	265	203	47
Alison Di Rollo, QC	10 - 15	2.5 - 5	234	179	42

Senior Management Team

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

	Accrued pension at pension age and related lump sum as at 31-Mar-21	Real increase in pension and related lump sum at pension age	CETV at 31-Mar-21	CETV at 31-Mar-20	Real Increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Leslie Evans	85 - 90 plus a lump sum of 255 - 260	2.5 - 5 plus a lump sum of 10 - 12.5	1956	1903	73	-
Liz Ditchburn	45 - 50 plus a lump sum of 15 - 20	2.5 - 5 plus a lump sum of 0 - 2.5	1002	907	81	-
Paul Johnston	40 - 45 plus a lump sum of 70 - 75	2.5-5 plus a lump sum of 2.5 - 5	615	545	44	-
Alyson Stafford CBE (1)	-	-	-	-	-	22
Ken Thomson	65 - 70	2.5 - 5	1398	1278	74	-
Gordon Wales	50 - 55 plus a lump sum of 110 - 115	0 - 2.5 plus a lump sum of 0 - 2.5	925	889	10	-
Nicky Richards	35 - 40 plus a lump sum of 15 - 20	2.5 - 5 plus a lump sum of 0 - 2.5	621	555	41	-
Barbara Allison	30 - 35 plus a lump sum of 100 - 105	0 - 2.5 plus a lump sum of 2.5 - 5	821	779	14	-
Lesley Fraser (2)	45 - 50 plus a lump sum of 120 - 125	5 - 7.5 plus a lump sum of 7.5 - 10	1025	902	88	-
Ruaraidh Macniven	30-35 plus a lump sum of 65-70	2.5-5 plus a lump sum of 2.5-5	545	481	41	-

	Accrued pension at pension age and related lump sum as at 31-Mar-21	Real increase in pension and related lump sum at pension age	CETV at 31-Mar-21	CETV at 31-Mar-20	Real Increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Elinor Mitchell	50 - 55 plus a lump sum of 115 - 120	7.5 - 10 plus a lump sum of 17.5 - 20	1025	840	154	-
Caroline Lamb	0 - 5	0 - 2.5	14	0	11	-
Joe Griffin	35 - 40 plus a lump sum of 65 - 70	0 - 2.5 plus a lump sum of 0 - 2.5	571	551	4	-
Kerry Twyman	25 - 30	0 - 2.5	348	319	26	-
Jackie McAllister	40 - 45	2.5 - 5	562	521	38	-
Madhu Malhotra	0 - 5	0 - 2.5	8	0	6	-
Julie Humphreys	20 - 25	0 - 2.5	294	275	16	-

Malcolm Wright, whilst he was the Director General for Health & Social Care, chose not to be covered by the Civil Service pension arrangements during the reporting year 2019-20 and 2020-21.

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

(2) Lesley Fraser's CETV at 31 March 2020 is restated from £928k to £902k as from 17 January 2020 the Pension Scheme Actuary no longer applies Guaranteed Minimum Pension (GMP) adjustment factors in their calculations for members who reach State Pension age on or after 6 April 2016.

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

The real increase in CETV is the increase due to additional benefit accrual (i.e. as a result of salary changes and service) that is funded by the employer. It will be smaller than the difference between the start and end CETVs because it does not include any increase in the value of the pension due to inflation or due to the contributions paid by the employee or the value of any benefits transferred from another pension scheme. Nor does it include any increases (or decreases) because of any changes during the year in the actuarial factors used to calculate CETVs.

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the

figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

For 2020-21 Scottish Government employers' contributions of £114m (2019-20: £98m) were payable to PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2020-21 the value of Scottish Government employers' contributions relating to the partnership pension account is £532k (2019-20: £469k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

Further details regarding the Civil Service pension arrangements are available on the scheme website⁵.

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.

Court of Appeal judgement on public sector pension reforms

In 2015 the government introduced reforms to public sector pensions. Most civil servants were moved into a new ("alpha") pension scheme. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful age discrimination. On 15 July 2019 the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

⁵ www.civilservicepensionscheme.org.uk

Following consultation, the UK Government announced '2015 Remedy' on 4 February 2021 according to which all members of civil service pensions who continue in service from 1 April 2022 onwards will do so as members of alpha. Classic, classic plus, premium and nuvos will be closed in relation to service after 31 March 2022. It has also been decided that eligible members will receive a choice at retirement of which pension scheme benefits they would prefer to take for the period from 2015 to 2022. The choice will be between their pre-2015 pension scheme or their alpha pension.

The UK Government will introduce new legislation when parliamentary time allows. Pension schemes will also run individual consultations on their specific scheme regulations. Once these steps are complete, implementation will begin, and the changes will then be introduced.

The Scottish Government will continue to engage with the HM Treasury, HMRC and scheme policy leads over the coming months about a number of key outstanding technical and legal points. The Scottish Public Pension Agency's technical solution approach to 2015 Remedy is based on the fundamentals of the Digital Strategy with the emphasis on developing common approaches and making use of existing functionality to minimise development costs. In addition, any necessary development should be reusable and modular allowing portability as the solution will need to be applied for several decades to come as the point of decision for members is not until point of benefit crystallisation.

Further information regarding this discrimination, the latest update on the legislative process and scheme valuations can be found on the Civil Service Pensions website⁶.

⁶ <https://www.civilservicepensionscheme.org.uk/members/mccloud-judgment/>

People and Culture

Staff numbers and related costs

	No. of Special Advisers	Perman -ent Staff	Other	2020-21 Total	Restated 2019-20 Total
Staff numbers (Full time equivalent)					
Administration	14	1,314	143	1,471	1,341
Communities & Local Government		401	31	432	466
Constitution, Europe & External Affairs		208	32	240	227
Economy, Fair Work & Culture		707	14	721	596
Education & Skills		1,216	228	1,444	1,474
Environment, Climate Change & Land Reform		836	62	898	874
Finance		831	81	912	985
Health & Sport		150,599	4,907	155,506	149,260
Justice		4,494	20	4,514	4,478
Rural Economy & Tourism		1,074	66	1,140	1,202
Social Security & Older People		1,402	287	1,689	1,291
Transport, Infrastructure & Connectivity		648	35	683	638
Crown Office and Procurator Fiscal Service		1,796	116	1,912	1,814
SG Corporate Board		12	0	12	11
Total	14	165,538	6,022	171,574	164,657

	2020-21 £'m	2019-20 £'m
Staff costs		
Wages and Salaries (Permanent staff)	7,131	6,213
Social security costs (Permanent staff)	716	643
Other pension costs (Permanent staff)	1,275	1,168
Sub-total	9,122	8,024
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)	431	395
Total	9,553	8,419
Less recoveries in respect of outward secondments	(157)	(128)
Total net costs	9,396	8,291

Number and cost of exit packages

Exit Packages Cost Band	No of compulsory redundancies agreed 2020-21	No of other departures agreed 2020-21	Cost of exit packages 2020-21 £000	No of departures agreed 2019-20	Cost of exit packages 2019-20 £000
<£10,000	1	12	84	26	130
£10,000 to £25,000	-	13	219	27	425
£25,000 to £50,000	-	16	614	34	1,307
£50,000 to £100,000	-	28	1,908	39	2,510
£100,000 to £150,000	-	2	249	6	794
£150,000 to £200,000	-	2	175	1	197
£200,000 to £250,000	-	-	-	-	-
£250,000+	-	-	-	-	-
Total number / cost of exit packages	1	73	3,249	133	5,363

There was one compulsory redundancy in 2020-21 (2019-20: nil) from the Scottish Ambulance Service.

Diversity and Inclusion

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

During 2020-21 we continued to deliver on our two equality outcomes as an employer: to increase our workforce diversity and to foster an inclusive workforce culture. We embedded equality into our coronavirus response for employees, taking a person centred approach and adapting people policies and support to meet the needs of our increasingly diverse workforce. At 85% positive, our inclusion and fair treatment score in the 2020 People Survey is our highest on record, putting the Scottish Government among the highest performing departments and agencies across the Civil Service.

Working in partnership with the Council of Scottish Government Unions and taking advice and insight from minority ethnic colleagues, our Race Equality Network and external race-focussed organisations, we published our Race Recruitment and Retention Plan – an instigation for change⁷ in February 2020. The Plan adopts an anti-racist approach and sets out the action we have committed to taking across five priorities focused on the whole system, aiming to redistribute power, increase accountability, improve the representation of ethnic minority staff at all grades and levels of the organisation and bring about cultural change.

Delivery activity for this Plan, and our Recruitment and Retention Action Plan for Disabled People published in 2019, has focused on equipping our work force at all levels to understand their responsibilities and take effective action to advance race and disability equality and establishing effective governance through our Diversity and Inclusion Governance Group. This is chaired by Director General Corporate and brings together a range of stakeholders, trade union and networks to oversee implementation.

Recognising the importance of building knowledge and capability of employees to take effective action to advance equality and achieve our organisational vision, we launched a digital Diversity and Inclusion curriculum and developed inclusive culture learning that is being rolled out to all employees, managers and senior civil servants. We initiated work to ensure the curriculum covers a broad range of topics including role specific and specialist learning related to protected characteristics.

More broadly, over the past year we have continued to build on improvements to mainstream and embed diversity and inclusion by developing and testing improvements in recruitment, talent management and wellbeing support, particularly in terms of disability and race.

A comprehensive assessment of our progress towards mainstreaming equality and delivering on our equality outcomes was published in March 2021 in our Equality Outcomes and Mainstreaming Report⁸.

Staff Relations and Equality

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of working in government departments. Every year, a Civil Service benchmark report

⁷<https://www.gov.scot/publications/scottish-government-race-recruitment-retention-action-plan-instigation-change/pages/1/>

⁸<https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2021-mainstreaming-report/>

is published along with a summary of department and agency scores. The Scottish Government staff response rate for 2020 was 79% (2019: 81%). Further information, including in regards to the consolidated agencies, can be found via our People Survey⁹.

Staff turnover based on permanent staff average headcount in the Core Scottish Government for 2020-21 was 2.85% (2019-20: 4.34%).

In 2020-21, an average of 5.35 working days (2019-20: 8.1) 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 2021 was 4.67% of total contracted hours (2019-20: 5.15% of total contracted hours). Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

During 2020-21 there were 52,904 male staff, 163,509 female staff and 114 who prefer not to say (restated 2019-20: 47,203 male, 153,919 female and 105 prefer not to say staff). Within these totals were 2,174 male and 1,912 female Senior Civil Servants or equivalent (2019-20: 1,815 male and 1,481 female Senior Civil Servants). These are measured as head count numbers and not full time equivalents as used in the staff numbers table. Further information on staff composition can be found in our Equality Outcomes and Mainstreaming Report¹⁰.

Facility time used by recognised trade union representatives of the Scottish Government has been reported¹¹ for the period between 1 April 2020 and 31 March 2021 as follows:

Number of employees who were union officials during the relevant period	124
Full time equivalent employee number	121.14
Total cost of facility time	£506,274
Total pay bill	£579,225,482
Facility time as a percentage of total pay bill*	0.09%
Time spent on paid Trade Union activities as a percentage of total paid facility time**	32.75%

* Percentage of total pay bill spent on facility time is calculated as (total cost of facility time / total bill) x 100

** Calculated as total hours spent on paid trade union activities by relevant trade union official during the relevant period / total paid facility time hours) x 100

Percentage of working hours spent on facility time by trade union representatives	Number of trade union representatives
0%	46
1 – 50%	70
51 – 99%	2
100%	6

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 2021 was 3,517 (2019-20: 3,015).

⁹ <https://www.gov.scot/collections/scottish-government-people-survey/>

¹⁰ <https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2021-mainstreaming-report/>

¹¹ <https://www.gov.scot/publications/facility-time-by-scottish-government-trade-union-representatives-2020-21/>

Losses, Gifts and Special Payments

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

Losses Statement

Portfolio	2020-21	2020-21	Restated
	No of Cases	£m	2019-20 £m
Health & Sport (1)	4,338	14.43	3.03
Finance (2)	1,560	2.63	1.84
Education & Skills	1,515	0.11	0.11
Justice	461	0.15	0.08
Transport, Infrastructure and Connectivity	4	22.89	10.49
Environment, Climate Change and Land Reform	1	0.03	0.89
Rural Economy and Tourism	447	0.28	1.17
Economy, Fair Work and Culture (2)	-	-	0.32
Social Security and Older People	6,177	11.07	4.13
Administration	28	0.03	0.14

(1) £0.087m irrecoverable student nursing bursaries have been included, although information was not accessible to report the number of cases involved (2019: £0.13m, case number was not accessible)

(2) Losses of £0.32m reported for Finance, Economy and Fair Work in 2019-20 were related to Economy and Fair Work, now part of the Economy, Fair Work and Culture portfolio.

Details of cases over £0.30m:

Portfolio	Details	2020-21 £m
Transport, Infrastructure and Connectivity	Loans for vessels reorganised as assets under construction.	22.86

There were two case over £0.30m in 2019-20.

Special Payments

Portfolio	2020-21	2020-21	Restated
	No of Cases	£m	2019-20 £m
Health & Sport	1382	55.32	51.31
Finance	12	0.01	0.01
Education & Skills	7	0.003	0.03
Justice	277	3.76	3.78
Transport, Infrastructure and Connectivity	-	-	65.00
Environment, Climate Change and Land Reform	1	0.21	-
Rural Economy and Tourism	112	0.08	0.02
Social Security and Older People	1	0.005	0.004
Crown Office and Procurator Fiscal Service (1)	13	40.19	0.47
Administration	5	0.07	0.15

Details of cases over £0.30m:

Portfolio	2020-21 No of Cases	Details	2020-21	2019-20
			£m	£m
Health and Sport: NHS Boards:		Clinical Compensation Payments:		
	-	Golden Jubilee Foundation	-	0.37
	3	NHS Dumfries and Galloway	1.35	1.98
	2	NHS Fife	2.20	4.05
	1	NHS Forth Valley	1.15	-
	5	NHS Grampian	3.14	0.88
	-	NHS Greater Glasgow and Clyde	-	0.94
	-	NHS Highland	-	1.52
	3	NHS Lanarkshire	1.14	4.06
	9	NHS Lothian	5.12	5.05
	1	NHS Tayside	1.12	1.20
	-	NHS 24	-	0.53
Crown Office and Procurator Fiscal Service	1	Involvement with civil litigation brought against the Lord Advocate by individuals prosecuted in connection with the acquisition and administration of Rangers Football Club	39.92	-

There were 25 cases over £0.30m in 2020-21 (2019-20: 31).

Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2020-21 No of Cases	2020-21 £m	2019-20 £m
Rural Economy and Tourism	-	-	0.001
Constitution, Europe and External Affairs (1)	-	-	0.003
Administration	2	0.001	0.003

There were no cases over £0.30m in 2020-21 (2019-20: nil).

(1) Gifts of £0.003m reported for Culture, Tourism and External Affairs in 2019-20 were related to External Affairs, now part of the Constitution, Europe and External Affairs portfolio.



Leslie Evans
Principal Accountable Officer

15 December 2021

Report of the Auditor General for Scotland to the Scottish Parliament

Reporting 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 2021 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Summary of Total Outturn Statement, the Summary of Resource Outturn, the Summary of Capital Outturn, the twelve Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Statement of Comprehensive Net Expenditure and Changes in Taxpayer's Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Scottish Government in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Risks of material misstatement

I report in a separate Annual Audit Report, available from the Audit Scotland website¹, the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Principal Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the Scottish Government is complying with that framework;
- identifying which laws and regulations are significant;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Scottish Government's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website². This description forms part of my auditor's report.

¹ <http://www.audit-scotland.gov.uk/our-work/annual-audits>

² <http://www.frc.org.uk/auditorsresponsibilities>

Reporting 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. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

Reporting on other requirements

Opinions on audited part of the Remuneration and Staff Report

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

Statutory other information

The Principal Accountable Officer is responsible for the statutory other information in the Scottish Government Consolidated Accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions.

