

# **The Scottish Government Consolidated Accounts for the year ended 31 March 2022**

**Laid before the Scottish Parliament  
By the Scottish Ministers  
1 December 2022**

SG/2022/213



**Scottish Government  
Riaghaltas na h-Alba**

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# Performance Report

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## About the Scottish Government

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

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

After a Scottish Parliamentary election, the First Minister is formally nominated by the Scottish Parliament and appointed by His Majesty the King. 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 King. The current First Minister was appointed by Her Majesty the Queen and the Cabinet was approved by 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 in May 2021, the First Minister announced a new Scottish Cabinet.

The Cabinet Team members serving during 2021-22 are as follows:

### **John Swinney MSP**

Deputy First Minister and Cabinet Secretary for Covid Recovery (from May 2021, previously the Deputy First Minister and Cabinet Secretary for Education and Skills)

### **Humza Yousaf MSP**

Cabinet Secretary for Health and Social Care (from May 2021, previously the Cabinet Secretary for Justice)

### **Shirley-Anne Somerville MSP**

Cabinet Secretary for Education and Skills (from May 2021, previously the Cabinet Secretary for Social Security and Older People)

**Kate Forbes MSP**

Cabinet Secretary for Finance and the Economy (from May 2021, previously the Cabinet Secretary for Finance)

**Keith Brown MSP**

Cabinet Secretary for Justice and Veterans (from May 2021)

**Mairi Gougeon MSP**

Cabinet Secretary for Rural Affairs and Islands (from May 2021)

**Angus Robertson MSP**

Cabinet Secretary for Constitution, External Affairs and Culture (from May 2021)

**Michael Matheson MSP**

Cabinet Secretary for Net Zero, Energy and Transport (from May 2021, previously the Cabinet Secretary for Transport, Infrastructure and Connectivity)

**Shona Robison MSP**

Cabinet Secretary for Social Justice, Housing and Local Government (from May 2021)

**Roseanna Cunningham MSP**

Cabinet Secretary for Environment, Climate Change and Land Reform (until May 2021)

**Fergus Ewing MSP**

Cabinet Secretary for Rural Economy and Tourism (until May 2021)

**Jeane Freeman MSP**

Cabinet Secretary for Health and Sport (until May 2021)

**Aileen Campbell MSP**

Cabinet Secretary for Communities and Local Government (until May 2021)

**Fiona Hyslop MSP**

Cabinet Secretary for Economy, Fair Work and Culture (until May 2021)

**Michael Russell MSP**

Cabinet Secretary for the Constitution, Europe and External Affairs (until May 2021)

The Cabinet is supported by the following ministerial team:

**Angela Constance MSP**

Minister for Drugs Policy

**George Adam MSP**

Minister for Parliamentary Business (from May 2021)

**Richard Lochhead MSP**

Minister for Further Education, Higher Education and Science (until May 2021); Minister for Just Transition, Employment and Fair Work (from May 2021)

**Ivan McKee MSP**

Minister for Trade, Innovation and Public Finance (until May 2021); Minister for Business, Trade, Tourism and Enterprise (from May 2021)

**Tom Arthur MSP**

Minister for Public Finance, Planning and Community Wealth (from May 2021)

<b>Maree Todd MSP</b>	Minister for Children and Young People (until May 2021); Minister for Public Health, Women's Health and Sport (from May 2021)
<b>Kevin Stewart MSP</b>	Minister for Local Government, Housing and Planning (until May 2021); Minister for Mental Wellbeing and Social Care (from May 2021)
<b>Clare Haughey MSP</b>	Minister for Mental Health (until May 2021); Minister for Children and Young People (from May 2021)
<b>Jamie Hepburn MSP</b>	Minister for Business, Fair Work and Skills (until May 2021); Minister for Higher Education and Further Education, Youth Employment and Training (from May 2021)
<b>Mairi McAllan MSP</b>	Minister for Environment and Land Reform (from May 2021)
<b>Jenny Gilruth MSP</b>	Minister for Culture, Europe and International Development (until January 2022); Minister for Transport (from January 2022)
<b>Ash Regan (formerly Denham) MSP</b>	Minister for Community Safety
<b>Christina McKelvie MSP</b>	Minister for Equalities and Older People
<b>Ben Macpherson MSP</b>	Minister for Rural Affairs and the Natural Environment (until May 2021); Minister for Social Security and Local Government (from May 2021)
<b>Neil Gray MSP</b>	Minister for Culture, Europe and International Development and Minister with special responsibility for Refugees from Ukraine (from January 2022)
<b>Patrick Harvie MSP</b>	Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights (from September 2021)
<b>Lorna Slater MSP</b>	Minister for Green Skills, Circular Economy and Biodiversity (from August 2021)
<b>Graeme Dey MSP</b>	Minister for Parliamentary Business and Veterans (until May 2021); Minister for Transport (until January 2022)
<b>Paul Wheelhouse MSP</b>	Minister for Energy, Connectivity and the Islands (until May 2021)
<b>Mairi Gougeon MSP</b>	Minister for Public Health and Sport (until May 2021)

### *Law Officers during 2021-22*

James Wolffe KC	Lord Advocate (until June 2021)
Dorothy Bain KC	Lord Advocate (from June 2021)
Alison Di Rollo KC	Solicitor General (until June 2021)
Ruth Charteris KC	Solicitor General (from June 2021)

Full details of the Ministerial Responsibilities can be found on the Scottish Parliament website: [Cabinet and Ministers - gov.scot \(www.gov.scot\)](https://www.gov.scot) and on the Scottish Government website [gov.scot](https://www.gov.scot).

### **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 within the Scottish Government 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 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](http://gov.scot).

Permanent Secretaries in post during 2021-22 were:

Leslie Evans	Permanent Secretary (until 31 December 2021)
John-Paul Marks	Permanent Secretary (from 1 January 2022)

Directors General in 2021-22 were:

Lesley Fraser	DG Corporate
Liz Ditchburn	DG Economy (until 31 January 2022, on leave from November 2021)
Elinor Mitchell	DG Economy (from 16 November 2021)
Caroline Lamb	DG Health & Social Care
Paul Johnston	DG Communities
Joe Griffin	DG Education and Justice
Alyson Stafford CBE	DG Scottish Exchequer
Ken Thomson	DG Constitution & External Affairs
Katrina Williams	DG External Affairs (until 6 June 2021)
Roy Brannen	DG Net Zero (from 16 November 2021)

Directors serving as members of Corporate Board during 2021-22 were:

Nicky Richards	Director of People
Jackie McAllister	Chief Financial Officer
Ruaraidh Macniven	Solicitor to the Scottish Government
Madhu Malhotra	Director of Equality, Inclusion and Human Rights (until 31 Dec 2021)
Andy Bruce	Director of Communications and Ministerial Support

Non-executive members of the Corporate Board during 2021-22 were:

Annie Gunner Logan  
Ronnie Hinds  
Hugh McKay (until 31 January 2022)  
Linda McKay

Other non-executive directors:

Nichola Clyde (until 24 June 2022)  
Ben McKendrick  
David Martin (from 28 March 2022)  
Neil Richardson  
Jim Robertson

Fiona Ross  
Jayne Scott  
Jenny Stewart (from 28 March 2022)

The Non-Executive Directors provide advice, support and challenge to the Permanent Secretary as Principal Accountable Officer (PAO) and Directors-General as Accountable Officers (AO). They do so in a number of ways, including:

- By providing direct support, challenge and guidance to their “paired” Accountable Officer (AO) and senior staff in relation to the delivery of their portfolio-based risk, assurance and internal controls framework;
- By participating in a number of corporate boards including the Corporate Board, one or more of the formal sub-Boards and the Assurance meetings of their paired AOs; and
- As members of the Scottish Government Audit & Assurance Committee (SGAAC) which is chaired by a Non-Executive Director.

Ronnie Hinds, Non-Executive Director, was the Chair of SGAAC for the 2021-22 period covered by the Accounts. Jim Robertson, Non-Executive Director, was the Deputy Chair of SGAAC for the same period. One non-executive member of the Corporate Board, Hugh McKay, concluded his term as a Non-Executive Director during the 2021-22 period covered by the Accounts.

### *Register of Interests*

Any member of the Corporate Board who held company directorships and other significant interests during 2021-22 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.

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

Roy Brannen: Director General Net Zero: Judge and Chair of the Panel for Scottish Transport Awards by Transport Times, Fellow of the Institution of Civil Engineers and Institution of Highways & Transportation, Honorary Member of World Road Association, shares held with Standard Life and Royal Mail.

#### **Non-Executive Directors:**

Annie Gunner Logan: Director and Company Secretary at Coalition of Care and Support Providers in Scotland (CCPS); and Board member of NHS Education for Scotland (from 1 November 2021).

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

Hugh McKay: Non-Executive Director at Lloyds Development Capital.

Neil Richardson : Chief Executive, Turning Point Scotland.

Ben McKendrick : Chief Executive and Company Secretary of the Scottish Youth Parliament.



## Performance Overview

### *Financial Performance: 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.

Spending plans for financial year 2021-22 were set out in the Scottish Budget 2021-22 published on 28<sup>th</sup> January 2021. 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 2021 on 29<sup>th</sup> March 2021. Parliamentary approval for the in-year revisions to the plans set out in the Budget (Scotland) Act was granted in the Autumn Budget Revision made on 27<sup>th</sup> September 2021, and the Spring Budget Revision, made on 3<sup>rd</sup> February 2022. Over the course of the two budget revisions, the Scottish Government allocated £5.965 billion COVID-19 consequentials in 2021-22.

The budget of £51,225 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 £49,023 million and a capital budget of £2,202 million. As is discussed further below, there was a small number of funding adjustments made that reduced Scottish Government HM Treasury Budget limits and that would have also reduced the reported budget in these accounts had they been processed prior to the completion of the Spring Budget Revision. The financial results presented in the accounts therefore show an underspend that is higher than would be the case against that revised funding position.

The financial results for the year are reported in the attached accounts. They record a Net Resource Outturn of £47,201 million against a budget of £49,023 million, resulting in an underspend of £1,822 million. The Net Capital Outturn for the year was £2,036 million against a budget of £2,202 million, representing an underspend of £166 million. The total underspend was £1,988 million, 3.88% of the total budget. Explanations are provided for the major variances in each of the Portfolio Outturn Statements, on pages 111 to 122.

The Total Outturn underspend of £1,988 million does not represent a loss of spending power to the Scottish Government, and significant underspends relate to ring-fenced, non-cash budgets or Annually Managed Expenditure:

- £674 million of the underspend is in relation to the Student Loan Valuation model and is a direct reflection of the late movement in the Resource Accounting and Budgeting Charge (RAB) and Stock charges relating to Student Loans (the Resource Accounting and Budgeting (RAB) charge is the estimated cost to Government of borrowing to support the student finance system). This is a non-cash movement, representing an adjustment to the impairment of student loans based on economist expectations of likely repayments.
- £255 million relates to Annually Managed Expenditure (AME) budgets which are ring-fenced budgets set by HM Treasury. Any under/overspends shown

against UK-funded Annually Managed Expenditure and other budgets cannot be deposited in the Scotland Reserve and have no subsequent impact on the Scottish Budget. These budgets are not available to buy public goods and deliver services.

Under the current devolution settlement, the Scottish Government must manage spending within fixed limits. It is not allowed to overspend its budget and has limited powers to carry forward funding through the Scotland Reserve. As a consequence, the Scottish Government has consistently adopted a position of controlling public expenditure to ensure we live within the budget limits that apply, whilst remaining able to carry forward any fiscal underspends for use in a future year within the current Scotland Reserve Limits.

Following the finalisation of Spring Budget Revision (which provides the budget limits against which spending is reported in these accounts) there were a small number of funding adjustments made to ensure public spending was managed within the limits imposed by the Fiscal Framework. These funding changes were too late to be reflected in the portfolio budgets reported in these accounts, resulting in underspends being reported here against a higher funding envelope than that which provides the basis for assessing the Scotland Reserve carry forward.

The late funding changes totalled £526 million and arose as a result of:

- A net £45 million resource funding movement due to the delay in finalising the UK Supplementary Estimates figures being confirmed,
- A £299 million reduction in funding as a result of the decision confirmed at the end of the financial year to reduce our intended capital borrowing levels (final decisions on borrowing levels are always made as part managing the in-year budget monitoring position as we approach the end of the financial year), and
- A £182 million reduction in Financial Transactions budgets as a result of planned repayments to HM Treasury.

Underspends reported by portfolios in the accounts would have been lower if we were able to adjust the budget to reflect these funding changes.

The provisional outturn announcement made by the Minister for Public Finance, Planning and Community Wealth in June 2022 acknowledged the financial challenges of the ongoing impact of the COVID-19 pandemic, the cost crisis and the war in Ukraine. The provisional fiscal outturn reported for 2021-22 was £47.0 billion against a total fiscal budget of £47.6 billion. The remaining funding of £650 million (which represented over just 1% of the total budget) has been carried forward within the Scotland Reserve. This outturn position covers all bodies within the Scottish Government budgeting boundary – as noted above this is wider than the areas covered within these financial accounts.

The Deputy First Minister has been clear on the scale of the financial challenges faced by the Scottish Government in managing the impact of rising inflation and the resultant cost of living crisis on spending plans. All of the additional funding available within the Scotland Reserve is intended to be fully utilised in supporting the funding priorities arising as a result of this crisis.

The provisional outturn announcement reports the position in terms of Scottish Government expenditure against budgetary control totals as set by HM Treasury. The figures reported at the time of the Provisional Outturn were indicative and these will be updated and reported to parliament in a Final Outturn report. As is always the case, the final outturn position is reported after the annual accounts, allowing for adjustments made through the accounts preparation process. We are still awaiting the final accounts for some bodies within the budgeting boundary, so are not able to give full final outturn report at this point (as indicated

above this will be provided to parliament in due course and will be reconciled with the underspend presented here).

The Provisional Outturn as reported to parliament and the outturn information contained in these accounts are not strictly comparable. The scope of what is included in these accounts is determined by the requirements of the Government's Financial Reporting Manual (FReM) and covers elements that are not included in the HM Treasury figures. The figures in the Provisional Outturn are prepared in accordance with HM Treasury Consolidated Budgeting Guidance.

The Performance Analysis section includes additional information on Covid -19 spend on page 45, and the Statement of Financial Position on page 51 reflects the assets held and the liabilities arising from the spending plans which support policy choices.

### 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 by the Scotland Act 1998 and 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 the 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 2021-22, £11.6 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 His 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 £932 million has been collected in respect of LBTT and SLfT, £258 million above the Budget 2021-22 forecast of £674 million. £807 million was collected for LBTT and £125 million for SLfT. The errors in forecast arose because house prices grew faster than expected and the share of residential properties paying the top two tax bands increased. This likely reflects unpredictable reactions to the end of pandemic-related restrictions, wider macroeconomic changes and changing buyers' preferences. Further information on forecasting can be found on the Scottish Fiscal Commission website <https://www.fiscalcommission.scot>

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](http://revenue.scot) and [gov.scot](http://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 have been devolved to Scotland, and the ability to use the existing fiscal levers to influence the funds available has increased, the impact of accurate tax forecasting has become 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](#)<sup>1</sup> devolving more fiscal powers to Scotland was passed, and the associated [Fiscal Framework](#)<sup>2</sup> 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](#)<sup>3</sup> which received Royal Assent on 14 April 2016.

Further information about the Scottish Budget setting and authorisation process can be found within [The Scottish Budget 2021-22](#)<sup>4</sup> and in the [Government Finance section of the Scottish Government website](#)<sup>5</sup>, which includes the financial reports and accounts.

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.

## 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 (FRoM). This consists of eight 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 19 May 2021. The consolidation boundary includes the following:

### Finance and Economy Portfolio

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

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

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

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

<sup>4</sup> <https://www.gov.scot/publications/scottish-budget-2021-22/>

<sup>5</sup><https://www.gov.scot/policies/government-finance/setting-the-scottish-budget/>

## Health and Social Care Portfolio

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

## Education and Skills Portfolio

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

## Justice and Veterans Portfolio

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

## Social Justice, Housing and Local Government Portfolio

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

## Net Zero, Environment and Transport Portfolio

Executive Agencies: Transport Scotland (<https://www.transport.gov.scot/>)  
Scottish Forestry (<https://forestry.gov.scot/>)

## Rural Affairs and Islands Portfolio

## Constitution, External Affairs and Culture Portfolio

## Deputy First Minister and Covid Recovery

**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](#)<sup>6</sup>.

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

<sup>6</sup> [www.gov.scot/Topics/Government/public-bodies](http://www.gov.scot/Topics/Government/public-bodies)

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.

### *The Budget Framework*

The Scottish Government set out its spending plans for 2021-22 in January 2021 in [The Draft Budget](#)<sup>7</sup>. Approval for a detailed budget for 2021-22 was given by the Parliament in March 2021 in the Budget (Scotland) Act 2021. 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.

### *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](#)<sup>8</sup> the plans for the year are set out, including the Bills to be introduced to the Scottish Parliament. On 7 September 2021, the First Minister set out a new Programme for Government for 2021-22 *A Fairer, Greener Scotland* which recognised the continuing response to the COVID-19 pandemic whilst looking to the future, ensuring that we grasp every opportunity to make Scotland fairer, greener, happier and healthier.

### *Managing risks*

The Governance Statement, within the Accountability Report of these accounts provides detailed information on the management of the organisation's key risks.

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

Our organisational vision, 'In the Service of Scotland', contains three main elements: our mission, our vision and our values. Our mission, 'We work together to improve the lives of the people of Scotland' is the core purpose for everyone in the organisation. Our vision will enable us to support the government of the day and improve the lives of the people of Scotland: '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 guide how we act, the decisions we take and how we work together, across all parts of government, to improve the lives of the people of Scotland:

**We act with integrity** – Our actions reflect the values of the Civil Service

- 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.

**We are inclusive** - We have a respectful work environment which includes everyone.

- We listen to the voices of everyone and respect uniqueness.
- We value equity and create a sense of belonging.

<sup>7</sup> <https://www.gov.scot/publications/scottish-budget-2021-22/>

<sup>8</sup> <https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/>



- We continually strive to build a more diverse workforce, representative of the communities we serve.

**We are collaborative** - We work with others to realise Scotland's full potential.

- 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 people, partners, Ministers and colleagues to co-produce a healthier, safer and more prosperous country.

**We are innovative** - We test different approaches and develop new solutions.

- 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.

**We are kind** - We care and show kindness towards people and the natural environment.

- 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.

## *National Performance Framework*

### **Purpose**

The [National Performance Framework](#)<sup>9</sup> (NPF) is for all of Scotland. Through it 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.

The Framework is underpinned by values which guide the Scottish Government's approach to:

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

### **National Outcomes**

To help achieve its purpose, the framework sets out 'National Outcomes'. These outcomes describe the kind of Scotland it aims to create.

The Outcomes:

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

These national outcomes are that people:

- grow up loved, safe and respected so that they realise their full potential;

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

- 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 Outcomes - Monitoring & Evaluation**

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](#)<sup>10</sup>.

### **Next Steps for the NPF**

The NPF was renewed in June 2018 and published with a revised set of National Outcomes after extensive consultation with the public and stakeholders.

The NPF is now established as a Scotland wide framework, with COSLA as co-signatories, and is also the framework for localising the UN Sustainable Development Goals (SDGs) domestically.

The Community Empowerment (Scotland) Act 2015 requires Scottish ministers to review the National Outcomes at least every five years.

Scottish Ministers must consult those who represent the interests of communities in Scotland, and must consult Parliament on any proposed changes to the National Outcomes that come from this process. The next statutory review of the National Outcomes is due to commence this year.

Additionally, the Scottish Parliament's Finance and Public Administration Committee (FPAC) undertook an Inquiry into the NPF, and published its conclusions on 3 October 2022.

### *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](#)<sup>11</sup> provides an overview of how Scotland is progressing towards the national outcomes through a range of social, environmental and economic indicators. 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 is included where available. A range of performance information is also published on the [Scottish Government website](#)<sup>12</sup>.

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

<sup>11</sup> [https://nationalperformance.gov.scot/measuring-progress/performance-overview?national\\_outcome=5](https://nationalperformance.gov.scot/measuring-progress/performance-overview?national_outcome=5)

<sup>12</sup> <https://www.gov.scot/>



Over the course of the 2021-22 financial year, the Scottish Government delivered against many commitments, but also met with a range of challenges. These challenges required the organisation to respond in an agile way, focus resources towards immediate priority areas and, at times, allocate funds towards different projects than those set out on the 2021-22 Scottish Government Budget publication.

Furthermore, the Scottish Parliament 2021 election results led to a reallocation of resources between portfolios during the [2022 Spring Budget Revision](#)<sup>13</sup>.

The organisation's response to the ongoing spread of COVID-19 continued, particularly after the emergence of the Omicron variant at the end of 2021. This presented a range of ongoing delivery challenges, as routine screening programmes were temporarily paused last year, demand for hospital beds increased, and significant increases in COVID-19 related sick leave reduced health and social care workforce capacity. It is important to note that the pandemic remains a live and evolving issue, and although the Scottish Government continues to mitigate this through measures including the booster programmes and the NHS Recovery Plan, the challenges are likely to continue for some time.

The invasion of Ukraine by Russia in early 2022 also required a swift response from the Scottish Government to support those impacted by the crisis. In late February the First Minister announced a [package of £4 million of humanitarian aid](#)<sup>14</sup> to be shared between the British Red Cross, Scottish Catholic International Aid Fund (SCIAF), the DEC Appeal for Ukraine and UNICEF. In addition to this financial aid, medical supplies worth £2.9 million were provided with the first donation arriving in Poland on 3 March 2022.

Additionally, the extreme weather conditions – for example – led to forestry workers being redeployed away from tree planting and peatland restoration in order to fell fallen trees and clear up damage from storms. Further information about the impact of these challenges against specific portfolio areas can be found below.

Furthermore, two impact case studies have been included in this report to demonstrate the link between Scottish Government spend and subsequent impact across Scotland. The tables on pages 25 and 36 set out the specific deliverables and short term impact that has been linked to investment in specific projects: Scottish Child Payment and the Woodland Creation.

Whilst more detail is set out on a portfolio basis in the portfolio summaries below, some of the key projects and programmes enabled by Scottish Government funding in the 2021-22 financial year include:

### Support for Public Services

- Publication of the NHS Recovery Plan, supported by £1 billion of funding, in August 2021. This set out plans for health and social care over the next 5 years, such as increasing NHS capacity as quickly as possible. Over 800 additional mental health workers were placed in settings such as A&E departments, GP practices, police custody suites, and prisons.
- Significant and vital funding for our justice system in 2021-22, including: over £1,300 million protected the police resource budget in real terms, £315 million budget for Scottish Fire and Rescue service, £370 million for the Scottish Prison Service, over £117 million for the provision of legal aid, over £7 million for third sector organisations supporting victims and witnesses and over £5.5 million to projects to address violence against women and girls.

<sup>13</sup> <https://www.gov.scot/publications/spring-budget-revision-2021-22-supporting-document/pages/1/>

<sup>14</sup> <https://www.gov.scot/publications/ukraine-humanitarian-funding-letter-from-minister-for-culture-europe-and-international-development/>

- Scottish Attainment Challenge funding reached 97% of schools through Pupil Equity Funding (£147 million), with a further £50 million going to 9 local authorities and 73 specific schools to support children and young people impacted by poverty. Additionally, teacher numbers rose for the sixth year in a row, rising to 54,285, in 2021 – an increase of 885 on the previous year – and that the ratio of pupils-to-teachers is 13.2, the lowest since 2009.

## Tackling Poverty & Inequality

- Between April 2021 and 31 March 2022, the total value of Scottish Child Payments issued to clients was £55.1 million. An interim evaluation of the impact that the Scottish Child Payment has made was published on 29 July 2022, covering the period between November 2020 to March 2022, concluded that receiving the payment has been positive for both children and families. For example, it has led to more money being spent on children, such as on activities enabling them to participate in social and educational opportunities.
- Bridging Payments were introduced in 2021 ahead of the extension of the Scottish Child Payment to children under the age of 16. All children registered to receive free school meals on the basis of family low income are eligible and received £520 over the 2021 calendar year.
- Attainment Scotland Fund provided £215 million to help close the poverty-related attainment gap.
- Investment in National Heat and Energy Efficiency Programmes supported around 15,000 households in fuel poverty across Scotland.
- Over 700 families on low incomes have benefitted from free or no cost school age childcare through the Access to Childcare Fund.
- From January 2022, all young people and children were able to apply for access to free bus travel through the Young Persons' (Under 22s) Free Bus Travel Scheme.
- Awards given to 77 initiatives working with people affected by drug use with a combined value of over £25 million over the next five years, supported projects ranging from therapeutic support for young people, families, veterans and addressing challenges faced by women, through to support for skills development and training.

## Economic Recovery

- Publication of the Covid Recovery Strategy: For a Fairer Future in October 2021. Scottish Government Ministers used this document to set out their intention and planned next steps to lead Scotland's recovery from COVID-19 in a way that reduces inequality, drives progress towards a wellbeing economy and create person-centred public services.
- During 2021-22, the five funds operating under the Scottish Growth Scheme invested £14 million into 118 companies. This levered £41 million of private investment to help finance their growth ambitions.
- Lease option awards for the ScotWind offshore wind leasing round were made in January 2022; creating almost £700 million for the Scottish Exchequer plus commitments to investment worth £2,500 million in the Scottish supply chain.
- The Islands Programme invested capital funding to ensure delivery of the National Islands Plan, by supporting a range of areas, including tourism, infrastructure, innovation, energy transition and skills, through the Islands' Infrastructure Fund, the National Islands Plan and the Island Communities Fund.
- The development of the Scottish Marine Environmental Enhancement Fund (SMEEF) which provides an opportunity for marine users to re-invest in the marine environment, helping to fund projects focused on recovery, restoration or enhancement of the health of marine and coastal habitats and species across Scotland.

## Investing in Net Zero

- In late 2021, in partnership with the UK Government, the Scottish Government successfully delivered the COP26 Conference. This event brought over 120 world leaders and over 40,000 participants together to address the global climate emergency.
- During this financial year, over 10,000 hectares of woodland (of which 4,300 hectares was native woodland) were planted, and around 8000 hectares of degraded peatlands were restored.
- Over £600 million was delivered in ongoing agricultural support providing stability to farmers, crofters and land managers as we start to deliver and fund activities to enable the climate change targets through our transformation work with the sector.
- Scottish Water commenced new 2021-27 regulatory period with a £4,500 million capital investment programme over the period to deliver ongoing improvements to drinking water quality and progress towards achieving net-zero emissions by 2040.
- Cars make up 35% of the Transport sector's greenhouse gas emissions in Scotland; in January 2022 Transport Scotland published a consultation inviting members of the public to comment on policy options to meet the commitment to reduce car kilometres driven by 20% by 2030.
- The National Transition Training Fund (NTTF) continues to support upskilling and retraining for individuals and in sectors affected by COVID-19 but also sectors affected by Brexit and those in areas which require skills transitions, including the transition to net zero.

## Performance Analysis

The following sections outline the initial strategic policy aims and the key deliverables of each of the Ministerial portfolios across 2021-22, with additional information about key challenges that impacted delivery and spend divergence where relevant. Where possible, examples of how each portfolio has contributed towards the national outcomes have also been provided.

The portfolio summaries below primarily refer to external policy delivery and impact. It is important to note that a broad range of additional internal corporate work happens alongside this to coordinate key government functions required to deliver progress towards the National Performance Framework outcomes. For example, the Finance and Economy portfolio is also responsible for key functions of government around fiscal policy, public spending and taxation.

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 Social Care*

#### **Policy Aims in 2021-22 Budget**

To promote and improve lifelong health and wellbeing across Scotland; respond to the unprecedented challenges facing Scotland's health and social care system; support remobilisation and long term reform of health and social care services to embed a public health system that delivers the right care, in the right place, at the right time to improve population health and address inequalities; provide investment for direct interventions to address health inequalities, exacerbated by COVID-19, to create a Scotland where we can all live longer, healthier lives.

## Key Challenges & Financial Results

**COVID-19:** The ongoing impact of COVID-19, and in particular the emergence and spread of the Omicron variant, had a significant impact on delivery of portfolio aims throughout 2021-22. Whilst vaccinations and other controls and treatments have been successful at reducing immediate impact of harm and death from COVID-19, the pressure this has put on health and social care services has resulted in a growing backlog of patients waiting much longer for treatment, and a workforce that has been under significant and sustained stress.

**Financial Results:** Health and Social Care reported an overspend of £64 million for the year ended 31<sup>st</sup> March 2022 (Budget: £18,398 million, Outturn: £18,462 million). More details are included in the Portfolio Outturn Statement at page 111.

## 2021-22 Deliverables

**COVID-19 Recovery:** An NHS Recovery Plan, backed by £1 billion of funding, was published in August 2021. This set out plans for health and social care over the next 5 years. Health boards recruited more than 1,000 additional healthcare support staff and almost 200 registered nurses from overseas. The portfolio published the Health and social care: national workforce strategy. Comprehensive COVID-19 vaccination programme was delivered, including third doses, and 2.7 million people have received the flu vaccination, with over 90% uptake in the over-65s category. Funding of £3.6 million was made available to support the expansion of Hospital at Home services – there are currently 20 partnerships with an active service and an estimated capacity of 275 virtual beds.

**Primary Care Reform:** Funding of £160.1 million was allocated to health boards to expand multi-disciplinary teams within GP practices and the community and modernise systems, helping to ensure patients can see the right healthcare expert at the right time while giving GPs more time with patients with complex needs. We have now recruited 3,220 whole time equivalent (WTE) healthcare professionals, such as pharmacists, mental health workers and physiotherapists, into multi-disciplinary teams (MDT) supporting practices. This included 793 WTE recruited in 2021-22, a record year for MDT recruitment.

**Social Care Reform:** The public were consulted about proposals for a new National Care Service (the Bill was then introduced in June 2022). Changes to the national Health and Social Care Standards for Scotland's adult care homes put Anne's Law into practical effect while legislation is being prepared.

**Mental Health:** We have record levels of investment, record numbers of staff, and we are providing more varied support and services to a larger number of people than ever before. In the six months between July and December 2021, more than 18,500 children, young people, parents and carers accessed our newly-established community services. Through investment of £21 million in 2021-22 in our Communities Mental Health and Wellbeing Fund for adults, we have made over 1,800 awards to community projects focused on prevention and early intervention. We have also funded over 800 additional mental health workers in settings such as A&E departments, GP practices, police custody suites, and prisons. We are setting the conditions needed for long-term, sustainable improvement. Boards are working hard to clear their backlogs and to see those who have waited the longest and those most at risk, first. We are directing tailored support to Boards not on track to meet the target, providing access to professional advice, to ensure that they have robust improvement plans in place and we are monitoring progress closely. Long waits are unacceptable and we remain committed to meet the standard that 90% of patients start treatment within 18 weeks of referral.

**Drug related deaths and harms:** Awards were given to 77 initiatives working with people affected by drug use with a combined value of over £25 million over the next five years. The list of awards so far range from therapeutic support for young people, families, veterans and

addressing challenges faced by women, through to support for skills development and training. The NRS Drug Related death statistics 2021 showed 1,330 drug misuse deaths in 2021. Although down 1% (9 deaths) on 2020, it still remains the second highest figure on record but the first fall in recent years. Response to this public health emergency remains a priority for government and is actioned through the delivery of the National Mission, launched in January 2021. In the first year progress has been made; we have seen areas start to embed Medication-Assisted Treatment (MAT) Standards, the expansion of residential rehabilitation provision, the setting of a new treatment target, increased funding to community and grass-roots organisations and the laying of ground work for innovation such as Safer Drug Consumption Facilities and Digital Lifelines. Following the national campaign to reduce the stigmatisation of people at risk of overdose and people who use drugs more broadly, we launched the Naloxone Campaign to raise awareness of how to respond to an overdose and provide a lifesaving intervention.

*Waiting Times:* We are committed to maintaining targets, ensuring that Government and the NHS remain focussed. The recent Public Health Scotland report provides data against the target to eliminate 2-year waits for inpatient and day-case (IPDC) treatment in most specialities: by the end of September 2022 60% (18 of 30) of specialities had fewer than ten patients waiting more than two years, including 13 specialities with no patients waiting more than two years; 6 of 14 (43%) territorial Health Boards had fewer than twenty patients waiting more than two years; and specialities with the highest number of long waits were Orthopaedics (2,152), followed by General Surgery (1,610), ENT (1,327) and Urology (1,041). These four specialities account for 80% of all IPDC patients waiting over 2 years. We are working intensively with Boards to ensure that they have the support they need to address long waits as quickly as possible. In particular, we are continuing to maximise theatre productivity and are working with the Centre for Sustainable Delivery and boards to embed regional and national working to ensure that long waiting patients can access treatment more quickly. That also includes accelerating the implementation of high-impact changes, such as active clinical referral triage and patient-initiated review. These improvement programmes will support the delivery of the targets and provide sustainable solutions for the future. We are taking action to improve A&E waits - the £50 million Urgent and Unscheduled Care Collaborative is helping to implement a range of measures to drive down A&E waiting times. These measures include offering alternatives to hospital, such as Hospital at Home, directing people to more appropriate urgent care settings and scheduling urgent appointments to avoid long waits in A&E.

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcome

*Health:* Health and social care services provide care to improve population health, while the longer-term reform of health and social care services seek to address the challenges facing Scotland, and ensure that the right care is delivered at the right time.

### Secondary Outcomes

*Communities:* Investing in areas such as mental health and wellbeing services, services to work with people affected by drug use, and services which allow a patient to be treated at home (where appropriate) allow people to live more full lives and remain engaged within their communities.

*Human Rights:* Addressing health inequalities through investment in direct interventions. For example, investment of £50 million per year in our National Mission on drugs is tackling inequalities through a rights-based approach – ensuring people have access to the treatment they have a right to through our Medication Assisted Treatment standards and that residential rehabilitation is available for all who need it. The Mission includes a national collaborative of

people with lived and living experience whose voices are being used in the design and delivery of services, to ensure everyone has access to them as part of their rights - aligned with the Scottish Government approach to human rights.

### **Other Relevant Portfolio Performance Information**

[NHS Performs](#)

[Independent Living Fund Annual Report and Accounts 2020-21](#)

[Care Inspectorate Annual Report 2020-21](#)

[sportscotland Annual Review 2021-22](#)

*Social Justice, Housing and Local Government*

### **Policy Aims in 2021-22 Budget**

To prioritise funding to support the development, design and implementation of our social security powers and delivery of benefits through Social Security Scotland, building a system based on dignity, fairness and respect; continue to tackle poverty and inequality, providing assistance to ensure that every child has the best start in life and to improve the lives of those in need; support a wide range of work to prevent discrimination, strengthen and empower our communities and promote equality and human rights; tackle inequalities and reduce child poverty to create a fairer Scotland, support regeneration and inclusive growth, ensure provision of accessible, affordable, energy efficient housing for all, and promote community empowerment and the participation of people in all aspects of Scottish life. Additionally, the portfolio incorporates the Scottish Government's funding for local authorities in Scotland, allowing them to deliver the full range of services, from education and social care to transport and planning.