Opinions on Performance Report and Governance Statement

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

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

Matters on which I report by exception

I report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Stephen Boyle

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

15 December 2021

Summary of Total Outturn
For the year ended 31 March 2021

Restated 2019-20 Outturn	Programme Resources	Resource Outturn £m	Capital Outturn £m	Total Outturn £m	Budget £m	Variance £m
14,565	Health and Sport	17,270	528	17,798	18,090	(292)
12,556	Communities and Local Government	12,799	297	13,096	13,050	46
142	Finance	204	24	228	231	(3)
4,328	Education and Skills	4,477	507	4,984	4,950	34
2,786	Justice	2,803	41	2,844	2,885	(41)
2,729	Transport, Infrastructure and Connectivity	3,531	283	3,814	4,135	(321)
765	Rural Economy and Tourism	1,104	(159)	945	998	(53)
162	Environment, Climate Change and Land Reform	216	259	475	502	(27)
647	Economy, Fair Work and Culture	1,983	50	2,033	1,980	53
525	Social Security and Older People	3,604	82	3,686	3,660	26
34	Constitution, Europe and External Affairs	46	-	46	50	(4)
146	Crown Office and Procurator Fiscal Service	163	9	172	170	2
39,385	TOTAL OUTTURN	48,200	1,921	50,121	50,701	(580)

Summary of Resource Outturn
For the year ended 31 March 2021

Restated 2019-20 Outturn	Programme Resources	Outturn £m	Budget £m	Variance £m
14,271	Health and Sport	17,270	17,588	(318)
12,352	Communities and Local Government	12,799	12,730	69
120	Finance	204	206	(2)
3,731	Education and Skills	4,477	4,350	127
2,775	Justice	2,803	2,834	(31)
2,472	Transport, Infrastructure and Connectivity	3,531	3,759	(228)
500	Environment, Climate Change and Land Reform	216	232	(16)
214	Rural Economy and Tourism	1,104	1,156	(52)
621	Economy, Fair Work and Culture	1,983	1,936	47
466	Social Security and Older People	3,604	3,570	34
34	Constitution, Europe and External Affairs	46	50	(4)
139	Crown Office and Procurator Fiscal Service	163	162	1
37,695	TOTAL RESOURCE OUTTURN	48,200	48,573	(373)
	<i>Of which Operating Costs</i>		1	

Summary of Capital Outturn
For the year ended 31 March 2021

Restated 2019-20 Outturn	Programme Resources	Outturn £m	Budget £m	Variance £m
294	Health and Sport	528	502	26
204	Communities and Local Government	297	320	(23)
22	Finance	24	25	(1)
597	Education and Skills	507	600	(93)
11	Justice	41	51	(10)
257	Transport, Infrastructure and Connectivity	283	376	(93)
265	Environment, Climate Change and Land Reform	259	270	(11)
(52)	Rural Economy and Tourism	(159)	(158)	(1)
26	Economy, Fair Work and Culture	50	44	6
59	Social Security and Older People	82	90	(8)
-	Constitution, Europe and External Affairs	-	-	-
7	Crown Office and Procurator Fiscal Service	9	8	1
1,690	TOTAL CAPITAL OUTTURN	1,921	2,128	(207)

Health and Sport

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
14,135	Health and Sport	1	17,848	663	17,185	17,475	(290)
14,135	Total Expenditure Limit		17,848	663	17,185	17,475	(290)
	UK Funded Annually Managed Expenditure						
92	Health	2	62	-	62	66	(4)
92	Total AME		62	-	62	66	(4)
	Other Expenditure						
44	Health - Revenue-financed infrastructure	3	67	44	23	47	(24)
44	Total Other Expenditure		67	44	23	47	(24)
14,271	TOTAL RESOURCES		17,977	707	17,270	17,588	(318)
280	Capital - Additions	4	515	-	515	466	49
(27)	Capital - Disposals	4	-	22	(22)	-	(22)
41	Capital (Other Expenditure) - Additions		35	-	35	36	(1)
294	TOTAL CAPITAL		550	22	528	502	26
14,565	TOTAL OUTTURN		18,527	729	17,798	18,090	(292)

With effect from 2017-18, gross income and expenditure for the portfolio excludes income received from Integration Authorities on the basis that this presentation better reflects the funding relationship between Integration Authorities and NHS Boards. This adjustment has no impact on the portfolio's net outturn position. Income of £7,034m was received by Boards in 2020-21 (2019-20: £6,353m) for provision of healthcare services commissioned by Integration Authorities. NHS funding to Integration Authorities for 2020-21 totalled £7,328m (2019-20: £6,435m).

Explanation of Major Variances greater than £3m:

Note 1	The variance is driven primarily by the timing of consequentials received from the UK Government at the end of the financial year. The Spring Budget Revision included those consequentials with arrangements in place for their deployment against 2021-22 budgetary commitments via the Scotland Reserve. As such the available budget has been aligned with actual spend and utilised in full. There is a difference between the budgeting and accounting reporting requirements for Personal Protective Equipment (PPE). The treatment of PPE has been agreed with HM Treasury for budgeting and final outturn purposes, and is in line with the approach taken by the Department of Health and Social Care. The budget provided for the expenditure on PPE; these accounts report the stock of PPE held at the balance sheet date as a current asset in the Statement of Financial Position as at 31 March 2021. The available budget has been utilised in full.
Note 2	Lower than anticipated levels of provisions.
Note 3	Higher than anticipated levels of donated assets income.
Note 4	Variance mainly due to additional purchases of Covid-related equipment by NHS National Services Scotland acting on behalf of the Scottish Government, also including £4m of additional loans provided to sports clubs in Scotland.

Communities and Local Government
Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-10 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
7,653	Local Government	1	10,827	-	10,827	10,686	141
11	Planning		11	-	11	12	(1)
691	Housing	2	642	7	635	658	(23)
57	Social Justice and Regeneration	3	169	-	169	199	(30)
	- Connected Communities		4	-	4	4	-
22	Third Sector	4	108	-	108	102	6
6	Governance and Reform		5	-	5	5	-
123	Central Government Grants to Local Authorities		100	-	100	100	-
8,563	Total Expenditure Limit		11,866	7	11,859	11,766	93
UK Funded Annually Managed Expenditure							
2,853	Non-Domestic Rates		1,868	-	1,868	1,868	-
912	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund		(912)	-	(912)	(912)	-
24	Housing	5	(16)	-	(16)	8	(24)
3,789	Total AME		940	-	940	964	(24)
12,352	TOTAL RESOURCES		12,806	7	12,799	12,730	69
282	Capital - Additions/Advances	6	398	-	398	320	78
(78)	Capital - Disposals/Repayments	6	-	101	(101)	-	(101)
204	TOTAL CAPITAL		398	101	297	320	(23)
12,556	TOTAL OUTTURN		13,204	108	13,096	13,050	46

Explanation of Major Variances greater than £3m:

- Note 1 Over-spend relates to funding awarded to Local Authorities as part of the General Revenue Grant to enable Covid-19 responses. Funding was awarded after the Spring Budget Revision resulting in a misalignment in expenditure and budget allocation and subsequently the over-spend reported.
- Note 2 Under-spend mainly due to lower than anticipated demand in Better Homes schemes due to Covid-19 restrictions, cost reductions in the delivery of the Scottish Household Survey due to Covid-19 and marginally lower than expected spend on Affordable Housing Supply Programme due to restrictions on construction due to Covid-19 restrictions.
- Note 3 Under-spend resulting from Covid-19 expenditure being incurred by other business areas (see Notes 1 and 4) creating a subsequent budget/expenditure misalignment (£27m). Other under-spends reported in demand led schemes including Access to Sanitary Products (£2m) and Empowering Communities Fund (£2m) in addition to extra EU European Social Fund Tackling Poverty Fund receipts (£1m).
- Note 4 Covid-19 Winter Package expenditure incurred whilst budget allocated elsewhere (see Note 3).
- Note 5 Relates to the year end loan adjustments where loans are discounted in year 1 (depending on the interest rate charged on loans), and the discount is unwound in subsequent years. The significant adjustments are Shared Equity schemes £(34m), Charitable Bonds net £10m, other schemes £8m.
- Note 6 Net under-spend of £23m mainly due to:
- Housing - Lower than anticipated demand in the House Builder Loan fund (provision of support to House Builders through Covid restrictions (£82m), reduced demand for Help to Buy and Open Market Shared Equity investments due to Covid restrictions (£26m), lower than anticipated demand on Private Rented Sector (PRS) Emergency and Energy Saving Trust (EST) Tenant Hardship Loans (£13m) and additional Registered Social Landlord (RSL) Fire Safety Loan Receipts (£3m) offset by increased demand in First Home Fund investments (£99m) and an increase in expected shared equity receipts (£15m).

Also, £9m income in relation to Scottish Partnership for Regeneration in Urban Centres (SPRUCE).

Finance

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
	18 Scottish Public Pensions Agency	1	20	-	20	23	(3)
	78 Other Finance		114	3	111	111	-
	24 Digital Strategy		77	5	72	71	1
	2 Accountant in Bankruptcy		8	7	1	1	-
	122 Total Expenditure Limit		219	15	204	206	(2)
	UK Funded Annually Managed Expenditure						
	(2) Other Finance		-	-	-	-	-
	(2) Total AME		-	-	-	-	-
	120 TOTAL RESOURCES		219	15	204	206	(2)
	22 Capital - Additions/Advances		24		24	25	(1)
	22 TOTAL CAPITAL		24	-	24	25	(1)
	142 TOTAL OUTTURN		243	15	228	231	(3)

Explanation of Major Variances greater than £3m:

Note 1 Under-spend due to lower than expected staffing levels and subsequently lower spend on staff associated costs due to Covid-19 impacts.

Education and Skills

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
277	Learning	1	368	2	366	355	11
138	Children and Families	2	176	10	166	179	(13)
7	Early Learning and Childcare Programme	3	28	-	28	32	(4)
662	Higher Education Student Support	4	830	2	828	817	11
1,883	Scottish Funding Council		2,143	-	2,143	2,143	-
12	Advanced Learning and Science		15	-	15	16	(1)
269	Skills and Training	5	279	-	279	261	18
589	Central Government Grants to Local Authorities		737	-	737	737	-
3,837	Total Expenditure Limit		4,576	14	4,562	4,540	22
	UK Funded Annually Managed Expenditure						
-	Learning		1	-	1	2	(1)
(106)	Higher Education Student Support	6	(16)	70	(86)	(192)	106
(106)	Total AME		(15)	70	(85)	(190)	105
3,731	TOTAL RESOURCES		4,561	84	4,477	4,350	127
12	Capital - Additions	7	10	-	10	33	(23)
758	Capital (AME) - Advances	8	701	-	701	567	134
(173)	Capital (AME) - Repayments	8	-	204	(204)	-	(204)
597	TOTAL CAPITAL		711	204	507	600	(93)
4,328	TOTAL OUTTURN		5,272	288	4,984	4,950	34

Explanation of Major Variances greater than £3m:

Note 1	Scottish Qualifications Authority (SQA) underspend due to a reduction in expenditure incurred in year on the development of the Alternative Certification Model and the anticipated quality assurance work that SQA have been able to carry out (£9m). Agreed £5m overspend on Free School Meal. Non Profit Distributing (NPD) Unitary Charge underspend due to lower Operational Insurance costs than estimated (£2m). Technologies for Learning capital expenditure incurred whilst budget allocated elsewhere £21m (see note 7).
Note 2	Lower spend on the Scottish Child Abuse enquiry (due to Covid-19 restrictions creating temporary delays to hearings), delays to the Promise Fund, lower applications for Advanced Redress payments (combined total £7m); planned under-spend in Disclosure Scotland to compensate for loss of income due to Covid-19 (£2m); under-spends across Creating Positive Futures (£2m) and Childrens Hearing Work (£1m).
Note 3	The underspend reflects lower than anticipated uptake in demand led Covid-19 schemes, in particular the Temporary Restrictions Fund which provided grant support to childcare services (all day care of children services and to childminding services registered for 12 or more children) during the period of temporary restrictions in place from Boxing Day 2020.
Note 4	Variance predominantly due to movement in student loan impairment as a result of updated macroeconomic forecasts from the Office of Budgetary Responsibility covering a 30 year time window.
Note 5	Due to delays in claims of European Social Funding in 2020-21, Skills Development Scotland were provided with additional cashflow support to continue to pay training providers at the request of Scottish Ministers (£10m). Flexible Workforce Development Fund £4m overspend and Developing the Young Workforce £4m overspend with corresponding underspends in Economy, Fair Work and Culture portfolio.
Note 6	This non-cash variance is predominantly due to movement in the fair value calculation in relation to Student Loans.
Note 7	Technologies for Learning underspend (£22m) as the budget is allocated here whilst the expenditure was recorded elsewhere (See note 1).
Note 8	Variance due to greater repayment receipts and lower student loan issue than had been predicted. These forecasts had been amended to impact covid, furlough and job losses, but these impacts did not crystallise.

Justice

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
33	Community Justice Services	1	39	-	39	42	(3)
1	Judiciary		1	-	1	1	-
15	Criminal Injuries Compensation		21	-	21	22	(1)
143	Legal Aid		113	-	113	113	-
64	Police Central Government	2	78	2	76	82	(6)
11	Safer and Stronger Communities		16	5	11	12	(1)
493	Police and Fire Pensions		459	-	459	458	1
285	Scottish Prison Service	3	303	8	295	301	(6)
42	Miscellaneous	4	46	1	45	58	(13)
1,212	Scottish Police Authority		1,267	-	1,267	1,267	-
306	Scottish Fire and Rescue Service		308	-	308	308	-
87	Central Government Grants to Local Authorities		85	-	85	86	(1)
2,692	Total Expenditure Limit		2,736	16	2,720	2,750	(30)
UK Funded Annually Managed Expenditure							
1	Scottish Prison Service		1	-	1	1	-
1	Total AME		1	-	1	1	-
Other Expenditure							
78	Scottish Prison Service		78	-	78	79	(1)
4	Scottish Police Authority Loan Charges		4	-	4	4	-
82	Total Other Expenditure		82	-	82	83	(1)
2,775	TOTAL RESOURCES		2,819	16	2,803	2,834	(31)
11	Capital - Additions	5	41	-	41	51	(10)
11	TOTAL CAPITAL		41	-	41	51	(10)
2,786	TOTAL OUTTURN		2,860	16	2,844	2,885	(41)

Explanation of Major Variances greater than £3m:

Note 1	Underspend mainly due to significant drop in the volume of electronic monitoring orders as a result of Covid-19.
Note 2	Underspend mainly due to a reduction in the Scottish Government contribution to the UK Government led Emergency Services Mobile Communication Programme.
Note 3	Underspend mainly due to delays in estate maintenance programmes and recruitment due to Covid-19 in addition to lower than expected legal costs.
Note 4	The Legal Aid Resilience Fund was underspent by £7m as several payments were not made until 2021/22. Underspends due to lower than anticipated applications to various funding streams and projects due to Covid-19, including Victim/Witness Support (£2m) and Justice Analytical Services (£1m) in addition to other minor operating cost variances.
Note 5	Underspends due to slippage in the Women's Estate Project (National Facility and Community Custody Units) within Scottish Prison Service.

Transport, Infrastructure and Connectivity
Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
997	Rail Services	1	1,586	-	1,586	1,598	(12)
275	Concessionary Fares and Bus Services	2	403	1	402	482	(80)
160	Active Travel, Low Carbon and Other Transport	3	252	1	251	281	(30)
412	Motorways and Trunk Roads	4	332	-	332	391	(59)
215	Ferry Services	5	269	12	257	265	(8)
59	Air Services	6	74	1	73	101	(28)
14	Digital Connectivity	7	31	-	31	42	(11)
45	Energy	8	155	4	151	194	(43)
115	Cities Investment and Strategy	9	218	-	218	195	23
17	Ferguson Marine	10	51	-	51	28	23
42	Central Government Grants to Local Authorities		49	-	49	51	(2)
2,351	Total Expenditure Limit		3,420	19	3,401	3,628	(227)
Other Expenditure							
121	Motorways and Trunk Roads PPP/PFI		130	-	130	131	(1)
121	Total Other Expenditure		130	-	130	131	(1)
2,472	TOTAL RESOURCES		3,550	19	3,531	3,759	(228)
Capital							
302	Capital - Additions/Advances	11	280	-	280	341	(61)
-	Capital - Additions Ferguson Marine	12	23	-	23	35	(12)
(21)	Capital - Disposals/Repayments	13	-	9	(9)	-	(9)
(21)	Capital (AME) - Capital Provision	14	-	11	(11)	-	(11)
(3)	Capital ODEL - Disposals/Repayments		-	-	-	-	-
257	TOTAL CAPITAL		303	20	283	376	(93)
2,729	TOTAL OUTTURN		3,853	39	3,814	4,135	(321)

Explanation of Major Variances greater than £3m:

Note 1	Under-spends mainly due to delays in Network Rail, joint Abellio ScotRail/Transport Scotland and other projects, in addition to lower than anticipated staffing levels due to Covid-19 impacts.
Note 2	Under-spends mainly due to lower than budgeted demand for Covid related Support Grants and mobilisation costs from Bus Operators (£72m) and lower demand for concessionary schemes, including Young Persons due to Covid-19 impacts (£3m) and other minor variances across the programme.
Note 3	Under-spend mainly due to reprofiling of grant award to Strathclyde Partnership for Transport (£36m), reduced demand for Bus Rapid Priority Deployment Fund (£8m) offset by repurposing of funding to support increased investment in ultra-low emission buses (£9m), increased staffing costs and other minor variances across the programme.
Note 4	Lower than anticipated non-cash depreciation costs (£60m), underspend in road maintenance due to COVID restrictions and other re-profiling (£10m), partially offset by £11m of additional spend to fund BEAR 3 bus retro-fitting scheme carried over from last year and increased programme staff costs.
Note 5	Net under-spends on Clyde & Hebrides and Northern Isles Ferry Services operations maintenance and contract costs (£22m), slippage in Skye Triangle programme costs due to Covid-19 restrictions (£11m), and net Ardrossan/Troon programme under-spend (£5m) and other minor variances across the programme (£3m), offset by a CalMac Pension Deficit Repayment £33m.
Note 6	Under-spend mainly due to lower than anticipated Covid-19 pressures and works slippage within Highlands & Islands Airports Ltd (£23m) and a (£4m) under-spend in the Air Discount Scheme due to Covid-19 restrictions.
Note 7	Under-spend mainly due to the re-profiling R100 rollout costs across financial years (£7m), lower than anticipated uptake on the Scottish Broadband Voucher Scheme (£3m) and delays to 5G implementation strategy and associated projects.
Note 8	Under-spend mainly due to lower than expected uptake in demand led schemes including Energy Efficient Scotland, Energy Efficiency, Low Carbon Infrastructure, Energy Industries and Renewable Energy due to Covid-19 restrictions. The demand and support for new programmes prevented a number of projects from starting and lockdown restricted progress with projects already underway (£42m). Also additional Energy Consents charging receipts due to higher than anticipated applications made (£1m).
Note 9	Over-spend due to a change in policy resulting in the acceleration of Glasgow City Deal funding to cover expenditure incurred to date.
Note 10	Over-spend due to an increase in the write-off of Voted Loans carrying values following a change in the funding mechanism used.
Note 11	Net under-spends mainly due to: Energy - lower than anticipated in loan applications to the Energy Efficient Scotland scheme as projects/work supported was unable to be carried out due to Covid-19 restrictions (£19m) and the cessation of funding to BiFab as a result of the entity entering administration (£15m). Transport Scotland - Net (£65m) reduction in major roads projects, (£14)m underspend on road maintenance due to COVID restrictions and re-profiling, (£32)m underspend due to reprofiling of vessel voted loans.
Note 12	The underspend of £12m is a direct result of Covid-19 delays with significant spells of closure for the shipyard on two occasions (Spring 2020 and January 2021). Furthermore, there is ongoing difficulty in securing the skilled workforce required to progress the capital works of the vessels.
Note 13	Vessel Voted loan repayments received in year from CMAL (£8m) and repayments to the Low Carbon Transport Loan Fund reflected in net budget for capital additions above.
Note 14	Utilisation of historic provisions for land compensation.

Environment, Climate Change and Land Reform
Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	Programme	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
73	Marine		86	12	74	76	(2)
67	Research, Analysis and Other Services	1	72	6	66	69	(3)
144	Environmental Services	2	131	-	131	145	(14)
16	Climate Change & Land Managers Renewables Fund	3	21	-	21	26	(5)
12	Land Reform		13	-	13	14	(1)
(100)	Scottish Water	4	15	105	(90)	(99)	9
212	Total Expenditure Limit		338	123	215	231	(16)
UK Funded Annually Managed Expenditure							
2	Marine		1	-	1	1	-
2	Total AME		1	-	1	1	-
214	TOTAL RESOURCES		339	123	216	232	(16)
256	Capital - Voted Loans	4	357	-	357	267	90
4	Capital - Additions/Advances		4	-	4	3	1
5	Capital - Additions		-	-	-	-	-
-	Capital - Disposals	4	-	102	(102)	-	(102)
265	TOTAL CAPITAL		361	102	259	270	(11)
479	TOTAL OUTTURN		700	225	475	502	(27)

Explanation of Major Variances greater than £3m:

Note 1	Profit on sale of property assets £1.2m; unclaimed grant, reprioritisation and cancellation of work due to Covid-19 impact on Research Institutes' and policy areas.
Note 2	Lower than anticipated Scottish Environment Protection Agency working capital £6m, due to the timing of payments at the financial year; and reduced spend on programmes such as Peatland Restoration (£4m) and Environmental Quality (£3.4m) for noise and air quality action due to the impact Covid-19 restrictions.
Note 3	Lower than anticipated COP26 expenditure and delayed project spend due to the postponing of COP26 to November 2021.
Note 4	There is a net underspend of £3m within the Scottish Water budgets. £2m resource underspend mainly due to low uptake of Private Water Supply grants by owners and users due to Covid-19 - works to be carried out have been delayed by lockdowns. The £11m budget for the Return to Work programme is reflected within Capital - Voted Loans, the outturn is reflected within Scottish Water Gross Expenditure.

Rural Economy & Tourism

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
162	EU Support and Related Services	1	840	117	723	754	(31)
123	Rural Services	2	51	-	51	57	(6)
6	Fisheries and Aquaculture Grants	3	27	5	22	25	(3)
77	Rural Economy Enterprise	4	104	-	104	101	3
54	Scottish Forestry	5	59	15	44	57	(13)
19	Forestry and Land Scotland		23	-	23	22	1
59	Tourism	6	136	-	136	139	(3)
500	Total Expenditure Limit		1,240	137	1,103	1,155	(52)
	UK Funded Annually Managed Expenditure						
-	EU Support and Related Services		1	-	1	1	-
-	Total AME		1	-	1	1	-
500	TOTAL RESOURCES		1,241	137	1,104	1,156	(52)
393	Capital - Additions/Advances		354	-	354	-	354
(445)	Capital - Disposals/Repayments		-	513	(513)	(158)	(355)
(52)	TOTAL CAPITAL		354	513	(159)	(158)	(1)
448	TOTAL OUTTURN		1,595	650	945	998	(53)

Explanation of Major Variances greater than £3m:

- Note 1 There are under-spends relating to the release of ring-fenced farm funding relating to Bew monies (£27m) and Pillar 1 support (£9m); Covid-19 restrictions led to supply issues faced by stakeholders in obtaining capital equipment in the Agricultural Transformation Fund (£7m). Over-spends: Financial Disallowance and other items £9m; Higher than anticipated depreciation charge for Agriculture & Rural Economy directorate £3m.
- Note 2 Under-spend due to lower than anticipated demand in the Food and Drink Recovery Plan and delays in related programmes, including the Nextport1 project due to Covid-19.
- Note 3 Projects have not progressed as anticipated, reduced grant claims due to impact of Covid-19.
- Note 4 The overspend is due to acceleration of projects in Highland and Islands Enterprise previously profiled for 21/22.
- Note 5 There was an under-spend of £24m as a result of the Forestry Grant Scheme due to frozen ground during the middle of the planting season, Covid-19 and the EU Exit which all reduced the number of hectares planted. This was offset by the resultant decrease in the EU co-financing element of the Forestry Grant Scheme payments (£13m).

Economy, Fair Work & Culture

Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
	17 Economic Advice		13	-	13	15	(2)
286	Enterprise, Trade and Investment	1	1,356	6	1,350	1,329	21
50	Central Government Grants to LA		-	-	-	-	-
164	Culture and Major Events	2	266	-	266	269	(3)
48	Employability & Training	3	87	-	87	134	(47)
14	Scottish National Investment Bank	4	24	(5)	29	101	(72)
	- ESF 14-20 Programmes	5	9	(8)	17	-	17
	- ERDF 14-20 Programmes		11	11	-	-	-
	- ESF & ERDF Closed Schemes	6	-	5	(5)	-	(5)
39	Historic Environment Scotland		79	-	79	80	(1)
618	Total Expenditure Limit		1,845	9	1,836	1,928	(92)
UK Funded Annually Managed Expenditure							
	- Scottish National Investment Bank	7	(4)	-	(4)	8	(12)
	- ESF/ERDF	8	26	-	26	-	26
3	Enterprise, Trade and Investment	9	124	-	124	-	124
	- Culture and Major Events		1	-	1	-	1
3	Total AME		147	-	147	8	139
621	TOTAL RESOURCES		1,992	9	1,983	1,936	47
27	Capital - Additions/Advances	10	52	-	52	44	8
(1)	Capital - Disposals/Repayments		-	2	(2)	-	(2)
26	TOTAL CAPITAL		52	2	50	44	6
647	TOTAL OUTTURN		2,044	11	2,033	1,980	53

Explanation of Major Variances greater than £3m:

Note 1	Over-spend mainly due to the award of additional Covid-19 Business Support Grants (£40m - including expenditure incurred where budget held in other areas) offset by additional funding from centre that was no longer required following the Clyde Mission avoiding slippage, and due to income from Scottish Enterprise in respect of FanDual.
Note 2	Under-spend is due to support for the events sector coming from VisitScotland's budget, and an underspend at National Museums Scotland, partly offset by additional support for COVID recovery in the heritage sector.
Note 3	Underspend mainly due to lower uptake with demand led funding schemes due to Covid-19 including the National Transition Training Fund (£16m), Pathways to Apprenticeships Fund (£10m), Developing Young Workforce (£8m), Parental Employment Support (£5m), Flexible Workforce Development Fund (£4m) and other minor variances.
Note 4	Under-spend is largely due to a number of proposed investments not being completed by the end of the Financial Year
Note 5	Accrued EC Income write-off (£17m) and the creation of a provision (£28.7m AME) for future potential under-recovery of European Social Fund Income.
Note 6	EC Creditor released relating to 07-13 ESF/ERDF Programme closure.
Note 7	Under-spend relates to the non-utilisation of a budgeted provision in relation to EU funding risk. No EU funding was claimed and therefore the uptake of the provision was not required
Note 8	Additional spend in year in relation to a provision for future potential under-recovery of European Social Fund Income (£28m) offset by recognition of exchange rate differences (£2m). Remaining £1m consists of minor variances within the portfolio.
Note 9	The Government's potential exposure to the 25-year guarantee relating to the hydro plant and aluminium smelter at Lochaber and its valuation under accounting standards has been reviewed in year. This has resulted in an increase of £124m in the provision valuation - for more information see Note 14 Provisions.
Note 10	Net over-spend mainly due to: Innovation and Industries - Provider has over-performed against expected profile resulting in an overspend against expected profile (£3.5m) Scottish National Investment Bank - under-spend is the result of delays in the timing of investments due to Covid-19 and the general uncertainty the timing of investments causing slippages against the expected investment profile.

Social Security and Older People
Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
90	Social Security		213	1	212	213	(1)
342	Social Security Assistance	1	3,359	-	3,359	3,320	39
29	Equalities		31	-	31	32	(1)
461	Total Expenditure Limit		3,603	1	3,602	3,565	37
UK Funded Annually Managed Expenditure							
5	Social Security Assistance	2	2	-	2	5	(3)
5	Total AME		2	-	2	5	(3)
466	TOTAL RESOURCES		3,605	1	3,604	3,570	34
59	Capital - Additions/Advances	3	83	-	83	90	(7)
-	Capital - Disposals/Repayments		-	1	(1)	-	(1)
59	TOTAL CAPITAL		83	1	82	90	(8)
525	TOTAL OUTTURN		3,688	2	3,686	3,660	26

Explanation of Major Variances greater than £3m:

- Note 1 Benefit expenditure is demand led and cannot be controlled in the same way as other budgets where spending limits can be set. We believe COVID-19 has had an impact on benefit spend but it has not easy to quantify the extent of these impacts. The 2020-21 financial year was the first year the complete set of benefits under the Scotland Act 2016 were devolved to the Scottish Government and it was anticipated that the spend on these benefits would be higher as a result. Additional funding is likely to be provided to Scotland through the Block Grant reconciliation process, although that takes place in a subsequent year. Further information on benefit spend can be found in the Social Security Scotland accounts for 2020-21 at <https://www.socialsecurity.gov.scot/reporting/publications/annual-report-2020-2021>
- Note 2 This is to account for the impairment of demand led benefits. The Department for Work and Pensions advise this figure at the year end so it cannot be easily forecast.
- Note 3 Capital expenditure was lower than anticipated, mainly resulting from delays to the programme of works due to the COVID-19 impact on the construction sector.

Constitution, Europe & External Affairs
Portfolio Outturn Statement for the Year Ended 31 March 2021

Restated 2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
13	Government Business and Constitutional Relations		25	-	25	27	(2)
21	External Affairs		21	-	21	23	(2)
34	Total Expenditure Limit		46	-	46	50	(4)
UK Funded Annually Managed Expenditure							
-	Total AME		-	-	-	-	-
34	TOTAL RESOURCES		46	-	46	50	(4)
-	TOTAL CAPITAL		-	-	-	-	-
34	TOTAL OUTTURN		46	-	46	50	(4)

Explanation of Variances:

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

The Crown Office and Procurator Fiscal Service
Portfolio Outturn Statement for the Year Ended 31 March 2021

2019-20 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
Expenditure Limit							
Staff Costs							
89	The Crown Office and Procurator Fiscal Service		100	-	100	100	-
Administration Expenditure							
8	Accommodation		9	-	9	9	-
1	Travel/Transport		-	-	-	-	-
15	Legal		39	-	39	39	-
6	Supplies and Services		7	2	5	4	1
-	Non Cash Costs		-	-	-	-	-
4	Capital Charges		5	-	5	6	(1)
2	Other Office Costs		2	-	2	4	(2)
125	Total Expenditure Limit		162	2	160	162	(2)
UK Funded Annually Managed Expenditure							
14	Impairment		1	-	1	-	1
-	Provisions		2	-	2	-	2
14	Total AME		3	-	3	-	3
139	TOTAL RESOURCES		165	2	163	162	1
7	Capital - Additions		9	-	9	8	1
7	TOTAL CAPITAL		9	-	9	8	1
146	TOTAL OUTTURN		174	2	172	170	2

Explanation of Variances:

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

Consolidated Statement of Financial Position
As at 31 March 2021

2019-20 restated £m		Note	2020-21 £m
	Non-Current Assets		
30,699	Property, Plant and Equipment	6	30,808
237	Intangible Assets	7	290
9,200	Other Financial Assets including Investments due in more than one year	10	9,845
101	Receivables and Other Assets due in more than one year	12	76
40,237	Total Non-Current Assets		41,019
	Current Assets		
142	Inventories	9	243
1,052	Receivables and Other Current Assets	12	1,118
970	Cash and Cash Equivalents	2	708
521	Other Financial Assets including Investments due within one year	10	351
10	Non-Current Assets Classified as Held for Sale	8	17
2,695	Total Current Assets		2,437
42,932	Total Assets		43,456
	Current Liabilities		
(3,839)	Payables and Other Current Liabilities	13	(5,085)
(35)	Other Financial Liabilities due within one year	13	(54)
(1,165)	Provisions for Liabilities and Charges due within one year	14	(347)
(5,039)	Total Current Liabilities		(5,486)
37,893	Total Assets less Current Liabilities		37,970
	Non-Current Liabilities		
(2,997)	Payables and Other Liabilities	13	(2,937)
(581)	Other Financial Liabilities due in more than one year	13	(519)
(877)	Provisions for Liabilities and Charges due in more than one year	14	(964)
(4,455)	Total Non-Current Liabilities		(4,420)
33,438	Assets less Liabilities		33,550
	Taxpayers' Equity		
22,762	General Fund	SOCTE	23,041
10,676	Revaluation Reserve	SOCTE	10,509
33,438	Total Taxpayers' Equity		33,550

The notes on pages 121 to 175 form part of these accounts.



Leslie Evans
Principal Accountable Officer

15 December 2021

Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity
For the year ended 31 March 2021

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2020		22,762	10,676	33,438
Net operating cost for the year		(48,201)	-	(48,201)
Net gain/(loss) on revaluation/indexation of property, plant and equipment	6	-	(63)	(63)
Non-Operating gain/(loss) on transfer of property, plant and equipment	6	-	-	-
Total Comprehensive Expenditure for the year ended 31 March 2020		(48,201)	(63)	(48,264)
Non Cash Charges				
Non cash charges - auditor's remuneration	5e	5	-	5
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment		75	-	75
Total Non Cash charges		80	-	80
Other Reserve movements				
Transfer of non-current assets		-	-	-
Other Adjustment		(2)	-	(2)
NHS Adjustment		(77)	-	(77)
Transfer between reserves		104	(104)	-
Total other reserve movements/adjustments		25	(104)	(79)
Funding				
Parliamentary Funding		48,290	-	48,290
NHS Adjustment		-	-	-
Less funding to pensions schemes		(113)	-	(113)
Less funding to Revenue Scotland, National Records of Scotland, Office of Scottish Charity Regulator, Scottish Courts and Tribunals Service, Scottish Fiscal Commission and Scottish Housing Regulator		(49)	-	(49)
Net parliamentary funding drawn down	23	48,128	-	48,128
Movement of balance with the SCF		247	-	247
Net funding position		48,375	-	48,375
Net increase/(decrease) in year		279	(167)	112
Balance as at 31 March 2021		23,041	10,509	33,550

Explanation of Reserves:

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

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

Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity
For the year ended 31 March 2020

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2019		22,862	10,425	33,287
Net operating cost for the year		(37,695)	-	(37,695)
Net gain/(loss) on revaluation/indexation of property, plant and equipment	6	-	395	395
Non-Operating gain/(loss) on transfer of property, plant and equipment		-	-	-
Scottish Forestry transfer in year		-3	-	(3)
Total Comprehensive Expenditure for the year ended 31 March 2019		(37,698)	395	(37,303)
Non Cash Charges				
Non cash charges - auditor's remuneration	5e	3	-	3
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment		(235)	-	(235)
Total Non Cash charges		(232)	-	(232)
Other Reserve movements				
Prior year adjustments		(17)	-	(17)
NHS Highland Pension movement		16	-	16
Roads historic adjustment		75	-	75
Transfer between reserves		144	(144)	-
Prior year adjustment (roundings)		-	-	-
Total other reserve movements/adjustments		218	(144)	74
Funding				
Parliamentary Funding		37,616	-	37,616
Less funding to pensions schemes		(39)	-	(39)
Less funding to Revenue Scotland, National Records of Scotland, Office of Scottish Charity Regulator, Forestry Commission (Scotland), Scottish Courts and Tribunals Service, Revenue Scotland, Scottish Fiscal Commission and Scottish Housing Regulator		(53)	-	(53)
Net parliamentary funding drawn down	24	37,524	-	37,524
Movement of balance with the SCF		88	-	88
Transfer of benefit overpayment receivables from DWP		-	-	-
Net funding position		37,612	-	37,612
Net increase/(decrease) in year		(100)	251	151
Balance as at 31 March 2020		22,762	10,676	33,438

Statement of Cash Flows
For the year ended 31 March 2021

2019-20 £m	Note	2020-21 £m
(35,982) Net cash outflow from operating activities	(A)	(46,528)
(1,515) Net cash outflow from investment activities	(B)	(1,670)
(3) Payments (from)/to the SCF	(D)	(38)
37,450 Cash flows from financing activities	(C)	47,974
(50) Increase / (Decrease) in cash in the period	2	(262)
(A) Reconciliation of operating costs to operating cash flows		
(37,695) Net Operating Cost	SoCTE	(48,200)
(3) Transfer by absorption from FCS to SF	SoCTE	-
5 Income not applied	5b	6
691 Adjustments for non-cash transactions	3	1,011
160 Add back: interest payable for financing		156
(21) Increase / (decrease) in inventories		(101)
(203) (Increase) / decrease in receivables and other current assets	4	27
252 Increase / (decrease) in trade and other payables	4	1,446
916 Increase / (decrease) in provisions	4	(731)
(84) Interest receivable		(142)
(35,982) Net cash outflow from operating activities		(46,528)
(B) Analysis of cash flows from investing activities		
(501) Purchase of property, plant and equipment		(651)
(101) Purchase of intangible assets		(135)
32 Proceeds of disposal of property, plant and equipment		10
2 Proceeds of disposal of intangible assets		13
1 Proceeds of assets held for sale		5
(1,784) Advances of Investments		(1,871)
809 Repayments of Investments		926
27 NLF Loans	10	33
(1,515) Net Cash outflow from investment activities		(1,670)
(C) Analysis of cash flows from financing activities		
37,524 From Scottish Consolidated Fund	SOCTE	48,128
77 Funding on NHS Capital		-
(27) Loan transactions with the National Loans Fund	10	(33)
(16) Capital element of payments in respect of finance leases		(72)
111 Interest received		108
(221) Interest element of finance leases and NPD/PPP/PFI contracts included in SoFP		(155)
2 Interest paid		(2)
37,450 Cash flows from financing activities		47,974
50 Decrease/(Increase) in cash equivalents	2	262
37,500 Net cash and cash equivalents requirement		48,236

(D) Payments to the Scottish Consolidated Fund (SCF) represent the income not applied, £2m (Note 5b) offset by the increase in balances payable to the SCF of £1m and decrease in the balance receivable from the SCF of £1m.