### **Key Challenges & Financial Results**

*COVID-19:* The COVID-19 pandemic has had a significant and disproportionate impact on the most disadvantaged in Scottish society. In addition the increase in the cost of living, including for essentials such as food and fuel, has particularly impacted low income households. To support low income households additional action has been taken over the course of 2021-22 to mitigate these impacts. Global issues around the supply of materials and skilled labour, with associated rises in cost, have affected the pace at which homes are delivered

*Financial Results:* Social Justice, Housing and Local Government reported an underspend of £121 million for the year ended 31st March 2022 (Budget: £16,411 million, Outturn: £16,290 million). More details are included in the Portfolio Outturn Statement at page 112.

### **2021-22 Deliverables**

*Local Government:* The 2021-22 local government settlement of almost £11,700 million provided an increase in local government day to day spending on local services of £375.6 million or 3.5%. Scotland's councils also received an additional £259 million to respond to the pandemic through the local government finance settlement. The Scottish Government also provided £712 million of COVID-19 non-domestic rates reliefs to support the retail, hospitality, leisure and aviation sectors.

*Housing:* £10 million Tenant Grant Fund supported those at risk of homelessness due to COVID-19-related rent arrears; £80 million support for those impacted by the Bedroom Tax, supporting people to sustain their tenancies through Discretionary Housing Payments.

*Social Justice:* Over 2021-22, Scottish Government invested almost £2,600 million in targeted support for low income households, of which over £1,100 million directly benefitted children. Through Low Income Pandemic Payments, over £68.9 million was awarded to low income

households (£72.8 million including admin), providing £130 of additional financial support to those eligible. £80.7 million was allocated to local authorities to support delivery of Bridging Payments worth £520 in 2021. We have made £650 available per eligible child in 2022, until the roll out of Scottish Child Payment to under 16s, benefitting around 145,000 children as of Spring 2022.

The £41 million Winter Support Fund has enabled additional financial support to be provided to households impacted by the rising cost of living and fuel costs. This included £10 million for the Fuel Insecurity Fund delivered by third sector organisations to provide support to people who were at the imminent risk of self-disconnection or self-rationing their energy use for their home. We continued to fund Social Innovation Partnership projects, enabling them to support individuals and families across Scotland with a range of activities, including flexible childcare, flexible working, employability, income maximisation and advice and advocacy. We invested £1 million in the STV Children's Appeal, enabling it to support grassroots organisations in every local authority area in the country who deliver a range of activities to support families in poverty. All of the above provided support and financial assistance to those who need it most.

*Social Security:* Between April 2021 and 31 March 2022, the total value of Scottish Child Payments issued to clients was £55.1 million, supporting circa 103,000 children as of 31 March 2022 across all 32 local authorities in Scotland. Evaluation of the poverty impact of Scottish Child Payment will form part future Tackling Child Poverty reports. In recognition of the additional pressures faced by carers as a result of the pandemic, we made an extra payment of Carer's Allowance Supplement. Around 82,000 eligible carers received this additional support, meaning those in Scotland got up to £694.20 more support in 2021 compared to those in the rest of the UK.

Child Disability Payment, our first complex disability benefit, was launched in pilot areas from July 2021, and nationally across Scotland in November 2021 – the first time anywhere in the UK that disability benefit applicants could apply online, as well as by phone, post or face-to-face. Between 26 July 2021 and 31 March 2022, the total value of Child Disability Payments issued was £3.25 million. As of the 31 March 2022, it is estimated that 3,050 children were in receipt of Child Disability Payment. On 11 October 2021, the first Disability Living Allowance for children (DLAc) cases were selected for transfer to Child Disability Payment. As of 31 March 2022, 555 children and young people had received their first payment of Child Disability Payment as a result of our successful case transfer process. In March 2022, we launched the pilot for Adult Disability Payment, our replacement for Personal Independence Payments. The disability benefits have been co-designed with stakeholders and disabled people, ensuring that the values of dignity, fairness and respect are embedded throughout.

*Equalities:* Over £30 million in funding was provided to third sector organisations in 2021-22 including £13.5 million through the Delivering Equally Safe and Equality and Human Rights Funds.

*Connected communities:* We worked in close collaboration with a range of faith and belief, asylum and refugee and other partners to support and help integrate vulnerable communities across Scotland. The £500,000 Hate Crime Security Fund helped 42 places of worship install security measures, engagement was initiated to inform the development of a new hate crime strategy to be published later in 2022, and over £2 million was provided to third sector organisations working to support the integration of refugees and people seeking asylum, including to projects supporting employability and mental health.



## Overall Portfolio Contribution to National Outcomes

### Primary Outcomes

*Poverty:* We are establishing a social security system that meets the needs of the people of Scotland and will deliver a service that treats people with dignity, fairness and respect; we support a range of services and support for people on low incomes through local government, housing, social justice funding and equalities.

*Communities:* A wide range of activity to build cohesive, resilient communities also ensures that divisive narratives find it harder to take hold. Affordable housing brings direct improvement to the wellbeing of people and communities.

*Children:* Children are supported and their rights upheld through measures such as the Scottish Child Payment (SCP), SCP Bridging Payments and Child Disability Payment and the broader programme of work to tackle child poverty. Investment in the delivery. Supply of homes through the affordable housing supply programme contributes to tackling child poverty.

*Equality and Human Rights:* We provide support to organisations tackling inequality and discrimination, furthering equality, and advancing the realisation of human rights in Scotland. Social security is an important human right and none of us know when we might need it.

### Secondary Outcomes

*Fair work and Business:* Supporting employability and other services helps ensure that people are informed and supported in work and that they are aware of their rights.

*Economy:* Supporting people on low-income prevents financial hardship and – where possible – can support people into employment, as does support for parents and the childcare sector.

*International:* We support refugee and asylum organisations to facilitate integration, employability and the health and wellbeing of those arriving in Scotland.

## Other Relevant Portfolio Performance Information

[Local government finance statistics](#)

[Coronavirus \(COVID-19\) pandemic support payments](#)

[Tackling child poverty delivery plan 2022-2026 - annex 4: cumulative impact assessment](#)

[Tackling child poverty delivery plan: fourth year progress report 2021 to 2022](#)

[Child poverty analysis](#)



## Impact Case Study: Scottish Child Payment

Impact Case Study: Scottish Child Payment			
Investment in 2021-22 Financial Year	Deliverables	Short Term Impact (as per interim evaluation)	Intended Outcome
<b>£55.1 million</b>	<p>Each family received <b>£10 per eligible child</b> under six years old, per week (extended to an increase to £20 per week from April 2022).</p> <p><b>A total of £55.1 million</b> paid out to the families of around 103,000 children across Scotland</p>	<ul style="list-style-type: none"> <li>○ Increased spend on children and in the Scottish economy</li> <li>○ Help to reduce money-related stress and pressure on household finances</li> <li>○ Can improve health and wellbeing across families:               <ul style="list-style-type: none"> <li>&gt; Help to reduce income inequality by gender and between local areas</li> <li>&gt; Reduce child poverty</li> </ul> </li> <li>● Commissioned research with recipients of Scottish Child Payment found the application process is perceived to be easy and quick to complete. <a href="#">Interim Evaluation of Scottish Child Payment (www.gov.scot/)</a></li> <li>● Evidence from the Social Security Scotland client survey shows that 96% of respondents with experience of Scottish Child Payment had a good or very good experience with Social Security Scotland. <a href="https://www.socialsecurity.gov.scot/asset-storage/production/downloads/Client-Survey-2018-2021.pdf">https://www.socialsecurity.gov.scot/asset-storage/production/downloads/Client-Survey-2018-2021.pdf</a></li> </ul>	<p>Help to meet the Scottish Government's child poverty targets, set out in the <a href="#">2017 Child Poverty Bill</a>.</p> <p>The policy objectives of Scottish Child Payment are outlined in the Analysis of options for the income supplement published in June 2019.</p> <p>This states that by 2030:</p> <ul style="list-style-type: none"> <li>● Less than 10% of children should be living in relative poverty</li> <li>● Less than 5% of children should be living in: absolute poverty; combined low income and material deprivation; or persistent poverty</li> <li>● CIA link below sets out the impact SCP has on meeting the interim Child Poverty Targets</li> <li>● It is estimated that 26% of children in Scotland were living in relative poverty (after housing costs) in 2019-20. Scottish Child Payment is projected to reduce child poverty by an estimated 5 percentage points in 2023-24 when it is rolled out to under 16 year olds.</li> </ul>
<p>Relevant Performance Information:</p> <ul style="list-style-type: none"> <li>● <a href="#">Social Security Scotland Statistics: Scottish Child Payment</a></li> <li>● <a href="#">Scottish Child Payment: Interim Evaluation</a></li> <li>● <a href="#">Tackling child poverty delivery plan 2022-2026 - annex 4: cumulative impact assessment</a></li> <li>● <a href="#">Income supplement: analysis of options</a></li> <li>● <a href="#">Tackling child poverty delivery plan: fourth year progress report 2021 to 2022</a></li> <li>● <a href="#">Child poverty analysis</a></li> </ul>			

## Finance and Economy

### Policy Aims in 2021-22 Budget

To support economic recovery and transformation, protect existing jobs, to support workers to upskill and reskill, and to create good-quality jobs for the future. The work taking place across this portfolio contributes to tackling the global climate emergency, growing an inclusive economy, and responding to the challenges following Scotland's exit from the European Union, changing demographics and shifting global circumstances.

### Key Challenges & Financial Results

**COVID-19:** The emergence of the Omicron variant at the end of 2021 resulted in a number of necessary measures to control the spread, which had a significant impact on businesses during the key Christmas trading period and required additional business support to be found, including continuation of sector specific programmes, such as tourism support. The COVID-19 pandemic led to supply chain issues, delaying broadband delivery across both commercial and SG-funded programmes. Business demand for the Business Ventilation Fund has been less than the initial forecast, resulting in underspend which was then repurposed, allowing university and college sectors to purchase CO2 monitors in March 2022. Additionally, COVID-19 resulted in high absence rates at Ferguson Marine, which reduced the efficiency of the yard. Finally, the Scottish National Investment Bank invested less than its ambitious forecast within the context of the necessary recruitment of an investment team and embedding professional investment processes within the Bank in its first full year of operation.

**Financial Results:** Finance and Economy reported an underspend of £536 million for the year ended 31<sup>st</sup> March 2022 (Budget: £2,616 million, Outturn: £2,080 million). More details are included in the Portfolio Outturn Statement at page 113.

### 2021-22 Deliverables

**Economic Strategy:** Developed and published the National Strategy for Economic Transformation.

**Employability Support:** Developed Offer to Parents as part the Scottish Government's commitment to tackling child poverty, set out in the [Tackling Child Poverty Delivery Plan, 'Best Start, Bright Futures'](#)<sup>15</sup>. From April 2021 to March 2022, the portfolio continued to support a range of measures such as the Young Person's Guarantee, Developing the Young Workforce (DYW), No One Left Behind, the Parental Employability Support Fund, the National Transition Training Fund, the North East Economic Recovery Fund and Fair Start Scotland.

**Business Support:** Delivered £30 million to support small and medium sized businesses to invest in digital technologies, boosting productivity and supporting companies impacted by the pandemic to pivot to new markets and operating models. Maintained sponsorship for Scotland's three enterprise agencies (Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise) and for Visit Scotland. The National Transition Training Fund (NTTF) continues to support upskilling and retraining for individuals, in sectors affected by COVID-19 but also sectors affected by Brexit, and those in areas which require skills transitions, including the transition to net zero. Between April 2021 and June 2022, 12,139 participants and 1,017 businesses have been supported. In 2021-22, the five funds operating under the Scottish Growth Scheme invested £14 million in 118 companies. This levered £41 million of private investment to help finance their growth ambitions. In collaboration with VisitScotland and other delivery partners, we supported a range of tourism and hospitality

<sup>15</sup><https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/pages/1/>

businesses in 2021-2022 with a support package worth up to £258.5 million in total (COVID-19 and Omicron funding).

*Scottish National Investment Bank:* 2021-22 was the Scottish National Investment Bank's first full year of operation. The Bank made 12 investment commitments during that year, worth £142 million, bringing its total commitments since launch to £194 million (up to end of financial year 2021-22). These investments include: £30 million to help fund the expansion of Aberdeen Harbour, the largest marine infrastructure project in the UK, which will maintain the north east as a centre of energy excellence; £20 million in the Lothian Broadband Group, which will help to add 70,000 new premises to their network over the next four years; and £13 million investment in Iona Wind Partnership, which aims to deliver 800MW of onshore wind capacity by 2026 - enough to power 850,000 homes. £3 million in IndiNature will enable the company to scale-up production of its natural fibre construction insulation system at a new manufacturing facility in the Scottish Borders, and £3 million will allow travel technology business Travelnest to scale-up, support the creation of new jobs and allow the company to target new markets.

*Digital Connectivity:* Through a combination of the Reaching 100% (R100) contracts, the R100 Scottish Broadband Voucher Scheme and commercial build, the programme connected 8,078 premises to full fibre or superfast broadband. 27 new 4G masts went live across Scotland via the 4G Infill (S4GI) programme.

*Tourism and hospitality:* Over the past year, we have supported the recommendations of the Tourism Recovery Taskforce, including a £25 million portfolio of projects in 2021-22. Phase 1 Tourism and Hospitality Recovery Programme delivered, in collaboration with partners across Scotland, 10 projects to accelerate tourism and hospitality recovery in the short-term and provide a foundation for a sustainable recovery of the industry in future years. The aim of the Tourism and Hospitality Recovery Programme is to set the sector back on track towards achieving the ambitions of the national tourism strategy, Outlook 2030, for Scotland to be a world leader in 21st century tourism.

*Managing the Public Finances:* Delivered the Scottish Government's Medium Term Financial Strategy providing the medium term economic and fiscal outlook; the Scottish Budget 2022-23; pay policy for 2022-23 setting out specific measures to address low pay, including the introduction of a Scottish public sector wage floor; and a Financial Transparency commitment as part of the Open Government Plan focused on strengthening the accessibility of Government's public finance data.

*Tax:* We delivered the tax policy commitments set out in Budget 2021-22, using our tax powers to continue to deliver a more progressive tax system, raising revenue to fund Scotland's essential public services. Scotland's first [Framework for Tax](#)<sup>16</sup> was published in December 2021, setting out the principles and strategic objectives that underpin the Scottish Approach to Taxation. Performance of LBTT and SLfT in 2021-22 was strong, with Revenue Scotland reporting provisional outturn revenues at £933 million, compared to the £674m forecast by the SFC in January 2021. Scottish Income Tax outturn for 2021-22 will become available in the summer of 2023.

*Infrastructure Investment:* During the first year of implementation of the five year [Infrastructure Investment Plan](#)<sup>17</sup>, our [major project reporting](#)<sup>18</sup> shows that infrastructure projects worth

<sup>16</sup> <https://www.gov.scot/publications/framework-tax-2021/>

<sup>17</sup> <https://www.gov.scot/publications/national-mission-local-impact-infrastructure-investment-plan-scotland-2021-22-2025-26/>

<sup>18</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/progress-report/2022/06/infrastructure-investment-plan-2021-22-2025-26-progress-report-2021-2022/documents/infrastructure-investment-plan-2021-22-2025-26-progress-report-2021->

£232.2 million completed construction and opened to the public. Infrastructure investment funding in 2021-22 supported almost £2,000 million of investment in low carbon infrastructure, including domestic energy efficiency, transport and industry.

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcomes

*Economy:* This portfolio has provided a significant amount of financial investment and support to both businesses and employees to mitigate the negative economic impacts of the COVID-19 pandemic and subsequent restrictions, where possible.

*Fair Work & Business:* £375 million was allocated in December 2021 to provide support to businesses impacted by the Omicron variant and the restrictions introduced to control its spread; however it was not known at that time how long those restrictions would need to remain in place. 72% of businesses in Scotland who received support (from Scottish and UK Governments) [reported](#)<sup>19</sup> that it had helped them continue trading and therefore helped most beneficiaries to survive through the immediate crisis.

### Secondary Outcomes

*Environment:* The Scottish Landfill Tax has supported development of the circular economy, encouraging the prevention, reuse and recycling of waste and helping keep valuable resources circulating in the Scottish economy.

*Poverty:* [Scottish Income Tax](#)<sup>20</sup> is more progressive compared to the rest of the UK, protecting lower earners, while raising additional revenue for successive budgets to invest in public services and Scotland's economy. By the end of 2021-22, over 500 employers had signed up to the Young Person's Guarantee, offering more than 10,000 opportunities to young people. The other opportunities were created through funding of employability programmes, Further Education and Higher Education courses and third sector support.

## **Other Relevant Portfolio Performance Information**

[Scottish Growth Sector Statistics](#)

[Gross Domestic Product Reports](#)

[Glasgow City Region Annual Performance Report 2021-22](#)

[Inverness and Highland City Region Deal Annual Report 2020-21](#)

[Tay Cities Region Deal Annual Performance Report 2020-21](#)

[Care Inspectorate Annual Report and Accounts 2020-21](#)

### *Education and Skills*

## **Policy Aims in 2021-22 Budget**

To improve the life chances of our children and young people through excellence and equity in education continues to be a key priority for this government, to invest in changing lives for the better and underpin key government priorities, in particular, promoting population wellbeing, tackling child poverty, and building sustainable and inclusive economic growth. Additionally, to

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[2022/infrastructure-investment-plan-2021-22-2025-26-progress-report-2021-2022/govscot%3Adocument/infrastructure-investment-plan-2021-22-2025-26-progress-report-2021-2022.pdf](#)

<sup>19</sup>[https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2022/06/evaluation-covid-19-business-support-measures-scotland/documents/evaluation-covid-19-business-support](https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2022/06/evaluation-covid-19-business-support-measures-scotland/documents/evaluation-covid-19-business-support-measures-scotland/evaluation-covid-19-business-support)

<sup>20</sup> <https://www.gov.scot/publications/scottish-income-tax-2018-19-policy-evaluation/>

tackling child poverty, and building sustainable and inclusive economic growth. Additionally, to support the development of well-educated, highly skilled people, supporting sustainable and inclusive growth and delivering our Young Person's Guarantee.

### **Key Challenges & Financial Results**

*COVID-19:* The overspend of £7 million was due primarily to spend of £8 million on the Childcare Sector Omicron Impacts Fund, part of a package of Omicron Business Support Funding in February 2022, covered by an equivalent underspend in the Finance and Economy portfolio. Due to the late stage in the financial year at which the funding package was announced, funding was retained by the Finance and Economy portfolio rather than being transferred to Education & Skills portfolio. COVID-19 impacted the ability of grant funded organisations to deliver projects in this sector. There is evidence that the pandemic has disproportionately affected children and young people impacted by poverty, and we have seen a widening of the poverty related attainment gap for primary school aged pupils in particular. Curriculum programmes were delivered remotely to ensure they could continue during the COVID-19 pandemic.

*Financial Results:* Education and Skills reported an underspend of £806 million for the year ended 31<sup>st</sup> March 2022 (Budget: £4,587 million, Outturn: £3,781 million). More details are included in the Portfolio Outturn Statement at page 115.

### **2021-22 Deliverables**

*Early Learning Centre (ELC) Expansion, School Age Childcare and Other Support:* The latest monitoring data from January 2022 indicates that 97% of children who were accessing funded ELC were accessing more than 600 hours (the previous entitlement) and 88% of children were taking up the full 1140 hours entitlement – with this full entitlement, families now save up to £4,900 per child per year. Over 700 families on low incomes have benefitted from free or no cost school age childcare through the Access to Childcare Fund. Universal free school meals save all families an average of £400 per child, per year. The removal of charges for instrumental tuition and core curriculum charges supports young people to follow their interests and aptitude in their education. COVID-19 funding supported the education sector to respond to the unprecedented pressures of the pandemic. Over 4,600 services received a grant of between £950 and £4,500 from the Childcare Sector Omicron Impacts Fund.

*Summer 2021 Holiday Programme:* It is estimated that in excess of 130,000 children and young people accessed their provision. In addition, a further five local authorities reported in excess of 100,000 bookings or recorded attendances at their activities.

*Care:* The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill was passed in Parliament in March 2021 and Scotland's Redress Scheme went live in December 2021. Prior to this applications were made through the Advance Payment Scheme and during 2021-22 payments were made to a further 163 survivors totalling £1.6m. Since December 2021 1,021 applications were received under the Scotland's Redress Scheme, of which 15 were concluded by 31 March 2022 and £0.6m was paid out.

The Promise Partnership Fund was launched in 2021 to help improve the lives of those in or on the edges of care. It helps organisations to implement changes so they can better support children, young people and families who need it. Since January 2021 a total of 244 applications to the Promise Partnership Fund were received, and just over £8.1 million distributed to support transformational change.

*Attainment Gap:* Scottish Attainment Challenge funding reached 97% of schools through Pupil Equity Funding (£147m), with a further £50m going to 9 local authorities and 73 specific schools to support children and young people impacted by poverty. £11.5 million was allocated to local authorities to support care experienced children and young people. The

proportion of 2020-21 school leavers in a positive follow-up destination was 93.2%, up from 92.2% in 2019/20 and just below the highest level seen since consistent records began in 2009/10. The gap between the proportion of school leavers from the most and least deprived areas who entered a positive follow-up destination has reduced from 8.3 percentage points in 2019/20 to 7.5 percentage points in 2020-21 and is now the smallest since 2009/10. All children in primaries 1 to 5 now benefit from balanced and nutritious free school lunches during school term-time. A record high 16.7% of full-time first degree entrants to university coming from the 20% most deprived areas of Scotland in 2020-21, exceeding the interim Commission on Widening Access target to have 16% by 2021.

*Estates and Staffing:* Teacher numbers rose for the sixth year in a row, rising to 54,285, in 2021 – an increase of 885 on the previous year – and that the ratio of pupils-to-teachers is 13.2, the lowest since 2009. The proportion of schools in good or satisfactory condition has increased from 61% in April 2007 to 90.2% in April 2021.

*Colleges and Universities:* A record 282,875 students were enrolled at Scottish universities in 2020-21. The Scottish Funding Council Review reports that the return on investment in Scotland's colleges and universities is between £6.50 and £11 for every £1 spent.

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcomes

*Education:* Ongoing work across this portfolio such as free school meals or increasing the number of teachers ensures that learners can make the most of their time in primary, secondary and tertiary education, enabling them to reach positive destinations (such as further education, training or employment opportunities) and contribute to society.

*Children:* Creating and delivering an education system where children are nurtured and respected ensures each learner is given the opportunity to reach their potential.

*Poverty:* Supporting economically disadvantaged children by tackling the attainment gap through a range of direct interventions and ensuring that potential and life choices are not determined by background.

### Secondary Outcomes

*Health:* Improved population health is delivered through programmes such as universal free school meals that provide healthy food for children in primaries 1-5.

*Fair Work and Business:* Education and Skills works to ensure that young people are able to obtain the skills and education they need and that meet the future needs of businesses and services in Scotland.

*Human Rights:* Ongoing work to reduce inequalities such as the attainment challenge ensures that every learner, regardless of their background, has an equal chance to succeed in education.

## **Other Relevant Portfolio Performance Information**

[Scottish Qualifications Authority Annual Reports](#)  
[Student Awards Agency for Scotland Annual Reports](#)  
[Education Scotland Annual Reports](#)



## Justice and Veterans

### Policy Aims in 2021-22 Budget

The main aims for 2021-22 were to keep our communities safe and secure, to administer justice in its various forms; to tackle inequalities and ensure an environment where sustainable economic activity can prosper and enable our communities to be safe and resilient. To reduce crime and offending, support victims and witnesses and work to build the country's resilience by improving preparedness against a range of hazards and threats.

### Key Challenges & Financial Results

**COVID-19:** The effects of the pandemic continued to be felt throughout 2021-22 causing 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. Additionally, COVID-19 regulations made it difficult for many grant-funded projects to deliver services. Investment in court technology and remote jury centres continued throughout 2021-22 in order to address the courts backlog.

**Financial Results:** Justice and Veterans reported an underspend of £39 million for the year ended 31<sup>st</sup> March 2022 (Budget: £3,123 million, Outturn: £3,084 million). More details are included in the Portfolio Outturn Statement at page 116.

### 2021-22 Deliverables

**Justice Strategy:** [The Vision for Justice in Scotland](#)<sup>21</sup> set out our transformative vision of the future justice system for Scotland, spanning the full journey of criminal, civil and administrative justice, with a focus on creating safer communities and shifting societal attitudes and circumstances which perpetuate crime and harm.

**Police, Fire service, Prisons and Local authorities:** During 2021-22 over £1,300 million was spent on policing to help prevent crime and harm and to support people who are vulnerable and in distress with recorded crime in Scotland remaining at one of the lowest levels since 1974 (down 14% since 2012-13). The £315 million budget for Scottish Fire and Rescue service has helped keep communities and individuals safe from fire and harm with 85,582 incidents attended during 2020-21 (latest figures available) of which 25,147 were fires. £370 million was spent on the Scottish Prison Service (SPS) to maintain prison operations supervising and supporting a daily population of between 7,300 and 7,600. However, whilst the overall prison population has been relatively stable during 2021-22, the SPS continues to face challenges with both the complexity of the needs of individual prisoners and the overall population between remand and sentenced prisoners. There is on-going work to modernise the prison estate aims to better respond to the needs of the current and future prison population and to ensure a continuing focus on support and rehabilitation for prisoners. £86.5 million was provided in grants which were allocated to Local Authorities to provide justice social work statutory services.

**Courts and Tribunals:** £50 million supported the '[Recover, Renew, Transform](#)' programme<sup>22</sup> for the Criminal Justice System, used in a variety of ways to increase capacity across the justice system. 82,147 cases concluded in Scottish Criminal Courts which is 88% of pre-

<sup>21</sup> <https://www.gov.scot/publications/vision-justice-scotland/>

<sup>22</sup> <https://www.scotcourts.gov.uk/about-the-scottish-court-service/scs-news/2021/03/19/reducing-the-criminal-trials-backlog#:~:text=The%20Recover%2C%20Renew%2C%20Transform%20programme%20aims%20to%20ensure,and%20respect.%20The%20multi-year%20programme%20will%20focus%20on%3A>

pandemic (2019/20) levels but is up 80% on the previous year. In 2021-22 66,297 national trials called, up 54% on the previous year and 19% on the pre-pandemic levels (2019/20).

*Legal aid:* In 2021-22 over £117 million covered the provision of legal aid in Scotland, with 135,114 grants of legal assistance. The Scottish Legal Aid Board (SLAB) delivered legal services through a network of SLAB-employed solicitors (£5.5 million). SLAB also administered £2.3 million of Justice-funded grant programmes.

*Victims, witnesses and violence prevention:* Over £7 million funding was allocated to third-sector organisations supporting victims and witnesses and over £5.5 million to projects to address violence against women and girls, including specialised services such as ASSIST and Rape Crisis Scotland. The first year of a three-year national rollout programme for the [Scottish Child Interview Model](#)<sup>23</sup> for Joint Investigative Interviews. Grant allocation of £1,029,500 were given for programmes to reduce violence across Scotland.

*Cyber:* £1.1 million Cyber Resilience funding supported the implementation of [The Strategic Framework for a Cyber Resilient Scotland](#).<sup>24</sup>

*Veterans:* Support continued for veterans' organisations through the [Scottish Veterans Fund](#)<sup>25</sup> (17 veterans projects); the [Armed Forces Third Sector Resilience Fund](#)<sup>26</sup> (26 third sector organisations); and an award to the Unforgotten Forces Consortium for their project supporting veterans over 60 in Scotland, directly benefitting almost 700 veterans in the first six months of 2021-22.

## Overall Portfolio Contribution to National Outcomes

### Primary Outcomes

*Communities:* Ongoing work across this portfolio to tackle crime and manage threats such as fire and cyber security issues allows communities across Scotland to remain safe, secure and resilient.

*Human Rights:* Upholding and promoting equality by ensuring equitable access to and experiences of the justice system and actively addressing barriers to seeking justice.

### Secondary Outcomes

*Economy:* Safe and secure communities are essential for a vibrant economy – our police and courts system ensures that people and businesses see Scotland as a safe place to live and work.

*Children:* Children are protected by the justice system and initiatives to protect and support victims and witnesses aid children who come into contact with the justice system.

## Other Relevant Portfolio Performance Information

[Crime and justice statistics](#)

[Scottish Courts and Tribunal Service Data](#)

[Scottish Police Authority Annual Reports and Accounts](#)

[Quarterly Policing Performance Report – Q3 2021-22](#)

[Scottish Fire and Rescue Service \(SFRS\) Annual Performance Review](#)

[Scottish Legal Aid Board \(SLAB\) Annual Report and Accounts](#)

<sup>23</sup> <https://www.gov.scot/news/greater-protection-for-child-victims-and-witnesses/>

<sup>24</sup> <https://www.gov.scot/publications/strategic-framework-cyber-resilient-scotland/>

<sup>25</sup> <https://www.gov.scot/publications/scottish-veterans-fund-2021-to-2022-beneficiaries/>

<sup>26</sup> <https://www.gov.scot/publications/armed-forces-third-sector-resilience-fund-beneficiaries/>



[Scottish Prison Service Annual Report and Accounts](#)  
[Scottish Courts and Tribunals Service Annual Reports and Accounts](#)  
[Community Justice Outcome Activity across Scotland Annual Report](#)  
[HM Inspectorate of Constabulary in Scotland \(HMICS\) Annual Report](#)  
[HM Inspectorate of Prosecution in Scotland Annual Report](#)  
[HM Inspectorate for Prisons in Scotland Annual Report](#)  
[HM Fire Inspectorate in Scotland Annual Report](#)

### *Net Zero, Energy and Transport*

#### **Policy Aims in 2021-22 Budget**

To protect and promote Scotland's environment by delivering the organisation's Net Zero ambitions, and to build a strong and sustainable net-zero economy. While there are significant challenges in this space there are also significant opportunities to diversify our economy, create good, green jobs, and to lead the world in transitioning to net-zero.

#### **Key Challenges & Financial Results**

*COVID-19:* The ongoing impact of the pandemic has led to delays, reduced demand and labour or supply shortages across a range of operations in this portfolio, particularly across the Transport network which continued to have patronage numbers far below those pre-covid. There has also continued to be an impact on the pace of delivery of large infrastructure projects which have continued to be impacted by Covid delays as well as labour and supply shortages.

*Adverse Weather Conditions:* Scottish Forestry approved enough grant applications to achieve the 2021-22 woodland creation target; however, Storms Arwen, Corrie and Malik, the worst winter storms for decades, blew down around 8,000 hectares of trees, resulting in forestry labour and agents being re-directed from woodland planting to felling and clearing up. On Scotland's National Forests and Land this affected up to 4,000 hectares of forests, resulting in approximately one million m<sup>3</sup> of fallen trees (roughly 1/3 of what FLS would fell in a given year nationally) and hundreds of miles of trails closed for inspection and repair. The challenging weather also disrupted the delivery of peatland restoration.

*Supply Chain Issues:* Supply chain delays and material price increases, particularly in the construction sector, have delayed time to develop and approve bids before awarding some grants. Issues relating to supply chains also led to project delays for our major net zero funds as well as causing lack of demand for manufacturing sites to co-invest in decarbonisation projects.

*Financial Results:* Net Zero, Energy & Transport reported an underspend of £475 million for the year ended 31<sup>st</sup> March 2022 (Budget: £4,536 million, Outturn: £4,061 million). More details are included in the Portfolio Outturn Statement at page 117.

#### **2021-22 Deliverables**

*COP26:* Successfully delivered COP26 Conference in collaboration with UK Government, facilitating full participation from agencies such as Police Scotland and Transport Scotland with an efficient pre-financing mechanism.

*Climate Change:* Invested £3.4 million of grant funding to 46 community organisations through the Climate Challenge Fund, produced a cross-Government response to [Scotland's Climate](#)

[Assembly report](#)<sup>27</sup> and recommendations, delivered phase one of the [regional Community Climate Action Hubs and Climate Action Town Programmes](#).<sup>28</sup>

*Scottish Water:* Commenced new 2021-27 regulatory period with a £4,500 million capital investment programme over the period to deliver ongoing improvements to drinking water quality and progress towards achieving net-zero emissions by 2040.

*Energy:* Progress made on increasing Scottish Government investment in heat and energy efficiency transition, supporting domestic and SME buildings owners, public sector and social housing sector (£263.7 million total value across CDEL and FT funds, £90.8 million spent in 21/22), supported businesses in the energy sector transition to net zero through the Energy Transition Fund (£75 million total fund value, £6 million spent in 2021-22) and used Scottish Industrial Energy Transformation Fund to reduce costs and emissions in energy-intensive manufacturing industries (£35 million total fund value, £310,000 spent during opening round of the competition).

*Offshore Wind:* Lease option awards for the ScotWind offshore wind leasing round were made in January 2022; creating almost £700 million for the Scottish Exchequer (The Scottish Budget 2022-23 assumed drawdown of around £40 million in that financial year and the Medium Term Financial Strategy published in May 2022 set out a profile of £310 million and £350 million being drawn down in 2023-24 and 2024-25 respectively. The SG has discretion to update the exact profile of drawdown of ScotWind income through annual budget processes) plus commitments to investment worth £25 billion in the Scottish supply chain, funding from the Scottish Government (via the Growth Accelerator Mechanism) awarded a £49 million contract for the Stornoway Deep Water Terminal.

*Transport:* Delivery and Publication of the Strategic Transport Projects Review (STPR2), development of NTS2 Delivery Plan and a monitoring and evaluation framework to track progress and achievements, published the Route Map to 20% reduction in car kilometres by 2030, funded the delivery of active travel infrastructure projects such as Connecting Woodside, Bowline, installation of Stockingfield Bridge in partnership with Local Authorities and Scottish Canals, provided over 1000 free bikes to school children who cannot afford one, developed Smart Ticketing and Mobile Travel Apps for buses, supported the delivery of bus and ferry services, launched the bus concessionary travel scheme for young people under the age of 22, completed preparatory work to ensure a successful transition of the ScotRail Services to Scottish Government control, further developed plans for de-carbonisation of Rail Services by 2035 and supported the growth of Rail Freight.

*Biodiversity, Forestry, Peatland & Land:* Delivered projects to tackle twin crisis of climate change and biodiversity loss, including the first year of the [Nature Restoration Fund](#)<sup>29</sup>, which funded 54 projects to restore wildlife and habitats on land and sea, planted 10,480 hectares of woodland (of which 4,300 hectares was native woodland, exceeding the revised target that was set as part of the Bute House Agreement), restored around 8000 hectares of degraded peatlands, delivered the Register of Persons Holding a Controlled Interest in Land as included in the 2016 Land Reform Act.

*Circular Economy:* First investments made from the [Recycling Improvement Fund](#)<sup>30</sup> for 16 projects across 13 local authorities to improve, for example, frequency of recycling collections, extending food and garden collections.

<sup>27</sup> <https://www.gov.scot/publications/scottish-government-response-scotlands-climate-assembly-recommendations-action/>

<sup>28</sup> <https://www.gov.scot/policies/climate-change/climate-challenge-fund/>

<sup>29</sup> <https://www.nature.scot/doc/nature-restoration-fund-nrf-successful-projects>

<sup>30</sup> <https://www.zerowastescotland.org.uk/content/recycling-improvement-fund>

## Overall Portfolio Contribution to National Outcomes

### Primary Outcomes

*Environment:* Investment into improved recycling systems will reduce household waste. Planting woodland and restoring peatland contribute significantly to reducing the country's carbon emissions. Transport initiatives such as the Young Persons' (Under 22s) Free Bus Travel Scheme and increasing Electric Vehicle Charging Infrastructure will incentivise citizens to travel sustainably. The successful delivery of COP26 allowed governments, civil society, businesses, and climate activists to come together and commit to greater action on climate change in support of the Paris Agreement.

*Economy:* As noted in the above examples, significant investment has been made to boost sustainable and inclusive economic growth across Scotland.

*Communities:* The Scottish Land Fund awarded £7 million to 87 communities for asset purchases, increasing community land ownership across Scotland. Scottish Water's upgrade to the Katrine Aqueduct in April 2021 improved the security of water supply to over 1.3 million people.

### Secondary Outcomes

*Fair Work & Business:* ScotWind is expected to result in thousands of jobs in the Scottish supply chain while during 2021-22 the funding package for the Stornoway deep water terminal was agreed between Scottish Government, Highlands and Islands Enterprise and other partners such as Comhairle nan Eilean Siar (CNeS) resulting in the signing of the construction contract for the project in March 2022. Since then, construction has commenced and is proceeding on track for completion by the end of 2023.

*Poverty:* Investment in National Heat and Energy Efficiency Programmes supported around 15,000 households in fuel poverty across Scotland. Continued funding for heat networks across Scotland, including targeted investment to provide low cost heating to homes in deprived areas.

## Other Relevant Portfolio Performance Information

[Scottish Green House Gas Statistics 2020](#)

[Climate Change Plan: Monitoring Reports 2022](#)

[Public Bodies Climate Change Reporting 2020/21 Analysis Report](#)

## Impact Case Study: Woodland Creation (Forestry Grant Scheme)

Impact Case Study: Woodland Creation (Forestry Grant Scheme)			
Investment in 2021-22 Financial Year (in woodland creation through forestry grant scheme)	Deliverables	Short Term Impact (as per interim evaluation)	Intended Outcome
£43.1 million	9,854 hectares of new woodland planted, of which 4,200 ha. native woodland (below the SG target of 13,500* hectares of woodland creation due to labour shortages following extreme weather conditions, Brexit and COVID-19 pandemic).	It is estimated that every additional 1,000 hectares of new planting will capture 280,000 tCO <sub>2</sub> over 25 years (roughly 6.2 MtCO <sub>2</sub> /year valued at over £400 million/year).	Meet target to reach net-zero emissions of all greenhouse gases across Scotland by 2045.
Relevant Performance Information: <ul style="list-style-type: none"> <li>• <a href="#">Forestry Grant Scheme Statistics</a></li> <li>• <a href="#">Forestry Scotland Annual Report and Accounts</a></li> </ul> * The SG target includes a contribution of WC hectares that would be planted on land managed by Forestry & Land Scotland. FLS planted an additional 626 hectares making the SG total 10,480 ha.			

### Rural Affairs and Islands

#### Policy Aims in 2021-22 Budget

Rural Affairs and Islands (RAI) is a diverse portfolio covering a range of responsibilities which contribute to the economic wellbeing of rural Scotland, and includes farming and food production, animal health and welfare, plant health, food and drink, fisheries, crofting and aquaculture. The portfolio priorities focused on minimising and addressing impacts on rural, coastal and island communities and businesses of the UK's exit from the EU as well as the extraordinary challenges arising from the global pandemic. Investments made over this financial year were aimed to support building towards a better sustainable green future through job creation and retention, supporting hospitality and food and drink, as well as rural communities in their recovery and resilience.

#### Key Challenges & Financial Results

*EU-exit:* Continued support for the seafood sector was necessary in face of cumulative and new regulatory impacts and costs arising from post EU Exit regulatory burdens. Through clear advice and seeking to simplify procedures and anticipate risks we have reduced costs and helped to assure and retain sector confidence. Issues arising from EU exit continued to constrain food and drink exports with a direct impact on business (for example, UK exports of Scotch in 2021 were down £402 million (-8.2%) on that exported in 2019 and Atlantic salmon was down £5 million (-0.8%) on that exported in 2019). Support for the seafood sector to adapt to the new trading environment was provided through funding of Seafood Scotland, who delivered tactical support to businesses, and through administration of the Marine Fund Scotland, which offered opportunity to existing businesses for financial support for development and adaptation, including to climate change mitigation measures. Uncertainty around border checks, the Northern Ireland Protocol and Unfettered Market Access for Northern Ireland goods continued, resulting in significant resource commitment and difficulty closing projects well beyond their original expected timelines. The end of Freedom of Movement has created severe labour shortages across many agri-food sectors. To support the recovery from COVID-19 and the challenges presented by EU Exit, in August 2021 the

Scottish Government launched the 2021 National Basic Payment Support Scheme (“NBPSS21”), providing farmers and crofters early access to over £331 million in financial support to maintain vital cash flow within the rural economy. As well as this Rural Payments and Inspection Division (RPID)’s performance in making all CAP Support Scheme payments continued to improve year on year and delivered in line with their published payment strategy.

*COVID-19:* An Agricultural Transformation Fund (£38.2 million) was established to support the sector in reducing greenhouse gas emissions, however due to the effect of the pandemic and EU exit on supply chain some stakeholders were unable to obtain capital equipment. The impact of restrictions on sales/orders and of isolation requirements on staffing created acute difficulty for the food and drink sector, particularly in the run up to Christmas which is typically a peak trading period for food and drink businesses.

*Financial Results:* Rural Affairs and Islands reported an underspend of £72 million for the year ended 31<sup>st</sup> March 2022 (Budget: £948 million, Outturn: £876 million). More details are included in the Portfolio Outturn Statement at page 119.

## 2021-22 Deliverables

*Agricultural transformation:* Designed, developed and implemented the initial stages of the [National Test Programme](#)<sup>31</sup> (NTP) for Agriculture. This programme builds on the work of the [Farmer-led Climate Change Groups](#)<sup>32</sup> with the input and oversight of the Agriculture Reform Implementation Oversight Board (ARIOB). It is based on the principles of collaboration and co-creation that are the foundation of a Just Transition. The NTP supports delivery of [The Scottish Government’s Vision for Agriculture](#).<sup>33</sup> The Vision sets out the principles and values that will be at the heart of Scotland’s future agriculture support framework that will be implemented from 2025 onwards.

*Rural Payments*<sup>34</sup>: Delivered over £613 million in ongoing agricultural support providing stability to farmers, crofters and land managers as we start to deliver and fund activities to enable the climate change targets through our transformation work with the sector. This includes delivery of the Basic Payment Scheme, alongside Greening and Young Farmer payments and Rural Priorities, Agri-Environment & Climate Scheme (AECS); and Forestry Grant Scheme, as well as supporting those farming and crofting in our most remote and fragile areas through the Less Favoured Areas scheme to 2018 levels. Alongside this we also invested in our IT/Digital estate - improving the user’s experience, maintaining operational efficiency and ensuring it continues to be stable and secure, in the face of increasing cyber threat.

*Food and Drink:* The [Good Food Nation \(Scotland\) Bill](#)<sup>35</sup> passed Stage 2 of the Scottish Parliament’s legislative process; maintained COVID-19 support schemes to support the industry (including £5.4 million to wholesale businesses via the Scottish Wholesale Food & Drink Resilience Fund, over £1 million to brewers via the Scottish Brewers Support Fund and £1.15 million to supply chain businesses through the Scottish Food and Drink Producers Fund); supported the second year of the industry-led [Food and Drink Industry Recovery Plan](#)<sup>36</sup> with up to £5 million of funding for business and market-facing interventions; invested more than £7.3 million in supporting businesses through the [Food Processing, Manufacturing and](#)

<sup>31</sup> <https://www.gov.scot/news/ambitious-future-for-rural-scotland/>

<sup>32</sup> [https://www.gov.scot/policies/agriculture-and-the-environment/farmer-led-climate-change-groups/#:~:text=Farmer%20led%20groups%20were%20established,upland%20farming%2Fcrofting\)%20sectors.](https://www.gov.scot/policies/agriculture-and-the-environment/farmer-led-climate-change-groups/#:~:text=Farmer%20led%20groups%20were%20established,upland%20farming%2Fcrofting)%20sectors.)

<sup>33</sup> <https://www.gov.scot/publications/next-step-delivering-vision-scotland-leader-sustainable-regenerative-farming/>

<sup>34</sup> <https://www.mygov.scot/scottish-rural-development>

<sup>35</sup> <https://www.parliament.scot/bills-and-laws/bills/good-food-nation-scotland-bill/stage-2>

<sup>36</sup> <https://foodanddrink.scot/recovery-plan/>



**Co-Operation**<sup>37</sup> grant scheme; consulted on a draft **Local Food Strategy**<sup>38</sup> for Scotland; and progressed work to develop a single marketing brand for all Scottish food and drink produce by commencing research into existing schemes, other countries' approaches, industry and consumer views.

**Rural Communities:** Investment of **£3.5 million in rural communities**<sup>39</sup> to test and evaluate new approaches to Community Led Local development (CLLD), supporting development of future policy in consultation with stakeholders and informing delivery of further funds in 2022-23. Supported Scottish Rural Action to take forward the immediate recommendations from the Scottish Rural Parliament (March 2021) to maximise rural communities' engagement with consultations such as the National Performance Framework 4 and NTS2. Invested heavily in mental health services, including £195,000 to support the National Rural Mental Health Forum to reflect the unique endemic challenges experienced in rural communities; we supported research to investigate the lived experience of marginalised communities during Covid 19, and also funded the launch of a £150,000 micro grant '**rural community engagement fund**'<sup>40</sup> in 3 pilot locations. LANTRA - investing over £0.5 million on driving skills development and increasing the number and diversity of employees in Scotland's land-based, aquaculture and environmental conservation sectors.

**Islands:** The Islands Programme invested capital funding to ensure delivery of the National Islands Plan, by supporting a range of areas, including tourism, infrastructure, innovation, energy transition and skills - informed by our learning of how island communities have responded and adapted to COVID-19. The 2021-22 Islands Programme encompassed three project strands: £6.2 million through the Islands Infrastructure Fund to sustain, enhance and develop transformational and critical infrastructure projects based on local priorities whilst supporting delivery of the National Islands Plan; £2 million Island Communities Fund which provided capital investment for community-led projects that support employment, community resilience and contribute to Scotland's just transition to net zero and climate resilient living on islands; and the £1.3 million Healthy Islands Fund which focused on building local capacity to increase well-being, foster connections and promote healthy and resilient islanders and communities.

**Animal Health and Welfare:** Successfully reacted to the most challenging Avian Influenza season in history with several infected premises in Scotland. Completed Legislative Consent Motion procedure for UK Welfare of Kept Animals Bill to improve controls on Pet Imports, Zoo Licensing, and to ban the export of live animals for fattening and slaughter. Scottish Vet Service Programme established. The service will meet needs across the public and private sector and provide crucial resilience to the sectors. Completed Pigeon register on ScotEID (post EU Exit requirement) to allow pigeon racing to continue.

**Blue Economy:** **Published New Blue Economy Vision**<sup>41</sup> and outcomes document setting out long terms aims for sustainable management of Scotland's marine resource.

**Fisheries and Aquaculture:** Delivered key support in seafood supply chains, including innovation in seafood processing to mitigate effects of labour shortages caused by UKG visa restrictions, and create quality jobs. Delivered support for new entrants to commercial fishing through the

<sup>37</sup> <https://www.gov.scot/news/investing-in-the-food-and-drink-sector/>

<sup>38</sup> <https://www.gov.scot/publications/local-food-everyone-discussion/>

<sup>39</sup> <https://www.ruralnetwork.scot/community-led-local-development#:~:text=%27Community%2DLed%20Local%20Development%27,create%20viable%20and%20resilient%20communities.>

<sup>40</sup> <https://ruralwellbeing.org/rural-community-engagement-fund/>

<sup>41</sup> <https://www.gov.scot/publications/blue-economy-vision-scotland/>

Young Fishers Scheme. Also provided funding for improvements in catch quality in the catching sector, and improvements to health and safety for fishers. Also delivered funding support for harbours including storm damage repairs, and in building resilience in coastal communities through supporting the creation of jobs, development of port infrastructure, and business innovation. Delivered funding support for the 'observers programme' on fishing vessels providing vital data input to SG fisheries science and stock assessments.

*Seafood Trade:* Supported seafood sector through short-life projects designed to mitigate costs and impacts resulting from Brexit, delivering export support through partnership working between Food Standards Scotland and the main logistics hubs, which also identified and resolved risks resulting from introduction of the new Export Health Certificates (EHC) for exports of seafood to the EU and NI. In addition, started development of a Strategy for Seafood which will be delivered in Autumn which will support revitalisation of the sector while delivering a sustainable and natural capital approach ensuring the remote coastal and rural communities benefit from the activity to support growth.

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcome

*Economy:* Ongoing work in this portfolio delivered over £600 million per year to businesses and communities and across the Scottish rural economy. Additionally, the Good Food Nation (Scotland) Bill will support the long-term sustainable growth of Scotland's food and drink sector.

*Environment:* Teams in this area consistently developed and implemented policies designed to protect animal health and welfare, and plant health in the farmed, natural and domestic environments. Work across this portfolio also protects habitats and biodiversity, clean water, natural and living landscapes, history, soils, healthy and well cared for livestock, trade, and public health for the people of Scotland. For example, initiatives such as the Agri-Environment Climate Scheme that promotes land management practices that protect Scotland's natural heritage and mitigate and adapt to climate change. Also, the development of the Scottish Marine Environmental Enhancement Fund (SMEEF) which provides an opportunity for marine users to re-invest in the marine environment, helping to fund projects focused on recovery, restoration or enhancement of the health of marine and coastal habitats and species across Scotland. The Good Food Nation Bill will help ensure that Scottish producers produce increasingly environmentally sound produce for Scots to enjoy.

### Secondary Outcomes

*International:* Contributions to risk mitigation work in relation to seafood trade between Scotland, the EU and Northern Ireland. Our work in Food and Drink, particularly our support for the SDI-led Export Plan (£0.573 million in 2021-22) and the international market interventions set out in the Recovery Plan, helps bolster Scotland's reputation for high quality, premium food and drink produce and promote Scottish produce abroad.

*Fair Work & Business:* Provided financial support to a range of rural, marine and agricultural business through initiatives such as the Greening & Young Farmer payments and the Marine Fund Scotland, and further developed other schemes. Jobs in the food and drink sector were also created or safeguarded by projects funded through the Food Processing, Manufacturing and Co-Operation grant scheme. Invested in the skills of workforces in our rural communities through support for LANTRA, work being taken forward through the Commission on the Land Based Learning Review, the Women in Agriculture Fund and the Farm Advisory Service.

## **Other Relevant Portfolio Performance Information**

[Food Standards Scotland Financial and Business Reports](#)



[Climate Change Plan: Monitoring Reports](#)  
[Rural Development Operational Committee & Monitoring and Evaluation Steering Group Reports](#)

*Constitution, External Affairs and Culture*

### **Policy Aims in 2021-22 Budget**

To enhance Scotland's reputation and increase sustainable economic growth, pursue organisational interests overseas, and promote Scotland as a great place to live, visit, work and do business through European and wider International Affairs. Additionally, to coordinate the development and implementation of the Scottish Government's policies on constitutional change and devolution, and ensure Scotland remains an open and welcoming nation for people and their families to live, work and make a positive contribution to our country. To ensure our diverse and evolving cultural heritage thrives and is celebrated, and that our historic environment, world-class collections and performing companies are cared for and enjoyed by new and diverse audiences as well as future generations right across Scotland. Our Major Events budget continues to support a strong and inclusive programme of events and festivals each year which creates jobs, drives other sectors such as tourism, and boosts the wellbeing economy whilst delivering benefits to communities across Scotland.

### **Key Challenges & Financial Results**

*COVID-19:* The ongoing impact of the pandemic has led to delays, reduced demand and labour or supply shortages across a range of projects in this portfolio. Scotland's Census was postponed from 2021 to 2022 due to the impact of the COVID-19 pandemic, leading to financial challenges. The emergence of the Omicron variant of COVID-19 and subsequent restrictions had a significant impact on culture, creative, heritage and events sectors. The Scottish Government provided additional financial support in recognition of this impact. Travel restrictions also necessarily restricted international engagement.

*Ukraine invasion:* The invasion of Ukraine in February 2022 has led to an overspend by this portfolio through provision of emergency humanitarian aid.

*Climate Emergency:* Climate change and other factors are accelerating the rate of decay of historic properties which has led to resource re-prioritisation.

*Financial Results:* Constitution, External Affairs & Culture reported an overspend of £1 million for the year ended 31<sup>st</sup> March 2022 (Budget: £354 million, Outturn: £355 million). More details are included in the Portfolio Outturn Statement at page 121.

### **2021-22 Deliverables**

*External Affairs:* Delivered both the International Development Fund and the Humanitarian Emergency Fund, provided a package of support for EU Citizens to help them secure their status now the UK has left the EU, maintained operations across the External Network of Offices to enhance the Government's reach and Scotland's international reputation, supported an extensive programme of international ministerial engagement during COP26, and provided over £5 million in medical aid and humanitarian assistance to Ukraine following the invasion in February 2022; including £1 million for UNICEF (the United Nations children's organisation).

*Culture and Major Events:* Provided funding to culture bodies and core funded organisations including Creative Scotland, museums, collections and National Performing Companies, led a significant marketing campaign for St Andrew's Day working with over 130 partners, reaching an audience of 1.9 million, invested in a broad range of Major Events such as key Edinburgh and Glasgow Festivals, the Dandelion creative project (part of Unboxed: Creativity in the UK), Scotland's Year of Stories 2022 and Scotland's Winter Festivals 2021-22 (covering St

Andrew's Day, Hogmanay and Burns). Funding also supported preparations for the 2023 Cycling World Championships.

*Historic Environment Scotland:* Delivered 45 events at COP26 and published the Energy Retrofit Guide for Historic Buildings and their Green Recovery Statement (supports green principles set out by Scottish Government and sets out how Scotland's Historic Environment can help to boost economic recovery).

*National Records of Scotland:* Planned and launched the 2022 Scotland Census which went live on 28 February 2022.

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcomes

*International:* The £10 million International Development Fund and the £1 million Humanitarian Emergency Fund have provided support to some of the world's poorest people and life-saving assistance for crisis hit communities across the world.

*Economy:* Investing in such a vast programme of culture, events and festivals generates business and creates jobs, and generates economic impact. Pre-pandemic, the Creative industries sector, which covers culture, arts, screen, software publishing and computer game design, contributed £4.5 billion gross value added (GVA) to Scotland's economy and employed 127,000 people, including an estimated 40,000 who are self-employed. Before the pandemic, the sector had total international exports of almost £1.7 billion, accounting for around 4.8% of Scottish international exports and culture and heritage is found to be significant motivator for tourism to Scotland. The live events sector contributed around £1 billion GVA to the Scottish economy prior to the pandemic. The promotion of Scotland's interests abroad through the External Network of Offices encourages additional international investment in the country.

*Culture:* The support funding provided to arts organisations by Creative Scotland and the Scottish Government (over 6,200 in total) has supported delivery and equitable access to our cultural and heritage offer. It has also supported the continuation and survival of key events such as Edinburgh and Glasgow Festivals through financial difficulties. Events such as Dandelion (part of Unboxed: Creativity in the UK) include a focus on participation of children, young people and communities in cultural activity.

*Communities:* Investment in creative projects can support health and education across local communities, such as the RSNO's Gaspard digital project for Schools and the Scottish Opera's Breath Cycle programme. Historic Environment Scotland's Community Connections Programme has funded projects that demonstrate the benefits and overall value of local heritage, supporting the recovery and renewal of Scotland's communities. Scotland's Year of Stories 2022 and Scotland's Winter Festivals 2021-22 both have a focus on community engagement, for example the Community Stories Fund supported 180 community events during calendar year 2022, providing an opportunity for communities across Scotland to tell the stories that are unique or important to them.

### Secondary Outcome

*Poverty:* The Dandelion Creative Project will engage communities, including those from socioeconomically disadvantaged areas, and in particular young people throughout Scotland.

## **Other Relevant Portfolio Performance Information**

[National Indicator Performance | National Performance Framework](#)  
[Scottish Growth Sector Statistics](#)

[Arts and Creative Industries - What we already know | One Scotland](#)  
[4.7 Enabling sectors - Scotland: a trading nation](#)

*Deputy First Minister and Covid Recovery*

**Policy Aims in 2021-22 Budget**

To provide the central function of co-ordination and support for performance, delivery and resilience activity across the Scottish Government and ensure that the organisation monitors and responds to a range of concurrent risks; managing policies on constitutional change, devolution, intergovernmental relations, elections, Freedom of Information, the legislative and constitutional impacts of EU exit, Cabinet business and the government's legislative programme; support the development of a public inquiry into the Scottish Government's Response to COVID-19; coordinate, draft and deliver work to deliver the Covid Recovery Strategy For a Fairer Future.

**Key Challenges & Financial Results**

*COVID-19:* The spread of COVID-19 led to increased planning and delivery work for the 2021 Scottish Parliament Elections to ensure they could go ahead safely. This included primary legislation (the Scottish General Election (Coronavirus) Bill introduced in late 2020) and extensive co-operation with electoral administrators.

*Financial Results:* Deputy First Minister & Covid Recovery reported an underspend of £9 million for the year ended 31<sup>st</sup> March 2022 (Budget: £72 million, Outturn: £63 million). More details are included in the Portfolio Outturn Statement at page 120.

**2021-22 Deliverables**

*Performance, Delivery & Resilience:* Supported effective planning, preparations and response to significant/concurrent risks, emergencies and incidents including the winter reporting arrangements, support around COP26 and a range of other activities. Developed and implemented more effective performance and delivery mechanisms across Scottish Government, including monitoring, assessing and reporting on delivery to Ministers and Executive team.

*Constitution and Cabinet:* Delivered the Scottish Parliament elections in May 2021. Delivered a major suite of primary and secondary legislation, including significant emergency legislation related to COVID-19.

*COVID-19 Recovery:* Developed and published the [Covid Recovery Strategy: for a fairer future](#)<sup>42</sup> in October 2021. Delivered a whole parliament Open Government Partnership (O Action plan, with 5 major commitments all core to SG priorities. Establishment of a Working Group on participation and deliberation – the IPDD. Provided expert advice and support to the Citizens Assembly on Climate Action in 2021. Delivered a pilot programme of place based systems leadership to Local Authorities and Police Scotland. Refreshed the Community Planning Improvement Board and established new governance structures reflecting the needs of the country through a period of change. Delivered of the Columba 1400 Senior Leadership Programme to the first cohort with a second planned later this year.

*COVID-19 Inquiry:* Established [Scottish public inquiry into the handling of the COVID-19 pandemic](#)<sup>43</sup> to learn lessons for the future.

<sup>42</sup> <https://www.gov.scot/publications/covid-recovery-strategy-fairer-future/>

<sup>43</sup> <https://www.gov.scot/publications/COVID-19-inquiry/pages/overview/>

## **Overall Portfolio Contribution to National Outcomes**

### Primary Outcome

*Communities:* Lead on the preparation and responses to challenging winter weather conditions, support around COP26 and a range of other activity to support communities and mitigate negative impacts of such events where possible.

*International:* Upholding and promoting equality by ensuring equitable access to and experiences of the justice system and actively addressing barriers to seeking justice.

### Secondary Outcomes

*Economy:* Supported the development of the Resource Spending Review, a financial review that sets out steps towards growing a stronger, fairer and greener economy.

*Human Rights:* Delivered the Scottish Parliament elections in May 2021, ensuring citizens could exercise their right to vote in free elections.

*Poverty:* Delivered leadership programme to young people from disadvantaged backgrounds, with a long-term aim of reducing inequality.

*Health:* Facilitated the delivery of significant emergency legislation related to the COVID-19 response, mitigating the impact of the virus across Scotland.

## **Other Relevant Portfolio Performance Information**

### [Freedom of Information performance](#)

#### *Crown Office and Procurator Fiscal Service*

### **Policy Aims in 2021-22 Budget**

The Crown Office and Procurator Fiscal Service (COPFS) is the sole public prosecution authority in Scotland, prosecuting cases independently, fairly and effectively in the public interest and is also responsible for investigating sudden, unexplained and suspicious deaths and allegations of criminal conduct by police officers. The Lord Advocate has Ministerial responsibility for the work of the Service. Her position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act 1998 and she exercises that responsibility independently of any other person.

### **Key Challenges & Financial Results**

*COVID-19:* The coronavirus pandemic has had a significant impact on the work of COPFS, most notably leading to a substantial increase in the backlog of criminal cases, resulting in significant delays for those involved. COPFS continued to rely on the provisions of the COVID-19 pandemic emergency legislation, including the extension to time-bars and use of digital courts. Throughout 2021-22 COPFS worked with justice partners to outline and implement plans to reduce the backlog and trial delay periods, however it is anticipated that recovery to pre pandemic levels will take some years and the Scottish Government provided additional recovery funding to COPFS to allow us to tackle the backlog as quickly as possible.

*Financial Results:* Crown Office and Procurator Fiscal Service reported an overspend of £5 million for the year ended 31<sup>st</sup> March 2022 (Budget: £180 million, Outturn: £185 million). More details are included in the Portfolio Outturn Statement at page 122.

COPFS was involved in civil litigation brought against the Lord Advocate by individuals prosecuted in connection with the acquisition and administration of Rangers Football Club. Some cases have resolved, with sums paid to pursuers as at March 2022 totalling

£35.5 million (includes compensation and pursuers' legal fees), and other cases remain before the court. This is a highly complex matter in which the Inner House of the Court of Session has clarified the law on the common law immunity from suit of the Lord Advocate in exercising their prosecutorial function. In February 2021 the Lord Advocate made a statement in the Scottish Parliament about this matter and has committed to further public accountability and to a process of inquiry once all litigation has concluded.

## 2021-22 Deliverables

*Service:* Despite public health restrictions being in place for much of the financial year, the total number of criminal reports received was not significantly less than in 2020-21. It is notable that the number of death reports, for example, after increasing substantially in 2020-21, by around 50%, has remained almost the same for 2021-22. COPFS is working with Justice Partners to deliver the Court Recovery Programme with Scottish Government support.

The KPI for investigation of sudden deaths has fallen to 50%. Financial years 2020-21 and 2021-22 saw increases in fatalities reported to COPFS of 44% and 40% respectively, reflecting a combination of factors including, but not restricted to, excess deaths attributable directly to COVID-19, local GPs having less contact with patients in the community and being unable to certify deaths, and changes in the process of dealing with and reporting deaths in the community which has impacted negatively on the KPI. Work is progressing with all parties to address this and improve the results for the 2022-23 financial year.

*Workforce:* A Working Safely Hub was launched to provide learning and resources for staff.

*COVID-19 Recovery:* Additional recovery courts were introduced in September 2021 in the Sheriff Court and High Court to reduce the pandemic backlog. COPFS moved from the 2020-21 Business Plan priorities of Response, Recovery and Renewal to supporting the Strategic Plan priorities of Deliver High Quality Casework, Support our People and Improve our Service. Due to the COVID-19 pandemic restrictions, cases concluded increased by 35,988 (78%) compared to 2020-21 levels, and total complaints registered increased by 8,907 (12%) compared to 2020-21 levels.

## Overall Portfolio Contribution to National Outcomes

### Primary Outcomes

*Communities:* The work of COPFS contributed to the resilience and safety of communities across Scotland. COPFS receives reports about crimes from the police and other reporting agencies and decides what action to take, including whether or not to prosecute. The Service also investigates deaths that need further explanation and allegations of criminal conduct against police officers while on duty. COPFS promotes diversity and engagement with local communities across the country through its annual Schools Public Speaking Competition.

*Human Rights:* COPFS delivers justice and ensures the right for a fair trial for all, without which a fair and equitable society cannot function.

### Secondary Outcome

*Economy:* COPFS contributes to making Scotland a safe and secure place to work, live and do business, protecting the economy by mitigating the negative economic impact of increased criminal activity.

## Other Relevant Portfolio Performance Information

[COPFS Annual Report](#)



## Additional information on COVID-19 spend

There is understandable interest in the level of spending on COVID-19 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.

Building on the information provided in respect of 2021-2022, further information on Covid spend has been made publicly available to support scrutiny. The Scottish Government set out available funding and spending plans in the Budget and Budget revisions and information on spend was provided to the Finance and Public Administration Committee as part of the Spring Budget Revision process and then updated in the Provisional Outturn statement to Parliament in June.

The Governance Statement provides information on the Scottish Government’s COVID-19 Recovery Strategy, and includes details on assurances on grants to Local Authorities for payment of COVID-19 support schemes, see page 66. The assurance processes demonstrated that the Scottish Government managed and mitigated the fraud risk associated with business support funding.

During 2021-22 Scottish Government spent £5.7 billion on COVID-19 initiatives to provide support and help tackle the pandemic. Extensive support was provided across all sectors to support Scotland through this pandemic.

The highest spending portfolios include:

- a. Health - spending £2.6 billion (46% of total COVID-19 expenditure). Delivering essential support to social care, vaccinations, test & protect among many other wider health and social care sectors. Any surplus reserves retained by IJBs are required to support ongoing COVID-19 costs across health and social care.
- b. Social Justice, Housing and Local Government – spending £1.5 billion (26% of total COVID-19 expenditure). This includes £726 million of Non-Domestic rates relief, £259 million of General Revenue Grants to Local Authorities allowing them to allocate spend based on local needs and priorities, £80 million on Business Support Grants and £73 million on Anti-Poverty measures.
- c. Finance and Economy – spending £789 million (14% of total COVID-19 expenditure). The majority of this has been channelled through Enterprise Trade and Investment for initiatives including Business Support £624 million and Self-Isolation Support Grants £64 million.
- d. Net Zero energy and Transport– spending £479 million (8% of total COVID-19 expenditure) supporting the travel industry largely through a number of bus and rail schemes.

The table below updates the information on 2021-22 actual spend in more detail. Please note figures are provided based on a strict interpretation of where expenditure can be clearly distinguished between COVID-19 and non-COVID-19 spend.



Portfolio		£'000s	Description of Spend
Constitution External Affairs and Culture	Culture and Major Events	87,819	Covid support provided to the culture, creative and heritage sectors as a result of the Omicron restrictions for their recovery from the pandemic. Targeted funds were administered by Creative Scotland on behalf of SG and included: <ul style="list-style-type: none"> <li>· recovery fund for cultural organisations;</li> <li>· cancellation fund for cultural organisations;</li> <li>· hardship fund for Creative Freelancers,</li> <li>· additional funding for the Creative Scotland Open Fund,</li> <li>· recovery fund for Independent Cinemas,</li> <li>· Cancellation Fund for Creative Freelancers, and</li> <li>· Platforms for Creative Excellence Resilience Fund.</li> </ul>
Constitution External Affairs and Culture	Historic Environment Scotland	20,373	£20 million - One off covid funding to meet income shortfall due to covid restrictions £373 thousand - Historic Environment Recovery funding
<b>Constitution External Affairs and Culture Total</b>		<b>108,192</b>	
Corporate Running Costs	Corporate Running Costs	2,455	Includes: Covid catering subsidy, covid cleaning, data centre monitoring, Covid secure buildings & working from home equipment.
<b>Corporate Running Costs Total</b>		<b>2,455</b>	
Deputy First Minister and Cabinet Secretary for Covid Response	Government Business	7,053	Costs relating to analysis and development of advice to Ministers, policy and legislation. Establishing the Covid Inquiry.
<b>Deputy First Minister and Cabinet Secretary for Covid Response Total</b>		<b>7,053</b>	
Education and Skills	Learning	31,992	Capital - £4 million CO2 monitor and ventilation costs plus school transport costs. £12.5 million Additional Teacher Payments for Alternative Certification Model for the National Qualifications in 2020-21 £2.5 million funding for Outdoor Education Centres £3 million Education Scotland £7.5 million Education Recovery Funding £1.5 million Improvement, Attainment and Wellbeing £1 million Workforce Infrastructure and Reform
Education and Skills	Scottish Funding Council	22,400	£5 million Digital learning Further Education colleges £3 million Foundation Apprenticeships - Further Education £4.4 million Mental health Further Education colleges £3 million Student support - summer courses -Further Education £7 million Graduate apprenticeships - Higher Education
Education and Skills	Higher Education and Student Support	19,611	£9 million Student Support - Summer Covid discretionary support agreed per 100 day manifesto commitments £5 million Student Support - Additional discretionary funding £5.6 million Student Support - 20-21 Covid discretionary funding carried forward
Education and Skills	Central Government Grants	19,170	Pupil Equity Premium

Portfolio		£'000s	Description of Spend
	to Local Authorities (ES)		
Education and Skills	Early Learning and Childcare	8,360	Covid compliance
Education and Skills	Skills and Training	7,958	£2.5 million Wages & Salaries - Staffing Partnership Action for Continuing Employment (PACE) plus Young Person's Guarantee (YPG) £5.3 million Other Staff Related Costs - Pathway Apprenticeships Liability + National Transition Training Fund (NTTF)+ Adopt an Apprentice (AAA)+ Apprentice Transition Plan (ATP) +Partnership Action for Continuing Employment (PACE)
Education and Skills	Children and Families	3,500	£2.2 million - Disclosure Scotland - lost income due to free applications £0.1 million - Disclosure Scotland - Delivery of laptops to staff, refurbishing office for 1 meter distance £0.9 million - Supernumerary staff (organisational recovery, virtual hearings team etc.) £0.3 million resumption of social work practise placement grant
Education and Skills	Advanced Learning and Science	3,353	£1.4 million Student Support and Participation - Covid expenditure including transfers for student support £2 million Community Learning and Development - The Community Based Adult Learning Recovery Fund
<b>Education and Skills Total</b>		<b>116,344</b>	
Finance and Economy	Enterprise Trade and Investment	694,421	£624 million Business support grants £64 million Self Isolation support grants £4 million Total Operating Costs for teams working on COVID safer workplaces and business support / self isolation etc. £0.1 million non staff TOC costs for teams working on COVID safer workplaces and business support / self isolation etc. £2 million Capital business ventilation grants Offset by £1m in repayment of Covid Grants
Finance and Economy	Tourism	51,760	Emergency funding administered by VisitScotland provided to businesses in the Tourism sector that were directly affected by the COVID-19 restrictions put in place in December due to the Omicron variant and funding provided to VisitScotland for the delivery of seven projects as part of the Tourism Recovery Programme. Also, COVID-19 funding administered by VisitScotland for the events sector, primarily in relation to events that were cancelled, postponed or restricted due to the Omicron variant.
Finance and Economy	Employability and Training	20,230	Young Person's Guarantee - Local Partnerships funding to Local Government; College funding to Scottish Funding Council (SFC) / Student Awards Agency Scotland (SAAS); Developing the Young Workforce funding; Third sector funding Employability - No One Left Behind - Long Term Unemployed funding to Local Government; Skills Consequentials - Funding to National Transition Training Fund (NTTF), Climate Emergency Skills and Action Plan (CESAP), Talent Attraction and Women