Notes to the Accounts

For the Year Ended 31 March 2021

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 2020-21 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Accounting Convention and basis of consolidation

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

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

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

1.2 Critical accounting judgements and key sources of estimation

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

1.3 Property, Plant and Equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see note 1.3 below), and will be accounted for under IAS 16 Property, Plant and Equipment.

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

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

Capitalisation

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

Valuation

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

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

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

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

The indexation factors applied are:

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

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

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

Subsequent Cost

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

1.4 Assets Held for Sale

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

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

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

1.5 Donated Assets and European Union Grants

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

1.6 Intangible Assets

In accordance with the FReM, Intangible assets are accounted for in line with the requirements of IAS 38 Intangible Assets, and are valued at depreciated replacement cost. Revaluations are carried out according to IAS 38 for assets over a valuation threshold.

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

Intangible assets other than assets under development are amortised on a straight line basis over their estimated useful lives. Impairment reviews are carried out if there are any indicators that impairment should be considered. Intangible assets under development are not amortised.

1.7 Depreciation and Amortisation

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

Assets under construction are not depreciated.

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

Dwellings and other buildings	5 to 50 years (as per valuation)
Vehicles	3 to 10 years
Vessels	25 to 30 years
Aircraft	5 to 20 years
Equipment	3 to 15 years
ICT systems	3 to 10 years
Internally developed software	3 to 5 years
Leasehold improvements	Over the shorter of asset life and lease term

1.8 Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with IAS 32, IFRS 7, IFRS 13 and IFRS 9 as interpreted by the FReM.

IFRS 9 contains three principal classification categories for financial assets:

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

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

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

The Scottish Government has classified its financial instruments as follows:

Financial Assets

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

- Shared equity loans advanced to private individuals will be reported in the 'At fair value through profit & loss' category.

Financial Liabilities

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

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

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

Financial instruments subsequent measurement depends on their classification:

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

Financial assets

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

Impairment of Financial assets

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

A simplified approach to impairment has been adopted, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss

allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

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

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

Student Loans

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

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

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

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

There are significant uncertainties in assessing the actual likely costs and the impairment will be affected by the assumptions used.

These are formally reviewed by the Scottish Government each year and the amounts impaired reflect the Scottish Government's current best estimate.

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

Embedded Derivatives

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

Financial Guarantee Contracts

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

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

The expected credit loss model calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

Financial Transactions

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

1.9 Inventories

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

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

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

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

- Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset will be measured as under IAS 17, Leases,

with the service element and the interest charge recognised as incurred over the term of the concession arrangement; and

- Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques including obtaining information from the operator or using the fair value approach.

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

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

Any revenue received by the grantor is recognised in line with IFRS 15.

1.11 Revenue

Revenue is accounted for in accordance with IFRS 15, as directed by the FReM. 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 5 between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit (income applied), and that operating income which is not (income not applied).

1.12 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. The new standard for reporting leases, IFRS 16, will be adopted from 1 April 2022.

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.

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

On consolidation into the Scottish Government accounts, the Scottish Government's CNORIS provision represents the national scheme liability.

NHS

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

1.18 *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 calculated through an expected credit loss model.

1.22 *Cash and Cash Equivalents*

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

1.23 *Trade Payables*

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

1.24 *Short Term Employee Benefits*

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

1.25 New Accounting Standards

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

IFRS 16 - Leases

This standard was expected to come into effect for accounting periods beginning after 1 April 2020, but in response to the disruption caused by the Covid pandemic its implementation has been postponed and will now come into effect for accounting periods beginning after 1 April 2022. The impact of IFRS 16 will be to remove distinction between finance and operating leases and all assets embedded within leases will be capitalised and recorded on the Statement of Financial Position. The FReM interprets and adapts IFRS 16 for the public sector context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. The full impact has not yet been determined. These assets will be included on the statement of financial position from 1 April 2022, in accordance with the transition arrangements set out in IFRS 16 application guidance issued by HM Treasury in December 2020.

IFRS 17 - Insurance Contracts

This implementation date for IFRS 17 is not yet confirmed and the impact has not yet been determined. The Financial Reporting Advisory Board are considering implementation of the standard in the public sector.

2. Cash and cash equivalents

	2020-21 £m	2019-20 £m
Government Banking Service	659	864
Commercial banks and cash in hand	49	106
At 31 March	708	970

	2020-21 £m	2019-20 £m
At 1 April	970	1,020
Net change in cash and cash equivalent balances	(262)	(50)
At 31 March	708	970

The balance at 31 March comprises:		2020-21 Net £m	2019-20 Net £m
	Note		
Cash due to be paid to the Scottish Consolidated Fund	13	644	888
Consolidated Fund extra receipts received and due to be paid to the SCF	13	3	27
At 31 March		647	915

3. Note to the Cash Flow Statement

Adjustment to Operating Activities for Non-cash Transactions

	2020-21 £m	2019-20 £m
Depreciation and Amortisation	485	519
Impairments/Write-backs	96	30
Total Capital Charges	581	549
Loss/(Profit) on disposal of property, plant and equipment	(7)	(1)
Loss/(Profit) on disposal of assets held for sale	-	-
Change arising on revaluation of assets held for sale	-	1
Capitalised interest - financial assets	(71)	(137)
Student loans fair value adjustment	412	334
Investment fair value adjustments	37	46
Prior year shared equity adjustment	-	(17)
Income from donated asset additions	(15)	(8)
Auditor Fees	5	5
Unrealised exchange rate (gain)/loss	3	-
Transfer of Assets - PPE	-	(1)
Release of finance lease liability	1	1
Other non-cash items - Health Boards	57	16
Other non-cash items	(1)	2
NHS Highland - movement in year in LG pension costs	13	(10)
NHS Board consolidation adjustments	(4)	(89)
Total	1,011	691

4. Note to the Cash Flow Statement - Working Capital*Movement in Working Capital*

	Note	Opening Balance	Closing Balance	2020-21 Net Movement	2019-20 Net Movement
		£m	£m	£m	£m
Inventories	9	142	243		
Net Decrease/(Increase)				(101)	(21)
Receivables and other assets					
Due within one year	12	1,052	1,118	(66)	(124)
Due after more than one year	12	101	76	25	49
Assets Held for Sale	8	10	17	(7)	6
Less: Capital included in PPE		(21)	(24)	3	(2)
Less: Capital included in intangibles		-	-	-	-
Less: Capital included in investment		-	(1)	1	(3)
Less: Receivable from SCF	12	-	(60)	60	-
Less: General Fund receivable included above		(1)	(5)	4	1
Other Adjustment		15	(7)	22	(4)
NHS Greater Glasgow and Clyde adjustment		-	-	-	-
NHS boards consolidation adjustment		866	881	(15)	(126)
Total		2,022	1,995		
Net Decrease/(Increase)				27	(203)
Payables and other liabilities					
Due within one year	13	3,874	5,139	1,265	50
Due after more than one year	13	3,578	3,456	(122)	(147)
Less: Capital included in PPE		(188)	(241)	(53)	(49)
Less: Capital included in intangibles		(2)	(1)	1	2
Less: Capital included in Investment		(5)	(14)	(9)	(4)
Less: SCF corporate payable included in above	13	(888)	(634)	254	91
Less: Payable to SCF	13	(27)	(15)	12	(3)
Less: Bank Overdraft	13	-	(4)	(4)	-
Less: NLF payable included in above	13	(564)	(531)	33	27
Less: PFI Imputed Leases	13	(2,936)	(2,870)	66	102
Less: Financial Guarantees included in above	13	(1)	-	1	(1)
Other Adjustment		15	6	(9)	(3)
NHS Board Consolidation Adjustment		133	144	11	187
Total		2,989	4,435		
Net (Decrease)/Increase				1,446	252
Provisions					
Due within one year	14	1,165	347	(818)	945
Due after more than one year	14	877	964	87	(3)
Less: Capital provisions		0	0	-	(5)
NHS Board Consolidation Adjustment		450	450	-	(21)
Total		2,492	1,761		
Net (Decrease)/Increase				(731)	916
Total Net Movement				641	944

5. Outturn Income and Expenditure

5a. Operating income analysed by classification and activity, is as follows:

	Total Income £m	Income Not Applied £m	2020-21 Income Applied £m	Restated 2019-20 Income Applied £m
Health and Sport	707	-	707	692
Communities & Local Government	7	-	7	14
Finance	15	-	15	25
Education and Skills	84	-	84	160
Justice	16	-	16	17
Transport, Infrastructure & Connectivity	19	-	19	13
Environment, Climate Change and Land Reform	123	-	123	119
Rural Economy and Tourism	137	-	137	632
Economy, Fair Work and Culture	9	-	9	78
Social Security and Older People	1	-	1	2
Constitution, Europe and External Affairs	-	-	-	-
Crown Office and Procurator Fiscal Service	8	6	2	-
TOTAL	1,126	6	1,120	1,752

5b. Income not applied

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

The major items of income not applied are:

	Cash received £m	Accrued £m	2020-21 £m	2019-20 £m
Repayment of interest	-	-	-	-
Designated receipts - Fines, forfeitures and fixed penalties	-	-	-	-
Non-designated receipts - Proceeds of Crime and other	6	-	6	5
Total Income Not Applied	6	-	6	5

5c. Interest Receivable

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

	Total Income £m	Income Not Applied £m	2020-21 Income Applied £m	2019-20 Total Income £m
Programme Income:				
Communities & Local Government	1	-	1	3
Transport, Infrastructure & Connectivity	8	-	8	9
Environment, Climate Change and Land Reform	105	-	105	104
Economy, Fair Work and Culture	1	-	1	1
Total	115	-	115	117

5d. Interest Payable

	2020-21 Total £m	2019-20 Total £m
Finance lease charges allocated in the year including on balance sheet PFI/PPP contracts	225	219
Other interest	3	-
Total	228	219

5e. Audit Fee

The consolidated audit fee for 2020-21 is £5m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted in Note 3 - Notes to the Cash Flow. Other entities within the consolidation boundary pay fees. The consolidated audit fee for 2019-20 was £5m (Core Portfolios £1m). There were no additional charges in relation to non audit work undertaken by Audit Scotland.

5. Outturn Income and Expenditure (continued)

5f. Operating Costs

Total operating costs for the Scottish Government are aligned with the portfolio budget that they support. The total operating costs for a portfolio are all the core Scottish Government staff and associated operating costs incurred by the portfolio, plus a share of the costs, such as accommodation, IT, legal services and HR, which cannot be readily attributed to a portfolio (corporate running costs).

Analysis of Net Operating Costs by Category	2020-21 £m	Restated 2019-20 £m
Staff Costs	512	431
Accommodation	35	37
Legal Costs	3	1
Travel & Subsistence	2	8
Training	2	4
IT Costs	32	25
Transport	1	1
Audit Fee	1	1
Other Office Costs	18	17
Operating Income	(19)	(25)
Total	587	500

Analysis of Net Operating Costs by Portfolio	2020-21 £m	Restated 2019-20 £m
Health and Sport	87	64
Communities and Local Government	41	39
Finance	66	44
Education and Skills	40	38
Justice	38	36
Transport, Infrastructure and Connectivity	13	10
Environment, Climate Change and Land Reform	74	70
Rural Economy and Tourism	91	88
Economy, Fair Work and Culture	51	48
Social Security and Older People	60	41
Constitution, Europe & External Affairs	26	22
Crown Office and Procurator Fiscal Service (1)	-	-
Total	587	500

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

5g. Analysis of Capital Charges by Portfolio

Analysis of Capital Charges by Portfolio	Depreciation/ Amortisation £m	Impairment/ Write back £m	2020-21 Total £m	Restated 2019-20 Total £m
Health and Sport	322	74	396	343
Communities and Local Government	-	-	-	-
Finance	14	-	14	14
Education and Skills	7	-	7	5
Justice	40	-	40	39
Economy, Fair Work and Culture	-	-	-	-
Rural Economy and Tourism	41	-	41	37
Environment, Climate Change and Land Reform	5	-	5	6
Constitution, Europe and External Affairs	-	-	-	-
Social Security and Older People	11	1	12	-
Transport, Infrastructure and Connectivity	40	21	61	101
Crown Office and Procurator Fiscal Service	5	-	5	4
Total Capital Charges	485	96	581	549

6. Property, Plant and Equipment

6a. 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	Assets Under Construction £m	Total £m
Cost or valuation										
As at 1 April 2020	484	7,659	713	25,297	224	1,295	440	91	792	36,995
Prior Year Adjustments										-
Additions	3	42	-	13	16	114	24	3	495	710
Adjustments	-	-	-	(86)	-	-	-	-	-	(86)
Transfers	1	106	2	39	2	77	9	3	(242)	(3)
Transfers (to)/from Assets Classified as Held for Sale	(10)	(2)	-	-	-	-	-	-	-	(12)
Transfer from loans	-	-	-	-	-	-	-	-	74	74
Disposals	(6)	(2)	(1)	-	(6)	(59)	(13)	(1)	-	(88)
Revaluations to Revaluation Reserve	3	(280)*	(58)	(61)	4	-	-	-	-	(392)
Revaluations to Outturn Statement	(1)	(87)	-	-	-	-	(1)	-	(37)	(126)
Balance at 31 March 2021	474	7,436	656	25,202	240	1,427	459	96	1,082	37,072
Depreciation										
As at 1 April 2020	-	367	36	4,445	128	904	344	72	-	6,296
Charged in year	-	218	22	40	17	84	29	5	-	415
Adjustments	-	-	-	(11)	-	-	-	-	-	(11)
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers (to)/from Assets Classified as Held for Sale	-	-	-	-	-	-	-	-	-	-
Disposal	-	(1)	-	-	(6)	(58)	(13)	-	-	(78)
Reclassifications	-	-	-	-	-	-	-	-	-	-
Revaluations to Revaluation Reserve	-	(261)*	(45)	(29)	3	-	-	-	-	(332)
Revaluations to Outturn Statement	-	(27)	-	-	-	-	1	-	-	(26)
Balance at 31 March 2021	-	296	13	4,445	142	930	361	77	-	6,264
Net book value at 31 March 2021	474	7,140	643	20,757	98	497	98	19	1,082	30,808
Net book value at 31 March 2020	484	7,292	677	20,852	96	391	96	19	792	30,699
										* Increased estimates of remaining useful asset lives is processed as a reduction to the accumulated depreciation. The revaluation of buildings in 2020-21 results in a net upward movement.
Analysis of asset financing:										
	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings	Assets Under Construction £m	Total £m
Owned	468	4,727	559	17,820	90	483	96	18	1,068	25,329
Finance Leased	-	44	-	-	5	-	-	-	-	49
On balance sheet PFI	5	2,302	83	2,937	-	1	-	1	-	5,329
Donated	1	67	-	-	3	15	1	-	14	101
Net book value at 31 March 2020	474	7,140	642	20,757	98	499	97	19	1,082	30,808
Donated Asset Movement										
	Land ¹ £m	Buildings ² £m	Dwellings £m	Road Network ³ £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Additions	-	-	-	-	-	2	-	-	12	14
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

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

6a. Property, Plant and Equipment (cont.)