Portfolio		£'000s	Description of Spend
			Returners North East Economic Recovery Support Fund (NEERSF)
Finance and Economy	Finance	11,900	Marketing activity related to Covid
Finance and Economy	Rural Economy Enterprise	8,484	Assisting companies & communities in difficulty and transition & resetting from COVID
Finance and Economy	Planning	1,107	Legislative costs
Finance and Economy	Registers of Scotland	760	Health & Safety/PPE equipment. Equipment to support Digital Submissions service and remote working of staff. Covid related closures.
Finance and Economy	Strategic Industrial Assets	514	The Ferguson Marine Port Glasgow costs for covid related to absences, masks, sanitiser and distancing measures, this included costs to Dec 21 then further costs for Omicron in Jan 22
Finance and Economy	Digital Strategy	313	Connecting Scotland project work & evaluation research
Finance and Economy	Accountant in Bankruptcy	4	PPE Equipment. Anti-Covid lacquering. Training costs for Facilities Management staff to use Citrox fogging machine.
<b>Finance and Economy Total</b>		<b>789,493</b>	
Food Standards Scotland	Food Standards Scotland	105	Office furniture for staff working from home, space solution costs and staff focus groups for returning to the office, and locum costs.
<b>Food Standards Scotland Total</b>		<b>105</b>	
Health & Social Care	Additional Integration Authorities Support	366,000	Additional funding to support Integration Authorities.
Health & Social Care	Social Care Support	306,000	Additional funding to support social care services and increased capacity.
Health & Social Care	Vaccinations	273,000	Additional funding for the administering of the COVID-19 and extended flu vaccinations.
Health & Social Care	Test & Protect	241,000	Additional funding provided to Boards which includes contact tracing and testing.
Health & Social Care	Additional Staff Costs	206,000	Additional funding to support additional staffing requirement.
Health & Social Care	NHS Board Support	183,000	Funding to meet additional financial pressures within Health Boards.
Health & Social Care	Additional Personal Protective Equipment	174,000	Additional funding to provide PPE to Boards
Health & Social Care	Revenue to Capital Transfer	129,000	COVID-19 research and additional equipment used to manage the consequences of the pandemic.
Health & Social Care	Mental Health Support	120,000	Funding to support mental health impacts of the COVID-19 pandemic through delivery of the Mental Health Transition and Recovery Plan.
Health & Social Care	Public Health Compliance	100,000	Support for public health compliance via business restrictions and self-isolation
Health & Social Care	Additional Hospital Capacity	81,000	Additional funding to increase the bed capacity within hospitals
Health & Social Care	Additional Social Care/Community Capacity	79,000	Additional funding to increase the capacity of social care providers
Health & Social Care	NHS Recovery	60,000	Additional funding for recovery of COVID-19 related backlog

Portfolio		£'000s	Description of Spend
Health & Social Care	Equipment & Maintenance Inc. IT	45,000	Additional funding to provide Boards with sufficient equipment as was needed.
Health & Social Care	Additional Infections Prevention and Control Costs	38,000	Funding to support additional cleaning procedures
Health & Social Care	Military Assistance	24,000	Additional funding for military support with vaccinations
Health & Social Care	Scale up of Public Health measures	23,000	Funding to provide additional capacity within Public Health measures.
Health & Social Care	Multidisciplinary Teams	20,000	Funding to support the recruitment and development of Multidisciplinary Teams to support delayed discharge
Health & Social Care	Family Health Services Costs	17,000	Additional funding to support pharmaceutical, dental and ophthalmic services
Health & Social Care	Marketing	15,000	Funding for public awareness campaigns to inform public of COVID-19 and Flu risks.
Health & Social Care	Other (range of items under £10 million)	142,000	
<b>Health and Social Care</b>		<b>2,642,000</b>	
Justice	Scottish Courts and Tribunal Service	34,162	£20.4 million - Various business costs e.g. building works/signage, health & safety, security, utilities/cleaning, IT, network costs. £3.6 million - Income shortfall funding £1.5 million - Judicial costs - goods and services £1 million - other court expenditure £3.6 million - SCTS Staff costs £4 million - Capital - Digitisation/business continuity spend associated with homeworking and Renew Recover Transform Digital courtroom tech including laptops.
Justice	Scottish Police Authority	12,300	£2.5 million - Mainly PPE £2 million - Additional staffing cost £6 million - loss of income due to COVID-19 £2 million - Overtime
Justice	Community Justice Services	8,496	£8.4 million - Covid consequential funding has been allocated for use by justice social work services in directly addressing the impact of the pandemic. Additional Homeworking allowance & equipment used to manage the consequences of the pandemic Renew Recover Transform programme post - Additional temporary capacity to assist in recovery work in response to the pandemic
Justice	Miscellaneous	7,635	£7 million - Legal Aid Business Support and Recovery Fund £1 million - covid consequentials for grants for veterans.
Justice	Scottish Prison Service	2,848	£0.4 million - Virtual courts £0.1 million Mobile phone units £1.5 million - Mobile phone charges & Food costs £0.4 million - PPE and Cleaning £0.3 million - Ex gratia and Temp staff
Justice	Scottish Fire and Rescue Service	2,222	Increased overtime, Retained and Volunteer Duty System COVID payments, cleaning
<b>Justice Total</b>		<b>67,663</b>	

Portfolio		£'000s	Description of Spend
Net Zero Energy and Transport	Concessionary Fares and Bus Services	243,346	£99 million - Covid Support Grant re Free Bus Scheme. £144 million - £51 million Covid Support Grant re Bus Service Operating Grant; £93 million Covid Support Grant re bus industry restart (COVID-19 Support Grant-Restart).
Net Zero Energy and Transport	Rail Services	187,600	Emergency Measure Agreements expenditure for Rail Franchises
Net Zero Energy and Transport	Ferry Services	16,000	Covid support for loss of farebox revenue as a result of physical distancing restrictions restricting capacity
Net Zero Energy and Transport	Active Travel Low Carbon and Other Transport	14,462	Support for Light Rail
Net Zero Energy and Transport	Air Services	10,500	Covid support for loss of revenue due to impact of travel restrictions on the aviation sector
Net Zero Energy and Transport	Environmental Services	4,662	£0.2 million - COVID measures including portals, additional cleaning and health and safety measures £0.2 million - Loss of revenue and rental income. £0.2 million - Additional seasonal staff costs for visitor management during covid £0.5 million - Seasonal rangers all other costs - equipment/out of pocket/travel etc. (£268 thousand); Green Recovery Fund (£250 thousand); and other costs incurred supporting home working by staff due to covid (£11 thousand) £1.7 million - National Nature Reserves visitor management and Better Places Fund £0.2 million - National Nature Reserves visitor management £0.6 million - Better Places Fund £1 million Covid Waste water
Net Zero Energy and Transport	Research Analysis and Other Services	2,517	£0.1 million - Additional Cleaning costs £2.4 million - Reductions in events income and trading income.
<b>Net Zero Energy and Transport Total</b>		<b>479,087</b>	
Revenue Scotland	Revenue Scotland	67	IT hardware and consultancy on home working plans
<b>Revenue Scotland Total</b>		<b>67</b>	
Rural Affairs and Islands	Rural Services	6,990	Additional Covid relief funding for producers and wholesalers
Rural Affairs and Islands	Marine Scotland	68	Deep cleaning of vessels, additional berthing, Travel & Subsistence and agency staff cover. In addition, a small element of costs associated with equipment for home working.
<b>Rural Affairs and Islands Total</b>		<b>7,058</b>	
Scottish Fiscal Commission	Scottish Fiscal Commission	1	Staff costs
<b>Scottish Fiscal Commission Total</b>		<b>1</b>	
Scottish Housing Regulator	Scottish Housing Regulator	2	
<b>Scottish Housing Regulator Total</b>		<b>2</b>	

Portfolio		£'000s	Description of Spend
Social Justice Housing and Local Government	Local Government	1,480,490	Covid allocation to Local Authorities; Education Recovery funding; Non Domestic Rates relief funding; Anti-poverty measures relief funding; Self-isolation payments funding; tenant grant funding; CO2 monitors funding; Financial insecurity funding; Covid Business Support administration funding and Business Support and Low Income Household funding. Winter Support & Food Insecurity.
Social Justice Housing and Local Government	Social Security Assistance	18,944	Carers Allowance Supplement
Social Justice Housing and Local Government	Housing	16,467	£1.7 million Ending Homelessness Together Fund £0.2 million PRS Emergency Loan Admin £10 million Fuel Insecurity Fund £2.6 million Discretionary Housing Payments £2 million Tenant Hardship Fund
Social Justice Housing and Local Government	Third Sector	15,176	Community and Third Sector Recovery Programme
Social Justice Housing and Local Government	Cities Investment and Strategy	8,335	£0.3 million Greenspace Memorials £5.4 million Community & Third Sector Recovery Programme £2.6 million Scotland Loves Local & Business Improvement Districts (BIDs)
Social Justice Housing and Local Government	Social Security (Agency)	18	Staff equipment to support home working
<b>Social Justice Housing and Local Government Total</b>		<b>1,539,430</b>	
The Crown Office and Procurator Fiscal	The Crown Office and Procurator Fiscal	5,477	£4.5 million staff costs for the ongoing court recovery programme £1 million Non-staff costs including IT equipment, additional licences, recruitment checks, staff training, furniture and other back office expenses
<b>The Crown Office and Procurator Fiscal Total</b>		<b>5,477</b>	
<b>Grand Total</b>		<b>5,764,427</b>	

## Statement of Financial Position

The primary purpose of these accounts is to reflect the use of resources. The Performance Overview section (page 9) sets out the financial performance in terms of the outturn compared to Budget authorised by the Scottish Parliament. 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 123) 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 £33,731 million at 31 March 2022 of which £23,051 million (68 per cent) relates specifically to the road network. There were additions of £817 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' (£14 million) will release resources previously invested for future use.

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

Where Scottish Ministers decide to make investments directly through the Scottish Government, Accountable Officers must ensure that appropriate diligence and consideration is carried out before any commitment is made to invest in accordance with the detailed guidance in the [Scottish Public Finance Manual](#)<sup>44</sup>, 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

<sup>44</sup> <https://www.gov.scot/publications/scottish-public-finance-manual/borrowing-lending-and-investment/annex-a-investment-in-businesses-by-scottish-ministers/>

be able to demonstrate a potential return commensurate with the risk associated with the proposal.

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

### **Burntisland Fabrications Limited (BiFab)**

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

The BiFab administration is ongoing and is due to end on 13 December 2022. This will likely be extended due to the ongoing pursuit of a BiFab debtor. The Scottish Government holds a second-ranking security in the Administration of BiFab, and is pursuing a return on its investment, however, the value of the return is not known at this stage. In 2020-21, loan funding of £600,000 was agreed for the administrators of BiFab, Teneo, to pursue a commercial claim against a pre-administration customer. To date Teneo have not drawn more than £300,000 of the £600,000 loan facility, and negotiations with the BiFab debtor are ongoing. As a secured creditor, Scottish Government’s primary interest in BiFab itself is now pursuing a return through the administration process.

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 and support the pursuit of a financial return to Scottish Government, as a high-ranking creditor, through the administration process. This process resulted in a sale of the business to InfraStrata PLC, trading as Harland & Wolff, in February 2021. There have been no further developments to note in the financial year 2021-22.

### **Ferguson Marine (Port Glasgow) Limited**

Ferguson Marine has been in a period of turnaround since late 2019. The past two years have been challenging, exacerbated by the global COVID-19 pandemic, and a complex range of issues have been addressed in that time.

On 16 August 2019, Ferguson Marine shipyard 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 demonstrated Scottish Ministers’ commitment to protecting the jobs at the Port Glasgow yard and securing a future for commercial shipbuilding on the Clyde.

A new CEO was appointed in February 2022 and the target date for the completion of Hull 801 (Glen Sannox) remains by end May 2023 and for Hull 802 by end December 2023. No change to these target dates has been agreed by Ministers and we continue to press FMPG for completion to these dates.

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 in 2021 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.

The Scottish Government has not agreed to an increase in funding for Ferguson Marine since the 23 March letter to MSPs setting out delivery costs. In relation to costs and schedule, the Cabinet Secretary confirmed in the Chamber on 23 March 2022, that the cost to complete the build of the ferries from the point of public ownership rose from the £110.3m-to-£114.3m range (previously communicated to Parliament in December 2019) to a range of £119m-to-£123m.

Following the FMPG Board meeting on 22 September, the CEO wrote to the Scottish Government setting out his proposals relating to the increased cost estimates and timetable for delivering both vessels. He also provided an update to the Net Zero, Energy and Transport Committee. The Scottish Government's priority now is to undertake its own due diligence and this will be supported by external, independent financial advisors to ensure that a rigorous approach is taken to scrutinise this request for additional funding. As at November 2022, no decision has yet been made on these projected increases.

Ferguson Marine is included within the Significant Issues section of the Governance Statement; for more details, see page 79.

### **Lochaber Aluminium Smelter**

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 £14 million and £32 million 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 is zero.

Lochaber Aluminium Smelter is included within the Significant Issues section of the Governance Statement, for more details, see page 79.

### *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, £200 million in 2020-21 and £150 million in 2021-22.

The repayment of borrowing outstanding as at 31 March 2022 is scheduled as follows:

	<b>Principal £m</b>	<b>Interest £m</b>	<b>Total £m</b>
<1 year	67.2	15.9	83.1
1 – 5 years	289.8	55.4	345.2
>5 years	952.9	103.0	1,055.9
<b>Total</b>	<b>1,309.9</b>	<b>174.3</b>	<b>1,484.2</b>

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. £319 million was drawn down in 2021-22 within the revised annual limit of £600 million. This limit was expanded following the Scottish Specific Economic shock powers being triggered and will apply until 2023-24. Further detail on the specific, annual and cumulative limits for Resource Borrowing are available in the [Fiscal Framework Outturn Report for 2021-22](https://www.gov.scot/publications/fiscal-framework-outturn-report-2022/documents/)<sup>45</sup>.

<sup>45</sup> <https://www.gov.scot/publications/fiscal-framework-outturn-report-2022/documents/>

The repayment of borrowing outstanding as at 31 March 2022 is scheduled as follows:

	<b>Principal £m</b>	<b>Interest £m</b>	<b>Total £m</b>
<1 year	72.1	4.5	76.6
1 – 5 years	400.4	11.3	411.7
>5 years	33.0	0.2	33.2
<b>Total</b>	<b>505.5</b>	<b>16.0</b>	<b>521.5</b>

### *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.

For financial year 2021-22, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 97.1% of all payments within 10 days (2020-21: 96.6%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 97.7% of payments within 10 days (2020-21: 96.7%). The NHS bodies in Scotland made 81% of all payments within 10 days (2020-21: 83%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2021-22 was 99.1% (2020-21: 99.5%) of all transactions settled within the terms of its contractual 30 day payment policy. The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.3% (2020-21: 99.6%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 92% (2020-21: 93%) of all payments within the terms of their contractual 30 day payment policy.

### *Sustainability and Environmental Reporting*

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

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

reporting requirements in the most cost effective and least burdensome manner to help drive improvements in sustainability performance.

The guidance relates specifically to information to be included in [Scottish Public Sector Sustainability Reports](#)<sup>46</sup> 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.

*John-Paul Marks*

**John-Paul Marks**  
**Principal Accountable Officer**

24 November 2022

<sup>46</sup> <https://www.gov.scot/policies/sustainable-performance/sustainable-performance-reports/>



# Accountability Report

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## *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 governance structure as presented in Figure 1 (below) is reflective of the current structure. The governance system was reviewed in the course of the reporting period and further information on the key changes from the review is included in the governance statement.

## *Statement of Principal Accountable Officer's Responsibilities*

In accordance with the accounts direction (reproduced on page 177) issued under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers are required to prepare resource accounts for each financial year in the form and on the basis set out in the Government Financial Reporting Manual, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Scottish Ministers during the year.

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

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

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

- observe the accounts direction including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Principal Accountable Officer confirms that the Annual Report and Accounts as a whole are fair, balanced and reasonable. The responsibilities of the Principal Accountable Officer are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual<sup>47</sup>.

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.

<sup>47</sup><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 and transparent way. I am also the Principal Accountable Officer (PAO) for the Scottish Administration (under the terms of the Public Finance & Accountability (Scotland) Act 2000) and responsible for ensuring the propriety and regularity of finances and the economic, efficient and effective use of resources. In discharging these overall responsibilities, I am supported by the designated Portfolio Accountable Officers within the core Scottish Government; the Crown Office and Procurator Fiscal Service (COPFS); Scottish Government Executive Agencies and Health Bodies.

Detailed information on the role and responsibilities of Accountable Officers is set out in the Accountability chapter<sup>48</sup> of the Scottish Public Finance Manual (SPFM) and further detail on the context and purpose of the Governance Statement can be found in the Governance Statement chapter<sup>49</sup> of the SPFM. Figure 1 sets out the approach I have put in place to achieve this.

### Corporate Governance System

The Scottish Government's Corporate Governance system has been designed in order to provide me with support and advice as Principal Accountable Officer in relation to strategic issues of organisational health, performance, vision and strategy and effective governance. The Scottish Government's corporate governance system provides for clear lines of accountability, effective reporting and appropriate escalation routes. It enables scrutiny and oversight of the Scottish Government's activities and provides me with 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 Code<sup>50</sup> and relevant elements of the Good Governance Standard for Public Services<sup>51</sup> produced by the Independent Commission on Good Governance in Public Services.

In the final part of 2019-20 and throughout 2020-21, elements of the governance system were streamlined as the Scottish Government pivoted resource and changed its ways of working in response to the COVID-19 pandemic. In 2021-22, as the organisation looked towards COVID-19 recovery, a review of core elements of the corporate governance system was undertaken to ensure that they remained fit-for-purpose in what was a significantly different operating environment, and that any improvements that were embedded during the period were retained as the organisation moved to new ways of working. The review also crossed over the previous Permanent Secretary's tenure and my own, which presented an opportunity to expand the scope of the original review to include the Executive Team's modes of working. Further information on this is provided later in this statement. Key changes related to the People & Place and Performance Boards, including their role, remit, membership and where they fit in the corporate governance landscape. Where previous corporate sub-boards focussed on areas within the responsibility of a single Accountable Officer, for example the Economy and Exchequer boards, they have been re-aligned within DG assurance arrangements. The creation of the Delivery Executive as an operating mode of the Executive Team has also

<sup>48</sup> <http://www.gov.scot/Topics/Government/Finance/spfm/Accountability>

<sup>49</sup> <https://www.gov.scot/publications/scottish-public-finance-manual/governance-statements/governance-statements/>

<sup>50</sup> <https://beta.gov.scot/publications/civil-service-code/>

<sup>51</sup> <https://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services>

played a significant role in enhancing the governance, scrutiny and assurance over the delivery of key Ministerial priorities. The core elements of the system continued to operate in the reporting period, including: Corporate Board, the Scottish Government Audit & Assurance Committee (SGAAC) and Director General assurance meetings, providing me with assurance as Principal Accountable Officer in areas including: corporate governance, financial stewardship, organisational health, management of risks, internal controls and delivery and performance.

A diagram of the governance structure as at June 2022 is included below at Figure 1. This will continue to be a live picture and further improvements will be taken forward as the outputs from the governance review are taken forward. The diagram now includes existing governance architecture which supports the talent management within the Scottish Government for completeness. For comparison the Governance structure that preceded that provided in Figure 1 is outlined in Figure 2. The Accountability and Assurance Framework is also provided at Figure 3 describing the assurance structures operating within Scottish Government.

**FIGURE 1: CORPORATE GOVERNANCE STRUCTURE, AS AT JUNE 2022**

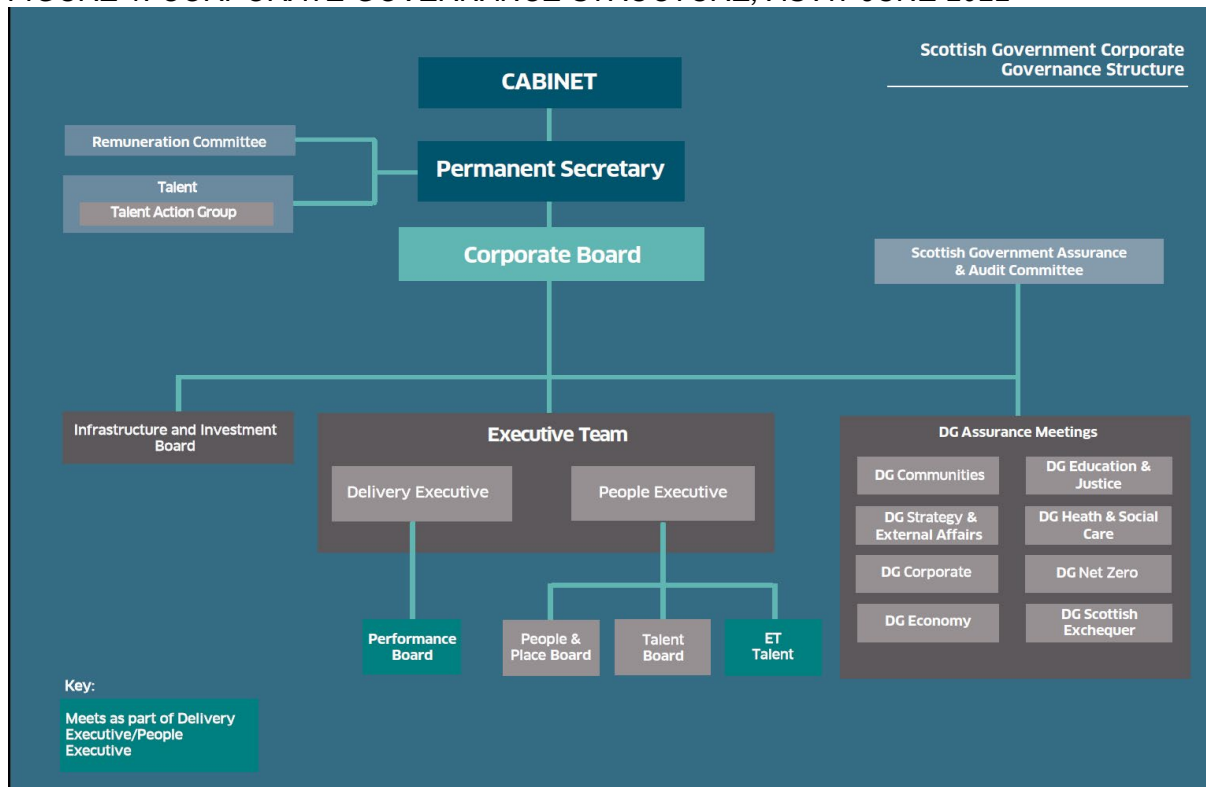


FIGURE 2: ADAPTED CORPORATE GOVERNANCE STRUCTURE, PRE-JUNE 2022

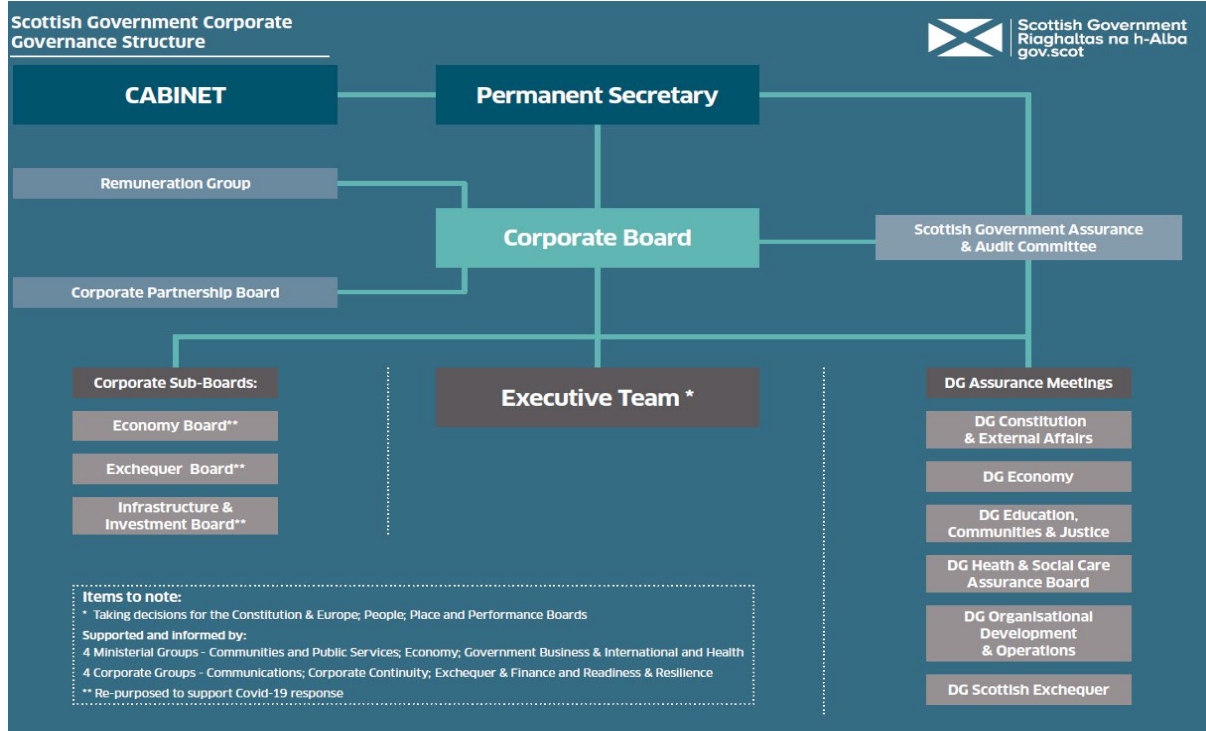
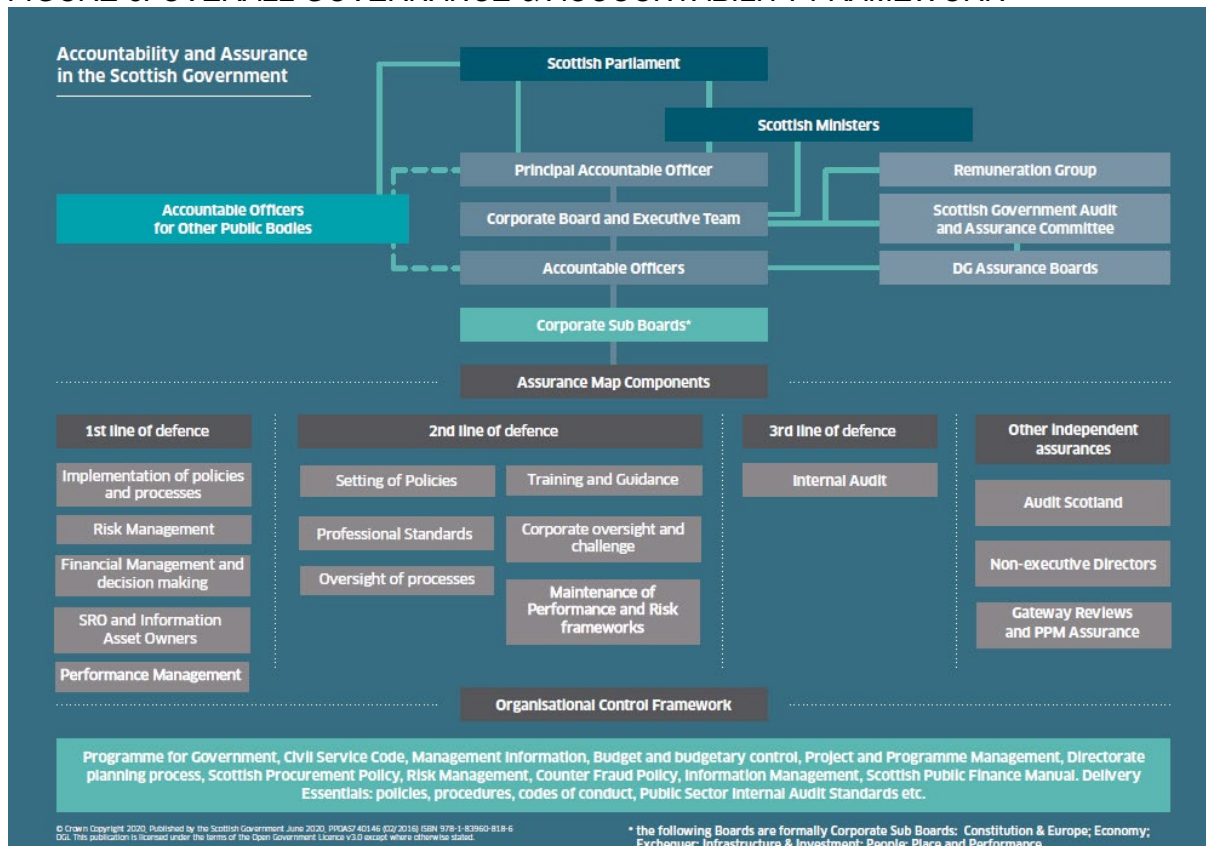


FIGURE 3: OVERALL GOVERNANCE & ACCOUNTABILITY FRAMEWORK



### *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; performance; organisational health; and effective governance. Membership of Corporate Board includes myself, Directors General as my Portfolio Accountable Officers and three Non-Executive Directors – Ronnie Hinds, Linda McKay and Annie Gunner Logan. In the course of 2021-22 Hugh MacKay completed his term as a Non-Executive Director and member of Corporate Board. As of June 2022, all Non-Executive Directors (NXDs) have had an open invitation to attend Corporate Board. There are also a number of standing attendees including the Chief Financial Officer, the Director of People Directorate and the Board Secretary.

Corporate Board has met quarterly over the course of the reporting period and its minutes are published. Alongside core areas of business, it has considered the following specific issues over the reporting period: capability and capacity; public service reform; climate change; the Annual Accounts and Governance Statement (relating to the period 2020-21); COVID-19 Recovery; and the Scottish Government approach to financial investments. It has also been sighted on the progress and outputs of the corporate governance review. The creation of the Performance & Delivery Unit in the reporting period, and the operation of the Executive Team meeting as the Delivery Executive since the end of January 2022, has also led to enhanced oversight, scrutiny and review of the progress of delivery of key Ministerial priorities.

### *The Executive Team*

The Executive Team met on a weekly basis throughout the reporting period and more frequently as needed, focusing on developing and implementing the vision and strategy, managing performance and delivery, deploying resources in response to Ministerial priorities and ensuring effective governance and organisational health.

Since late January, under my leadership, the Executive Team has been meeting in distinct 'modes' specifically in Strategic mode and as the People Executive and Delivery Executive. This has brought enhanced focus on key priorities and issues. The strands of business which are considered in each mode support delivery of shared objectives that I and my Executive Team have put in place for 2022-23: prioritisation with purpose; confidence in delivery; structured collaboration; strategic design and planning; and building capability.

One of the most significant changes in the period to the Executive Team ways of working was the creation of the Delivery Executive which has met weekly since late January. This mode of Executive Team is responsible for providing challenge, leadership and direction on key delivery priorities across the organisation. The Delivery Executive considers corporate risk and finance on a monthly basis, and provides a space for constructive mutual challenge and partnership and for testing delivery assumptions and promoting rigour. It has brought increased focus and enhanced assurance to me as Principal Accountable Officer on monitoring the performance and delivery of key Ministerial priorities including: tackling child poverty; climate change; and COVID-19 recovery (including health, education, justice and



economic recovery). On a quarterly basis, the Delivery Executive meets as Performance Board, further information on the role and remit of this board is provided below.

Meeting fortnightly in Strategic mode, the Executive Team has provided leadership and direction to ensure that the Scottish Government achieves its goals, considering issues of a cross-cutting nature, including: the implementation of our corporate vision In the Service of Scotland; the Resource Spending Review; the National Care Service; strategic sponsorship of public bodies; and the response to the crisis in the Ukraine. Meeting fortnightly as the People Executive, the Executive Team has focused on issues relating to workforce strategy and planning; the implementation of hybrid working; succession and talent management and diversity and inclusion. In each of these modes moving forward, the Executive Team will build on the work undertaken in 2021-22 relating to prioritisation, robust financial management and fiscal sustainability to ensure that the Scottish Government is organised to deliver for success.

### *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.

During the core reporting period (2021-22), the Committee was chaired by Ronnie Hinds, alongside Deputy Chair, Jim Robertson. As of June 2022, Ronnie Hinds completed his tenure as Chair and Jim Robertson has taken on the role of Chair and Jayne Scott, the role of Deputy Chair. I attend along with Directors General; the Chief Financial Officer; the Director for Internal Audit & Assurance and the Board Secretary. Audit Scotland attend SGAAC and have an open invite to attend 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 to SGAAC or elsewhere in the governance system (e.g. Corporate Board or the Executive Team) as appropriate based on clear escalation criteria. Issues which have been considered for assurance purposes at SGAAC in this reporting period have included: the governance arrangements to support successful Resource Spending Review delivery, strategic sponsorship, the process for the 2022-23 budget flightpath and longer term improvement activity relating to fiscal sustainability. SGAAC has also considered the findings from key Directorate for Internal Audit & Assurance activity, and key findings from Audit Scotland reviews.

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 21 November 2022 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.

### *Director General Assurance meetings*

Director General 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 as appropriate SGAAC, the Executive Team or Corporate Board in line with the associated escalation criteria.

Assurance meetings are attended by each Director from the Director General family; the Non-Executive Directors that are aligned with the particular DG portfolio in their pairing relationship; Non-Executive Directors; Audit Scotland; Internal Audit & Assurance; the Board Secretary and relevant officials as appropriate and they 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 frequently over the reporting period, primarily with a view to calibrating risks, and their management, across Directorates.

Improvements to the Scottish Government's assurance arrangements continue. The ongoing Risk Improvement agenda has enhanced the arrangements for risk management and reporting which feed into the Director General Assurance meetings. Robust risk management will continue to be an area of focus across the organisation and through various strands of the governance system in 2022-23. Further detail on improvements undertaken in 2021-22 is included later in this statement.

The increased focus on performance and delivery across the organisation has also been reflected in Director General assurance meetings. At a corporate level, there has been a sharpened focus on monitoring the delivery of key Ministerial priorities, including – Climate Change, COVID-19 Recovery and Tackling Child Poverty. The arrangements for monitoring and reporting on delivery through Director General assurance will continue to develop in 2022-23.

### *Other Corporate Governance Boards*

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

#### **People & Place Board**

The People & Place Board met for the first time as a combined board in April 2021, and following agreement by Corporate Board, it was established as a permanently combined board which is chaired by DG Corporate. The Terms of Reference and membership of the board were reviewed in the reporting period, and the board now has an information flow up into the Executive Team's People Executive. The Board met in June 2021, September 2021 and April 2022. The meeting that was scheduled to take place in December 2021 was cancelled due to the Scottish Government response to the COVID-19 Omicron variant - the papers for the meeting were considered in correspondence. The board provides advice and guidance to me as chair of the Executive Team and Corporate Board on the creation of the culture and conditions for individuals to thrive and be successful in the Scottish Government. In the reporting period the Board has discussed key issues including diversity and inclusion, hybrid working and the development of the new Corporate Strategy.

#### **Performance Board**

During most of the reporting period (March - December 2021), the Performance Board was chaired by DG Scottish Exchequer and it was a sub-board of the Corporate Board. It met twice between March and December 2021 in this configuration and it considered items on the Programme for Government and the National Performance Framework review. Following the creation of the Delivery Executive in January 2022 and as a product of the corporate governance review and refresh, the Performance Board was re-aligned in the governance system as a 'mode' of the Executive Team's Delivery Executive which I chair. Its first meeting in this new configuration took place on 7 April 2022 and membership now includes myself, Directors General, and two Non-Executive Directors. The core role and remit of Performance

Board has remained largely unchanged. Its focus on strategic performance, including the National Outcomes and National Performance Framework is now complementary to Delivery Executive's weekly rhythm and focus on the delivery of key priorities.

### **Infrastructure Investment Board**

The Infrastructure Investment Board (IIB) is chaired by DG Scottish Exchequer and it 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 and ensuring that all infrastructure investment supports the National Outcomes.

Its focus in the coming years will be the effective implementation of the current Infrastructure Investment Plan and the development of the next plan, embedding decisions made in the Capital Spending Review, and the delivery of the National Infrastructure Mission.

### *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; - the Head of Counter Fraud Profession, and the role of the Data Protection Officer. While the services provided by each of the teams continue independently, an integrated approach to assurance is taken to support the Scottish Government's expanding responsibilities through a proportional provision of assurance activities throughout the policy to delivery lifecycle.

Audit Scotland, as the Scottish Government's External Auditors, assess the extent to which they will use the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, and meet their wider responsibilities, depending on their direct relevance to their work. Each year they also undertake a review of the Scottish Government's Internal Audit arrangements. Audit Scotland confirmed that their review did not find any areas of 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. Periodic 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 & 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 SGAAC's 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.

### *Scottish Government COVID-19 Recovery*

The COVID-19 pandemic was the most significant issue affecting the Scottish Government, and in late 2021 the emergence of a further new variant (Omicron) had to be managed. Impacts of the pandemic have and continue to impact on all areas of the organisation, amidst long-standing pressures across health, social care and social work sectors. The ongoing challenges of supporting Ministers to make sound decisions requires evidence based decision making as the Scottish Government emerges out of the pandemic, to assess resources and delivery risks.

The Covid Recovery Strategy<sup>52</sup> prioritises key outcomes for the people of Scotland, and brings together partners to deliver person centred, relational, outcome led services. The strategy, published in October 2021, is a joint commitment with local government, but meeting the ambition of the strategy requires a joint effort across all partners. In late 2021, the Covid Recovery programme was established, overseen by a board comprising Ministers, Local Government leaders, Convention of Scottish Local Authorities (Scotland) (COSLA), Society of Local Authority Chief Executives (SOLACE), Public Health Scotland (PHS), Scottish Council of Volunteer Organisations (SCVO) and business representatives, and co-chaired by the Deputy First Minister and the COSLA president.

NHS Scotland faced significant pressure as it responded to the pandemic. The focus remains on recovery and taking forward improvement across planned and urgent and unscheduled care. A Planned Care Programme Board and Urgent and Unscheduled Care Programme Board have been established as part of the Care and Wellbeing Portfolio. The direct and indirect impacts of the pandemic have, and continue to have, a significant detrimental impact on the delivery of services across Accident and Emergency and planned care. These pressures operate in a context of extraordinary efforts to nationally support recovery and reduce the significant elective backlog. The level of delayed discharge is also higher than pre-Covid levels and the multi-dimensional nature of the pressures, changed systems, and a challenged workforce, makes for an extremely challenging situation which has resulted in many hospitals being at or near capacity levels. Going forward the NHS will continue to experience significant challenges in recovering from the pandemic with a substantial backlog of activity to be cleared, a strain on workforce and financial resources and a need for the remobilisation plans and refreshed overarching strategy to effectively prioritise and look to new evidenced approaches. During the COVID-19 pandemic, boards highlighted that elective activity was curtailed. At peak times it was suspended to allow all staffing resources to be diverted to treat the surge of COVID-19 patients but given the numbers waiting and the continued impact working in an environment with COVID-19 present, the risk of not getting back to normal waiting times performance has fully materialised.

Through the 2021-22 period there has been a continued focus on the government's immediate response to COVID-19, through the lens of the Four Harms of COVID<sup>53</sup>, as new variants, emerging in late 2021, led to an historic high in reported case numbers. 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 in June 2021. The announcements of both the Scottish and UK Covid Inquiries this year and the likely International Covid Inquiries, coupled with the announcement in January that the Lord Advocate established a Covid Death Investigation Team, will be an area of focus for Scottish Government going forward.

The simultaneous announcements of both the Scottish and UK Covid Inquiries this year, as well as the likely International Covid Inquiries, has been anticipated with the recording of key COVID-19 response decisions and the evidence that relates to them since March 2020. This

<sup>52</sup> [Covid Recovery Strategy: for a fairer future - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/covid-recovery-strategy/pages/1-introduction.aspx)

<sup>53</sup> [Coronavirus \(COVID-19\): framework for decision making - assessing the four harms - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/coronavirus-framework-for-decision-making/pages/1-introduction.aspx)

evidence will be tested as we begin meeting asks of both the Scottish Government Covid Inquiry and Crown Office investigations.

### *Assurance on grants to Local Authorities for payment of COVID-19 support schemes*

Business support grants were developed at pace to respond to the severe economic impact of the pandemic as a result of necessary public health measures; and to provide emergency support to businesses to protect livelihoods and jobs. The organisation has delivered significant levels of business support funding in response to the pandemic. This was achieved in collaboration with teams from across the Scottish Government, working with Local Authorities and a number of other delivery partners. Since the start of the pandemic, businesses in Scotland have benefitted from over £4.7 billion in support from the Scottish Government. In particular, the delivery of the £375 million support package announced in December 2021 following the emergence of the Omicron variant and the reintroduction of restrictions on economic activity to control it was executed very promptly and efficiently.

As part of the assurance processes it has been demonstrated that the Scottish Government has managed and mitigated the fraud risk associated with business support funding. The pace and scale of business support funding, required the Scottish Government to accept a tolerance for fraud risk that was initially slightly higher than normal, with additional measures designed into business support schemes to mitigate this risk. This was necessary to enable payments to be made quickly and the schemes were a lifeline support for businesses who would not have survived without it. Since then, a fraud risk review was undertaken which looked at a range of schemes delivered by different partners and confirmed that the controls in place were adequate in relation to the amounts involved.

It was essential that this support was implemented quickly and Ministers recognised that the speed of delivery introduced a greater risk of fraud, but this was proportional to the urgency with which support was distributed. Additionally, policy and the delivery mechanisms chosen were deliberately designed to mitigate this fraud risk, by using established systems, processes and data 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 businesses claiming a grant, to verify the existence of the business and validate 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.

COVID-19 business support schemes were delivered in accordance with the Scottish Public Finance Manual, which requires delivery partners to take steps to detect and prevent fraud when distributing funds. The Scottish Government worked with a range of delivery partners, using existing systems, processes, data and expertise to identify and provide support to businesses which were impacted by the restrictions required to control the spread of the virus. This allowed the Government to provide support quickly and securely, in particular by having access to existing data to verify information provided by applicants, which was an important

step to mitigate the fraud risk. The Government also worked with businesses to set up sector specific schemes for sectors like close contact services who were not captured in existing data sources.

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 1996<sup>54</sup>. The plans and related funding were confirmed in the additional Summer Budget Revision of February 2021.

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 private contractors. 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.

Ongoing monitoring, review and management of the schemes 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 Local Authorities shared data with the Scottish Government on potential fraudulent applications.

### **Fraud estimates and assurances in business support schemes administered during COVID-19**

In mid-2021, the Scottish Government 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. It was found that effective controls were in place in Local Authorities to mitigate the majority of fraud risks associated with business support, with some areas where controls could be improved. This resulted in an overall opinion of 'reasonable assurance' for the business support grants.

Audit Scotland considered that the Scottish Government's estimate for levels of fraud within COVID-19 business support of 1-2% (£16 million - £32 million) was reasonable, but not robust. We have since looked at ways of improving the confidence in this estimate and have taken a number of actions to improve assurance for fraud risk, ensuring that consistent and specific data is collected across grants and made available to provide better fraud and error metrics. Actions include:

<sup>54</sup> [Housing Grants, Construction and Regeneration Act 1996 \(legislation.gov.uk\)](https://www.legislation.gov.uk)



- Regular updates provided to the COVID-19 Business Support Governance Board, chaired by Director-General Economy, established to provide assurance over the COVID-19 business support schemes.
- Self-assessment checklists were completed by the Scottish Government for business support grants to ensure due regard had been given to areas such as fraud risk during policy development to support fraud mitigation and management.
- Fraud Risk Assessment exercises were carried out by Scottish Government within schemes to ensure the identification of specific fraud vulnerabilities, used to inform decisions concerning control requirements and delivery options.
- In June 2022, the Scottish Government's Head of Counter Fraud Profession engaged with the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and commissioned intelligence on fraud within business support schemes as part of our post-delivery testing. Responses were obtained from 16 Local Authorities, representing the four largest Local Authorities in Scotland. This data covered schemes administered throughout the pandemic.
- Fraud and error data was commissioned from local authorities on all cases of fraud and suspected fraud, amounts lost to fraud and amounts recovered. This data included funds administered in 2020-21 and 2021-22.
- We commissioned fraud and error data from other delivery partners on all cases of fraud and suspected fraud, amounts lost to fraud and amounts recovered. This data exercise is currently underway and the findings of this, together with the data we already hold, will help inform our fraud data reporting and counter fraud approaches for any future provision of business support.

This fraud and error data included a broad description of fraud in order that all potential fraud cases were captured. This helped improve the quality of fraud estimates and ensure that the Scottish Government was able to better establish the full extent of potential fraud within COVID-19 business support. We also asked for specific data on payments or underpayments made in error, and for accompanying data on how much within each area had been recovered. The recovery of fraudulent payments as at July 2022 is approximately £504k, with recovery of payments an ongoing process.

All internal audit services (IAS) within Local Authorities were involved in supporting the delivery of business support grants, the majority of which was through assurance reviews or consulting on the delivery of funds. A significant majority of IAS gave an opinion of 'reasonable assurance' or otherwise their highest opinion rating in relation to fraud risk within business support, reflecting a similar position to work undertaken by the Scottish Government. The access that IAS have within Local Authorities to internal information and their knowledge of their individual authority processes, improves the Scottish Government's assurance that COVID-19 business support schemes were protected.

The responses provided by IAS show that Local Authorities were proactive and took ownership of fraud risk management within COVID-19 schemes. Local Authorities ensured that fraud counter measures were in place and that assurance against fraud risk could be provided within their governance processes. IAS exercises in validating and sample testing of applications helps to determine that the overall estimated level of fraud with funds was in fact robust, supported by the assurance review work undertaken that on the whole found that assurance was reasonable or better.

Information from these assurance processes informed an assessment of the estimated level of fraud and error within the schemes. Data pertaining to schemes administered in 2020-21 was reported in the Scottish Government's consolidated annual accounts, 2020-21. Subsequently, a report setting out findings based on additional data recently obtained from Local Authorities for funds administered in 2020-21 supports our earlier assessment of fraud estimates and overall opinion of reasonable assurance for COVID-19 business support schemes.



Based on the evidence available, the Scottish Government's estimate of undetected fraud within COVID-19 business support in 2021-22 remains at 1-2%, equating to between £6.3m to £12.6million

### Figures on Omicron business support funding schemes

The data contained within this section of the annual accounts covers the Omicron business support schemes which were administered by Local Authorities in 2021-22, the period the accounts cover.

Figure 4 provides headline spend figures for the Omicron funding schemes administered by Local Authorities as at June 2022, plus SFBF payments made towards the start of the financial year (like restart and route map extension). Figure 5 provides figures on fraud identified, prevented and realised for the Omicron funding schemes delivered by Local Authorities as at July 2022.

**FIGURE 4: HEADLINE SPEND FIGURES IN 21/22 BUSINESS SUPPORT SCHEMES**

<b>Name of scheme<sup>55</sup></b>	<b>Number of Awards</b>	<b>Spend (£m)</b>
Restart Grants	49,222	427.0
Localised Restrictions Support Fund	8,489	9.6
Route map extension fund	11,131	12.6
Additional Soft play Support One-off Payment	91	0.6
Taxi and Private Hire Driver and Operators Fund (June 2021)	32,443	46.5
Hospitality: December and January Business Support Top Up	10,727	51.5
Hospitality and Leisure: January Business Support Top Up	12,464	19.9
Public House Table Service Restrictions Fund January	2,317	6.4
Nightclub Closure Fund	131	4.4
Taxi and Private Hire Driver and Operator Support Fund 2022	28,767	25.0
Close Contact Fund	9,449	22.6
Outbound Travel Support Fund	303	4.5
	<b>165,534</b>	<b>631</b>

**FIGURE 5: NUMBER OF POTENTIAL FRAUD CASES IDENTIFIED, PREVENTED, AND REALISED IN OMICRON FUNDING SCHEMES**

<b>Name of scheme</b>	<b>Total instances of potential fraud identified</b>	<b>Total instances of potential fraud prevented</b>	<b>Total instances of potential fraud where payment was made</b>
Hospitality Top-up	152	147	5
Hospitality and Leisure	130	125	5

<sup>55</sup> These include the SFBF payments made towards the start of the financial year plus the Omicron support delivered in 21/22. From the Omicron support funds, any funds that were delivered using direct verification or panel review of applications have not been included here. No other 21/22 FY schemes were assessed as high-risk by the internal Fraud Risk Assessment.

Public House Table Service Restrictions Fund	18	17	1
Nightclub Closure Fund	3	3	0
Brewers Support Fund	0	0	0
Taxi and Private Hire Fund	100	98	2
<b>Total</b>	<b>403</b>	<b>390</b>	<b>13</b>

### Information on rejected applications

The effectiveness of the verification process for applications provides a good level of assurance on fraud prevention. The rejection rates were approximately:

- 14% for the Hospitality Top-up Fund
- 14% for the Hospitality and Leisure Fund
- 4% for the Public House Table Services Restrictions Fund
- 19% for the Nightclub Closure Fund
- 6% for the Brewers Support Fund

These demonstrate an effective control regime within each scheme which is corroborated by the 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 July 2022 was 403. Of these, 390 were prevented and only 13 had been paid, to a value of £33,500. This means that only 3% of detected potential fraud resulted in a fraud loss, therefore 97% did not result in loss and were prevented. This indicates proactive and effective pre-payment fraud prevention measures were in operation. This data was derived from 30 of the total 32 Local Authorities.

For the Omicron funding schemes as at July 2022, 196 grants that were erroneously awarded had been successfully recovered due to detection of error by Local Authorities. Recovery action had been taken against 32 further awards, although these had not yet resulted in recovery at the time of data collection. Further information about the outstanding recoveries will be collected from Local Authorities by the end of 2022.

The available data shows approximately £1.1 million of fraud prevented based on the average grant amounts.

### Reporting and pursuing fraud

It is for individual delivery partners to determine how and when to take legal action to recover funds. Prevention is always preferable. However, delivery partners will take appropriate action to pursue the recovery of losses, referring matters to the Police where appropriate. In doing so, there will be both practical and legal limits depending on individual circumstances. This requires each case to be considered on its own merits. The ability and pace at which funds can be recovered is also therefore dependent on the individual circumstances of the case and depends on a number of factors – for example, whether the loss can be offset against legitimate eligibility for a future grant, and law enforcement's ability to pursue.

Of cases of fraud identified by Local Authorities, most were detected as being fraudulent before a payment was issued and therefore no requirement exists for recovery.

### Management information

Regular management information was collected for COVID-19 business support schemes which included schemes administered by Local Authorities and other delivery partners for operational and monitoring purposes. This data was collected at an aggregate level to reduce the administrative burden on delivery partners, whilst maintaining the value for monitoring. The collection provided in the footnote below 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.<sup>56</sup>

### **Experimental statistics**

In addition to the publication of management information, the Scottish Government also published experimental statistics which provided more detailed breakdowns for a subset of Local Authority delivered funds related to the Strategic Framework Business Fund. A 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.

Local Government statistics were also published, relating to the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme.

The Scottish Government also undertook an award level data collection exercise for a subset of Local Authority and non-Local Authority delivered funds for the 2020-2021 financial year. Ad-hoc experimental statistics were published using a more detailed data collection, including breakdowns of expenditure by Local Authority and payment date. A data cleansing exercise is ongoing that will allow further breakdowns to be published from this data collection later this year.

An award level data collection is in progress for schemes delivered during the 2021-2022 financial year. This data collection will also go through the data cleansing process to ensure statistical breakdowns are of the best quality and value.

Additional ad-hoc experimental statistics have been published for specific schemes where data quality allows, such as sector-level breakdowns for the Mobile and Home Based Close Contact Services Fund<sup>57</sup> and detailed information on applications, awards and expenditure for the COVID-19 Business Ventilation Fund<sup>58</sup>.

### **Evaluation**

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 evaluation<sup>59</sup> was published on 1 June 2022 which assessed the outputs and indicative outcomes of the COVID-19 business support measures in Scotland up to summer 2021. The report drew on scheme management information data, survey data, business intelligence, secondary sources and modelling work to understand how many businesses have been supported and the extent to which the measures have helped businesses survive through the immediate crisis.

The report found that the support received from the Scottish and UK Governments provided lifeline support for businesses in Scotland, helping most beneficiaries survive through the immediate crisis. Over 70% of businesses in Scotland who received support reported that it had helped them continue trading. While the package of business support did not, and was not intended to, provide full compensation for losses experienced, the report found that Scottish Government support filled many gaps in UK Government support. A higher proportion (82%) of businesses that received Scottish Government support – including those who also received support from the UK Government – felt it helped them continue trading compared to those that received UK Government support only (65%). This suggests Scottish Government support had an additional impact, over and above the impact of the UK Government schemes.

<sup>56</sup> [Coronavirus \(COVID-19\): summary of Scottish business support funding - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/coronavirus-2021-22/pages/summary-of-scottish-business-support-funding.aspx)

<sup>57</sup> [Coronavirus \(COVID-19\): Mobile and Home Based Close Contact Services Fund - applications and award by service type - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/coronavirus-2021-22/pages/mobile-and-home-based-close-contact-services-fund.aspx)

<sup>58</sup> [Coronavirus \(COVID-19\): Business Ventilation Fund experimental statistics - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/coronavirus-2021-22/pages/business-ventilation-fund-experimental-statistics.aspx)

<sup>59</sup> [Coronavirus \(COVID-19\) business support measures: evaluation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/coronavirus-2021-22/pages/coronavirus-business-support-measures-evaluation.aspx)

### *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 is Scotland's wellbeing framework, that highlights 11 Key National Outcomes.

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 statutory review of the National Outcomes is due to commence this year.

The statutory responsibility of Scottish Ministers to "prepare and publish reports about the extent to which the national outcomes have been achieved" is discharged through the NPF website<sup>60</sup>, 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"<sup>61</sup>, 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<sup>62</sup> which was published in December 2020. The publication aims to illustrate the profound effect that COVID-19 has had on Scotland's wellbeing as a nation, and how it has disrupted progress towards Scotland's National Outcomes.

The monitoring of our progress towards the delivery of our key commitments and their contributions to National Outcomes has been further developed and now takes place through a new internal Performance and Delivery monitoring process. This is helping the organisation identify how those deliverables link to our strategic cross-cutting outcomes and the NPF, develop outcome measures and over time improve our ability to determine the most effective, evidence based interventions to make progress towards these strategic cross-cutting objectives and National Outcomes.

### *Social Security Scotland – Next phase*

The annual accounts of Social Security Scotland have an audit qualification in respect of the regularity of an estimated level of overpayments attributable to fraud and error in benefits administered by the Department of Works and Pensions (DWP). The estimated level of overpayments attributable to fraud and error in the benefits, delivered by the Department of Works and Pensions (DWP) on the Agency's behalf, is not deemed material for the Scottish Government consolidated accounts.

The Scottish Government have specifically recognised the risk to the budget of Social Security Scotland expenditure being materially different from forecasts. The Scottish Fiscal Commission (SFC) has formal responsibility for producing forecasts, and so explaining variations, however the expenditure is significant within the overall budget and highlights the need to ensure forecasts are accurate. The late movements were essentially caused by fluctuations being larger during the past two years because the PIP budget is now included in Social Security budgets, resulting in small percentage fluctuations causing large overspends. Social Security are currently looking at whether there can be any further refinement of the forecasting models.

<sup>60</sup> [National Performance Framework | National Performance Framework](#)

<sup>61</sup> [NPF Scotland's Wellbeing May2019.pdf \(nationalperformance.gov.scot\)](#)

<sup>62</sup> [Scotland's Wellbeing: The Impact of COVID-19 - Summary | National Performance Framework](#)

Social Security Scotland has its own counter-fraud measures in place and continues to develop both its data driven approach to counter-fraud and its covert-surveillance capability where it is authorised through the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA). Social Security Scotland has again had a positive annual report from the Investigatory Powers Commissioners Office (IPCO).

### *Scottish Government's Assurance Framework*

Annual assurance on the adequacy and effectiveness of the core Scottish Government's governance, risk management and internal control systems is provided by the Scottish Government's Director of Internal Audit and Assurance. In the annual assurance report submitted to SGAAC at its meeting on 13 June 2022, the Director of Internal Audit and Assurance confirmed that reasonable reliance could be placed on the governance, risk management and internal control arrangements.

### *Risk Management Arrangements*

Effective risk management continues to be at the heart of the Scottish Government's Assurance Framework. The Scottish Government's approach is published on the Scottish Government website<sup>63</sup> within the Scottish Public Finance Manual which was reviewed in March 2019 and its internal guidance updated most recently in April 2022. It is also consistent with the UK Government's Orange Book<sup>64</sup> and other guides.

As referenced earlier in this statement, a range of improvement work has continued during 2021-22. This work has focussed on consistency and compliance via the launch of the Risk Champion role in April 2021 and the Champion Network, enhanced training and support for each Directorate. A follow up organisation-wide risk maturity assessment is currently underway for 2022-23 which will test compliance with Scottish Government guidance and effectiveness of local risk management arrangements.

The Risk function has also, in line with the new Delivery Executive focus, begun providing a monthly risk report to that forum alongside facilitation of deep dives on key risk areas. The risk function has also been undertaking joint improvement activities with other areas of the Scottish Government to further enhance the risk information. Enhanced guidance was published in April 2022 with further templates and materials to support continued improvement alongside introducing mandatory risk management training for all staff via a mandatory e-learning package, with all areas expected to ensure compliance with this requirement by the end of March 2023.

### *Scottish Government Key Risks*

The Scottish Government's corporate governance system has been designed to ensure that risks to its organisational health and policy performance in this environment are identified, managed and mitigated effectively. Organisational health risks managed via this risk framework have been woven throughout this statement and are detailed as specific progress updates or significant issues.

Over the last year a number of policy-specific 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 short summary of the risks focus at the end of the period covering this Statement (March 2022) is included below:

<sup>63</sup> <https://www.gov.scot/Topics/Government/Finance/spfm/risk>

<sup>64</sup> <https://www.gov.uk/government/publications/orange-book>

- **Fiscal Sustainability;** i) reducing exposure to Budget volatility via the fiscal framework; ii) secure more proportionate medium-term budget management levers; and iii) ensure the long term sustainability of the public finances through effective budget-setting and medium term strategic financial planning across the organisation.
- **Climate Change Mitigation;** via the reduction in Greenhouse Gas emissions required by legislation and making an appropriate (leadership) contribution to the global response to the climate emergency (including in relation to commitments under the Glasgow Climate Pact).
- **Combined economic risk of COVID-19 and EU Exit;** impacting on business viability lower levels of trade and investment across some sectors of the economy, disruptions to the labour market and subsequent impacts on household incomes, levels of financial hardship, inequalities and demand on the third sector.
- **Child Poverty;** taking significant action, in tandem with delivery partners across Scotland, to address child poverty in the next 12 months.
- **Education Outcomes;** delivering a clear programme of work around education reform and recovery; the vision for excellence and equity in Scottish education including on attainment levels, the attainment gap, the health/wellbeing of pupils and the wider education workforce.
- **Social Security;** continuing the successful implementation of the new Social Security system whilst balancing current ministerial priorities and financial pressures.
- **Short and Long Term Sustainability of Health & Social Care Services;** due to ongoing and legacy impacts of Covid 19 (including the need to manage it as a new endemic virus) alongside long term systemic challenges arising from demographic change, financial challenges (including capital investment) and workforce, to meet our National Performance Framework ambitions around world class health outcomes, including reducing health inequalities and improving population health.
- **Public Service Reform;** delivering suitable arrangements to test the coherence and penetration of our public service reform programmes.
- **Cost of Living Crisis;** The risks and impacts of the cost of living crisis rose to prominence in early 2022. Work has developed on the approach to addressing the Cost of Living Crisis, supporting a joined up, coherent response that maximises impact on key Scottish Government priorities such as child poverty. The work identified the interdependency of risks, including financial and otherwise, drawing out the implications for the Scottish Government and wider public sector financial settlements.

These risk management arrangements have also surfaced several cross-cutting risks and themes, which are either reflected in the current iteration of the Corporate Risk Register or and have been highlighted via DG assurance or through 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:

- **Performance Management;** The increased focus on Performance was a key step change across the Assurance Agenda. Overarching priorities were identified, including Child Poverty, Climate Change, Constitution and COVID-19 Recovery; with a number of significant transformation programmes established across DG families setting the direction of travel for SG.
- **Resourcing: Capability, Capacity and Wellbeing** of the Scottish Government's staff to deliver during COVID-19 and EU Exit alongside new and existing pressures;
- **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.
- **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*

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 reported to Executive team in Autumn 2021. On 28 February 2022 the report was published alongside the Scottish Government response. The report consists of 14 recommendations for improvement. The recommendations look to address concerns raised and will allow the Scottish Government to demonstrate effective sponsorship of public bodies with more consistency. The report endorsed the Smarter Sponsorship approach adopted in 2015 but seeks to develop a new phase in these key relationships. This new phase will be known as Strategic Sponsorship.

Throughout the course of 2021, the Scottish Government rolled out bespoke training sessions to sponsorship practitioners which was complemented by an online learning module which launched in the summer of 2021. This module will go through an annual refresh with a focus on emerging issues to ensure that we are continually learning lessons and sharing best practice.

Alongside this work was the production of a workshop for Accountable Officers which took place in December 2021. This is complemented by the publication of an online training module for Accountable Officers in July 2022 which is part of our ongoing work to support the role of the Accountable Officer.

### *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 Manual<sup>65</sup>. 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:

#### **Financial Management**

Managing the annual financial outturn continued to be a challenge, as expected throughout 2021-22. Amidst a back drop of the Government's response to variants of the COVID-19 pandemic and recovery, national and international crisis, and agreed commitments, significant work was undertaken to prioritise and support a balanced budget. Accountable Officer templates continue to be utilised as a key part of financial governance across all areas as directed by the Chief Financial Officer. Effective budgeting and forecasting will also be essential going forward as Scottish Government navigate the current budget climate.

<sup>65</sup> <https://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts>

In March 2022, formal work on the Resource Spending Review<sup>66</sup> (RSR), the first in ten years, commenced. It was recognised that this process provides a critical opportunity for clarity and certainty on what will be delivered in the next five years, to address financial sustainability issues which can be particularly challenging across a one year budget, and further agree significant transformative changes and other ministerial priorities. The RSR was published at the end of May 2022.

During the first six months of the financial year, significant focus was given to tackling the budget pressure with a focus on prioritisation. While this position changed in the latter part of the year due to late consequential funding, similar challenges exist for 2022-23 and beyond.

### **Financial System Transformation**

A key enabler of good financial management is the availability of timely, accurate and detailed financial and related information. The progress of corporate transformation is an urgent priority that will shape this and drive real benefit once implemented. The transformation programme will also help to address the significant operating costs challenges and support living within our budget as set out in the RSR (Resource Spending Review) allocations. Workforce planning is underway to consider our overall resourcing requirements and how we can actively manage our headcount and budget pressures.

The organisation continues to experience significant resourcing issues that restrict our ability to meet the full range of financial challenges and opportunities facing us. Addressing this will continue to be a priority in 2022-23 as we look to support sound financial management activities; initial work on the Scottish Government's new Enterprise Resource Planning (ERP) system; and delivery of the wider finance transformation programme.

Measures to upgrade the Scottish Government Enterprise Accounting System (SEAS) financial system are ongoing and expected to conclude during 2022-23. This is essential to de-risk the existing platform during the design and implementation of the Scottish Government's new ERP system. Ongoing investment in capacity and capability will be required to maintain these business critical systems and prepare for a seamless transition to the new arrangements.

### **People Management**

Capacity and capability risks continued to feature across the organisation, with some areas facing significant resourcing challenges following staff movements to support the pandemic response and COVID-19 recovery, in addition to other pressures including the Ukraine crisis, and COP26. A new recruitment system was introduced in January 2022 and has handled all volumes without any system issues. Recent additions have made to automate some parts of the recruitment process, and this automation technology has been integrated with the new recruitment system where relevant.

The consequences of COVID-19 continue to have a significant impact on resource planning and staff wellbeing, alongside managing priorities such as the NHS Recovery Plan; the reform of social care and the establishment of the National Care Service. Risks relating to capacity, wellbeing and resilience continue to be a major focus both within DG Health and Social Care and wider health and social care system. This is reflected in the DG Health and Social Care People Plan where there are themes dedicated to both Priorities and Planning, and Health & Wellbeing. The People and Capability Group, which reports to Health and Social Care Management Board (HSCMB), monitors improvement aimed at addressing resourcing and wellbeing risks and a new Capacity and Capability Sub Group will be created to strengthen that emphasis on ensuring structures are clearly aligned to priorities and that DG Health and

<sup>66</sup> [Investing in Scotland's Future: Resource Spending Review - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/05/Investing_in_Scotland's_Future_Resource_Spending_Review.pdf)

Social Care supports staff at all levels to thrive. HR Management Information is regularly monitored and reported through the quarterly DG Assurance process.

The importance of addressing the health and wellbeing of staff continued throughout 2021-22 as homeworking had become the established pattern. As restrictions lifted, the support for hybrid working has been a focal point of people assurance discussions and guidance has been issued to assist staff as Scottish Government continues its 12-month hybrid working trial.

Throughout the Covid pandemic, working from home remained the default position for most of 2021-22, with only a very small number of staff carrying out business critical roles in offices. A phased reopening of buildings began late August for priority returnees, which included those who would benefit from being back in an office on health and wellbeing grounds. There were further relaxation of restrictions in February to allow more staff to return to hybrid working, following the First Minister's update to working from home guidance. Regular engagement with staff has been in place across the wider Scottish Government throughout the reporting year to support wellbeing activities and hybrid working plans, including a Scottish Government wide survey, staff events, and wellbeing conversations in place between managers and their direct reports. These activities will continue to support hybrid working across the Scottish Government.

Work continues, with a focus on wellbeing and workload, to consider the long term plan and impact of RSR to ensure financial affordability, resource capacity against outcomes to be delivered whilst supporting planning, recruitment and hybrid working. Dedicated Learning & Development resources are now delivering an offer that aims to contribute to building personal and collective capability, covering civil service management skills, financial management, wellbeing and culture.

### **Child Poverty Targets**

The second Child Poverty Delivery Plan for the period 2022-26, Best Start, Bright Futures was published on the 24th March. The plan was a key area of focus for DG Communities over the course of 2021-22 and publication of the plan represented the culmination of a significant cross government effort. The plan sets out a range of actions to reduce child poverty. Comprehensive governance structures have been put in place to move from plan development to delivery and child poverty was one of the four priorities within the Resource Spending Review. However, significant cross government challenges remain in meeting the statutory interim child poverty targets in 2023. In order to meet these targets, momentum will need to be maintained and the Scottish Government will need to continue to work closely with local authorities and delivery partners across Scotland and ensure that reducing child poverty is the focus of Government policy and budgetary decision making.

The challenges associated with meeting the Statutory Child Poverty targets have been compounded by the cost of living crisis which has come into much sharper focus during the first half of 2022, and particularly since March. Work has progressed to build on the package of measures announced last month by the UK Government to address the crisis in the short term. Looking forward, further action will be required over the course of this year to address some of the immediate challenges faced by low income households and also develop longer term policy solutions to improve Scotland's resilience to increases in the price of essential goods.

### **Policy Impact Assessments**

In 2020-21, Internal Audit carried out an audit of Policy Impact Assessments which attracted a limited assurance opinion and which resulted in two high priority recommendations for improvement. Over the course of 2021/22 action has been taken to further improve some of the processes associated with the approach to policy making. This has included introducing an improvement programme to strengthen the use of impact assessments to build better

policy, and enhance how our various required assessments operate as a system to address key priorities.

### **Information management**

The Scottish Government is committed to improving its information recording, retrieval and management. The Government is strengthening the management processes in relation to information governance. This work is focused on developing additional controls where necessary to minimise the risk of data handling issues, and ensuring that all staff undertake mandatory training and have a strong awareness of the Scottish Government's corporate information management strategy and associated responsibilities.

### **European Structural Funds (ESF)**

The European Commission (EC) issued decisions, in accordance with Article 142 of Regulation EU no 1303/2013, to suspend payments to Scottish Government in respect of the European Social Fund (ESF) (on 5 November 2019) and in respect of the European Regional Development Fund (ERDF) (on 31 January 2020). These reflected "serious deficiencies in the management and control system for the programme" identified during audits carried out in 2017 and 2018.

The ERDF suspension was lifted by the EC on 18th December 2020, whilst the European Social Fund suspension was lifted by the EC on 31 October 2022. The flow of reimbursements to the Scottish Government has resumed.

There remains a risk of financial loss related to the European Social Fund. To date, losses of £14.7 million have been recognised, and the 2021-22 Accounts included a provision for a further financial loss of £43.1 million relating to expenditure that has not yet been paid to Lead Partners. This estimate is the difference between the total amount approved within the programme and the amount currently considered reclaimable from the EC due to the alternative model and methodology for ESF agreed with the EC which is based on a unit cost for employment counselling. EC auditors have agreed that this approach is robust.

The SG continues to work very closely with the Audit Authority and over the past year, all Audit reports have achieved grades 1 (excellent) or 2 (good). Action is also being taken to ensure compliant closure of the programmes by the end-date of February 2025, with progress being reported to the ESF Programme Board which is chaired by a non-executive director of SG.

### **Lochaber Aluminium Smelter**

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 Scottish Government has assessed that the level of provision required for the guarantee was £114 million as at 31 March 2022, a reduction of £47m from 2021. All Guarantee Fee payments due to the Scottish Government are up to date. There has been no call on the guarantee and the Scottish Government holds a comprehensive suite of securities over the assets at Lochaber.

### **Ferguson Marine Port Glasgow**

This year there was a need for a revised delivery schedule for the two ferries under construction and the associated cost increase. Work is ongoing to increase the assurance of

the new programme and budget with better data being provided from the FMPG Senior Management Team and the Board. There is a commitment to ensuring lessons from recent reviews are learned to ensure focus on delivery of vessels 801 and 802. Further detail is provided in the Performance report of these accounts.

### **Drug Deaths**

The financial year 2021-22 saw the establishment of governance and controls around the National Mission on Drugs. A Project and Programme Management approach has been developed and put in place, which includes the upcoming publication of a National Mission plan and outcomes framework; detailed charters, including deliverables, dependencies, resourcing requirements and milestones for individual projects; and a review of the data and reporting requirements to monitor and evaluate performance and investment. Risks are managed in a structured way, with monthly Delivery Board meetings providing formal programme governance attended by directors from across the Scottish Government, but also monthly programme meetings with the minister, quarterly delivery updates to the First Minister, updates to the Health and Social Care Assurance Board, and a newly revised external Expert Oversight Group for the National Mission.