	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										
As at 1 April 2019	487	7,415	696	24,894	210	1,244	426	89	1,156	36,617
Prior Year Adjustments										-
Additions	1	21		8	9	53	22	2	402	518
Historic valuation adjustments		(1)	1	(181)	2	(3)				(182)
Transfers		204		480	12	38	20	2	(756)	-
Transfers (to)/from Assets Classified as Held for Sale	(2)									(2)
Disposals	(20)	(2)			(15)	(37)	(27)	(2)		(103)
Revaluations to Revaluation Reserve	18	35	17	96	7					173
Revaluations to Outturn Statement	-	(13)	(1)		(1)	-	(1)		(10)	(26)
Balance at 31 March 2020	484	7,659	713	25,297	224	1,295	440	91	792	36,995
Depreciation										
As at 1 April 2019	-	383	30	4,349	120	865	339	68	-	6,154
Charged in year	-	210	22	100	17	78	31	6	-	464
Historic valuation adjustments	-	-	-	(22)	2	(3)	-	-	-	(23)
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers (to)/from Assets Classified as Held for Sale	-	-	-	-	-	-	-	-	-	-
Disposal	-	(1)			(15)	(36)	(26)	(2)		(80)
Revaluations to Revaluation Reserve	-	(198)	(16)	18	4	-	-	-	-	(192)
Revaluations to Outturn Statement	-	(27)								(27)
Balance at 31 March 2020	-	367	36	4,445	128	904	344	72	-	6,296
Net book value at 31 March 2020	484	7,292	677	20,852	96	391	96	19	792	30,699
Net book value at 31 March 2019	487	7,032	666	20,545	90	379	87	21	1,156	30,463
Analysis of asset financing:										
Owned	476	4,818	587	17,868	86	375	94	17	783	25,104
Finance Leased	-	42	-	-	6	1	-	-	-	49
PFI included in Statement of Financial Position	7	2,367	90	2,984	-	-	1	2	-	5,451
Donated Asset	1	65	-	-	4	15	1	-	9	95
Net book value at 31 March 2020	484	7,292	677	20,852	96	391	96	19	792	30,699
Donated Asset Movement										
Additions	-	-	-	-	-	3	-	-	5	8
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

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

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

	Land ¹	Buildings ²	Dwellings	Road Network ³	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
Cost or valuation	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	356	6,980	24	-	109	1,245	352	88	306	9,460
Additions	-	34	-	-	15	111	11	2	314	487
Transfers	1	104	1	-	-	76	8	3	(195)	(2)
Transfers (to) assets classified held for sale	(9)	(1)	-	-	-	-	-	-	-	(10)
Disposals	(2)	(2)	-	-	(6)	(57)	(3)	(1)	-	(71)
Revaluations to Revaluation Reserve	3	(234)	(1)	-	-	-	-	-	-	(232)
Revaluations to Outturn Statement	-	(87)	-	-	(1)	-	(1)	-	(15)	(104)
At 31 March 2021	349	6,794	24	-	117	1,375	367	92	410	9,528
Depreciation										
At 1 April 2020	-	311	-	-	54	866	283	69	-	1,583
Charged in year	-	194	1	-	12	81	21	4	-	313
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	-
Disposal	-	(1)	-	-	(6)	(57)	(3)	-	-	(67)
Revaluations to Revaluation Reserve	-	(226)	-	-	-	-	-	-	-	(226)
Revaluations to Outturn Statement	-	(27)	-	-	-	1	1	-	-	(25)
At 31 March 2021	-	251	1	-	60	891	302	73	-	1,578
Net book value at 31 March 2021	349	6,543	23	-	57	484	65	19	410	7,950
Net book value at 31 March 2020	356	6,669	24	-	55	379	69	19	306	7,877
Analysis of asset financing:										
Owned	343	4,187	23	-	57	468	64	18	396	5,556
Finance Leased	-	34	-	-	-	-	-	-	-	34
PFI included in Statement of Financial Position	5	2,254	-	-	-	1	1	1	-	2,262
Donated Asset	1	68	-	-	-	15	-	-	14	98
Net book value at 31 March 2021	349	6,543	23	-	57	484	65	19	410	7,950
Donated Asset Movement										
Additions	-	-	-	-	-	2	-	-	-	2
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

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

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

Prior Year

	Land ¹	Buildings ²	Dwellings	Road Network ³	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
Cost or valuation	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	361	6,754	25	-	103	1,195	343	86	358	9,225
Additions	-	9	-	-	8	50	9	2	233	311
Transfers	-	204	-	-	12	37	20	2	(274)	1
Transfers (to) assets classified held for sale	(1)	-	-	-	-	-	-	-	-	(1)
Disposals	(18)	(1)	-	-	(14)	(36)	(19)	(2)	-	(90)
Revaluations to Revaluation Reserve	14	28	-	-	-	-	-	-	-	42
Revaluations to Outturn Statement	-	(14)	(1)	-	-	(1)	(1)	-	(11)	(28)
At 31 March 2021	356	6,980	24	-	109	1,245	352	88	306	9,460
Depreciation										
At 1 April 2020	-	335	1	-	56	825	279	65	-	1,561
Charged in year	-	187	1	-	12	76	23	5	-	304
Transfers	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(14)	(35)	(19)	(1)	-	(69)
Revaluations to Revaluation Reserve	-	(184)	(1)	-	-	-	-	-	-	(185)
Revaluations to Outturn Statement	-	(27)	(1)	-	-	-	-	-	-	(28)
At 31 March 2021	-	311	-	-	54	866	283	69	-	1,583
Net book value at 31 March 2021	356	6,669	24	-	55	379	69	19	306	7,877
Net book value at 31 March 2020	361	6,419	24	-	47	370	64	21	358	7,664
Analysis of asset financing:										
	Land ¹	Buildings ²	Dwellings	Road Network ³	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Owned	348	4,253	24	-	55	363	68	17	297	5,425
Finance Leased	-	32	-	-	-	-	-	-	-	32
PFI included in Statement of Financial Position	7	2,319	-	-	-	1	1	2	-	2,330
Donated Asset	1	65	-	-	-	15	-	-	9	90
Net book value at 31 March 2020	356	6,669	24	-	55	379	69	19	306	7,877
Donated Asset Movement										
	Land ¹	Buildings ²	Dwellings	Road Network ³	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions	-	-	-	-	-	2	-	-	4	6
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

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

6c. Property, Plant and Equipment Disclosures

	2020-21 £m	2019-20 £m
Net book value of Property, Plant and Equipment	30,808	30,699
Total value of assets held under:		
Finance Leases	49	49
PFI and PPP Contracts	5,329	5,451
Total	5,378	5,500
Total depreciation charged in respect of assets held under:		
Finance leases	5	3
PFI and PPP contracts	49	48
Total	54	51

Valuations and Basis of Valuation

As part of the 5-year rolling programme for Scottish Government assets, 10 properties – (Austin Hall Gogarburn, Crichton Royal Farm Dumfries, Glensaugh Research Station Fettercairn, Gogarbank Farm Edinburgh, Kirkton & Auchtertyre Farms Criararich, Land at Craiginches Aberdeen, Land at Madelvic Granton Edinburgh, Victoria Quay Edinburgh, Woodhouselee Farm, SASA HQ Edinburgh), , underwent a formal desktop revaluation as at 31st March 2021. These valuations were on the basis of Existing Use Value (EUV), except SASA HQ which was valued using the Depreciated Replacement Cost approach as this is a specialist property and there is no market-based evidence to support the use of EUV.

Valuations were carried out by the Valuation Office Agency (VOA). These valuations were carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation - Global Standards and RICS UK National Supplement, commonly known together as the Red Book. In particular UK VPGA (Valuation Practice Guidance-Application) 5 addresses the valuation of central government assets for accounting purposes.

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

Individual NHS boards have their own revaluation schemes, details of which are available in the various NHS Board accounts. These schemes operate in accordance with Scottish Government policy on revaluation as set out in Note 1.3 to these accounts.

Material Valuation Uncertainty

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

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

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

7. Intangible Assets

Cost or Valuation	Software Licenses	Information Technology Software	Websites that deliver a service	Assets under Development	Total
	£m	£m	£m	£m	£m
As at 1 April 2020	159	450	-	52	661
Additions	6	13	-	105	124
Disposals	(5)	(13)	-	(2)	(20)
Transfers	5	79	-	(79)	5
Revaluations to Outturn Statement	-	(1)	-	-	(1)
Balance at 31 March 2021	165	528	-	76	769

Amortisation					
As at 1 April 2020	147	277	-	-	424
Charged in year	7	55	-	-	62
Disposals	(5)	(2)	-	-	(7)
Balance at 31 March 2021	149	330	-	-	479

Net book value at 31 March 2021	16	198	-	76	290
Net book value at 31 March 2020	12	173	-	52	237

Cost or Valuation	Software Licenses	Information Technology Software	Websites that deliver a service	Assets under Development	Total
	£m	£m	£m	£m	£m
As at 1 April 2019	160	369	1	48	578
Additions	4	35	-	54	93
Disposals	(5)	(4)	(1)	-	(10)
Transfers	-	50	-	(50)	-
Revaluations	-	-	-	-	-
Balance at 31 March 2020	159	450	-	52	661

Amortisation					
As at 1 April 2019	146	232	1	-	379
Charged in year	6	49	-	-	55
Disposals	(5)	(4)	(1)	-	(10)
Balance at 31 March 2020	147	277	-	-	424

Net book value at 31 March 2020	12	173	-	52	237
Net book value at 31 March 2019	14	137	-	48	199

8. Assets Classified as Held for Sale

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

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

	Property Plant and Equipment £m	Intangible Assets £m	Investment Assets £m	Total £m
As at 1 April 2020	10	-	-	10
Transfers from Non-Current Assets	12	-	-	12
Disposals	(4)	-	-	(4)
Fair Value Adjustment	(1)	-	-	(1)
Balance at 31 March 2021	17	-	-	17

Prior year

As at 1 April 2019	16	-	-	16
Transfers from Non-Current Assets	2	-	-	2
Disposals	(7)	-	-	(7)
Impairments	(1)	-	-	(1)
Balance at 31 March 2020	10	-	-	10

9. Inventories

	2020-21 £m	2019-20 £m
NHS inventories	239	138
Other inventories	4	4
Total	243	142

10. Financial Assets

10a. Non-Current Financial Assets

	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Loans £m	Housing Shared equity Loans £m	Energy Related Loans £m	EU CAP Loans £m	Other Funds £m	Total £m
Balance at 1 April 2020	25	3,469	531	3,550	275	1,009	188	-	153	9,200
Add element reported within current assets	-	107	33	160	6	-	1	193	21	521
										-
Advances and Acquisitions										
Acquisitions	23	-	-	-	-	-	-	-	-	23
Cash Advances	-	356	-	631	126	256	40	344	111	1,864
Capitalised interest	-	-	-	70	-	-	-	-	1	71
Transfers	-	(74)	-	-	-	-	-	-	-	(74)
Repayments and disposals	-	(107)	(33)	(204)	(6)	(70)	(1)	(512)	(27)	(960)
Fair Value Adjustment	-	-	-	(423)	-	32	(3)	-	(20)	(414)
Unwinding of discounted cash flow	-	-	-	11	(14)	-	-	-	-	(3)
Impairments	3	-	-	-	(4)	-	(1)	-	(2)	(4)
Write offs and adjustments	-	(13)	-	-	-	-	-	-	(15)	(28)
Balance at 31 March 2021	51	3,738	531	3,795	383	1,227	224	25	222	10,196
Loans repayable within 12 months transferred to current assets	-	(80)	(50)	(165)	(18)	-	(2)	(25)	(11)	(351)
Balance at 31 March 2021	51	3,658	481	3,630	365	1,227	222	0	211	9,845

10a. Non-Current Financial Assets (continued)

	Interests in Nationalised Industries and Limited Companies	Voted Loans	NLF Loans	Student Loans	Housing Loans Restated	Housing Shared equity Loans Restated	Energy Related Loans	EU CAP Loans	Other Funds	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2019	27	3,193	564	3,309	193	944	142	0	99	8,471
Add element reported within current assets	-	97	27	150	16	-	4	256	1	551
Advances and Acquisitions										
Cash Advances	-	382	-	621	121	116	65	382	88	1,775
Capitalised interest	-	-	-	137	-	-	-	-	-	137
Transfers										
Fair value adjustment	-	-	-	(299)	-	20	-	-	-	(279)
Unwinding of discounted cash flow	-	-	-	(35)	(44)	-	-	-	-	(79)
Impairments	-	-	-	-	-	-	-	-	(5)	(5)
Write offs	(2)	-	-	-	-	-	(11)	-	(4)	(17)
Repayments and disposals		(96)	(27)	(173)	(5)	(71)	(11)	(445)	(5)	(833)
Balance at 31 March 2020	25	3,576	564	3,710	281	1,009	189	193	174	9,721
Loans repayable within 12 months transferred to current assets	-	(107)	(33)	(160)	(6)		(1)	(193)	(21)	(521)
Balance at 31 March 2020	25	3,469	531	3,550	275	1,009	188	-	153	9,200

Restatement: The total housing balance has not changed on restatement, however the split between shared equity and other loans has been corrected due to a reallocation of the unwinding of discounted cashflow and fair value adjustment.

10b. Interests in Nationalised Industries and Limited Companies

As at 31 March 2021, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited, TS Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Holdings Limited. The Scottish Ministers hold the following

Caledonian Maritime Assets Limited	1,500,000 ordinary shares of £10 each
David MacBrayne Limited	5,500,002 ordinary shares of £1 each
Highlands and Islands Airport Limited	50,000 ordinary shares of £1 each
TS Prestwick Holdco Limited	1 ordinary share of £1
Ferguson Marine (Port Glasgow) Holdings Limited	1 ordinary share of £1

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

	TS Prestwick Holdco Ltd	Highlands and Islands Airports Ltd	Caledonian Maritime Assets Ltd	David MacBrayne Ltd	Ferguson Marine Ltd
	£m	£m	£m	£m	£m
Net Assets/(Liabilities) as at 31 March 2021	(30)	(62)	108	30	6
Turnover	19	9	36	200	25
Profit/(Loss) for the financial year	(1)	(1)	(2)	(1)	82

Results for TS Prestwick Holdco Ltd, Highlands and Islands Airports Ltd, Caledonian Maritime Assets Ltd and David MacBrayne Ltd are draft and subject to audit with final accounts yet to be published. Results for Ferguson Marine Ltd are from final, audited accounts.

Caledonian Maritime Assets Limited

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

David MacBrayne Limited

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

Highlands and Islands Airport Limited (HIAL)

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

TS Prestwick Holdco Limited

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

Ferguson Marine

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

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

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

Scottish National Investment Bank

As per the financial memorandum between the Scottish Government and the Scottish National Investment Bank plc, the Scottish Government receives shares in return for capital provided to the Bank for onward investment. In line with this requirement, a share certificate was issued on 29 March 2021 to the value of £23m, reflecting the investment made by the Bank during 2020-21.

10c. Other Interests

The Scottish Ministers hold an interest in the following organisations:

Student Loan Company (SLC)

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

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.

Burntisland Fabrications

Over the past two financial years the Scottish Government has advanced loans on a commercial basis to BiFab. As a result of the conversion of these loans to equity the Scottish Government now holds a 32.4% stake in the company. As part of year end processes the Scottish Government valued its equity holding at £nil (2019-20: £nil).

10e. Loans

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

Voted Loans

The Scottish Ministers have provided total loans from voted provision of £3m to crofters for building purposes and £3,597m to Scottish Water for their capital investment programmes. In year £354m of advances were provided to Scottish Water (2019-20 £344m of advances).

The contracts for the completion of vessels 801/802 by Ferguson Marine were restructured to implement a contractual relationship which reflected the commitment from Scottish Ministers to fund the completion and delivery of the two ferry vessels. The Scottish Government entered into new contracts with Ferguson Marine which replaced the original contracts between CMAL and the shipyard. This reorganisation resulted in the vessels being transferred onto the Scottish Government's balance sheet as Assets Under Construction at a valuation of £74m and a write-off of 13m of the voted loans originally issued in connection with 801/802.

National Loans Fund

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

Scottish Water's 2020-21 annual report and accounts can be found at:

www.scottishwater.co.uk/help-and-resources/document-hub/key-publications/annual-reports

Student Loans

Loans made under the terms of the student loans scheme are administered by the Student Loans Company Limited, a company owned jointly by the Scottish Ministers and the Department for Education. These loans are accounted for on the basis of the loan balances of students domiciled in Scotland and adjusted for fair value and impairment. Further details on student loan valuation are in note 10f.

The Student Loans Company annual report and accounts can be found at:

<https://www.gov.uk/government/collections/slcs-annual-reports-and-accounts>

Housing Loans

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

Information on current purchase schemes is available at:

<https://www.mygov.scot/housing-local-services/buy-own-property/getting-help-to-buy/>

The main Housing loan schemes are:

Charitable Bonds

The Charitable Bond model means the Scottish Government can make an ethical investment in affordable housing in the form of loans to social housing providers for up to 15 years, repaid at the end of the term. As at 31 March 2021 a total of £175m (31 March 2020: £146m) was held on Charitable Bond schemes after fair value adjustments. In 2020-21 the Scottish Government invested £40m in Charitable Bonds in year to be repaid in 2031 & 2036 (2019-20: £88m advances).