### **Mental Health**

Over the last year the approach to governance across the Mental Health (MH) Portfolio has been refined. This has included reviewing governance arrangements and further developing Directorate and Unit Plans and risk registers. The approach is aligned with the Scottish Government governance and assurance procedures and strategic mental health priorities, and has focused on identifying key milestones, deliverables, risks and dependencies across the MH Portfolio which provide the basis of our assurance. This has been underpinned by a consolidation exercise of almost 400 historic mental health commitments, and work to enhance capacity and capability across the Directorate (including the development of a Change Leads Network). Aided by the establishment of the Mental Health Equalities & Human Rights Forum, there is a greater focus on equalities considerations across the directorate. Work will continue in 2022-23 to embed and enhance reporting and assurance arrangements, with a greater focus on refining and tracking benefits/and impact. The new Mental Health Strategy is currently being developed around an outcomes framework and will form the basis for future prioritisation and monitoring of MH Portfolio activity.

### **NHS Workforce Impacts**

NHS Boards have highlighted the inability to recruit and retain high calibre staff to the right roles, at the right times, in the right place, within an affordable budget which has meant the risk to the delivery of some services. High level of vacancies, limited success in recruitment and increased use of supplementary staffing result in unscheduled care being prioritised ahead of scheduled care. Furthermore, high workforce turnover and low national workforce availability present limitations to delivery and development of service and Board recovery plans. There is continued use of the independent sector to address shortfalls in internal capacity although there remains a desire to internally implement a more sustainable solution to the shortfall in capacity, with sustainability plans being developed.

The pandemic has significantly exacerbated the demand profile for services across the NHS and social care. Capacity challenges across acute, primary and community care services became progressively more severe over the course of 2021-22; underlying population health needs, including current unmet healthcare demand, are likely to further compound this going forward. Furthermore, economic challenges, including rising health inflation and a whole economy cost of living crisis (and the additional financial pressures flowing from likely public sector pay settlements in the forthcoming year 2022-23) will significantly compromise the ability to take forward required workforce growth and workforce development activity identified as necessary to delivering pandemic recovery, workforce growth and transformation.

Health and Social Care Staff have made significant professional and personal sacrifices over a prolonged period of time that has resulted in a negative impact on their wellbeing. The wellbeing of staff has been impacted inconsistently across the different geographies and occupations that make up the workforce. In 2021-22 £12 million was made available to support the wellbeing of staff. The Scottish Government is continuing to work with leaders across health and social care, as well as hearing directly from staff, to understand where the current pressures are, and what further actions can be taken to mitigate their impact on staff.

Within this operating context there are existing workforce planning capacity issues, which have affected the ability of health and care services to take forward long-term planning aligned with strategic policy objectives. Revised workforce planning guidance, pursuant to the publication of the National Health and Social Care Workforce Strategy in March 2022, requires health boards to bring forward a 3-year assessment of workforce requirements, predicated on a review of local population health needs, which will be reviewed by Scottish Government in August 2022. It is anticipated that the plans will clearly identify a growing gap between demand-led assessments of current workforce capacity (and requirements for workforce growth), and the affordability of meeting that demand assessment.

During 2021, additional recruitment has been delivered in nursing and midwifery support services and in international recruitment infrastructure; however there remains persistent structural issues with patient flow in acute settings (including delayed discharges), unmet care need in the community and very compromised primary care capacity. There are also long-standing pressures across health, social care and social work sectors, with regards to leadership and fostering cultures to enable people to thrive. The new programme of work currently known as the National Leadership Development Programme (NLDP) aims to contribute to the Scottish Government's ambition to help retain and support staff in leadership roles across these sectors. The Programme will build on the work and ethos of Project Lift by being an actively compassionate, collaborative and inclusive programme of work with a strong focus on developing and nurturing talent within the three sectors.

### **NHS Board Sponsorship/Financial Management**

In Scotland, NHS Boards are subject to the NHS Board Performance Escalation Framework which has a five stage escalation process. In 2021-22, six territorial Health Boards were escalated to Stage 3 or above on the framework. These boards were subject to additional scrutiny and received tailored support. The NHS Board Performance Escalation Framework sets out a clear and transparent process for Scottish Government to support and intervene in Health Boards that are struggling to meet delivery standards or services. Health Boards can be escalated<sup>67</sup> for a number of issues, including those associated with specific services or organisational issues, and do not need to be escalated solely due to performance reasons. NHS Ayrshire & Arran, NHS Borders, NHS Highland, NHS Lothian, NHS Tayside are all currently at level 3.

In November 2019 NHS Glasgow & Greater Clyde was escalated to Level 4 of the NHS Scotland Board Performance Escalation Framework due to a number of concerns raised in relation to infection prevention and control, the environment and operational effectiveness of the QEUH since opening in 2015, challenges associated with unscheduled care performance and issues with the built environment. In response to the escalation process, an Oversight Board was established by NHS Glasgow & Greater Clyde and an Independent Case Note Review was undertaken under the auspices of the Oversight Board. The Oversight Board Report and the Case Note Review Report<sup>68</sup> were published on 22 March 2021. In June 2021 the Scottish Government established the Advice Assurance and Review Group which replaced the Oversight Board structure. A comprehensive action plan was developed to

<sup>67</sup> [NHS healthcare standards: Board performance escalation framework - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/nhs-healthcare-standards-board-performance-escalation-framework/pages/1-1-introduction.aspx)

<sup>68</sup> [Queen Elizabeth University Hospital/ NHS Greater Glasgow and Clyde Oversight Board: final report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/queen-elizabeth-university-hospital-nhs-greater-glasgow-and-clyde-oversight-board-final-report/pages/1-1-introduction.aspx)



address all the recommendations, including those of the Independent Review commissioned by Scottish Government. A specific delivery group, chaired by the Chief Executive, provided updates to the Corporate Management Team and, in turn, to the appropriate governance committee of the NHS Board to ensure focused work was undertaken on all of the recommendations. All actions in response to the 108 recommendations from the Oversight Board Report, the Case Note Review Report and the External Review Report have been completed, with a comprehensive audit process in place. The Board was subsequently de-escalated by the Scottish Government to Level 2 from 13 June 2022.

The Chief Operating Officer for NHS Scotland has also focused on implementing the recommendations from recent Sponsorship Reviews, and strengthening the central Sponsorship function to provide support to all Sponsor Teams recommended improvements, including ensuring Framework Documents are in place for all Boards

### **Royal Hospital for Children and Young People, the Department of Clinical Neuroscience and the Queen Elizabeth University Hospital (QEUH)**

In September 2019 the then Cabinet Secretary for Health and Sport set out that there would be an independent public inquiry to investigate the issues identified at the Royal Hospital for Children and Young People, the Department of Clinical Neuroscience in Edinburgh, and the Queen Elizabeth University Hospital and Royal Hospital for Children in Glasgow. Lord Brodie KC was appointed as Chair to the Inquiry in December 2019.

The Scottish Hospitals Inquiry commenced in August 2020. It is considering the planning, design, construction, commissioning and maintenance of both hospitals and will recommend how issues can be avoided in future capital projects. The inquiry will consider organisational culture, including whether staff concerns were appropriately considered and escalated. A set of hearings in May 2022 have now concluded with the next phase of hearings due to commence in October 2022. The inquiry is expected to run over a number of years, and witnesses are expected to be called once initial evidence has been reviewed.

### **Waiting Time targets and Treatment Time Guarantees**

Due to the impact of the on-going COVID-19 pandemic, Boards have acknowledged that even with effective clinical prioritisation in place, the main strategic risk is the impact of growing significant waits on patient experience and outcome of care. The impact on Treatment Time Guarantees and waiting lists has affected all boards and they highlighted the challenges that are to be faced in recovering the position.

The launch of the new Urgent and Unscheduled care collaborative on 1 June 2022 will bring together teams across health and social care in an integrated way with a single common aim, to deliver the right care in the right place, optimising health outcomes for the people of Scotland. The Clinical Prioritisation Framework continues to be in place providing the principles that NHS Boards should follow when considering decisions around prioritising cases on their planned care waiting lists as we emerge and recover from the COVID-19 pandemic. The Scottish Government has now published a review of the Framework to a hybrid model that allows Boards to treat clinically urgent patients alongside those who have been waiting the longest.

During the COVID-19 pandemic, boards highlighted that elective activity was curtailed. At peak times it was suspended to allow all staffing resources to be diverted to treat the surge of COVID-19 patients but, even in between, the need for additional physical distancing and infection control measures reduced the number of people who could be seen. Given the numbers waiting and the continued impact working in an environment with COVID-19 present, the risk of not getting back to normal waiting times performance fully materialised.

### **Governance Arrangements (NHS Boards)**

Board Chairs were encouraged to implement appropriate and proportionate governance arrangements, as described in the Scottish Government's Interim Director of Health Finance and Governance letters of 3 April and 18 November 2020. As such, NHS Boards' governance arrangements were revised to ensure they could effectively both respond to COVID-19 and discharge their governance responsibilities, maximising time available for staff to deal with COVID-19. The Boards developed and submitted their COVID-19 Remobilisation Plans in line with Scottish Government requirements. NHS Boards remained on an emergency footing throughout 2021-22.

### *Counter Fraud Activity*

Guidance on the prevention, detection, reporting and handling of fraud is included in the SPFM<sup>69</sup>. The Integrity Group is responsible for improving fraud prevention measures across the SG 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. The Group meet quarterly and report work annually to SGAAC as part of the Annual Fraud Report. The membership of the Group is represented by Counter Fraud, Governance and Risk, Propriety and Ethics Group, Finance, Human Resources, Information Security, Scottish Government Legal Directorate and Internal Audit.

An annual report on fraud within the SG'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 2020-21 financial year excluding the NHS which is reported by NHS National Services Scotland Counter Fraud Services (NHS NSS CFS). Within the 2021-22 financial year a total of 39 cases of fraud or suspected fraud, 7 cases of error and 5 cases of wrongdoing were reported. This number excludes those cases where subsequent investigations confirmed that no actual error, wrongdoing or attempted fraud had taken place.

The SG 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. Audit Scotland recently published 'National Fraud Initiative in Scotland 2022'<sup>70</sup> which covered the data from the 2020-21 exercise aiming to prevent and detect fraud across 132 public bodies in Scotland. The next set of data for matching for the next exercise has been submitted and we expect to see these results approximately in January 2023. These matches will be reviewed and reported on as part of the 2022-23 Annual Fraud report and the Governance Statement as in previous years.

The pandemic has continued to challenge the delivery of services across the Scottish public sector. Scottish Government welcomed the recent Audit Scotland Publication 'Fraud and Irregularity 2021-22'<sup>71</sup> sharing risks and case studies to support the Scottish Public Sector in the prevention of Fraud. This publication highlights the increased risks Scottish Government have faced in regards to Fraud as a direct result of the pace, scale and pressure of spend and activity in relation to managing spend in relation to the Pandemic. This was also emphasised in the recent Audit Scotland publications 'Scotland's Economy'<sup>72</sup> and 'Scotland's Financial Response to Covid 19'<sup>73</sup> which focused on ensuring Scottish Government continue to monitor and manage Fraud and error arising from Business support payments.

<sup>69</sup> <http://www.gov.scot/Topics/Government/Finance/spfm/fraud>

<sup>70</sup> [The National Fraud Initiative in Scotland 2022 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/national-fraud-initiative-in-scotland-2022)

<sup>71</sup> [Fraud and irregularity 2021/22 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/fraud-and-irregularity-2021-22)

<sup>72</sup> [Scotland's economy: Supporting businesses through the Covid-19 pandemic | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/scotland-s-economy)

<sup>73</sup> [Scotland's financial response to Covid-19 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/scotland-s-financial-response-to-covid-19)

The Head of Counter Fraud Profession has established the 2021-22 Counter Fraud Plan, setting out the strategic objectives for Scottish Government over the next three years and high level strategic fraud risk profiling for Scottish Government was also progressed. Some of the areas to be targeted included developing a Counter Fraud and Corruption Strategy and Policy for SG, analysis and evaluation of the Counter Fraud Maturity across SG, SG Risk Profiling, promoting a robust Fraud Risk Control Environment, and support arrangements for further reporting and measurement of Fraud and error loss. The Counter Fraud Team has also continued to support colleagues in relation to fraud risk within COVID-19 business support grants linked to Omicron and for Audit Scotland's report on the annual accounts.

In addition to the Counter Fraud Activity above, there is also a whistleblowing policy available to all staff. The policy covers the types of concerns that can be raised, general processes and support that can be accessed. In order to ensure that employees who raise a concern, feel safe from repercussion, and the SG maintain their commitment to confidentiality and anonymity by enabling employees to raise concerns via a number of routes, which includes the organisation's counter fraud processes.

### *Cyber Security*

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

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 blog<sup>74</sup> which highlighted the risk and potential impact of cybercrime in the public sector in Scotland. Phishing continues to be the most common form of attack as a springboard for more sophisticated ransomware attacks. The Scottish Government is reviewing public sector cyber resilience and improving its strategic capability and capacity to respond to the escalating level of threat. Cyber security and resilience will require attention and focus in 2022-23.

Proportionate cyber protection is in place, including a Cyber Incident Response Plan tested through exercise. 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 SG are demonstrating leadership around cyber resilience; sharing knowledge and learning and seeking to pro-actively identify and resolve issues. Cyber resilience is a critical enabler as we move towards economic and societal recovery. The landscape has changed significantly over the last 18 months. The Scottish Government remains vigilant and seeks to comply with central guidance.

### *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.

<sup>74</sup> [Cyber crime: A serious risk to Scotland's public sector | Audit Scotland \(audit-scotland.gov.uk\)](#)

One hundred data security incidents were internally reported to the Scottish Government Data Protection and Information Assets team in 2021-22 for the Core Departments, of which two were reported to the Information Commissioner's Office (ICO) during the year with one of these being an advisory rather than an incident. No enforcement action was taken by the Commissioner. All internally reported incidents were assessed and actions taken where necessary to minimise the likelihood of any future recurrence. The number of incidents is lower but similar to that recorded last year (115) with most being minor (misdirected e-mails or redaction errors). Directorates have continued to meet their data handling obligations during the COVID-19 response with engagement with health bodies and ICO regular and constructive. Scottish Government and NHS National Services Scotland jointly received an official reprimand from ICO in January 2022 in relation to transparency of the privacy notice on the Covid Status App. Improvements were made and ICO have now closed the matter with no regulatory action taken.

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 2021-22 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 Remuneration and Staff Report 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 external auditors.

### *Appointments*

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

Director-General members of the Scottish Government 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 website<sup>75</sup> provides further information about their work.

The Non-Executive Directors (NXDs) provide advice, support and challenge to the Permanent Secretary as Principal Accountable Officer (PAO) and Director Generals as Accountable Officers (AO). Non-Executive Directors of the Scottish Government are appointed by the Permanent Secretary for an initial period of three years with an annual review.

Two of the Scottish Government's experienced Non-Executive Directors – Annie Gunner Logan and Linda McKay – had their Terms of Appointment extended in January 2022 in order to ensure continuity in the non-executive cohort. Nichola Clyde, Neil Richardson, Jim Robertson and Fiona Ross were each re-appointed for their second three-year term as Non-Executive Directors to the Scottish Government in January 2022, following their initial appointment in 2019. Nichola Clyde sadly passed away in June 2022.

Three new Non-Executive Directors were appointed following an open recruitment process: David Martin and Jenny Stewart took up their roles in March 2022 and Belinda Oldfield commenced her appointment in September 2022. As is the case for all of our NXDs, such appointments can be terminated with one month's notice period.

<sup>75</sup> <http://civilservicecommission.independent.gov.uk/>

Hugh Mackay concluded his appointment on 31 January 2022.

### *Remuneration Policy*

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

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code<sup>76</sup> and with independent advice from the Review Body on Senior Salaries (SSRB).

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

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

Further information about the work of the SSRB can be found via the Office of Manpower Economics<sup>77</sup>.

Within the Scottish Government the Talent Action Group (TAG), comprising the Permanent Secretary, Director of 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:

<b>SCS Pay Steps</b>	<b>Deputy Director 1</b>	<b>Deputy Director 1A</b>	<b>Director</b>	<b>Director General</b>
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		

The UK Government announced a pay pause with effect from 1 April 2021 which has impacted on SCS pay arrangements.

There were no non-consolidated payments in 2021-22.

The Permanent Secretary's salary and performance-related pay are set as part of a UK

<sup>76</sup> <http://www.civilservice.gov.uk/>

<sup>77</sup> <http://www.ome.uk.com>



Cabinet Office framework and agreed by the Prime Minister.

Non-executive directors receive fees on a quarterly basis. Non-executive directors 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 2022 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 2022 is shown in the table below. Ministerial salaries included in the table below are additional to the salaries and entitlements as MSPs which are borne by the Scottish Parliament. The full year salary rate for the First Minister is £93,391 (2020-21: £93,391) and for all other Cabinet Ministers is £48,449 (2020-21: £48,449).

	Salary 2021-22 £	Salary 2020-21 £	Pension Benefits *2021-22 £	Pension Benefits *2020-21 £	Total Remuneration 2021-22 £	Total Remuneration 2020-21 £
Nicola Sturgeon, MSP (1)	94,056	93,391	33,290	41,573	127,346	134,964
John Swinney, MSP	48,449	48,449	17,270	21,565	65,719	70,014
Roseanna Cunningham, MSP (2)	6,512	48,449	1,928	19,783	8,440	68,232
Michael Matheson, MSP	48,449	48,449	17,858	19,783	66,307	68,232
Fiona Hyslop, MSP (2)	6,512	48,449	912	21,565	7,424	70,014
Fergus Ewing, MSP (2)	6,512	48,449	1,947	19,687	8,459	68,136
Humza Yousaf, MSP	48,449	48,449	18,561	19,273	67,010	67,722
Michael Russell, MSP (2)	6,512	48,449	2,201	19,273	8,713	67,722
Shirley-Anne Somerville, MSP	48,449	48,449	18,561	19,273	67,010	67,722
Aileen Campbell, MSP (3)	5,340	48,449	2,330	19,273	7,670	67,722
Jeane Freeman, MSP (2)	6,512	48,449	2,594	21,695	9,106	70,144
Kate Forbes, MSP	48,449	48,449	18,760	18,920	67,209	67,369
Keith Brown, MSP (4)	42,067	-	16,346	-	58,413	-

	Salary 2021-22 £	Salary 2020-21 £	Pension Benefits *2021-22 £	Pension Benefits *2020-21 £	Total Remuneration 2021-22 £	Total Remuneration 2020-21 £
Mairi Gougeon, MSP (4)	42,067	-	16,346	-	58,413	-
Angus Robertson, MSP (4)	42,067	-	16,346	-	58,413	-
Shona Robison, MSP (4)	42,067	-	16,346	-	58,413	-

\* 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 2021-22 includes a benefit-in-kind of £665 arising from the provision of accommodation at Bute House (2020-21: £0).

(2) Roseanna Cunningham, Fiona Hyslop, Fergus Ewing, Michael Russell and Jeane Freeman stepped down as Cabinet Ministers as of 19<sup>th</sup> May 2021. Their full year equivalent salary for 2021-22 was £48,449.

(3) Aileen Campbell stepped down as Cabinet Minister as of 11<sup>th</sup> May 2021. The full year equivalent salary for 2021-22 was £48,449.

(4) Keith Brown, Mairi Gougeon, Angus Robertson and Shona Robison were appointed as Cabinet Ministers on 20<sup>th</sup> May 2021. Their full year equivalent salary for 2021-22 was £48,449.

### *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 repurposed for use by the Scottish Government. 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 2022 is shown below:

	Salary 2021-22 £'000	Salary 2020-21 £'000	Pension Benefits *2021-22 £'000	Pension Benefits *2020-21 £'000	Total Remun- eration 2021-22 £'000	Total Remun- eration 2020-21 £'000
James Wolffe KC (1)	60	128	30	52	90	180
Alison Di Rollo KC (1)	51	110	8	45	59	155
Dorothy Bain KC (2)	90	-	39	-	129	-
Ruth Charteris KC (2)	77	-	38	-	115	-

\* 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) James Wolffe and Alison Di Rollo served until 21 June 2021 as Lord Advocate and Solicitor General, respectively.

(2) Dorothy Bain and Ruth Charteris were appointed on 22 June 2021 as Lord Advocate and Solicitor General, respectively.

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 2022 were as follows:

	Salary 2021-22 £'000	Salary 2020-21 £'000	Pension Benefits* 2021-22 £'000	Pension Benefits *2020-21 £'000	Total Remun- eration 2021-22 £'000	Total Remun- eration 2020-21 £'000
Leslie Evans (1)	225-230	170-175	0 <sup>78</sup>	73	225-230	240-245
Lesley Fraser	125-130	120-125	278 <sup>78</sup>	108	150-155	225-230
Liz Ditchburn (2)	110-115	130-135	4 <sup>78</sup>	78	115-120	205-210
Malcom Wright OBE (3)	-	10-15	-	-	-	10-15
Paul Johnston	130-135	130-135	34 <sup>78</sup>	78	165-170	205-210
Ken Thomson	130-135	130-135	9 <sup>78</sup>	76	140-145	205-210
Alyson Stafford CBE	145-150	145-150	-	-	145-150	145-150
Barbara Allison (4)	-	75-80	-	13	-	85-90
Nicky Richards	100-105	100-105	30 <sup>78</sup>	61	130-135	160-165
Gordon Wales (5)	-	35-40	-	15	-	50-55
Ruaraidh Macniven	95-100	110-115	30 <sup>78</sup>	67	125-130	160-165
Katrina Williams (6)	15-20	35-40	-	-	15-20	35-40

<sup>78</sup> The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce from one year to the next.

	Salary 2021-22 £'000	Salary 2020-21 £'000	Pension Benefits* 2021-22 £'000	Pension Benefits *2020-21 £'000	Total Remun- eration 2021-22 £'000	Total Remun- eration 2020-21 £'000
Elinor Mitchell (7)	45-50	85-90	7 <sup>78</sup>	175	50-55	260-265
Caroline Lamb (8)	185-190	40-45	73	16	260-265	55-60
Joe Griffin (9)	120-125	15-20	142	7	260-265	20-25
Kerry Twyman (10)	-	35-40	-	40	-	75-80
Jackie McAllister (11)	95-100	35-40	119	56	215-220	90-95
Madhu Malhotra (12)	75-80	25-30	-	-	75-80	25-30
Julie Humphreys (13)	-	35-40	-	29	-	60-65
John-Paul Marks (14)	40-45	-	23	-	65-70	-
Andy Bruce	95-100	-	79	-	170-175	-
Roy Brannen (15)	45-50	-	58	-	100-105	-

\*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) Leslie Evans stepped down from the Corporate Board on 31 December 2021 and formally departed the Scottish Government on 31 March 2022. Her salary and total remuneration for 2021-22 includes untaken annual leave and an additional payment made to compensate for the three month waiting period which is required of permanent secretaries upon leaving the Civil Service. Such payments are permitted under ACOBA's Business Appointment Rules, subject to consultation with Cabinet Office. The full year salary band for this post was £170-175k.

The factors used to calculate the pension benefit are such that the value of the pension that could have been taken at normal pension age decreases as the member gets older. Instead of the pension benefit showing as a negative value in 2021-22, it is expressed as zero.

(2) Liz Ditchburn was on annual leave from November 2021 and formally retired on 31 January 2022. The full year salary band for this post was £130-135k.

(3) Malcolm Wright 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 in 2020-21 was £180-185k.

(4) Barbara Allison left the Corporate Board on 11 November 2020. The full year salary band for the post in 2020-21 was £100-105k.

(5) Gordon Wales left the Corporate Board on 10 July 2020. The full year salary band for the post in 2020-21 was £105-110k.

(6) 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.

(7) Elinor Mitchell was on the Corporate Board between 23 April 2020 and 10 January 2021 as an interim DG Health & Social Care. The full year salary band for this post in 2020-21 was

£120-125k. On 16<sup>th</sup> November 2021 she was appointed as interim Director General of Economy. The full year salary band for this post was £120-125k. The position was taken up by Louise Macdonald OBE from 2 May 2022 for a fixed term until 1 May 2023.

(8) Caroline Lamb joined the Corporate Board on 11 January 2021. The full year salary band for this post in 2020-21 was £185-190k (restated).

(9) Joe Griffin was appointed to the role of Director General of Education and Justice on 15 February 2021. The full year salary band for the post in 2020-21 was £120-125k.

(10) 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 in 2020-21 was £95-100k.

(11) Jackie McAllister took up the permanent post of Chief Financial Officer on 23 November 2020. The full year salary band for the post in 2020-21 was £95-100k.

(12) Madhu Malhotra was the Director of Equality, Inclusion and Human Rights between 14 December 2020 and 31 December 2021. The full year salary band for the post was £95-100k. As Ms Malhotra left the pension scheme with less than two years of qualifying service, there are no pension benefits to disclose for 2021-22 and the pension benefit for 2020-21 is restated as nil.

(13) 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 in 2020-21 was £95-100k.

(14) John-Paul Marks was appointed as the new Permanent Secretary and joined the Corporate Board on 1 January 2022. The full year salary band for the post is £165-170k.

(15) Roy Brannen joined the Corporate Board on 16<sup>th</sup> November 2021 as Director General of Net Zero. The full year salary band for the post is £120-125k.

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

### *Fair pay disclosures*

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. The median pay ratio is consistent with the pay, reward and progression policies for the Scottish Government's employees taken as a whole.

	<b>2021-22 £'000</b>	<b>Restated 2020-21 £'000</b>
Minimum Total Remuneration	21	20
Maximum Total Remuneration	190	190
Band of Highest Paid member of the Corporate Board Total Remuneration	185-190	185-190

The total remuneration of the highest paid member of the Corporate Board did not change between 2020-21 and 2021-22, while the total remuneration of SG employees taken as a whole increased by 2.4% between 2020-21 and 2021-22.

The 2021-22 financial year is the first year disclosures in respect of the 25th percentile pay ratio and 75th percentile pay ratio are required. We have detailed the pay ratios in the table below:

	<b>2021-22</b>	<b>2020-21</b>	<b>Movement</b>
Median salary	£39,659	£38,541	2.9%
Ratio to highest paid Director	4.7:1	4.9:1	
25 <sup>th</sup> percentile	£31,542	£30,652	2.9%
Ratio to highest paid Director	5.9:1	6.1:1	
75 <sup>th</sup> Percentile	£53,476	£52,478	1.9%
Ratio to highest paid Director	3.5:1	3.6:1	

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. Remuneration for SG Non-Executive Directors was reviewed in 2021 with reference to the Public Sector Pay Policy which describes pay arrangements for Chairs, Board Members and Public Appointments in terms of a daily fee, in a tiered system. The review proposed that the Scottish Government be treated as a Tier 1 organisation to reflect the importance, size and responsibilities of the Scottish Government within the Scottish public sector. SG NXDs had previously been treated as Tier 2 members.

The review also proposed a differentiation in remuneration levels between:

- The Chair of SGAAC, who undertakes additional responsibilities compared with members of the Committee;
- The Lead NXD, who undertakes additional supporting functions for the Principal Accountable Officer;
- NXDs who are members of Corporate Board, and
- NXDs who are not members of Corporate Board.



*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 were members of the Scottish Government Corporate Board in 2020-21 and 2021-22 were as follows:

	<b>2021-22 Fees £'000</b>	<b>2020-21 Fees £'000</b>
Janet Hamblin (1)	-	0-5
Linda McKay	10-15	5-10
Ronnie Hinds	15-20	5-10
Hugh McKay (2)	10-15	5-10
Annie Gunner Logan	10-15	5-10

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

(2) Hugh Mackay concluded his appointment on 31 January 2022. The full year fee for this post is £15-20k.

*Pension Benefits**Ministers and Law Officers*

The pension entitlements of the Cabinet Team for the year to 31 March 2022 are shown below:

	<b>Accrued pension at age 65 as at 31-Mar-22 £'000</b>	<b>Real increase in pension at age 65 £'000</b>	<b>CETV at 31-Mar-22 £'000</b>	<b>CETV at 31-Mar-21 £'000</b>	<b>Real Increase in CETV £'000</b>
Nicola Sturgeon, FM	30-35	0-2.5	495	451	32
John Swinney, MSP	15-20	0-2.5	294	267	20
Fiona Hyslop, MSP	15-20	0-2.5	276	267	7
Michael Matheson, MSP	5-10	0-2.5	131	111	14
Roseanna Cunningham, MSP	5-10	0-2.5	155	152	2
Fergus Ewing, MSP	5-10	0-2.5	120	114	5
Humza Yousaf, MSP	0-5	0-2.5	48	34	9
Michael Russell, MSP	0-5	0-2.5	69	66	2
Shirley-Anne Somerville, MSP	0-5	0-2.5	60	43	11
Aileen Campbell, MSP	0-5	0-2.5	41	39	1
Jeane Freeman, MSP	0-5	0-2.5	69	66	1
Kate Forbes, MSP	0-5	0-2.5	24	12	6
Keith Brown, MSP	0-5	0-2.5	19	-	14
Mairi Gougeon, MSP	0-5	0-2.5	11	-	6
Angus Robertson, MSP	0-5	0-2.5	16	-	11

	<b>Accrued pension at age 65 as at 31-Mar-22 £'000</b>	<b>Real increase in pension at age 65 £'000</b>	<b>CETV at 31-Mar-22 £'000</b>	<b>CETV at 31-Mar-21 £'000</b>	<b>Real Increase in CETV £'000</b>
Shona Robison, MSP	0-5	0-2.5	17	-	12

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 website<sup>79</sup>.

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The pension entitlements of the Law Officers are shown below:

	<b>Accrued pension at pension age as at 31-Mar-22 £'000</b>	<b>Real increase in pension at pension age £'000</b>	<b>CETV at 31-Mar-22 £'000</b>	<b>CETV at 31-Mar-21 £'000</b>	<b>Real Increase in CETV £'000</b>
James Wolffe KC	15-20	0-2.5	302	265	32
Alison Di Rollo KC	10-15	0-2.5	250	234	12
Dorothy Bain KC	0-5	2.5-5	43	-	32
Ruth Charteris KC	0-5	0-2.5	30	-	25

<sup>79</sup> <https://pensions.gov.scot/other-schemes/scottish-parliamentary-pension-scheme>

*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):

	<b>Accrued pension at pension age and related lump sum as at 31-Mar-22 £'000</b>	<b>Real increase in pension and related lump sum at pension age £'000</b>	<b>CETV at 31-Mar-22 £'000</b>	<b>CETV at 31-Mar-21 £'000</b>	<b>Real Increase in CETV £'000</b>	<b>Employer contribution to partnership pension account £'000</b>
Leslie Evans	85-90 plus a lump sum of 260-265	0-2.5 plus a lump sum of 0-2.5	1966	1956	-2 <sup>80</sup>	-
Liz Ditchburn	45-50 plus a lump sum of 15-20	0-2.5 plus a lump sum of 0	1015	1002	4	-
Paul Johnston	45-50 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0	664	615	11	-
Alyson Stafford CBE (1)	-	-	-	-	-	22
Ken Thomson	70-75	0-2.5	1477	1398	.9 <sup>80</sup>	-
Nicky Richards	40-45 plus a lump sum of 15-20	0-2.5 plus a lump sum of 0	670	621	14	-
Lesley Fraser	50-55 plus a lump sum of 120-125	0-2.5 plus a lump sum of 0	1100	1025	12	-
Ruaraidh Macniven	35-40 plus a lump sum of 65-70	0-2.5 plus a lump sum of 0	590	545	12	-
Elinor Mitchell	55-60 plus a lump sum of 120-125	0-2.5 plus a lump sum of 0	1144	1129	1	-
Caroline Lamb	5-10	2.5-5	79	14	49	-
Joe Griffin	40-45 plus a lump sum of 80-85	5-7.5 plus a lump sum of 10-12.5	723	584	102	-
Jackie McAllister	45-50	5-7.5	676	562	79	-
John-Paul Marks	45-50	0-2.5	564	532	11	-
Andy Bruce	30-35 plus a lump sum of 50-55	2.5-5 plus a lump sum of 5-7.5	429	358	47	-
Roy Brannen	50-55 plus a lump sum of 105-110	2.5-5 plus a lump sum of 5-7.5	1006	919	50	-

<sup>80</sup> Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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

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 2020-21.

Madhu Malhotra left the Civil Service pension scheme with less than two years of qualifying service, therefore, there is no pension to disclose.

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: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits

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

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

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

For 2021-22 Scottish Government employers' contributions of £131m (2020-21: £114m) 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 2021-22 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2021-22 the value of Scottish Government employers' contributions relating to the partnership pension account was £795k (2020-21: £532k). 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 website<sup>81</sup>.

### *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.

<sup>81</sup> [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

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 UK 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.

Following consultation, the UK Government announced ‘2015 Remedy’ on 4 February 2021 according to which all members of civil service pensions who continued in service from 1 April 2022 onwards do so as members of alpha. Classic, classic plus, premium and nuvos were closed in relation to service after 31 March 2022.

The McCloud 2015 Remedy project formally commenced in April 2021 to address the discrimination deemed to have affected younger members when the reformed schemes were introduced in 2015. The decision announced in February 2021 was that a Deferred Choice Underpin would be introduced allowing members to choose which scheme they wished to be part of for the remedy period which spans from 1 April 2015 to 31 March 2022. Active and deferred members will have the opportunity to make that choice on retirement while retired members will have their award assessed separately for any detriment and they can also choose which scheme benefits they wish to take with their pension payment being retrospectively amended.

Further information regarding this discrimination, the latest update on the legislative process and scheme valuations can be found on the Civil Service Pensions website<sup>82</sup>.

<sup>82</sup> <https://www.civilservicepensionscheme.org.uk/your-pension/2015-remedy/>



## People and Culture

### Staff numbers and related costs

	No. of Special Advisers	Perman- ent Staff	Other	2021-22 Total	Restated 2020-21 Total
<b>Staff numbers (Full time equivalent)</b>					
Administration	14	1,411	140	1,565	1,471
Constitution, External Affairs & Culture		149	14	163	132
Deputy First Minister & Covid Recovery		229	40	269	213
Education & Skills		1,371	210	1,581	1,444
Finance & Economy		1,671	175	1,846	1,706
Health & Social Care		155,478	6,311	161,789	155,505
Justice & Veterans		4,571	26	4,597	4,514
Net Zero, Energy & Transport		1,046	71	1,117	1,026
Rural Affairs & Islands		1,634	90	1,724	1,653
Social Justice, Housing & Local Government		3,051	227	3,278	1,978
Crown Office and Procurator Fiscal Service		2,153	101	2,254	1,912
SG Corporate Board		14		14	12
<b>Total</b>		<b>172,778</b>	<b>7,405</b>	<b>180,197</b>	<b>171,567</b>

	2021-22 £'m	2020-21 £'m
<b>Staff costs</b>		
Wages and Salaries (Permanent staff)	7,467	7,131
Social security costs (Permanent staff)	779	716
Other pension costs (Permanent staff)	1,396	1,275
<b>Sub-total</b>	<b>9,642</b>	<b>9,122</b>
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)	592	431
<b>Total</b>	<b>10,234</b>	<b>9,553</b>
Less recoveries in respect of outward secondments	(173)	(157)
<b>Total net costs</b>	<b>10,061</b>	<b>9,396</b>

### Number and cost of exit packages

Exit Packages Cost Band	No of compulsory redundancies agreed 2021-22	No of other departures agreed 2021-22	Cost of exit packages 2021-22 £000	No of departures agreed 2020-21	Cost of exit packages 2020-21 £000
<£10,000	-	14	66	13	84
£10,000 to £25,000	-	9	132	13	219
£25,000 to £50,000	-	18	650	16	614
£50,000 to £100,000	-	44	3,071	28	1,908
£100,000 to £150,000	-	2	226	2	249
£150,000 to £200,000	-	3	489	2	175
£200,000 to £250,000	-	-	-	-	-
£250,000+	-	-	-	-	-
<b>Total number / cost of exit packages</b>	<b>-</b>	<b>90</b>	<b>4,634</b>	<b>74</b>	<b>3,249</b>

There were no compulsory redundancies in 2021-22 (2020-21: 1)

## *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 2021-2022 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 hybrid working arrangements for employees, taking a person centred approach and adapting people policies and support to meet the needs of our increasingly diverse workforce. At 86% positive, our inclusion and fair treatment score in the 2021 People Survey is our highest on record, putting the Scottish Government among the highest performing departments and agencies across the Civil Service.

SG has published the Recruitment and Retention Action Plan for Race (2020) and the Recruitment and Retention Action Plan for Disabled People (2019), and we are developing a plan for Socio-Economic Diversity (due for internal publication in late 2022). These plans highlight actions to improve diversity and inclusion in SG within those key employer areas including developing an inclusive organisational culture, strengthening accountability and embedding the key principles of an antiracist approach and the Social Model of Disability into our practices as an employer.

The implementation of both recruitment and retention action plans has developed in 2022 to focus on the delivery of a number of game-changer actions across these themes. The game-changer actions were identified in consultation with our diversity staff networks as those which would have most impact on the lived experience of colleagues, and activity and progress for the plans is now measured against these key actions. There are currently nine game-changer actions remaining for the Disability Plan and eleven for the Race plan. This model has been adopted in the development of the Socio Economic Diversity Action Plan which focusses on game-changers from the outset. Progress in delivery is reported to the Diversity and Inclusion Governance Group, which is chaired by DG Corporate, and which brings together a range of stakeholders including Network and Trade Union representatives in addition to senior allies and representatives of external organisations. The Governance Group has recently started to also focus on measuring the impact of the plans, welcoming challenge and constructive criticism to enable effective delivery.

We are committed to providing colleagues with opportunities for learning to help them understand what valuing diversity means in practice, and how to take action to build an inclusive workplace culture. The Diversity and Inclusion curriculum has been developed in two phases. The first phase provides facilitated, mandatory learning to provide foundational understanding and a digital curriculum built to supplement this. The second phase is under development and has launched initial products based on a learning needs assessment. The second phase focuses on role specific, and protected characteristic learning based on a further learning needs assessment to continue to increase the capability and understanding of colleagues beyond a foundational level.

Over the past year we have continued to build on improvements to mainstream and embed Diversity and Inclusion. Following a successful project to improve workplace adjustments using the social model of disability, we have established a dedicated workplace adjustments team. We also developed an Employee Passport as a co-production with staff networks which provides a framework to enable staff to bring their whole selves to work. It is the first of its kind in the UK Civil Service.

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 Report<sup>83</sup>.

### *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 is published along with a summary of department and agency scores. The Scottish Government staff response rate for 2021 was 75% (2020: 79%). Further information, including in regards to the consolidated agencies, can be found via our People Survey<sup>84</sup>.

Staff turnover based on permanent staff average headcount in the Core Scottish Government for 2021-22 was 3.86% (2020-21: 2.85%).

In 2021-22, an average of 7.31 working days (2020-21: 5.35) 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 2022 was 5.69% of total contracted hours (2020-21: 4.67% of total contracted hours). Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

During 2021-22 there were 57,182 male staff, 172,750 female staff and 152 who prefer not to say (restated 2020-21: 52,904 male, 163,509 female and 114 prefer not to say staff). Within these totals were 2,526 male and 2,154 female Senior Civil Servants or equivalent (2020-21: 2,174 male and 1,912 female Senior Civil Servants). These staff numbers 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 Report<sup>85</sup>.

The number of Senior Civil Servants and equivalent by pay band are:

<b>Pay band</b>	<b>2021-22 headcount</b>	<b>2020-21 headcount</b>
Deputy director or equivalent	3,336	3,126
Director or equivalent	2,073	2,004
Director General or equivalent	4,270	3,792
Permanent Secretary	2*	1
<b>Total</b>	<b>9,681**</b>	<b>8,923**</b>

\* As noted in the section on the Senior Management team above, there was a change in Permanent Secretary during the year.

\*\* The difference between total male and female Senior Civil Servants and the total number of Senior Civil Servants by pay band is due to the different pay ranges for Senior Management of the Core Scottish Government and NHS Scotland. These numbers include senior clinical staff in NHS.

<sup>83</sup><https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2021-mainstreaming-report/>

<sup>84</sup><https://www.gov.scot/collections/scottish-government-people-survey/>

<sup>85</sup><https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2021-mainstreaming-report/>

Facility time used by recognised trade union representatives of the Scottish Government and its non-consolidated entities has been reported<sup>86</sup> for the period between 1 April 2021 and 31 March 2022 as follows:

Number of employees who were trade union officials during the relevant period	119
Full time equivalent employee number	116.81
Total cost of facility time	£516,172
Total pay bill spent on paying employees who were relevant trade union officials for facility time	£673,355,541
Facility time as a percentage of total pay bill*	0.08%
Time spent on paid Trade Union activities as a percentage of total paid facility time**	35.80%

\* 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

<b>Percentage of working hours spent on facility time by trade union representatives</b>	<b>Number of trade union representatives</b>
0%	41
1 – 50%	71
51 – 99%	1
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 2022 was 3,779 (2020-21: 3,517).

<sup>86</sup><https://www.gov.scot/publications/scottish-government-trade-union-facility-time-data/>

## 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	2021-22	2021-22	Restated
	No of Cases	£m	2020-21 £m
Education & Skills	2	0.30	0.11
Finance & Economy (1)	1,142	2.51	25.49
Health & Social Care (2)	2,933	3.42	14.43
Justice & Veterans	438	0.31	0.15
Net Zero, Energy & Transport	25	0.35	0.08
Rural Affairs & Islands (3)	110	0.06	0.28
Social Justice, Housing & Local Government Administration	-	-	11.07
	23	0.49	0.03

(1) Losses of £22.86 million relating to the loans for vessels reorganised as assets under construction reported in 2020-21 now part of the Finance & Economy portfolio.

(2) £0.027 million irrecoverable student nursing bursaries have been included, although information was not accessible to report the number of cases involved (2020-21: £0.087 million, case number was not accessible)

(3) Losses of £0.03 million and £0.24 million reported for Economy, Climate Change & Land Reform and Rural Economy & Tourism in 2020-21 now relate to the Rural Affairs & Islands portfolio.

Details of cases over £0.30m:

Portfolio	Details	2021-22 £m
Health & Social Care:	NHS: SAS: staff overpayments	0.44
NHS Boards:	NHS: Tayside: flood damage to hospital property	0.50

There was one case over £0.30 million in 2020-21.

### Special Payments

Portfolio	2021-22	2021-22	Restated
	No of Cases	£m	2020-21 £m
Education & Skills	2	0.01	0.003
Finance & Economy	6	0.01	0.01
Health & Social Care	1,382	98.75	55.32
Justice & Veterans	297	4.09	3.39
Rural Affairs & Islands (1)	6	0.03	0.29
Social Justice, Housing & Local Government	32	0.008	0.005
Crown Office and Procurator Fiscal Service (2)	24	11.45	24.19
Administration	2	0.01	0.07

(1) Special payments of £0.21 million and £0.08 million reported for Environment, Climate Change Land Reform and Rural Economy & Tourism in 2020-21, respectively, now relate to the Rural Affairs & Islands portfolio.

(2) Special payments of the Crown Office and Procurator Fiscal Service reported in 2020-21 have been restated to reflect only the cash payments made in the financial year.

Details of cases over £0.30m:

Portfolio	2021-22	Details	2021-22	2020-21
	No of Cases		£m	£m
Health & Social Care: NHS Boards:		Clinical Compensation Payments:		
	1	NHS Dumfries and Galloway	3.90	1.35
	2	NHS Fife	2.62	2.20
	-	NHS Forth Valley	-	1.15
	3	NHS Grampian	3.68	3.14
	8	NHS Greater Glasgow and Clyde	22.64	-
	1	NHS Highland	0.75	-
	6	NHS Lanarkshire	12.77	1.14
	10	NHS Lothian	19.74	5.12
	3	NHS Tayside	1.67	1.12
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	11.04	24.05*

There were 35 cases over £0.30 million in 2021-22 (2020-21: 25).

\* The 2020-21 figures for the Crown Office and Procurator Fiscal Service have been restated to reflect only the cash payments made within the financial year 2020-21.

## Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2021-22	2021-22	2020-21
	No of Cases	£m	£m
Constitution, External Affairs and Culture Administration	2	0.0003	-
	-	-	0.001

There were no cases over £0.30 million in 2021-22 (2020-21: nil).

*John-Paul Marks*

**John-Paul Marks**  
Principal Accountable Officer

24 November 2022



# Report of the Auditor General for Scotland to the Scottish Parliament

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## 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 2022 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Summary of Total Outturn, the Summary of Resource Outturn, the Summary of Capital Outturn, the ten Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of the net resource outturn and resources applied to objectives for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 Scottish Government'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.

These conclusions are not intended to, nor do they, provide assurance on the Scottish Government's current or future financial sustainability. However, I report on the Scottish Government's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### *Risks of material misstatement*

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

In preparing the financial statements, the Principal Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the Scottish Government's operations.

### *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 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 website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **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 in respect of irregularities explained in the audit of the financial statements section of my report, 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.

### *Other information*

The Principal Accountable Officer is responsible for the other information in the Scottish Government Consolidated Accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on 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 consolidated 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**

24 November 2022

**Summary of Total Outturn**  
For the year ended 31 March 2022

Restated 2020-21 Outturn £m	Programme Resources	Resource Outturn £m	Capital Outturn £m	Total Outturn £m	Budget £m	Variance £m
17,799	Health and Social Care	17,926	536	18,462	18,398	64
16,684	Social Justice, Housing and Local Government	16,180	110	16,290	16,411	(121)
2,643	Finance and Economy	1,836	244	2,080	2,616	(536)
4,984	Education and Skills	3,230	551	3,781	4,587	(806)
2,844	Justice and Veterans	3,033	51	3,084	3,123	(39)
3,876	Net Zero, Energy and Transport	3,533	528	4,061	4,536	(475)
716	Rural Affairs and Islands	868	8	876	948	(72)
29	Deputy First Minister and Covid Recovery	63	-	63	72	(9)
374	Constitution, External Affairs and Culture	356	(1)	355	354	1
172	Crown Office and Procurator Fiscal Service	176	9	185	180	5
<b>50,121</b>	<b>TOTAL OUTTURN</b>	<b>47,201</b>	<b>2,036</b>	<b>49,237</b>	<b>51,225</b>	<b>(1,988)</b>

**Summary of Resource Outturn**  
For the year ended 31 March 2022

Restated 2020-21 Outturn £m	Programme Resources	Outturn £m	Budget £m	Variance £m
17,270	Health and Social Care	17,926	17,897	29
16,298	Social Justice, Housing and Local Government	16,180	16,245	(65)
2,482	Finance and Economy	1,836	2,308	(472)
4,477	Education and Skills	3,230	4,061	(831)
2,803	Justice and Veterans	3,033	3,067	(34)
3,437	Net Zero, Energy and Transport	3,533	3,933	(400)
871	Rural Affairs and Islands	868	913	(45)
29	Deputy First Minister and Covid Recovery	63	72	(9)
370	Constitution, External Affairs and Culture	356	355	1
163	Crown Office and Procurator Fiscal Service	176	172	4
<b>48,200</b>	<b>TOTAL RESOURCE OUTTURN</b>	<b>47,201</b>	<b>49,023</b>	<b>(1,822)</b>
	<i>Of which Operating Costs</i>	619		

**Summary of Capital Outturn**  
For the year ended 31 March 2022

Restated 2020-21 Outturn £m	Programme Resources	Outturn £m	Budget £m	Variance £m
529	Health and Social Care	536	501	35
386	Social Justice, Housing and Local Government	110	166	(56)
161	Finance and Economy	244	308	(64)
507	Education and Skills	551	526	25
41	Justice and Veterans	51	56	(5)
439	Net Zero, Energy and Transport	528	603	(75)
(155)	Rural Affairs and Islands	8	35	(27)
-	Deputy First Minister and Covid Recovery	-	-	-
4	Constitution, External Affairs and Culture	(1)	(1)	-
9	Crown Office and Procurator Fiscal Service	9	8	1
<b>1,921</b>	<b>TOTAL CAPITAL OUTTURN</b>	<b>2,036</b>	<b>2,202</b>	<b>(166)</b>

**Health and Social Care**  
*Portfolio Outturn Statement for the Year Ended 31 March 2022*

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	<b>Expenditure Limit</b>						
17,185	Health and Social Care	1	18,740	1,008	17,732	17,651	81
<b>17,185</b>	<b>Total Expenditure Limit</b>		<b>18,740</b>	<b>1,008</b>	<b>17,732</b>	<b>17,651</b>	<b>81</b>
	<b>UK Funded Annually Managed Expenditure</b>						
62	Health	2	154		154	195	(41)
<b>62</b>	<b>Total AME</b>		<b>154</b>	<b>-</b>	<b>154</b>	<b>195</b>	<b>(41)</b>
	<b>Other Expenditure</b>						
23	Health	3	44	4	40	51	(11)
<b>23</b>	<b>Total Other Expenditure</b>		<b>44</b>	<b>4</b>	<b>40</b>	<b>51</b>	<b>(11)</b>
<b>17,270</b>	<b>TOTAL RESOURCES</b>		<b>18,938</b>	<b>1,012</b>	<b>17,926</b>	<b>17,897</b>	<b>29</b>
516	Capital - Additions	4	538	-	538	492	46
(22)	Capital - Disposals	4	-	7	(7)	-	(7)
35	Capital (Other Expenditure) - Additions	5	5	-	5	9	(4)
<b>529</b>	<b>TOTAL CAPITAL</b>		<b>543</b>	<b>7</b>	<b>536</b>	<b>501</b>	<b>35</b>
<b>17,799</b>	<b>TOTAL OUTTURN</b>		<b>19,481</b>	<b>1,019</b>	<b>18,462</b>	<b>18,398</b>	<b>64</b>

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 £7,264m was received by Boards in 2021-22 (2020-21: £7,034m) for provision of healthcare services commissioned by Integration Authorities. NHS funding to Integration Authorities for 2021-22 totalled £7,751m (2020-21: £7,328m).

**Explanation of Major Variances greater than £3m:**

Note 1	£46 million of additional research expenditure, £32 million due to the difference in budgeting and accounting reporting requirements for Personal Protective Equipment (PPE) and £7m additional depreciation of COVID-19 equipment partially offset by £5 million in lower than anticipated Sport Scotland and Independent Living Fund working capital requirements and £1 million of apportioned Corporate Running Costs underspend.
Note 2	Lower than anticipated levels of NHS provisions and impairments.
Note 3	Lower than anticipated depreciation and impairments of NHS NPD/PPP/PFI schemes.
Note 4	£41 million of additional accelerated expenditure on the Baird & Anchor, Laboratory Information Management System and other projects partially offset by lower than anticipated advances of Sustainability Loans to GPs (£2 million).
Note 5	Lower than anticipated levels of donated assets and slippage in Hub programmes due to COVID-19.



**Social Justice, Housing and Local Government**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
10,827	Local Government	1	9,683	-	9,683	9,517	166
638	Housing	2	629	11	618	732	(114)
73	Social Justice		20	-	20	21	(1)
108	Third Sector		38	-	38	37	1
100	Central Government Grants to Local Authorities		100	-	100	100	-
3	Connected Communities		5	1	4	5	(1)
216	Social Security		300	2	298	297	1
3,361	Social Security Assistance	3	3,484	-	3,484	3,506	(22)
32	Equalities		41	-	41	42	(1)
<b>15,358</b>	<b>Total Expenditure Limit</b>		<b>14,300</b>	<b>14</b>	<b>14,286</b>	<b>14,257</b>	<b>29</b>
<b>UK Funded Annually Managed Expenditure</b>							
1,868	Non-Domestic Rates		2,090	-	2,090	2,090	-
(912)	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund		-	-	-	-	-
(16)	Housing	4	(195)	-	(195)	(107)	(88)
-	- Third Sector		-	-	-	-	-
-	- Social Security		(1)	-	(1)	5	(6)
<b>940</b>	<b>Total AME</b>		<b>1,894</b>	<b>-</b>	<b>1,894</b>	<b>1,988</b>	<b>(94)</b>
<b>16,298</b>	<b>TOTAL RESOURCES</b>		<b>16,194</b>	<b>14</b>	<b>16,180</b>	<b>16,245</b>	<b>(65)</b>
466	Capital - Additions/Advances	5	232	-	232	166	66
(80)	Capital - Disposals/Repayments	5	-	122	(122)	-	(122)
<b>386</b>	<b>TOTAL CAPITAL</b>		<b>232</b>	<b>122</b>	<b>110</b>	<b>166</b>	<b>(56)</b>
<b>16,684</b>	<b>TOTAL OUTTURN</b>		<b>16,426</b>	<b>136</b>	<b>16,290</b>	<b>16,411</b>	<b>(121)</b>

**Explanation of Major Variances greater than £3m:**

- Note 1 The revenue overspends includes £80m for Business Support & Low Income Households, £59m Employability, £6m Scottish Negotiating committee for Teachers and £15m Scottish Child Payment/Pandemic Payments. 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 Net slippage of £101m on the Affordable Homes programme. The programme was severely impacted by the ongoing impacts of COVID and associated lockdown periods. In addition, supply chain and workforce issues, which affected the whole construction sector, slowed down the rate of progress on sites, thereby reducing the funding able to be allocated.
- Note 3 Benefit expenditure is demand led and cannot be controlled in the same way as other budgets where spending limits can be set. Further information on benefit spend can be found in the Social Security Scotland accounts for 2021-22 at [www.socialsecurity.gov.scot/publications](http://www.socialsecurity.gov.scot/publications)
- Note 4 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. A significant change in the interest rate compared to the prior year has resulted in a large unwinding of the discount in 2021-22.
- Note 5 In 2021-22 Financial Transactions allocated to Housing were originally £73m (net of receipts). By their very nature, being demand led, Financial Transactions are difficult to predict. There have been reduced spend in the following programmes: £19m in shared equity schemes, delays in the Housing Infrastructure Fund of £11.5m, Build Scotland Fund reduced requirement of £3m and no requirement for the Tenant Hardship and Private Rented Sector Landlord loans at £3m. Receipts over the year have increased by £9m.  
There is a £3m underspend on the budget of £17m capital expenditure at Social Security Scotland due to the impact of Covid-19 on the fit-out works in our buildings, and the delivery of IT hardware delay due to global supply issues.

**Finance and Economy**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
	20 Scottish Public Pensions Agency		22	-	22	24	(2)
	110 Other Finance	1	111	3	108	113	(5)
	103 Digital Strategy	2	146	6	140	167	(27)
	6 Planning	3	13	-	13	7	6
	87 Employability and Training	4	75	-	75	153	(78)
	1,351 Enterprise, Trade and Investment	5	914	44	870	1,245	(375)
	17 European Social Fund - 2014-20 Programmes		31	33	(2)	-	(2)
	- European Regional Development Fund		7	6	1	-	1
	(5) ESF and ERDF Closed Schemes		-	1	(1)	-	(1)
	12 Economic Advice		13	-	13	14	(1)
	29 Scottish National Investment Bank		12	-	12	12	-
	1 Accountant in Bankruptcy		8	9	(1)	1	(2)
	314 Cities Investment and Strategy	6	331	-	331	350	(19)
	51 Ferguson Marine	7	61	-	61	2	59
	104 Rural Economy Enterprise	8	111	-	111	119	(8)
	136 Tourism	9	111	-	111	101	10
	<b>2,336 Total Expenditure Limit</b>		<b>1,966</b>	<b>102</b>	<b>1,864</b>	<b>2,308</b>	<b>(444)</b>
<b>Annually Managed Expenditure (AME)</b>							
	124 Enterprise, Trade and Investment		-	-	-	-	-
	26 ESF 14-20 Programmes	10	14	-	14	-	14
	- Enterprise, Trade and Investment	11	(47)	-	(47)	-	(47)
	- Other Finance		4	-	4	-	4
	(4) Scottish National Investment Bank		1	-	1	-	1
	<b>146 Total AME</b>		<b>(28)</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>(28)</b>
	<b>2,482 TOTAL RESOURCES</b>		<b>1,938</b>	<b>102</b>	<b>1,836</b>	<b>2,308</b>	<b>(472)</b>
	139 Capital - Additions/Advances	12	64	-	64	57	7
	23 Capital - Advances Scottish National Investment Bank	13	147	-	147	200	(53)
	23 Capital - Additions Ferguson Marine		54	-	54	51	3
	(24) Capital - Disposals/Repayments	12	-	21	(21)	-	(21)
	<b>161 TOTAL CAPITAL</b>		<b>265</b>	<b>21</b>	<b>244</b>	<b>308</b>	<b>(64)</b>
	<b>2,643 TOTAL OUTTURN</b>		<b>2,203</b>	<b>123</b>	<b>2,080</b>	<b>2,616</b>	<b>(536)</b>

**Explanation of Major Variances greater than £3m:**

- Note 1 Underspend includes £4m due to Covid campaign activity being scaled back as a result of the pandemic threat reducing.
- Note 2 The R100 contract build is well underway with connections now live in all contract areas. An underspend of £29m is driven by supply chain issues, in part resulting from / linked to the COVID-19 pandemic and wider labour market conditions, that have presented challenges to broadband delivery – both commercial and SG-funded programmes.
- Note 3 A review of spend against the Digital Transformation Planning multi-year project has resulted in a write off of £5m of prior years capital spend to revenue. The spend was a valid part of the overall project however the accounting treatment of was reviewed during 2021-22 which resulted in this change. For further details of the project see <https://www.transformingplanning.scot/digital-planning/>
- Note 4 Within Employability and Training are two main areas: Employability Services and Workforce Skills and Young Person's Guarantee, Employability and Skills:  
£14m underspend within Employability Services is mainly driven by £10m underspend on the 'No One Left Behind' & Parental Employability Support Fund offset by additional expenditure reflected through Local Government for accelerated delivery of employability schemes.  
£65m underspend within Young Person Guarantee, Employability & Skills is mainly driven by £45m underspend on Young Person's Guarantee Local Employability Partnerships funding to Local Government. There is £20m underspend on the 'No One Left Behind' Long Term Unemployed scheme due to lower than anticipated uptake.

Finance and Economy outturn statement (continued)

Explanation of Major Variances greater than £3m:

- Note 5 Total underspend of £184m in Covid-19 Business Support Grants that has been balanced by an overspend in other portfolios (including £80m in local government, £3m in Health and Social Care for sports funding, £11m in Net Zero food and drink funding, and £25 in Tourism, £14m of culture funding, £11m in Education - childcare and £3m to enterprise agencies for wedding sector funding).
- Underspend of £78m on the demand-led Self-Isolation Support grant. Forecasts were updated throughout the year to reflect the latest position which reflected the state of the pandemic and COVID cases. Budget was revised at a point in time where case levels were higher, however, actual cases did not reach the levels expected.
- The Business Ventilation Fund was introduced in response to recommendations from the Short-Life Working Group on ventilation, with a £25m value based on a broadly comparable scheme in the Republic of Ireland and a forecast that this would allow support to be provided to up to 10,000 businesses. Business demand for the Business Ventilation Fund has been less than this initial forecast which has resulted in a £21m underspend. A proportion of the underspend was repurposed to enable the college and university sector to purchase CO2 monitors in March 2022, following agreement by the Cabinet Secretary for Finance and the Economy (see note 1 on the Education and Skills portfolio outturn statement).
- There was £37m of non-budgeted income received in respect of the European Regional Development Fund Covid Response Fund.
- £56m underspend with Scottish Enterprise as they used additional non-budgeted income prior to drawing down SG Funding.
- Within International Trade and Investment, Overspends of £8m on capital grants to Local Authorities for capital hubs, and £16m on Building Scotland Fund was offset by £26m underspend from fund managers.
- Note 6 Underspend due to delays in signing off City Deals and recruitment delays, Underspend in Inverness due mainly to slippage in the Northern Innovation Hub project caused by ongoing Covid-19 restrictions.
- Note 7 Overspend due to impairment of assets under construction following updated valuation of vessels 801 and 802.
- Note 8 Mainly due to underspends emerging from Highland and Islands Enterprise (£2m) and South of Scotland Enterprise (£3m) after Spring Budget Revisions, resulting in a reduction in Grant in Aid requirements.
- Note 9 Overspend mainly due to additional Covid-19 Business Support Grants Omicron funding (see note 4 above) paid out by Visit Scotland, offset by underspends on other Tourism projects.
- Note 10 Additional spend in year in relation to a provision for future potential under-recovery of European Social Fund Income (£14m).
- Note 11 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 a decrease of £47m in the provision valuation - for more information see Note 14 Provisions.
- Note 12 Revaluation of buildings in year by the District Valuer has resulted in a write off of £4m of infrastructure improvements. Although this expenditure was required within those buildings, they did not add to the overall value of the building in line with the District Valuers procedures. For more details on valuations see note 6c.
- Note 13 The timing of investments at year-end did not result in the full budget being used by 31 March. £200m capital budget as per the 2021-22 Budget Bill for SNIB was incorrectly re-categorised as resource budget at the 2021-22 Spring Budget Revision. The outturn statement above includes this budget within capital, in line with original 2021-22 Budget Bill and the nature of the spend (loans provided by SNIB).

## Education and Skills

Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	<b>Expenditure Limit</b>						
366	Learning	1	306	2	304	325	(21)
166	Children and Families	2	180	17	163	186	(23)
28	Early Learning and Childcare Programme	3	15	-	15	8	7
828	Higher Education Student Support	4	64	3	61	746	(685)
2,143	Scottish Funding Council		1,976	-	1,976	1,978	(2)
15	Advanced Learning and Science		19	-	19	20	(1)
279	Skills and Training	5	278	-	278	271	7
737	Central Government Grants to Local Authorities		699	-	699	699	-
<b>4,562</b>	<b>Total Expenditure Limit</b>		<b>3,537</b>	<b>22</b>	<b>3,515</b>	<b>4,233</b>	<b>(718)</b>
	<b>UK Funded Annually Managed Expenditure</b>						
1	Learning		-	-	-	-	-
(86)	Higher Education Student Support	6	(210)	75	(285)	(172)	(113)
<b>(85)</b>	<b>Total AME</b>		<b>(210)</b>	<b>75</b>	<b>(285)</b>	<b>(172)</b>	<b>(113)</b>
<b>4,477</b>	<b>TOTAL RESOURCES</b>		<b>3,327</b>	<b>97</b>	<b>3,230</b>	<b>4,061</b>	<b>(831)</b>
	<i>Of which Operating Costs</i>						
10	Capital - Additions/Advances		12	-	12	13	(1)
701	Capital (AME) - Advances	7	691	-	691	513	178
(204)	Capital (AME) - Repayments	7	-	152	(152)	-	(152)
<b>507</b>	<b>TOTAL CAPITAL</b>		<b>703</b>	<b>152</b>	<b>551</b>	<b>526</b>	<b>25</b>
<b>4,984</b>	<b>TOTAL OUTTURN</b>		<b>4,030</b>	<b>249</b>	<b>3,781</b>	<b>4,587</b>	<b>(806)</b>

## Explanation of Major Variances greater than £3m:

- Note 1 Administrative error led to £16m of budget for Teacher Training remaining here although spend and additional budget was provided to Local Government.  
£4m overspend within Schools people and places due to additional Co2 monitors and ventilation costs, offset by underspend of £6m within Scottish Qualifications Authority due to higher income than expected and lower staff and operational costs.
- Note 2 There was £10m underspend in relation to the Redress Statutory Scheme due to the operational throughput of applications being lower than anticipated – for more information see the Education and Skills portfolio section of the Performance report.  
Whole Family Wellbeing Fund underspend of £3m to cover corresponding overspend for this Fund in Local Government portfolio.  
Disclosure Scotland £4.5m more income than budgeted for due to an unforeseen demand for our products during the Pandemic. They also amortised £1m less than we budgeted for due to delays in the completion of our digital programmes.
- Note 3 Overspend is due to authorised spend of £8.1m on Childcare Sector Omicron Impacts Fund covered by the Economy Directorate.
- Note 4 The apparent underspend in Higher Education Student Support is driven by the Cost of Providing Student Loans through the RAB and Stock Charges. A ring-fenced non-cash budget of £330m was provided, however due to the drivers in the Student Loan model (including set interest rates and discount rates) the outturn figure was a credit of £344 million (for more details see the accounting policies note and note 10f.) This is a ring-fenced budget and not available for use elsewhere in the Education portfolio.
- Note 5 Due to delays in claims of European Social Funding in 2020-21, Skills Development Scotland (SDS) were provided with additional cashflow support to continue to pay training providers at the request of Scottish Ministers (£18m). This has been offset by underspends within SDS of £9m and £4m underspends on Education Maintenance Allowance (EMA) of £4m due to school leaver numbers and impact of lower final 20/21 EMA grant claims against estimated accruals.
- Note 6 This non-cash variance is predominantly due to movement in the fair value calculation in relation to Student Loans - for more details see the accounting policies note and note 10f.
- Note 7 The underspend on Student Support and Tuition fees payments is due to lower than anticipated student numbers along with lower than anticipated in-year utilisation of Discretionary Funding. Any unused Discretionary Funds can be spent by academic institutions until July 22, so unspent year-end balances are prepaid into the next financial year 2022-23. The increased value of this prepayment has reduced outturn for 2021-22.

**Justice and Veterans**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
38	Community Justice Services	1	50	-	50	56	(6)
1	Judiciary		5	-	5	5	-
21	Criminal Injuries Compensation		16	-	16	16	-
113	Legal Aid	2	133	-	133	139	(6)
75	Police Central Government	3	75	2	73	86	(13)
11	Safer and Stronger Communities		19	7	12	13	(1)
459	Police and Fire Pensions	4	515	-	515	534	(19)
296	Scottish Prison Service	5	331	7	324	311	13
46	Miscellaneous	6	54	1	53	57	(4)
1,267	Scottish Police Authority	7	1,381	-	1,381	1,369	12
308	Scottish Fire and Rescue Service		311	-	311	315	(4)
85	Central Government Grants to Local Authorities		86	-	86	86	-
<b>2,720</b>	<b>Total Expenditure Limit</b>		<b>2,976</b>	<b>17</b>	<b>2,959</b>	<b>2,987</b>	<b>(28)</b>
<b>UK Funded Annually Managed Expenditure</b>							
1	Scottish Prison Service		(1)	-	(1)	-	(1)
<b>1</b>	<b>Total AME</b>		<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>
<b>Other Expenditure</b>							
78	Scottish Prison Service	7	71	-	71	76	(5)
4	Scottish Police Authority Loan Charges		4	-	4	4	-
<b>82</b>	<b>Total Other Expenditure</b>		<b>75</b>	<b>-</b>	<b>75</b>	<b>80</b>	<b>(5)</b>
<b>2,803</b>	<b>TOTAL RESOURCES</b>		<b>3,050</b>	<b>17</b>	<b>3,033</b>	<b>3,067</b>	<b>(34)</b>
41	Capital - Additions	8	51	-	51	56	(5)
<b>41</b>	<b>TOTAL CAPITAL</b>		<b>51</b>	<b>-</b>	<b>51</b>	<b>56</b>	<b>(5)</b>
<b>2,844</b>	<b>TOTAL OUTTURN</b>		<b>3,101</b>	<b>17</b>	<b>3,084</b>	<b>3,123</b>	<b>(39)</b>

**Explanation of Major Variances greater than £3m:**

Note 1	£2m of the underspend is due to the drop in the volume of electronic monitoring orders as a result of Covid-19 and £3m due to Local Authorities being unable to use time limited Covid funding by the end of the year due to recruitment issues.
Note 2	The underspend was a result of the Legal Aid Fund budget being demand led and demand was less than anticipated. This was due to the impact of the coronavirus on the operation of the courts, and on the continuation of business generally which has resulted in a significant reduction in legal aid expenditure.
Note 3	This is mainly due to a lower than anticipated 2021-22 Scottish Government contribution to the UK Government led Airwave, Firelink and Emergency Services Communication Programme (ESMCP).
Note 4	The pension scheme is demand led in nature. The underspend in year is related to fewer eligible officers retiring than anticipated.
Note 5	The majority of the overspend for Scottish Prison Services is in relation to running costs (overspend of £8m), in particular in relation to maintenance costs.
Note 6	The overall variance on miscellaneous spend is due to multiple minor variances. The largest individual variance is within Victim and Witnesses support where an underspend of £1.3m relates to the impact of Covid on projects.
Note 7	Authorisation for additional expenditure by the SPA was provided after Spring Budget Revision due to the impact of Omicron Covid variant on spend and a need for additional working capital.
Note 8	Underspends due to slippage in the Women's Estate Project (National Facility and Community Custody Units) within Scottish Prison Service.

**Net Zero, Energy and Transport**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
1,586	Rail Services	1	1,526	4	1,522	1,543	(21)
403	Concessionary Fares and Bus Services	2	385	5	380	396	(16)
251	Active Travel, Low Carbon and Other Transport	3	257	-	257	302	(45)
332	Motorways and Trunk Roads	4	511	2	509	422	87
257	Ferry Services	5	234	4	230	283	(53)
73	Air Services	6	90	1	89	117	(28)
44	Scottish Forestry	7	72	15	57	77	(20)
151	Energy	8	80	4	76	327	(251)
22	Forestry and Land Scotland		44	-	44	41	3
65	Research, Analysis and Other Services	9	77	-	77	89	(12)
131	Environmental Services	10	168	-	168	195	(27)
12	Land Reform	11	11	-	11	14	(3)
21	Climate Change and Land Managers Renewable Fund	12	16	-	16	23	(7)
(90)	Scottish Water		4	106	(102)	(100)	(2)
49	Central Government Grants to Local Authorities		55	-	55	58	(3)
<b>3,307</b>	<b>Total Expenditure Limit</b>		<b>3,530</b>	<b>141</b>	<b>3,389</b>	<b>3,787</b>	<b>(398)</b>
<b>UK Funded Annually Managed Expenditure</b>							
-	Scottish Forestry		-	-	-	-	-
-	Active Travel, Low Carbon and Other Transport		15	-	15	15	-
-	Transport Scotland		-	-	-	-	-
-	<b>Total AME</b>		<b>15</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>-</b>
<b>Other Expenditure</b>							
130	Motorways and Trunk Roads PPP/PFI		129	-	129	131	(2)
<b>130</b>	<b>Total Other Expenditure</b>		<b>129</b>	<b>-</b>	<b>129</b>	<b>131</b>	<b>(2)</b>
<b>3,437</b>	<b>TOTAL RESOURCES</b>		<b>3,674</b>	<b>141</b>	<b>3,533</b>	<b>3,933</b>	<b>(400)</b>
564	Capital - Additions/Advances	13	629	-	629	603	26
(111)	Capital - Disposals/Repayments	13	-	99	(99)	-	(99)
(14)	Capital (AME) - Capital Provision		-	2	(2)	-	(2)
<b>439</b>	<b>TOTAL CAPITAL</b>		<b>629</b>	<b>101</b>	<b>528</b>	<b>603</b>	<b>(75)</b>
<b>3,876</b>	<b>TOTAL OUTTURN</b>		<b>4,303</b>	<b>242</b>	<b>4,061</b>	<b>4,536</b>	<b>(475)</b>

**Explanation of Major Variances greater than £3m:**

Note 1	Underspend mainly due to slippage in Network Rail Enhancement projects, in addition to Abellio Scotrail revenue recovering faster than originally forecast which reduced the anticipated EMA support requirements.
Note 2	Underspend mainly due to slower than anticipated uptake of the new Under 22 Free Bus Scheme. Initial uptake and usage of the new scheme, which commenced 31 January 2022, was affected by the prevalence of COVID-19 at that time and restrictions that were put in place.
Note 3	Work on the Glasgow Subway Modernisation project was delayed by COVID-19 leading to an underspend in year of £35m. The Bus Partnership Fund expenditure was £32m lower than anticipated due to the level of interest and profile of projects following bid assessments being significantly different than expected. These underspends were partially offset by additional support of £21m for Scottish Zero Emission Bus (ScotZEB) challenge fund being provided.
Note 4	Net increase in maintenance costs including £49m costs for emergency repairs for M8 Woodside Viaduct and A83 Rest and Be Thankful and £40m increased non-cash depreciation costs.
Note 5	Fuel savings against fuel plan and penalties on Northern Isles Ferry Services and Clyde and Hebrides Ferry Services (£18m); reduced spend in year on Uig harbour project (£15m); reduced spend in year on Ardrossan harbour project (£9m) and delay in Freight Fares Reviews (£11m).
Note 6	In-year expenditure on capital projects lower than expected (£22m), revenues at HIAL airports higher than expected (£5m).
Note 7	Additional EU co-financing income (£4m) was achieved during the year. There was also an underspend of £16m on planting due to the significant impact of Storm Arwen in late November 2021, and labour shortages.