10e. Loans (continued)**Housing Loans (continued)***Mid Market Rented Housing*

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

During 2020-21 £30m was advanced (2019-20: £21m) through MMR schemes. As at 31 March 2021 a total of £35m (31 March 2020: £37m) was held on MMR schemes after fair value adjustment.

Housing Infrastructure Funds

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

£4m was advanced during 2020-21 (2019-20: £12m). As at 31 March 2020 a total of £23m (31 March 2020: £20m) was held on HIF funds.

Rent to Buy

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

As at 31 March 2021 a total of £4m (31 March 2020: £5m) was held on RTBS funds.

Shared Equity Housing Loans

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

Shared Equity Stakes

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

As at 31 March 2021 £51m was held (31 March 2020: £54m) after fair value adjustments. £1m of repayments were made in year (2019-20: £1m repayments)

Shared Equity Schemes

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

£35m was advanced during 2019-20 (2019-20: £52m) and £31m repayments were made (2019-20: £34m). As at 31 March 2020 a total of £343m (31 March 2020: £340m) was held on OMSE and NSSE funds after fair value adjustments.

Help to Buy

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

£20m was advanced during 2020-21 (2019-20: £54m) and £38m repayments were made (2019-20: £35m). As at 31 March 2021 a total of £399m (31 March 2020: £405m) was held on both Help To Buy funds after fair value adjustments.

First Home Fund

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

£192m was advanced during 2020-21 (2019-20: £8m).

Energy Related Loans

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

- Salix provides loans to the public sector to improve their energy efficiency and reduce their carbon emissions. At 31 March 2021 £28m (2020-21: £23m) was held as loan funds. No funds were advanced in 2020-21 (£4m in 2019-20).
- EST administer and manage funds on behalf of the Scottish Government which provide loans to save energy and reduce carbon dioxide emissions. In 2020-21 £3m (2019-20 £6m) of advances were made. At 31 March 2021 £63m (2019-20: £61m) was held as loan funds.

Through the Home Energy Efficiency Programme (HEEPs) loans are available to help homeowners make energy and money saving improvements to their home. In 2020-21 advances of £2m (2019-20: £4m) were made. At 31 March 2021 £28m (2019-20: £26m) was held on HEEP's loans.

The Renewable Energy Investment Fund (REIF) is delivered through Scottish Enterprise and Highlands and Islands Enterprise. REIF provides funding to commercial and community renewable energy projects across Scotland. In 2020-21 £7m (2019-20 £10m) of advances were made and £nil (2019-20: £10m) of repayments were received. At 31 March 2021 £15m (31 March 2020: £8m) was held as loan funds.

Transport Scotland provides funding to the Energy Savings Trust to fund energy efficient transport initiatives, including the Electric Vehicle Loan and electric Taxi support, the Low Carbon Transport Business Loan and eBike loan support. In 2020-21 £27m (2019-20 £40m) of advances were made. At 31 March 2021 £96m (2019-20: £72m) was held as loan funds.

Further information on the loans provided through the Energy Savings Trust can be found at:

<https://energysavingtrust.org.uk/scotland/grants-loans>

*10e. Loans (continued)***EU CAP Loans**

From 2015-16, a Scottish Government national loans scheme was put in place to provide support to the farming economy. In 2020-21, advances of £344m (2019-20: £383m) were made with repayments of £512m (2019-20: £444m).

Other Funds

Social Investment Scotland administer and manage the Scottish Investment Fund on behalf of the Scottish Government, the fund was set up to provide loans to build capacity, capability and financial sustainability in the third sector. As at 31 March 2021 £16m (2019-20: £16m) was held as loan funds.

The Scottish Government and the European Regional Development Funds, have established the Scottish Partnership for Regeneration in Urban Centres (SPRUCÉ) Fund. This fund is a JESSICA (Joint Venture Support for Sustainable Investment in City Areas) Urban Development Fund (£44m; 2019-20: £50m) that helps fund regeneration and energy efficient projects within targeted areas of Scotland.

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

The Scottish Government has provided £10m, over a 20 to 25 year period, to three of the National Performing Companies (Scottish Ballet, Scottish Opera and the National Theatre of Scotland). These related to capital projects and business support, including the new Rockvilla creation centre and an extension to the Theatre Royal, both in Glasgow. An additional £4m was provided to cultural bodies in Scotland during 2020-21. As at 31 March 2021 £12m (2019-20: £9m) was held as the loan balance.

Scottish Enterprise administer and manage Digital Development Loans on behalf of the Scottish Government. Digital development loans are provided to companies who wish to improve their digital capabilities and capacity. During 2020-21 £4m (2019-20: £2m) advances were made. At 31 March 2021 £5m (2019-20: £2m) was held as loan funds.

The Scottish Growth Scheme is a package of financial support of up to £500 million for Scottish businesses. It's backed by the Scottish Government and aims to help businesses grow. £15m was provided to the fund managers in 2020-21 for distribution (2019-20: £13m). At 31 March 2021 £34m (2019-20: £19m) was held as loan funds.

Building Scotland Fund (BSF) is a precursor to the Scottish National Investment Bank. It focuses on housing, modern industrial and commercial property and business-led research and development projects. The BSF intends to invest £150 million over financial years 2019 to 2021 by making loans and acquiring equity. In 2020-21 £5m (2019-20: £13m) of advances were made.

In 2019-20 £15m was advanced through the Registered Social Landlords (RSL) Fire Safety Loan scheme to cover the cost of buying and installing smoke, heat and carbon monoxide alarms to meet new standards. £3m of repayments were received in 2020-21.

In 2020-21, the Scottish Government provided commercial loans of £4.5m (2019-20: £9m) to private companies. In both years this relates solely to a loan provided to Burntisland Fabrications Limited, this is disclosed within Other Funds within Note 10a and has been fully written off in year.

In 2020-21, the Scottish Government provided Covid support loans totalling £95m. The larger loan funds within this were:

- Housing – House builders fund - £18 million of advances
- Communities – Third Sector Growth Fund - £32.5 million of advances
- Sport - Football / Rugby clubs - £30 million of advances
- Health - Ayrshire Hospice - £8 million of advances

10f. Student Loan Valuation

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

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

Forecasting Model background

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

Key inputs to the model include:

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

When the model is received by the Scottish devolved administration, further work is required to tailor the content of each model to the circumstances only relevant to the Scottish loan policy.

The information as at 31 March 2021 was prepared using the OBR Economic and Fiscal outlook published on 3 March 2021 which was provided by the Department for Education to the devolved administrations for updating the Stochastic Earnings Path model. For further information on this economic scenario see the OBR website:

<https://obr.uk/download/economic-and-fiscal-outlook-march-2021/>

*10f. Student Loan Valuation (continued)***Forecasting Model updates**

Due to the variety of information sources, the complexity of information requirements, and the independence of each variable from one another, it is not feasible to conduct forecasts with significant frequency. For this reason, it is the policy of Scottish Government to only conduct a full impairment review twice per year. This follows the release of the Office for Budgetary Responsibility economic and fiscal outlook, as detailed above.

COVID-19 impact on student loan valuations

The emergence of COVID-19 resulted in increased volatility in macroeconomic data due to the unpredictable and wide-ranging impact of the pandemic. In 2019/20 an additional out-of-cycle OBR forecast was completed to assess the impacts of covid on macroeconomic forecasts, however, the July 2020 scenario revealed much less volatility as it was able to incorporate the impact of increased economic certainty resulting from stabilising measures adopted by government in direct response to COVID-19. The OBR have not deemed an additional forecast necessary in the 2020/21 financial year therefore the March 2021 forecast has been used in calculating student loan book impairment.

Sensitivity Analysis

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

Additional analysis of the key variables has applied, in-turn, a 1 percentage point increase and decrease to the 2020-21 inflation (RPI), earnings growth and interest (Bank of England base) rate parameters set by the OBR in their March 2021 Economic and Fiscal Outlook report. There are a number of other assumptions used in the model, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other, although could change at the same time.

As described above, the STEP model used for loan valuation is managed by the UK Department for Education and the Scottish Government has only limited opportunity to explore the impact of varying the underlying assumptions. Due to the complexities of the underlying assumptions, it is impracticable to calculate the impact of more variations to the assumptions. It is possible that changes in the assumptions made could lead to material changes in the student loans valuation

The table below shows the main results of the sensitivity analysis and how each test compared to the April 2021 RAB* charge.

Table 1: Sensitivity analysis results

April 2021 RAB Charge	Test	RAB charge for each test	Change on April 2021 RAB charge (percentage point)
36.2%	1. RPI +1 percentage point	36.8%	+0.6 percentage points
	2. RPI -1 percentage point	35.6%	-0.6 percentage points
	3. Earnings Growth +1 percentage point	35.6%	-0.6 percentage points
	4. Earnings Growth -1 percentage point	36.8%	+0.6 percentage points
	5. Bank of England rate +1 percentage point	36.0%	-0.2 percentage points
	6. Bank of England rate -1 percentage point	36.3%	+0.1 percentage point

*a Resource Accounting and Budgeting (RAB) charge is the estimated cost to government of borrowing to support the current year issues of loans based on future loan write-offs and interest subsidies in net present value terms. These costs are expressed as a proportion of the initial loan outlay for the year in question. The RAB charge is the percentage of any current year issued loans that the Scottish Government do not expect to be paid back.

11. Financial Instruments

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

Liquidity Risk

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

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

Maturity Profile

Financial Liabilities	<1yr £m	1 - 2 yrs £m	2 - 5 yrs £m	>5yrs £m	2020-21	2019-20
					Total £m	Total £m
Trade payables	856	-	-	-	856	726
Accruals	2,065	-	-	-	2,065	1,464
Other payables	732	15	-	-	747	361
NLF loans	50	32	201	248	531	564
Accrued Interest due on NLF Loans	7	-	-	-	7	8
Balances Payable to SCF	3	-	-	-	3	27
Corporate balance with SCF	644	-	-	-	644	888
PFI Deferred Residual Interest	-	-	-	-	-	-
PFI Imputed finance leases	98	106	364	2,422	2,990	3,059
Lease payables	2	2	5	16	25	24
Bank overdraft	4	-	-	-	4	1
Other financial liabilities	59	(21)	-	-	38	51
Total	4,520	134	570	2,686	7,910	7,173

Credit risk

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

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

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

11. Financial Instruments (Cont.)

Market risks

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

Interest Rate Risk

68% (2019-20: 67%) of the Scottish Government's financial assets and 100% (2019-20:100%) of its financial liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk. The portion of the Scottish Government's financial assets that carry a floating rate of interest relates in the main to student loans.

Foreign Currency Risk

Within payables, the Scottish Government has a balance that is subject to exchange rate fluctuations. This relates to advances received from the European Commission (EC) for the 2014-20 European Structural Funds (ESF) programme. The year end balance of £44.2m is the sterling equivalent of €51.9m translated at the accounting date (using the official EU exchange rate as at 31 March 2021).

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

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

Housing Market Risk

The Scottish Government engages in a number of shared equity housing schemes, and is exposed to the risk of potential falls in the value of the housing market. The current investment in such schemes is £1,243m (2019-20: £1,025m).

Categories of financial assets and financial liabilities

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

Financial Assets	Note	At fair value	Loans and	Shares held	2020-21	2019-20
		through P&L	receivables	in or loans		
		Note a	Note b	advanced to	Total	Total
		£m	£m	the public	£m	Restated
				sector		£m
				note c		
Voted loans	10a	-	-	3,738	3,738	3,576
NLF loans	10a	-	-	531	531	564
Housing loans	10a	383	-	-	383	265
Shared Equity Housing loans	10a	-	1,227	-	1,227	1,025
Energy related loans	10a	-	224	-	224	189
EU CAP funds	10a	-	25	-	25	193
Other Funds	10a	-	222	-	222	174
Student loans	10a	3,795	-	-	3,795	3,710
Interests in nationalised industries	10a	-	-	51	51	25
Trade receivables	12	-	69	-	69	65
Accrued income	12	-	331	-	331	663
Interest receivable	12	-	26	-	26	35
Amounts receivable from the SCF	12	-	60	-	60	-
Deposits and advances	12	-	-	-	-	1
Other receivables	12	-	90	-	90	93
Corporate balance with the SCF	12	-	4	-	4	1
Cash and cash equivalents	2	-	708	-	708	970
Total		4,178	2,986	4,320	11,484	11,549

Note: As not all current assets are financial instruments, the above tables exclude VAT £87m (2019-20: £55m) and prepayments £468m (2019-20: £391m) which are included in the associated asset notes.

11. Financial Instruments (Cont.)

Financial Liabilities	Note	Fair Value through Profit and Loss Note a £000s	All other financial liabilities Note d £000s	Shares held in or loans advanced to the public sector Note c £000s	2020-21 Total £000s	2019-20 Total £m
Trade payables	13	-	856	-	856	726
Accruals	13	-	2,065	-	2,065	1,464
Other payables	13	-	747	-	747	361
NLF loans	13	-	-	531	531	564
Accrued Interest due on NLF Loans	13	-	-	7	7	8
Balances payable to the SCF	13	-	3	-	3	27
Corporate balance with SCF	13	-	644	-	644	888
PFI Imputed finance leases	13	-	2,990	-	2,990	3,059
Lease payables	13	-	25	-	25	24
Bank overdraft	13	-	4	-	4	1
Financial guarantees	13	-	-	-	-	-
Derivative financial instruments	13	-	-	-	-	-
Other financial liabilities	13	-	38	-	38	51
Total		-	7,372	538	7,910	7,173

Note: As not all liabilities are financial instruments, the above tables exclude deferred income £116m (2019-20: £89m), other tax and social security £174m (2019-20: £155m), superannuation payable £148m (2019-20: £133m) and employee benefit accrual £204m (2019-20: £77m) included in the associated liabilities note (note 13). The finance leases are disclosed at the discounted cash flow value.

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

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

Note c: Shares in the public sector are held at historic cost less impairment and any impairment losses go to the outturn statement. Loans advanced to the public sector or due to the NLF are measured in the same manner as in note (b)

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

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

12. Receivables and Other Assets

Amounts falling due within one year:	2020-21	2019-20 restated
	£m	£m
Trade receivables	69	65
VAT	87	55
Deposits and advances	-	1
Other receivables	88	64
Prepayments and accrued income	596	365
Benefits Receivables	8	7
Accrued income relating to EU funding	180	459
Interest receivable	26	35
Balances receivable from SCF	60	-
Corporate balance with the SCF	4	1
Balance as at 31 March	1,118	1,052

Amounts falling due after more than one year:	2020-21	2019-20
	£m	£m
Benefits Repayable	8	8
Other receivables	2	14
Prepayments and accrued income	66	79
Balance as at 31 March	76	101
Total balance as at 31 March	1,194	1,153

Included within the total is interest receivable on NLF loans of £6.9m (2019-20: £7.6m) that will be paid to the Scottish Consolidated Fund as income not applied once the debt has been settled.

The prior year prepayments figure has been reduced to remove a balance that relates to a payment relating to 2020-21 that was also showing in trade payables.

Receivables are shown net of impairments as follows:	2020-21	2019-20
	£m	£m
Amounts falling due within one year:		
At 1 April	26	23
Charge for the year	33	12
Unused amount released	(8)	(9)
Utilised during the year	(2)	-
At 31 March	49	26
Amounts falling due after more than one year:		
At 1 April	9	4
Charge for the year	1	5
Unused amount released	-	-
Utilised during the year	-	-
At 31 March	10	9

13. Payables and Other Liabilities

Amounts falling due within one year:	2020-21	2019-20
	£m	restated £m
Payables and other current liabilities		
Trade payables	803	553
Other taxation and social security	174	155
Superannuation payable	148	133
Other payables	732	353
Deferred income and accruals	2,474	1,621
Accrued interest due on NLF loans	7	8
Finance leases	2	1
PFI imputed finance leases	98	100
Corporate balance with the SCF	644	888
Balances payable to the SCF	3	27
	5,085	3,839
Other financial liabilities		
Current instalments on NLF loans	50	33
Bank overdraft	4	1
Other financial liabilities	-	1
	54	35
Total current liabilities	5,139	3,874
The balance payable to the SCF includes amounts due on income not applied of £1m (2019-20: £3m).		
The prior year trade payables figure has been reduced to remove a balance that relates to a payment relating to 2020-21 that was also showing in prepayments.		
Amounts falling due after more than one year:	2020-21	2019-20
	£m	£m
Payables and other non-current liabilities		
Other payables	15	8
Deferred income and accruals	7	8
Finance leases	23	22
PFI imputed finance leases	2,892	2,959
	2,937	2,997
Other financial liabilities		
Instalments due on NLF loans	481	531
Other financial liabilities	38	50
	519	581
Total non-current payables and other financial liabilities	3,456	3,578

14. Provisions for liabilities and charges

The Scottish Government Consolidated Accounts Year to 31 March 2021

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Business Support Measures £m	Other Provisions £m	Total 2020-21 £m	Total 2019-20 £m
Balance as at 1 April	33	142	618	-	-	84	877	880
Add: element reported as due within one year	3	12	188	1	912	49	1,165	220
Balance as at 1 April	36	154	806	1	912	133	2,042	1,100
Provided for in year	-	12	48	-	-	221	281	994
Provisions not required written back	(3)	(5)	-	-	-	(18)	(26)	(29)
Provisions utilised in year	(4)	(13)	(37)	-	(912)	(25)	(991)	(30)
Discount amortised	1	3	-	-	-	1	5	7
Balance as at 31 March	30	151	817	1	-	312	1,311	2,042
Payable within one year	(3)	(11)	(254)	(1)	-	(78)	(347)	(1,165)
Balance as at 31 March	27	140	563	-	-	234	964	877

Analysis of expected timing of any resulting outflows of economic benefits

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Business Support Measures £m	Other Provisions £m	Total 2020-21 £m	Total 2019-20 £m
Payable in 1 year	3	11	254	1	-	79	348	1,165
Payable between 2 - 5 yrs	16	36	430	-	-	94	576	598
Payable between 6-10 yrs	11	38	42	-	-	54	145	106
Thereafter	-	66	91	-	-	85	242	173
Total as at 31 March	30	151	817	1	-	312	1,311	2,042

14. Provisions for liabilities and charges (continued)

Student loans

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

Early Departure Provisions

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

NHS Clinical and Medical Negligence

Included within provisions is an amount of £817m (2019-20: £806m) 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 2020-21 £48m (2019-20: £29m) of estimated settlement value of medical and clinical negligence claims were added to the provision.

In 2020-21 £37m (2019-20: £5m) in claims were settled.

Prisoner Compensation

This provision is based on an estimate of exposure to potential prisoner compensation claims; further information can be found within the Scottish Prison Service annual accounts, found within

<https://www.sps.gov.uk/Corporate/Publications/Publications.aspx>

Business Support Measures

In 2019-20 a constructive obligation was deemed to be established in respect of support grants to be paid to eligible businesses to ameliorate the adverse economic consequences of the COVID-19 pandemic. In order to put the necessary administrative structures in place, Scottish Ministers announced plans for the support in March 2020 with schemes, administered by Local Authorities, scheduled to commence from 1 April 2020. On 30 March, the Scottish Government issued guidance to Local Authorities on the eligibility for support, to support the consideration by Local Authorities of applications from businesses. The provision recognised at 31 March 2020 was in respect of this first phase of support and was fully utilised during 2020-21.

Other Provisions - NHS Balances

Other provisions include NHS balances of £52m (2019-20: £17m). 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 £29.5m (2019-20: £47m) including £26.5m relating to land & property acquisition (2019-20: £38m), £3m (2019-20: £5m) relating to road claims and major projects £nil (2019-20: £2m).

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.

Also included in other provisions is £5.5m (2019-20: £5.5m) relating to other retirement benefit costs. Transport Scotland agreed to meet the additional cost of benefits payable to specific employees who retired early until they reach the age of 60 at which point the liability is assumed by the PCSPS. The cost of these benefits is provided in full when the employee retires.

Other Provisions - Scottish Prison Service Balances

Included within other provisions are Scottish Prison Service balances of £13m (2019-20: £12m) relating to Injury Benefits. The Injury Benefits provision include estimates of amounts payable to former employees for loss of earnings under the Civil Service Injury Benefit Scheme.

Other Provisions - Crown Office and Procurator Fiscal Service Balance

Included within other Provisions are Crown Office balances of £16m (2019-20: £12m) relating to a specific litigation claim.

Other Provisions - European funded schemes

European Structural Funds Programmes - In 2016-17 a provision of £1m was made in recognition of the anticipated cost of self-corrections relating to closed schemes (2007-13). This provision has been reviewed and reduced to £0.3m in anticipation of exchange rate fluctuations and the closure of two programmes in 2020-21.

Work continues to achieve the lifting of the suspension of European Structural Funds by the European Commission (EC). The Scottish Government has submitted several claims converting expenditure to a simplified unit cost model for recovery of the European Social Fund. The EC has committed to a fact-finding mission to assess the implemented improvements and consider the lifting of the European Social Fund suspension, the timetable for this is uncertain as a result of Covid-19 travel restrictions however is anticipated to occur in late financial year 2021-22 or early 2022-23. Current financial forecasts estimate an under-recovery for the Scottish Government (£29m) over the remainder of the programme, with work ongoing throughout the Programme period to assess the value and likelihood of the financial risk as it crystallises.

Other Provisions - Lochaber Aluminium Smelter

In December 2016, the Scottish Government entered into a 25-year guarantee relating to the hydro plant and aluminium smelter at Lochaber. This involved the Government guaranteeing the power purchase obligations of the smelter if the business does not fulfil its obligations to pay for contracted power. The Government's potential exposure to default payments and review of a provision valuation in line with new accounting standards in 2018-19 resulted in a new provision of £33million. This has been reviewed and revalued at £161m as at 31 March 2021 (2019-20: £37m). The valuation is calculated using the requirements of IFRS 9 for Financial Guarantee Contracts - for further details see the accounting policies note.

15. Capital Commitments

	2020-21	2019-20
	£m	£m
Property, plant and equipment		
Contracted capital commitments for which no provision has been made	1,313	4,501
Total	1,313	4,501

Intangible assets		
Contracted capital commitments for which no provision has been made	57	14
Total	57	14

Total Commitments	1,370	4,515
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2020-21 property, plant and equipment commitments includes:

Transport Scotland balances for future payments of £860m (2019-20: £4,329m) in respect of major road schemes currently under construction. The main works contracts have been awarded and the loans agreed.

A number of capital projects being undertaken by NHS Boards of £358m (2019-20: £169m);

£12m of capital commitments for Social Security Scotland (2019-20: £nil) including £8.5m for Angus Husband House Dundee;

£81m (2019-20: £nil) in relation to the building of boats (800 & 801).

2020-21 intangible asset commitments includes:

£3m Digital Planning commitment (2019-20: £2m);

£5m for Social Security Scotland for IT infrastructure (2019-20: £nil);

£43m (2019-20: £6m) for the development of Social Security Digital Portals;

£6m (2019-20: £3m) to complete the CAP Futures project.

16. Commitments under Leases

16a. 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:

	2020-21 £m	2019-20 £m
Land		
Within one year	9	8
Between two and five years (inclusive)	21	25
After five years	20	22
Total	50	55
Buildings		
Within one year	44	38
Between two and five years (inclusive)	129	114
After five years	157	133
Total	330	285
Other Commitments		
Within one year	21	21
Between two and five years (inclusive)	22	27
After five years	11	11
Total	54	59

16b. 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:

	2020-21 £m	2019-20 £m
Buildings		
Within one year	5	5
Between two and five years (inclusive)	21	20
After five years	51	52
Total	77	77
Less the interest element	(53)	(54)
Total	24	23
Other Commitments		
Within one year	0	-
Between two and five years (inclusive)	0	1
After five years	-	-
Total	0	1
Less the interest element	-	-
Total	0	1

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

16c. Commitments Under Leases

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

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

17. Other Financial Commitments

17a. Other Commitments

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

	2020-21 £m	2019-20 £m
Payable in 1 year	1,577	1,629
Payable between 2 - 5 years	3,144	1,483
Payable in more than 5 years	-	2,627
Total	4,721	5,739

Other financial commitments payable within one year include: £671m (2019-20: £750m) as a committed income stream to Network Rail in accordance with the Deed of Grant, £792m (2019-20: £799m) to Abellio ScotRail; £27m (2019-20: £38m) to Serco Caledonian Sleeper under the Franchise Agreements; £38.5m for the Forestry Grant Scheme - SDRP 2014-2020 (2019-20: £35.7m); £2.6m for Rural Priorities SDRP 2007-2013 (2019-20: £2.8m); Other financial commitments include £29.1m (2019-20: £nil) in relation to Fair Start Scotland, Lots 1-9; £2.7m (2019-20: £nil) for the Scottish Household Survey; £5.4m (2019-20: £nil) for Festival UK 2022; £1.8m (2019-20: £nil) in relation to hosting the Scottish Open; £1.5m (2019-20: £1m) in relation to hosting the UCI World Cycling Championships; £1.5m (2019-20: £nil) in relation to the Supply Chain CGI UK Ltd Specialist Resources work order; and £1.1m (2019-20: £nil) in relation to the Supply Chain SOPRA Steria Support work order.

Commitments payable within 2 to 5 years include: £2,885m (2019-20: £762m) to Network Rail; £111.4m (2019-20: £29m) to Serco; £41.4m for the Forestry Grant Scheme - SDRP 2014-20 (2019-20: £36.6m); and £11.6m for Rural Priorities SDRP 2007-13 (2019-20: £9.4m); Other financial commitments include £51.6m (2019-20: £nil) in relation to Fair Start Scotland, Lots 1-9; £23m (2019-20: £37m) to host the 2023 UCI World Cycling Championships; £5.4m (2019-20: £nil) for Festival UK 2022; £5.4m (2019-20: £nil) in relation to hosting the Scottish Open; £2.4m (2019-20: £nil) in relation to hosting the Ladies Scottish Open.

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

17b. Guarantees, Indemnities and Letters of Comfort

The Scottish Government entered into the following guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, since the likelihood of a transfer of economic benefit in settlement is too remote. They are included for parliamentary reporting and accountability purposes.

Only guarantees and indemnities above the threshold of £1m, which have to be reported and authorised by the Scottish Parliament in accordance with the written agreement between the Finance Committee and the Scottish Government, are included in the consolidated annual accounts.

Guarantees

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

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

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

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

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

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

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

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

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

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

Guarantee to Shetland Council Pension Fund.

Guarantee to Orkney Islands Council Pension Scheme.

Guarantee to Highland Pension Fund.

Indemnities

At the beginning of the year there was an existing indemnity relating to objects lent under the National Heritage Act 1980 and the National Heritage (Scotland) Act 1985. The year-end balance depends on new acquisitions and the number of exhibitions that these pieces are included in during the financial year, and at 31 March this was £1,277m (2019-20: £1,277m)

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 £17.2m (2019-20: £17.2m) at 31 March.

A specific indemnity has been agreed with the Australian Museum Trust with regard to the Tyrannosaurus Exhibition hosted by the National Museum of Scotland.

Indemnities provided by the former Scottish Homes to mortgage lenders £0.5m (2019-20: £0.5m).

Letters of Comfort

None

18. 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.

18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position

Description of Schemes

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

Health Bodies

NHS Ayrshire

Woodland View shares a site in Irvine with the Ayrshire Central Hospital. The building is financed through a Non-Profit Distributing (NPD) model and reached practical completion and handover on the 1st April 2016. The building provides a Mental Health and Frail Elderly Inpatient facility for Ayrshire. The 25 year contract commenced on the 1st April 2016 and will be completed on the 31st March 2041. At the end of the contract/concession period, the building will revert back to NHS ownership.

East Ayrshire Community Hospital *East Ayrshire Community Hospital (EACH)* is situated in the town of Cumnock. The facility provides Inpatient Beds, Elderly Mental Ill and GP Acute, there are also day facilities for Frail Elderly Ill and Outpatient Clinics (including AHPs). The 25 year contract commenced in August 2000 and was due to be completed in August 2025.

On 7 May 2021, the Health Board purchased all the shares in Cumnock Holdings SPV, which built and owns East Ayrshire Community Hospital under the Private Finance Initiative. The purchase price was £12 million.

Ayrshire Maternity Unit (AMU) is adjoined to University Hospital Crosshouse 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 the contract/concession period the building is available to transfer to the NHS at no additional cost.

NHS Dumfries & Galloway

The Board has one contract financed under a Public Finance Initiative (PFI) and one under the Non Profit Distributing (NPD). The NPD funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland.

Dumfries and Galloway Maternity and Day Surgery Unit - The previous maternity and day surgery unit in Dumfries is included on the balance sheet (land and buildings) as a PFI at a valuation of £4m as at 31 March 2021. The contract ends in January 2032 however following the successful migration of these services to the new DGRI, the future planning arrangements for this building are now underway. This building is now referred to as Mountainhall.

Dumfries and Galloway District General Hospital – The Board's new District General Hospital DGRI is funded under NPD. The land and buildings are included on the balance sheet at a valuation of £206m as at 31 March 2021 and the contract ends in September 2042.

NHS Fife

NHS Fife hold 2 PFI contracts, which are both held as non-current assets of NHS Fife Board and the liabilities to pay for the properties are accounted for as finance lease obligations.

Fife St Andrews Community Hospital and Health Centre - St Andrew's Community Hospital 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 that the liability to pay for the property is, in substance, a finance lease obligation.

Fife Victoria Hospital - 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 that the liability to pay for the property is, in substance, a finance lease obligation.

NHS 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 are 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.

Forth Valley Royal Hospital (FVRH) - FVRH is a service concession for the NHS Forth Valley development and right of use of an Acute Hospital for Forth Valley (Forth Valley Royal Hospital (FVRH)) and associated provision of services including provision of 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 and the accounting treatment is on-balance sheet. 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.

Stirling Health and Care Village (SCV) - SCV is a service concession for the development and right of use of Community Health and Care facilities which will bring together on one site a range of health, local authority and other partner organisation's services. These services include a 116 bed integrated care hub, accommodation for 3 GP practices, associated clinical services and accommodation for Minor Injuries Unit, Diagnostics, Community Nursing, GP Out of Hours and an ambulance station and workshop. Soft Facilities will be provided by the Board including some hard FM services. The facility will be delivered under the Hub initiative and the contract agreement is for 25 years ending in October 2044. The payment mechanism is incorporated in the project agreement and subject to annual adjustment in line with the Retail Price Index (RPI).

*18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)***NHS Grampian**

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

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

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

Inverurie Centres - Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Inverurie Health and Community Care Hub effective 23 July 2018, Fosterhill Health Centre effective 8 May 2018 and the Inverurie Health and Community Care Hub effective 23 July 2018. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

NHS Greater Glasgow

Larkfield Unit – The Day Hospital Elderly Care Facility contract commenced with Quayle Munro Ltd on 1 November 2000 for a period of 25 years. The estimated capital value at commencement of the contract was £9m.

Southern General Hospital – The Elderly Bed Facility contract commenced with Carillion Private Finance on 1 April 2001 for a period of 28 years. The estimated capital value at commencement of the contract was £11m.

Gartnavel Royal Hospital – The Mental Health Facility contract commenced with Robertson Capital Projects Ltd on 1 October 2007 for a period of 30 years. The estimated capital value at commencement of the contract was £18m.

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

Stobhill Hospital – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £79m.

Stobhill Hospital – The Ambulatory Care and Diagnostic Treatment Centre 60 bed extension. PFI contract commenced with Glasgow Healthcare Facilities Ltd on 25 February 2011 for a period of 30 years. Estimated capital value at commencement was £16m.

Victoria Hospital – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £99m.

Gorbals Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 6 November 2018 for a period of 25 years. Estimated capital value at commencement £13.5m.

Eastwood Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 3 June 2016 for a period of 25 years. Estimated capital value at commencement was £9m.

Maryhill Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 15 July 2016 for a period of 25 years. Estimated capital value at commencement was £12.5m.

Inverclyde Orchardview - HUB contract commenced with HUB West Scotland Project Co. on 17 July 2017 for a period of 25 years. Estimated capital value at commencement was £8.5m

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

Appin Ward (Stobhill Mental Health Facility) - HUB contract commenced with HUB West Scotland Project Co. on 28 August 2020 for a period of 25 years. Estimated capital value at commencement £5m.

Elgin Ward (Stobhill Mental Health Facility) - HUB contract commenced with HUB West Scotland Project Co. on 28 August 2020 for a period of 25 years. Estimated capital value at commencement £5m.

Greenock Health and Care Centre - HUB contract commenced with HUB West Scotland Project Co. on 22 January 2021 for a period of 25 years. Estimated capital value at commencement £21m.

NHS Highland

New Craigs - New Craigs start date July 2000 ending June 2025. The Scheme is a replacement for the Craig Dunain Hospital, Inverness and provides In Patients facilities for adults with Mental Health needs or Learning Disability. There is a twenty five year contract with an original estimated capital value of £14.5m.

Easter Ross - Easter Ross start date February 2005 ending January 2030. This scheme is the 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. There is a 25 year contract with an original estimated capital value of £8.8 million and the PFI property will revert to the board at the end of the contract.

Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead. We finance the development of the Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The period of the contract runs from June 2006 to May 2036 at which point the ownership of the asset will be transferred to the Board. The original estimated capital value of the project is £19m.

18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)

Tain Health Centre - A 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 building for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs. The ownership of the asset will transfer to the Board at the end of the 25 year agreement.

NHS Lanarkshire

Hairmyres Hospital - The provision of a large general hospital. The period of contract is 26 March 2001 to 30 June 2031. The estimated capital value is £70m. The hospital services are provided under a contract between Lanarkshire Health Board and Prospect Healthcare (Hairmyres) Limited, with hard and soft facilities management services being supplied under a subcontract to ISS Mediclean Limited.

Wishaw Hospital - The provision of a large general hospital. The period of contract is 28 May 2001 to 30 November 2028. The estimated capital value is £146m. The hospital and services are provided under a contract between Lanarkshire Health Board and Summit Healthcare (Wishaw) Limited, with hard and soft facilities management services being supplied under a subcontract to SERCO health Limited.

Stonehouse Hospital - The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034. The estimated capital value is £4m. The hospital is provided under a contract between Lanarkshire Health Board and Stonehouse Hospitals Limited, with the service arrangements provided internally by Lanarkshire Health Board.

Lanarkshire Hub Projects - The provision of three community Health Centres in East Kilbride, Kilsyth and Wishaw under the Scottish Future Trust Hubco leased model. These new facilities opened in 2015-16 and are provided by HUB South West Scotland under a 25 year contract. The Hubco provides the centres and is responsible for lifecycle and hard facilities management services which are delivered under a subcontract with Graham Facilities Management Ltd. The current estimated capital value of these facilities is £44m.

NHS Lothian

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

Ellens Glen - Service provides a 60 bedded facility for frail elderly and dementia patients. The contract started 1 November 1999 and will end 1 November 2029.

Findlay House - Service provides a 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital. The contract started 13 June 2003 and will end 12 June 2033.

Tippethill - Service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn. The contract started 6 September 2000 and will end 5 September 2025.

Royal Edinburgh Hospital Phase 1 - Service provides 185 beds for both mental health services and a national acquired brain injury service.

Bathgate Primary Care Centre - Service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality. The contract started 1 October 2001 and will end 30 September 2026.

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

Allermuir Health Centre - An integrated primary care facility, combining General Practice and NHS community health services in the Firhill area of Edinburgh. The contract started on 25 September 2017 and will end on 24 September 2042.

Blackburn Partnership Centre - This facility includes health and social care services as well as community services for local residents. The contract started on 22 September 2017 and will end on 21 September 2042.

Pennywell All Care Centre - A joint development between NHS Lothian and the City of Edinburgh Council, providing health and social care services for the local community. The contract started on 23 October 2017 and will end on 22 October 2042.

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

Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences - This a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build.

*18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)***NHS Orkney**

Balfour Hospital - The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2020/21 totalled £2m.

NHS Tayside

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

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

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

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

NHS Scotland Pharmaceuticals 'Specials' Service (NHSSPSS) - Facility is located on the Ninewells Hospital site, Dundee, and is an NHS manufacturing facility for the supply of unlicensed medicines. The contract start date was 15 March 2019, and the end date will be 14 December 2043, when NHS Tayside will become owners of the facility.

National Services Scotland

Jack Copland Centre - The National Centre for the processing and testing of blood, tissues and cells for patients in Scotland by the Scottish National Blood Transfusion Service (SNBTS).

Transport Scotland

M6/(74) DBFO - The contract covers the design, construction and financing of 28.3km of new motorway, as well as the operation and maintenance of 90km of existing motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027.

M77 Fenwick to Malletsheugh - The contract is a Public Private Partnership (PPP) entered into with East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of motorway and 9km local road to 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 18 km of motorway and associated roads, junctions, structures and associated works and their on-going maintenance for a period of 30 years. Unitary charge payments commenced in September 2011 and will cease in September 2041.

M8, M73, M74 Improvements - Project involves upgrades to the A8 Baillieston to Newhouse, completion of the M8 between Glasgow and Edinburgh, and included improvements to the M74 Raith Interchange and the widening of other key sections of the M8, M73 and M74. The NPD contract also incorporates the management, operation and maintenance of this section of the motorway for the next 30 years. The new improvements opened to traffic in April 2017. The unitary charge payments are committed and will cease in 2047.

Aberdeen Western Peripheral Road/Balmedie and Tipperty - The project involves the construction of a new dual carriageway around the City of Aberdeen and upgrades the road between Balmedie and Tipperty to dual carriageway. The NPD contract also incorporates the management, operation and maintenance of these roads for the next 30 years. The unitary charge payments become committed in phases from Autumn 2016 and will cease in 2048. The final phase of the project opened to traffic in February 2019.

*18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)***Scottish Prison Service**

HMP Kilmarnock - The contract covers the design, construction, financing and operation of a prison HMP Kilmarnock. The contract commenced March 1999 for a period of 25 years. The capital liability is now nil, however, payments for the service element continue to the end of the contract.

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

Court Custody and Prisoner Escort Service - This service concession arrangement covers a service let for 8 years with an option to extend for a further 4 years. The contract commenced in January 2019.

18b. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position

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

Gross Minimum Lease Payments	NHS Bodies			2020-21 £m	Total £m	2019-20 £m	Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m				
Rentals due within 1 year	201	64	36	301			305
Due within 2 to 5 years	202	241	164	607			1,211
Due after 5 years	606	384	948	1,938			3,867
Total	1,009	689	1,148	2,846			5,383

Interest Element	NHS Bodies			2020-21 £m	Total £m	2019-20 £m	Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m				
Rentals due within 1 year	143	6	78	227			158
Due within 2 to 5 years	384	20	297	701			587
Due after 5 years	1,101	19	729	1,849			1,221
Total	1,628	45	1,104	2,777			1,966

Present Value of Minimum Lease Payments	NHS Bodies			2020-21 £m	Total £m	2019-20 £m	Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m				
Rentals due within 1 year	344	58	(42)	360			147
Due within 2 to 5 years	586	221	(133)	674			624
Due after 5 years	1,707	365	219	2,291			2,646
Total	2,637	644	44	3,325			3,417

Service elements due in future periods, included above	NHS Bodies			2020-21 £m	Total £m	2019-20 £m	Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m				
Rentals due within 1 year	75	54	57	186			161
Due within 2 to 5 years	242	199	137	578			592
Due after 5 years	1,374	309	1,132	2,815			1,962
Total	1,691	562	1,326	3,579			2,715

18c. 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 £31m (2019-20: £21m).

19. Contingent Assets/Liabilities disclosed under IAS 37

19a. 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, arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control.

NHS Employer's Liability estimated at £2m (2019-20: £2m).

Grants repayable as a result of sales of Housing Association Properties to tenants or as a result of conditions of grant being breached. Grants become repayable when conditions of grant cease to be met. It is not possible to predict the level of activity in future years.

Repayments of grant from the Open Market Shared Equity Scheme which allows people on low income to buy a share in a property, the balance being owned by a housing association and funded by grant from the Scottish Government. If the property is sold or an increased share is purchased by the owner, the grant becomes repayable. It is not possible to estimate the level of future receipts.

Grants repayable from Edinburgh Council Rent Guarantee - Project Resonance. Grant becomes repayable if either (a) projects do not proceed as planned, where it is repayable immediately, or, (b) projects are sold on privately up to 10 years from now. Timing and values are uncertain as to when events giving rise to the contingent asset are likely to occur.

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

19b. Contingent Liabilities disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a contingent Liability under *IAS 37: Provisions, Contingent Liabilities and Contingent Assets* is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a 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.

Only contingent liabilities above the threshold of £1m, which have to be reported and authorised by the Scottish Parliament in accordance with the written agreement between the Finance Committee and the Scottish Government, are included in the consolidated annual accounts.

NHS related

Clinical and Medical compensation payments of £394m (2019-20: £396m).
NHS Employer's Liability estimated at £4m (2019-20: £3m).

Housing related

The Mortgage Indemnity New Home Scheme (MI New Home) allows credit-worthy borrowers, locked out of the market by high deposit requirements, access to 90% to 95% LTV mortgages. The scheme is supported by a SG guarantee which sits behind cash indemnities set aside by participating house builders (for each house sold under the scheme). The guarantee valued at £7m (2019-20: £7m) can only be called upon once the indemnities are exhausted and lasts for 7 years. The guarantee scheme ended for applicants in 2015, therefore the potential calls on this scheme will end in 2022.

National Housing Trust guarantees of £4m (2019-20: £4m) which the Scottish Government are committed to giving but are not active until construction has been completed. The risk of a call on the guarantee is rising in line with the current COVID-19 crisis. We do not expect a call on the guarantee in the near future but we are monitoring each development closely through the Scottish Futures Trust to understand if tenants are continuing to pay their rent and thereby allow the loan debt to be serviced. This situation is subject to change.

As part of the Winchburgh Housing Development there is a potential liability in relation to loan repayments for the construction of Winchburgh Primary School. The housing development is due to pay the council as houses are sold. The Scottish Government have entered into an arrangement to cover final costs if the developer cannot pay which can be called upon after 31 March 2026. Current value of potential liability is £15m (2019-20: £15m).

Justice related

Claims against former independent Conveyancing and Executory Practitioners in Scotland. This is a contingent liability relating to an agreement to meet any valid claims arising from the acts or omissions of past independent conveyancing and executory practitioners, as defined by the Law Reform (Miscellaneous Provisions) Scotland Act 1990. The amount and timing of any outlay is uncertain.

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

In a July 2020 Treasury response to an Employment Tribunal decision, it was held that benefits payable to male survivors should be equal to the categories of other survivors. Estimates of £2m (2019-20: £nil) have been obtained for any potential future liabilities.

Claims have been received for part-time sherrifs who may have been temp-sherrifs prior to 2000 with regard to their pension rights. Claims are being reviewed and there is an expectation that further claims may be received. The value of these claims has yet to be finalised.

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill was passed in Parliament in March 2021 and received Royal Assent on 23 April 2021. The Act provides for the functions of Redress Scotland and for Scottish Ministers to make arrangements for the establishment and operation of the redress scheme which will progress when the Provisions of the Act come into force.

Once operational, individuals will submit applications and the new independent body, Redress Scotland, will consider applications and make determinations, which may include an offer of a redress payment to be made by the Scottish Government. It is not possible to determine the number of applicants or the level of payments likely to be made under the scheme.

Rural related

The Supreme Court found that an element of the Agricultural Holdings Act 2003 breached the European Convention of Human Rights -Art 1 P1. Remedial legislation was enacted to resolve this and a small group of tenant farmers have taken SG to Court of Session seeking compensation for breach of their rights arising from the Remedial legislation. The court has issued initial judgement but litigation is still live and more court activity is required to resolve. The amount and timing of any outlay is uncertain.

EU CAP audits can result in future disallowances and a number of audits are in progress relating to CAP for scheme years 2015, 2016, 2017, 2018 and 2019. The level of late payment penalties from the EC to the UK member state and the split of penalties attributed to administrations are still to be formally concluded for CAP Pillar 1 scheme year 2015. The amount and timing of any outlay in relation to these two items is uncertain.

Sports events

In certain circumstances a payment of up to 13m Swiss Francs (£10m at 31 March 2021 exchange rates) (2019-20 restated: £11m) would be due to the UCI (the Union Cycliste Internationale) in relation to the UCI Cycling World Championships to be hosted in Scotland in 2023.

19b. Contingent Liabilities (continued)**Decommissioning of offshore renewable energy installations**

Functions under the Energy Act 2016 in relation to decommissioning offshore renewable energy installations in Scottish waters transferred to Scottish Ministers on 1st April 2017. This also means that the Scottish Government is now the funder of last resort in cases where the developers/owners cannot meet their decommissioning obligations. As the size of the Scottish portfolio of offshore energy projects grow so does the cumulative value of the decommissioning obligations and contingent liability. The value of the contingent liability to date has been reviewed in line with guidance issued by the Department of Business, Energy and Industrial Strategy entitled 'Decommissioning of offshore renewable energy installations: guidance notes for industry' published in March 2019.

The value of the contingent liability to date relates to 5 constructed and operational projects:

- Beatrice Offshore Wind Farm (Moray Firth) (c. £100m);
- Hywind Energy Park (Aberdeenshire) (c. £20m);
- Aberdeen Bay Wind Farm, also known as European Offshore Wind Deployment Centre (Aberdeenshire) (c. £20m);
- Moray East Offshore Wind Farm (Aberdeenshire) (c.£235m);
- Kincardine Offshore Floating Wind Farm (Aberdeenshire) (c. £20m)

And to 2 partially constructed projects:

- Neart na Gaoithe Offshore Wind Farm (NNG) (Fife) (c. £100m)
- Orbital o2 (Orkney) (estimate not yet available)

Other

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

Accountancy in Bankruptcy has recognised one contingent liability in their accounts. Further advice is being sought in order to assess the likelihood of any financial implications (31 March 2020: nil).

Education Scotland has recognised one contingent liability in their accounts. Further advice is being sought in order to assess the likelihood of any financial implications (2019-20: £nil).

As part of Transport Scotland's normal course of business, the Forestry Commission grants the right to use a forestry track as an emergency diversion route on the A83 Rest and Be Thankful on the understanding that Transport Scotland has the liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m (£2019-20: £5m) but it is considered unlikely that any liability will occur.

20. Related Party Transactions

The Scottish Government is the sole shareholder and sponsor of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Ltd, Scottish Futures Trust, Prestwick Airport Holdco Ltd and Ferguson Marine (Port Glasgow) Holding Ltd; a shareholder in Scottish Health Innovations Ltd and the Student Loans Company; and sponsor of Scottish Water, a number of nonconsolidated Health Bodies, and of a number of executive, advisory and tribunal Non Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year. Further details of Scottish Public Bodies are available from the Scottish Government website:

<https://www.gov.scot/policies/publicbodies/>

The Scottish Government is also the sponsor of cross-border public authorities which are listed in The Scotland Act 1998 (Cross-Border Public Authorities) (Specification) Order 1999. These bodies are regarded as related parties with which the Scottish Government has had material transactions during the year.

In addition the Scottish Government has had a number of transactions with other government departments and other central government bodies, primarily the Scotland Office and the Office of the Advocate General, the Rural Payments Agency, the Home Office and the Department for Work and Pensions.

The Scottish Government has material transactions with local government bodies, Regional Transport Partnerships, Community Justice Authorities and Scottish Water.

Information is provided in the performance report in the beginning of these accounts of the register of interests members of the Corporate Board.

All Scottish Ministers are required, as Members of the Scottish Parliament, to register information about certain financial interests. The types of financial interest that must be registered are those that might affect any actions, speeches or votes in the Parliament. This register is available for public inspection at the office of the Standards clerks with a further copy available at the main visitor information desk at the Scottish Parliament building. There are no material transactions to report.

Accounts of the individual Executive Agencies, the Crown Office and Procurator Fiscal Service and Health Bodies contain details of related party transactions specific to those entities.

21. Third Party Assets

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

	2019-20 £m	Gross Inflows £m	Gross Outflows £m	2020-21 £m
Monetary amounts such as bank balances and monies on deposit	26	40	(44)	22
Unclaimed dividends and unapplied balances	12	-	(1)	11
Total Monetary Assets	38	40	(45)	33

Accountant in Bankruptcy holds funds of £22m (2019-20: £28m) 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 £12m (2019-20: £17m). The balance of £10m (2019-20: £11m) relates to money consigned in respect of unclaimed dividends and unapplied balances.

The NHS Bodies hold money on behalf of patients. This totalled £10m in 2020-21 (2019-20: £9m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2019-20: £1m).

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

Description	2019-20	2020-21
	Number held	Number held
Residential property	782	581
Motor vehicles, boats and caravans	8	36
Life Policies	138	49
Shares and Investments	7	14
Miscellaneous	802	278

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

22. Resource Budget

The resource budget detailed in the outturn statements is the consolidated budget for the Scottish Government. The following table provides a reconciliation of the budgets shown in the accounts with the total budget for Scotland approved by the Scottish Parliament.

	2020-21 £m	2019-20 £m
Budget (Scotland) Act 2020	49,251	42,558
Scotland's Summer Budget Revision - Scottish Statutory Instrument 2020	2,787	
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2020	2,458	537
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2020	1,857	1,108
Total approved spending	56,353	44,203
Less activities not included in these accounts:		
National Records of Scotland	(54)	(44)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Courts and Tribunals Service	(155)	(141)
Scottish Fiscal Commission	(2)	(2)
Revenue Scotland	(7)	(9)
Registers of Scotland	(53)	-
Food Standards Scotland	(19)	(19)
Scottish Housing Regulator	(5)	(4)
NHS and Teachers' Pension Schemes	(5,229)	(5,139)
Forestry Commission (Scotland)	-	-
Scottish Parliamentary Corporate Body	(112)	(108)
Audit Scotland	(13)	(18)
Consolidated Accounts approved estimates	50,701	38,716

Portfolio analysis	Budget Act Approval £m	2020-21 Capital Budget £m	2020-21 Operating Budget £m
Health and Sport	18,090	502	17,588
Communities & Local Government	13,050	320	12,730
Finance	231	25	206
Education and Skills	4,950	600	4,350
Justice	2,885	51	2,834
Transport, Infrastructure & Connectivity	4,135	376	3,759
Environment, Climate Change and Land Reform	502	270	232
Rural Economy and Tourism	998	(158)	1,156
Economy, Fair Work and Culture	1,980	44	1,936
Social Security & Older People	3,660	90	3,570
Constitution, Europe and External Affairs	50	-	50
Crown Office and Procurator Fiscal Service	170	8	162
Consolidated Accounts approved estimates	50,701	2,128	48,573

23. Cash Authorisation

	2020-21	2019-20
	£m	£m
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Cash authorisation for the Scottish Administration		
Budget (Scotland) Act 2020	43,228	37,808
Scotland's Summer Budget Revision - Scottish Statutory Instrument 2020	2,787	
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2020	2,448	535
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2021	2,611	11
Total Approved Cash Authorisation for the Scottish Administration	51,074	38,354
Less non core activities not included in the consolidated accounts:		
National Records of Scotland	(48)	(40)
NHS and Teachers' Pensions	(74)	(133)
Office of the Scottish Charity Regulator	(3)	(3)
Scottish Housing Regulator	(5)	(4)
Scottish Courts and Tribunals Service	(128)	(117)
Revenue Scotland	(7)	(9)
Food Standards Scotland	(18)	(18)
Scottish Fiscal Commission	(2)	(2)
Available Cash Authorisation for Consolidated Bodies	50,789	38,028
Funding drawn down from the Scottish Consolidated Fund	SOCTE 48,128	37,612
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Accounts Direction



SCOTTISH MINISTERS

DIRECTION BY THE SCOTTISH MINISTERS

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

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



Signed by the authority of the Scottish Ministers

Dated 4 August 2014

Glossary

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



Scottish Government
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