**Net Zero, Energy and Transport outturn statement (continued)**

**Explanation of Major Variances greater than £3m:**

- Note 8 Within Energy are 2 main programmes – Energy Industries and Heat in Buildings. The initial budget allocation for both programmes was based on a very ambitious delivery programme. Demand for both programmes has been severely impacted by the pandemic. In addition, even where there has been demand those programmes have themselves been disrupted from a combination of Covid-19 and supply chain issues.
- Energy Efficiency Scotland and Fuel Poverty capital grant schemes had significant underspends in year: Area Based Schemes £50m; Warmer Home Scotland £15m; Cashback Scheme £10m; Energy Efficiency: £6m (SME Loan Scheme - Cashback Element).
- Significant underspends were also noted within the Heat in Buildings Large Scale Programmes: Low Carbon Infrastructure Transition Programme £40m, Social Housing Net Zero Heat Fund £20m, Public Sector Initiatives £20m and other programmes circa £40m. Projects funded under both the Low Carbon Infrastructure Transition Programme and the Social Housing Net Zero Heat Fund were delayed by the ongoing Covid-19 pandemic, including by outbreaks on worksites and workforce absences as well as curtailment of delivery to homes with vulnerable tenants. In addition, projects suffered delays due to supply chain issues that emerged in late 2021 and early 2022, due to a number of factors. Social landlords are also deferring investment at scale due to uncertainty around the Energy Efficiency Standard for Social Housing.
- Note 9 The main reason for the underspend with Research Analysis is due to delay in the commencement of the Botanic Gardens Biomes project, leading to slippage of £10m spend.
- Note 10 Savings were achieved with the Peatland capital grants scheme (£7m) and the Recycling Improvement Fund (£10m). There were also underspends from NDPBs. Nature Scot had a £4m underspend against their budget due to slippage on capital projects funded by Peatland Action, Biodiversity Challenge and visitor management funds alongside some agreed resource savings. Scottish Environmental Protection Agency had a £3m underspend due to underspends in projects (Tarbolton, Electronic Waste Tracker, Volcanic emissions and Hydrology Consultancy work) some agreed resource savings.
- Note 11 Underspend at COP26 alongside delays to project spend and lower drawdown of funds than expected in demand led schemes.
- Note 12 A budget increase of £10m on 2020-21 for the Sustainable Action Fund was not fully utilised with an underspend of £6m, however claims paid out remain comparable to last year.
- Note 13 Transport Scotland reported a capital underspend in the year of £58m primarily as a result of the continuing delays in infrastructure projects last year caused by the impact of Covid-19 suppression measures and other international events which had a significant impact upon the supply chain for material and labour, especially across major infrastructure and roads maintenance programmes which have been re-profiled into future years. To partially offset some of the underspend position caused by these delays to infrastructure projects, Transport Scotland were able to accelerate the procurement of new vessels into the aging ferries fleet, by adding the MV Loch Frise and commissioning two 95 metre class vessels which, upon completion of their build, are intended for deployment on the Islay routes

**Rural Affairs and Islands**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
722	Agricultural Support and Related Services	1	788	85	703	743	(40)
51	Rural Services	2	51	-	51	46	5
22	Fisheries and Aquaculture Grants	3	19	5	14	21	(7)
74	Marine Scotland		97	8	89	89	-
-	- Islands Plan		9	-	9	10	(1)
<b>869</b>	<b>Total Expenditure Limit</b>		<b>964</b>	<b>98</b>	<b>866</b>	<b>909</b>	<b>(43)</b>
<b>UK Funded Annually Managed Expenditure</b>							
1	Agricultural Support and Related Services		-	-	-	2	(2)
1	Marine Scotland		2	-	2	2	-
<b>2</b>	<b>Total AME</b>		<b>2</b>	<b>-</b>	<b>2</b>	<b>4</b>	<b>(2)</b>
<b>Other Expenditure</b>							
-	- Animal License Fees		-	-	-	-	-
-	<b>Total Other Expenditure</b>		-	-	-	-	-
<b>871</b>	<b>TOTAL RESOURCES</b>		<b>966</b>	<b>98</b>	<b>868</b>	<b>913</b>	<b>(45)</b>
358	Capital - Additions/Advances	4	351	-	351	35	316
(513)	Capital - Disposals/Repayments	4	-	343	(343)	-	(343)
<b>(155)</b>	<b>TOTAL CAPITAL</b>		<b>351</b>	<b>343</b>	<b>8</b>	<b>35</b>	<b>(27)</b>
<b>716</b>	<b>TOTAL OUTTURN</b>		<b>1,317</b>	<b>441</b>	<b>876</b>	<b>948</b>	<b>(72)</b>

**Explanation of Major Variances greater than £3m:**

Note 1	£18m underspend on the Agricultural Transformation Fund due to a smaller than expected uptake of pilot projects and less livestock data gathering. £5m underspend in Less Favoured Area Support Scheme due to lower uptake as the budget was set in line with previous years outturn, and £3m underspend in the same scheme due to a delay in the Suckler Beef pilot. £4m underspend across a number of different schemes within Business development - key drivers included underspends of £3m in the Food Processing, Marketing and Cooperation Grant Scheme (FPMC). There were other minor variances across the programme.
Note 2	Overspend mainly reflects £6.5m for the Covid-19 Additional Relief Fund (CARF). Budget and underspend reflected within the Finance and Economy portfolio (note 4).
Note 3	Underspend of £8m under the European Maritime and Fisheries Fund and Marine Fund Scotland, due to a combination of Covid, EU Exit and the conflict in the Ukraine impacting on the supply chain.
Note 4	There was no spend against the Agricultural Transformation demand-led Fund in year (budget £20m). The farmers loan scheme final outturn was £7m lower than budget due to a higher recovery rate than anticipated for current and prior year advances. These underspends were offset by a £7m overspend on the Covid-19 Additional Relief Fund (CARF).

**Deputy First Minister and Covid Recovery**  
Portfolio Outturn Statement for the Year Ended 31 March 2022

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
19	Government Business and Constitutional Affairs	1	58	-	58	67	(9)
10	Governance and Reform		5	-	5	5	-
<b>29</b>	<b>Total Expenditure Limit</b>		<b>63</b>	<b>-</b>	<b>63</b>	<b>72</b>	<b>(9)</b>
<b>29</b>	<b>TOTAL RESOURCES</b>		<b>63</b>	<b>-</b>	<b>63</b>	<b>72</b>	<b>(9)</b>
-	Capital		-	-	-	-	-
-	<b>TOTAL CAPITAL</b>		-	-	-	-	-
<b>29</b>	<b>TOTAL OUTTURN</b>		<b>63</b>	<b>-</b>	<b>63</b>	<b>72</b>	<b>(9)</b>

**Explanation of Major Variances greater than £3m:**

Note 1      Underspend of £3m due to delays in recruitment and reduced central costs due to Covid, and reduced spend of £3m on administering Local Government and Scottish Parliament elections. There were other minor variances across the programme.

**Constitution, External Affairs and Culture**  
*Portfolio Outturn Statement for the Year Ended 31 March 2022*

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
<b>Expenditure Limit</b>							
268	Culture and Major Events	1	249	1	248	242	6
22	External Affairs		32	1	31	29	2
79	Historic Environment Scotland		74	-	74	74	-
<b>369</b>	<b>Total Expenditure Limit</b>		<b>355</b>	<b>2</b>	<b>353</b>	<b>345</b>	<b>8</b>
<b>UK Funded Annually Managed Expenditure</b>							
1	Culture and Major Events	2	3	-	3	10	(7)
<b>1</b>	<b>Total AME</b>		<b>3</b>	<b>-</b>	<b>3</b>	<b>10</b>	<b>(7)</b>
<b>370</b>	<b>TOTAL RESOURCES</b>		<b>358</b>	<b>2</b>	<b>356</b>	<b>355</b>	<b>1</b>
4	Capital DEL - Additions / Advances		-	-	-		-
-	- Capital DEL - Disposals/Repayments		-	1	(1)	(1)	-
<b>4</b>	<b>TOTAL CAPITAL</b>		<b>-</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>
<b>374</b>	<b>TOTAL OUTTURN</b>		<b>358</b>	<b>3</b>	<b>355</b>	<b>354</b>	<b>1</b>

**Explanation of Variances:**

- Note 1 Variance due to Covid funds being allocated for culture and events after the budget revision process had concluded.
- Note 2 The final calculation on the Historic Silicosis Legal Provision was lower than estimated at the time of Spring Budget Revision - for further details see Provisions note 14.

**The Crown Office and Procurator Fiscal Service**  
*Portfolio Outturn Statement for the Year Ended 31 March 2022*

Restated 2020-21 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	<b>Expenditure Limit</b>						
	<b>Staff Costs</b>						
100	The Crown Office and Procurator Fiscal Service	1	114	-	114	117	(3)
	<b>Administration Expenditure</b>						
9	Accommodation		9	-	9	8	1
	- Travel/Transport		-	-	-	1	(1)
39	Legal		31	-	31	30	1
5	Supplies and Services		7	2	5	6	(1)
5	Capital Charges		6	-	6	6	-
2	Other Office Costs		3	-	3	3	-
<b>160</b>	<b>Total Expenditure Limit</b>		<b>170</b>	<b>2</b>	<b>168</b>	<b>171</b>	<b>(3)</b>
	<b>UK Funded Annually Managed Expenditure</b>						
1	Impairment		1	-	1	1	-
2	Provisions	1	7	-	7	-	7
<b>3</b>	<b>Total AME</b>		<b>8</b>	<b>-</b>	<b>8</b>	<b>1</b>	<b>7</b>
<b>163</b>	<b>TOTAL RESOURCES</b>		<b>178</b>	<b>2</b>	<b>176</b>	<b>172</b>	<b>4</b>
9	Capital - Additions		9	-	9	8	1
<b>9</b>	<b>TOTAL CAPITAL</b>		<b>9</b>	<b>-</b>	<b>9</b>	<b>8</b>	<b>1</b>
<b>172</b>	<b>TOTAL OUTTURN</b>		<b>187</b>	<b>2</b>	<b>185</b>	<b>180</b>	<b>5</b>

**Explanation of Variances:**

Note 1 Additional spend in year in relation to a provision to a specific litigation claim.

**Consolidated Statement of Financial Position**  
*As at 31 March 2022*

2020-21		Note	2021-22
£m			£m
	<b>Non-Current Assets</b>		
30,808	Property, Plant and Equipment	6	33,746
290	Intangible Assets	7	342
9,845	Other Financial Assets including Investments due in more than one year	10	11,465
76	Receivables and Other Assets due in more than one year	12	87
<b>41,019</b>	<b>Total Non-Current Assets</b>		<b>45,640</b>
	<b>Current Assets</b>		
243	Inventories	9	206
1,118	Receivables and Other Current Assets	12	1,205
708	Cash and Cash Equivalents	2	1,052
351	Other Financial Assets including Investments due within one year	10	392
17	Non-Current Assets Classified as Held for Sale	8	14
<b>2,437</b>	<b>Total Current Assets</b>		<b>2,869</b>
<b>43,456</b>	<b>Total Assets</b>		<b>48,509</b>
	<b>Current Liabilities</b>		
(5,085)	Payables and Other Current Liabilities	13	(6,177)
(54)	Other Financial Liabilities due within one year	13	(35)
(347)	Provisions for Liabilities and Charges due within one year	14	(334)
<b>(5,486)</b>	<b>Total Current Liabilities</b>		<b>(6,546)</b>
<b>37,970</b>	<b>Total Assets less Current Liabilities</b>		<b>41,963</b>
	<b>Non-Current Liabilities</b>		
(2,937)	Payables and Other Liabilities	13	(2,875)
(519)	Other Financial Liabilities due in more than one year	13	(499)
(964)	Provisions for Liabilities and Charges due in more than one year	14	(1,015)
<b>(4,420)</b>	<b>Total Non-Current Liabilities</b>		<b>(4,389)</b>
<b>33,550</b>	<b>Assets less Liabilities</b>		<b>37,574</b>
	<b>Taxpayers' Equity</b>		
23,041	General Fund	SOCTE	24,669
10,509	Revaluation Reserve	SOCTE	12,905
<b>33,550</b>	<b>Total Taxpayers' Equity</b>		<b>37,574</b>

The notes on pages 127 to 176 form part of these accounts.

*John-Paul Marks*

**John-Paul Marks**  
**Principal Accountable Officer**

24 November 2022



**Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity**  
For the year ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Total £m
<b>Balance at 1 April 2021</b>		<b>23,041</b>	<b>10,509</b>	<b>33,550</b>
Net operating cost for the year		(47,201)	-	<b>(47,201)</b>
Net gain/(loss) on revaluation/indexation of property, plant and equipment	6	-	2,743	<b>2,743</b>
Non-Operating gain/(loss) on transfer of property, plant and equipment	6	-	-	-
<b>Total Comprehensive Expenditure for the year ended 31 March 2022</b>		<b>(47,201)</b>	<b>2,743</b>	<b>(44,458)</b>
<b>Non Cash Charges</b>				
Non cash charges - auditor's remuneration	5e	5	-	5
Non cash charges - NHS Adjustment		4	-	4
Non cash charges - Roads adjustment	6	13	-	13
<b>Total Non Cash charges</b>		<b>22</b>	-	<b>22</b>
<b>Other Reserve movements</b>				
NHS Adjustment		16		16
Transfer between reserves		347	(347)	-
<b>Total other reserve movements/adjustments</b>		<b>363</b>	<b>(347)</b>	<b>16</b>
<b>Funding</b>				
Parliamentary Funding		48,776	-	48,776
Less funding to pensions schemes		136	-	136
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		(112)	-	(112)
<b>Net parliamentary funding drawn down</b>	23	<b>48,800</b>	-	<b>48,800</b>
Movement of balance with the SCF		(356)		(356)
<b>Net funding position</b>		<b>48,444</b>	-	<b>48,444</b>
<b>Net increase/(decrease) in year</b>		<b>1,628</b>	<b>2,396</b>	<b>4,024</b>
<b>Balance as at 31 March 2022</b>		<b>24,669</b>	<b>12,905</b>	<b>37,574</b>

**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 2021

	Note	General Fund £m	Revaluation Reserve £m	Total £m
<b>Balance at 1 April 2020</b>		<b>22,762</b>	<b>10,676</b>	<b>33,438</b>
Net operating cost for the year		<b>(48,201)</b>	-	<b>(48,201)</b>
Net gain/(loss) on revaluation/indexation of property, plant and equipment	6	-	(63)	<b>(63)</b>
Non-Operating gain/(loss) on transfer of property, plant and equipment	6	-	-	-
<b>Total Comprehensive Expenditure for the year ended 31 March 2021</b>		<b>(48,201)</b>	<b>(63)</b>	<b>(48,264)</b>
<b>Non Cash Charges</b>				
Non cash charges - auditor's remuneration	5e	5	-	5
Non cash charges - NHS adjustment		-	-	-
Non cash charges - Roads adjustment		75	-	75
<b>Total Non Cash charges</b>		<b>80</b>	-	<b>80</b>
<b>Other Reserve movements</b>				
Transfer of non-current assets		-	-	-
Other Adjustment		(2)	-	(2)
NHS Adjustment		(77)	-	(77)
Transfer between reserves		104	(104)	-
<b>Total other reserve movements/adjustments</b>		<b>25</b>	<b>(104)</b>	<b>(79)</b>
<b>Funding</b>				
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)
<b>Net parliamentary funding drawn down</b>	23	<b>48,128</b>	-	<b>48,128</b>
Movement of balance with the SCF		247	-	247
<b>Net funding position</b>		<b>48,375</b>	-	<b>48,375</b>
<b>Net increase/(decrease) in year</b>		279	(167)	112
<b>Balance as at 31 March 2021</b>		<b>23,041</b>	<b>10,509</b>	<b>33,550</b>

**Statement of Cash Flows**  
For the year ended 31 March 2022

2020-21		2021-22
£m	Note	£m
(46,528)	(A)	(46,306)
(1,670)	(B)	(1,755)
(38)	(D)	(140)
47,974	(C)	48,545
<b>(262) Increase / (Decrease) in cash in the period</b>	2	<b>344</b>
<b>(A) Reconciliation of operating costs to operating cash flows</b>		
(48,200)	SoCTE	(47,201)
6	5b	6
1,011	3	(78)
156		149
(101)		37
27	4	27
1,446	4	748
(731)	4	37
(142)		(31)
<b>(46,528) Net cash outflow from operating activities</b>		<b>(46,306)</b>
<b>(B) Analysis of cash flows from investing activities</b>		
(651)		(800)
(135)		(252)
10		5
13		20
5		4
(1,871)		(1,584)
926		802
33	10	50
<b>(1,670) Net Cash outflow from investment activities</b>		<b>(1,755)</b>
<b>(C) Analysis of cash flows from financing activities</b>		
48,128	SOCTE	48,800
(33)		(50)
(72)		(87)
108		109
(155)		(226)
(2)		(1)
<b>47,974 Cash flows from financing activities</b>		<b>48,545</b>
<b>262 Decrease/(Increase) in cash equivalents</b>	2	<b>(344)</b>
<b>48,236 Net cash and cash equivalents requirement</b>		<b>48,201</b>

(D) Payments to the Scottish Consolidated Fund (SCF) represent the increase in the balance receivable from the SCF of £140m.

# Notes to the Accounts

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*For the Year Ended 31 March 2022*

## *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 2021-22 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.

#### *Student Loan Valuations*

The value of Student Loans is calculated using forecasting models which use data on the demographics of higher education and further education students to predict their likely lifetime earnings, and from this their loan repayments. The models depend on a complex set of assumptions, in particular about the trajectory of borrowers' earnings. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances

and the estimate of graduate earnings as well as a number of other assumptions. The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at the year end.

### 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 1.4 below), and will be accounted for under IAS 16 Property, Plant and Equipment.

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

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

#### Capitalisation

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

#### Valuation

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

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

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

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

The indexation factors applied are:

Road Pavement and 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 de-recognition, 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, is 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 of statement of comfort unless it arises in the normal course of business or the sum of the risk is £1m or less.

### 1.19 *Value Added Tax (VAT)*

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

### 1.20 *Segmental Reporting*

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

### 1.21 *Trade Receivables*

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

### 1.22 *Cash and Cash Equivalents*

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

### 1.23 *Trade Payables*

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

### 1.24 *Short Term Employee Benefits*

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



### 1.25 New Accounting Standards

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

#### IFRS 16 - Leases

This standard comes 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 and 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.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated across the consolidation boundary, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed and other bodies will generally be using the capitalisation thresholds noted above in section 1.3.

The Scottish Government has assessed the impact that the application of IFRS 16 will have on the comprehensive net expenditure for the financial year ending 31 March. The figures below are for existing leases as at 31 March 2022 and for new leases starting during 2022-23.

<b>SoCNE impacts IFRS 16</b>	<b>£000's</b>
Depreciation expected 2022-23	85,579
Interest expense expected 2022-23	5,341
IAS 17 basis rental payments expected 2022-23	(83,735)
Increased Expenditure	7,185

#### IFRS 17 - Insurance Contracts

IFRS 17 replaces the previous standards on insurance contracts, IFRS 4. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

The Standard will be adapted and interpreted for the public sector context. One major difference from the private sector is that the implementation of IFRS 17 has been delayed from 1 January 2023 (its effective date in the private sector). The mandatory effective date of IFRS 17 in the public sector is not yet confirmed but is expected to be 1 April 2024.

The impact of IFRS 17 has not yet been determined but this will be assessed when further guidance is forthcoming from HM Treasury.

## 2. Cash and cash equivalents

	2021-22 £m	2020-21 £m
Government Banking Service	1,019	659
Commercial banks and cash in hand	33	49
<b>At 31 March</b>	<b>1,052</b>	<b>708</b>
At 1 April	708	970
Net change in cash and cash equivalent balances	344	(262)
<b>At 31 March</b>	<b>1,052</b>	<b>708</b>

		2021-22 Net £m	2020-21 Net £m
The balance at 31 March includes:			
	Note		
Cash due to be paid to the Scottish Consolidated Fund	13	997	644
Consolidated Fund extra receipts received and due to be paid to the SCF	13	3	3
<b>At 31 March</b>		<b>1,000</b>	<b>647</b>

## 3. Note to the Cash Flow Statement

### *Adjustment to Operating Activities for Non-cash Transactions*

	2021-22 £m	2020-21 £m
Depreciation and Amortisation	648	485
Impairments/Write-backs	78	96
<b>Total Capital Charges</b>	<b>726</b>	<b>581</b>
Loss/(Profit) on disposal of property, plant and equipment	(15)	(7)
Capitalised interest - financial assets	(76)	(71)
Student loans fair value adjustment	(532)	412
Investment fair value adjustments	(173)	37
Income from donated asset additions	(5)	(15)
Auditor Fees	5	5
Unrealised exchange rate (gain)/loss	1	3
Acquisition of Shares	(130)	1
Other non-cash items - Health Boards	16	57
Other non-cash items	5	(1)
NHS Highland - movement in year in LG pension costs	(10)	13
NHS Board consolidation adjustments	110	(4)
<b>Total</b>	<b>(78)</b>	<b>1,011</b>

**4. Note to the Cash Flow Statement - Working Capital***Movement in Working Capital*

	Note	Opening Balance	Closing Balance	2021-22 Net Movement	2020-21 Net Movement
		£m	£m	£m	£m
<b>Inventories</b>	9	243	206		
<b>Net Decrease/(Increase)</b>				<b>37</b>	<b>(101)</b>
<b>Receivables and other assets</b>					
Due within one year	12	1,117	1,205	(88)	(66)
Due after more than one year	12	76	87	(11)	25
Assets Held for Sale	8	17	14	3	(7)
Less: Capital included in PPE		(24)	(25)	1	3
Less: Capital included in intangibles		-	-	-	-
Less: Capital included in investment		(1)	(1)	-	1
Less: Receivable from SCF	12	(60)	(200)	140	60
Less: General Fund receivable included above		(5)	(3)	(2)	4
Other Adjustment		(7)	4	(11)	22
Prior Year Adjustment		(7)	-	(7)	-
NHS boards consolidation adjustment		881	879	2	(15)
<b>Total</b>		<b>1,987</b>	<b>1,960</b>		
<b>Net Decrease/(Increase)</b>				<b>27</b>	<b>27</b>
<b>Payables and other liabilities</b>					
Due within one year	13	5,133	6,212	1,079	1,265
Due after more than one year	13	3,456	3,374	(82)	(122)
Less: Capital included in PPE		(241)	(158)	83	(53)
Less: Capital included in intangibles		(1)	(12)	(11)	1
Less: Capital included in Investment		(14)	(35)	(21)	(9)
Less: SCF corporate payable included in above	13	(634)	(995)	(361)	254
Less: Payable to SCF	13	(15)	(3)	12	12
Less: Bank Overdraft	13	(4)	(2)	2	(4)
Less: NLF payable included in above	13	(531)	(481)	50	33
Less: PFI Imputed Leases	13	(2,870)	(2,911)	(41)	66
Less: Financial Guarantees included in above	13	-	-	-	1
Other Adjustment		6	19	13	(9)
Prior Year Adjustment		5	-	(5)	-
NHS Board Consolidation Adjustment		144	174	30	11
<b>Total</b>		<b>4,434</b>	<b>5,182</b>		
<b>Net (Decrease)/Increase</b>				<b>748</b>	<b>1,446</b>
<b>Provisions</b>					
Due within one year	14	347	334	(13)	(818)
Due after more than one year	14	964	1,015	51	87
NHS Board Consolidation Adjustment		450	449	(1)	-
<b>Total</b>		<b>1,761</b>	<b>1,798</b>		
<b>Net (Decrease)/Increase</b>				<b>37</b>	<b>(731)</b>
<b>Total Net Movement</b>				<b>849</b>	<b>641</b>

## 5. Outturn Income and Expenditure

5a. Operating income analysed by classification and activity, is as follows:

	Total Income £m	Income Not Applied £m	2021-22 Income Applied £m	Restated 2020-21 Income Applied £m
Health and Social Care	1,012	-	1,012	706
Social Justice, Housing and Local Government	14	-	14	10
Finance and Economy	102	-	102	26
Education and Skills	97	-	97	83
Justice and Veterans	17	-	17	16
Net Zero, Energy and Transport	141	-	141	143
Rural Affairs and Islands	98	-	98	133
Deputy First Minister and Covid Recovery	-	-	-	-
Constitution, External Affairs and Culture	2	-	2	1
Crown Office and Procurator Fiscal Service	8	6	2	2
<b>TOTAL</b>	<b>1,491</b>	<b>6</b>	<b>1,485</b>	<b>1,120</b>

### 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 (as amended by Scotland Act 2012 and Scotland Act 2016) [referred to as Designation of Receipts Order].

The major items of income not applied are:

	Cash received £m	Accrued £m	2021-22 £m	2020-21 £m
Repayment of interest	-	-	-	-
Non-designated receipts - Proceeds of Crime and other	6	-	6	6
<b>Total Income Not Applied</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</b>

### 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 under the requirements of the Designation of Receipts Order.

	Capitalised Interest £m	Voted Loans Interest £m	Other Interest £m	2021-22 Total Interest £m	Restated 2020-21 Total Interest £m
<b>Programme Income:</b>					
Social Justice, Housing and Local Government	-	-	1	1	1
Finance and Economy	-	-	-	-	1
Education and Skills	75	-	-	75	70
Net Zero, Energy and Transport	-	111	33	144	148
<b>Total</b>	<b>75</b>	<b>111</b>	<b>34</b>	<b>220</b>	<b>220</b>

All capitalised and voted loans interest in the table above is included within the associated portfolio outturn statement as income applied. There is no interest income that meets the definition of income not applied, in accordance with the Designation of Receipts Order. However, both the Voted Loans interest and National Loan Funds interest (£33m Other Interest within the Net Zero, Energy and Transport Portfolio) is due back to the Scottish Consolidated Fund. The Voted Loans interest is specifically excluded from the Designation of Receipts Order, whilst the National Loan Funds interest relates to pre-devolution loans and has a net nil effect on the net outturn of the Net Zero, Energy and Transport portfolio against the Scottish Water line.

### 5d. Interest Payable

	2021-22 Total £m	2020-21 Total £m
Finance lease charges allocated in the year including on balance sheet PFI/PPP contracts	225	225
Other interest	-	3
<b>Total</b>	<b>225</b>	<b>228</b>

### 5e. Audit Fee

The consolidated audit fee for 2021-22 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 2020-21 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	2021-22 £m	2020-21 £m
Staff Costs	567	512
Accommodation	43	35
Legal Costs	5	3
Travel & Subsistence	3	2
Training	3	2
IT Costs	31	32
Transport	1	1
Audit Fee	1	1
Other Office Costs	18	18
Operating Income	(53)	(19)
<b>Total</b>	<b>619</b>	<b>587</b>

Analysis of Net Operating Costs by Portfolio	2021-22 £m	Restated 2020-21 £m
Health and Social Care	119	123
Social Justice, Housing and Local Government	27	20
Finance and Economy	80	87
Education and Skills	47	40
Justice and Veterans	159	144
Net Zero, Energy and Transport	41	38
Rural Affairs and Islands	91	91
Deputy First Minister and Covid Recovery	35	27
Constitution, External Affairs and Culture	20	15
Crown Office and Procurator Fiscal Service	-	-
<b>Total</b>	<b>619</b>	<b>585</b>

(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	2021-22 Total £m	Restated 2020-21 Total £m
Health and Social Care	334	21	355	396
Social Justice, Housing and Local Government	22	-	22	12
Finance and Economy	17	55	72	35
Education and Skills	8	-	8	7
Justice and Veterans	42	1	43	40
Net Zero, Energy and Transport	176	-	176	40
Rural Affairs and Islands	44	-	44	46
Deputy First Minister and Covid Recovery	-	-	-	-
Constitution, External Affairs and Culture	-	-	-	-
Crown Office and Procurator Fiscal Service	5	1	6	5
<b>Total Capital Charges</b>	<b>648</b>	<b>78</b>	<b>726</b>	<b>581</b>

**6. Property, Plant and Equipment***6a. Property, Plant and Equipment*

	Land <sup>1</sup>	Buildings <sup>2</sup>	Dwellings	Road Network <sup>3</sup>	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>										
<b>As at 1 April 2021</b>	<b>474</b>	<b>7,436</b>	<b>656</b>	<b>25,202</b>	<b>240</b>	<b>1,427</b>	<b>459</b>	<b>96</b>	<b>1,082</b>	<b>37,072</b>
Additions	8	59	1	62	5	79	15	5	583	817
Adjustments	-	-	-	26	-	-	-	-	-	26
Transfers	-	159	2	121	10	89	39	1	(421)	-
Disposals	(2)	(4)	-	-	(14)	(61)	(35)	(6)	-	(122)
Revaluations to Revaluation Reserve	9	256*	40	2,725	15	(2)	(2)	-	-	3,041
Revaluations to Outturn Statement	(1)	(15)	-	-	(1)	-	-	-	(70)	(87)
<b>Balance at 31 March 2022</b>	<b>488</b>	<b>7,891</b>	<b>699</b>	<b>28,136</b>	<b>255</b>	<b>1,532</b>	<b>476</b>	<b>96</b>	<b>1,174</b>	<b>40,747</b>
<b>Depreciation</b>										
<b>As at 1 April 2021</b>	-	<b>296</b>	<b>13</b>	<b>4,445</b>	<b>142</b>	<b>930</b>	<b>361</b>	<b>77</b>	-	<b>6,264</b>
Charged in year	-	219	23	175	18	95	34	4	-	568
Adjustments	-	-	-	14	-	-	-	-	-	14
Disposal	-	(3)	-	-	(14)	(61)	(35)	(5)	-	(118)
Revaluations to Revaluation Reserve	-	(155)*	(2)	451	11	(2)	(1)	-	-	302
Revaluations to Outturn Statement	-	(31)	-	-	-	1	1	-	-	(29)
<b>Balance at 31 March 2022</b>	-	<b>326</b>	<b>34</b>	<b>5,085</b>	<b>157</b>	<b>963</b>	<b>360</b>	<b>76</b>	-	<b>7,001</b>
<b>Net book value at 31 March 2022</b>	<b>488</b>	<b>7,565</b>	<b>665</b>	<b>23,051</b>	<b>98</b>	<b>569</b>	<b>116</b>	<b>20</b>	<b>1,174</b>	<b>33,746</b>
Net book value at 31 March 2021	474	7,140	643	20,757	98	497	98	19	1,082	30,808

\* Increased estimates of remaining useful asset lives is processed as a reduction to the accumulated depreciation. The revaluation of buildings in 2021-22 results in a net upward movement.

	Land <sup>1</sup>	Buildings <sup>2</sup>	Dwellings	Road Network <sup>3</sup>	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Analysis of asset financing:</b>										
Owned	481	5,073	575	19,770	90	552	116	20	1,170	27,847
Finance Leased	-	45	-	-	4	-	-	-	-	49
On balance sheet PFI	5	2,369	89	3,281	-	1	-	-	1	5,746
Donated	-	-	-	-	-	1	-	-	-	1
EU Grant	2	78	1	-	4	15	-	-	3	103
<b>Net book value at 31 March 2022</b>	<b>488</b>	<b>7,565</b>	<b>665</b>	<b>23,051</b>	<b>98</b>	<b>569</b>	<b>116</b>	<b>20</b>	<b>1,174</b>	<b>33,746</b>
<b>Donated Asset Movement</b>										
Additions	1	-	-	-	-	2	-	-	1	4
Disposals	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> - (land holdings and land underlying buildings); <sup>2</sup> - (excluding dwellings); <sup>3</sup> - (including land)

## 6a. Property, Plant and Equipment (cont.)

Cost or valuation	Land <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets Under Construction £m	Total £m
<b>As at 1 April 2020</b>	<b>484</b>	<b>7,659</b>	<b>713</b>	<b>25,297</b>	<b>224</b>	<b>1,295</b>	<b>440</b>	<b>91</b>	<b>792</b>	<b>36,995</b>
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)
<b>Balance at 31 March 2021</b>	<b>474</b>	<b>7,436</b>	<b>656</b>	<b>25,202</b>	<b>240</b>	<b>1,427</b>	<b>459</b>	<b>96</b>	<b>1,082</b>	<b>37,072</b>
<b>Depreciation</b>										
<b>As at 1 April 2020</b>	-	<b>367</b>	<b>36</b>	<b>4,445</b>	<b>128</b>	<b>904</b>	<b>344</b>	<b>72</b>	-	<b>6,296</b>
Charged in year	-	218	22	40	17	84	29	5	-	415
Adjustments	-	-	-	(11)	-	-	-	-	-	(11)
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers outwith core portfolios	-	-	-	-	-	-	-	-	-	-
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)
<b>Balance at 31 March 2021</b>	-	<b>296</b>	<b>13</b>	<b>4,445</b>	<b>142</b>	<b>930</b>	<b>361</b>	<b>77</b>	-	<b>6,264</b>
<b>Net book value at 31 March 2021</b>	<b>474</b>	<b>7,140</b>	<b>643</b>	<b>20,757</b>	<b>98</b>	<b>497</b>	<b>98</b>	<b>19</b>	<b>1,082</b>	<b>30,808</b>
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 <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	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
EU Grant	-	-	-	-	-	-	-	-	-	-
<b>Net book value at 31 March 2021</b>	<b>474</b>	<b>7,140</b>	<b>642</b>	<b>20,757</b>	<b>98</b>	<b>499</b>	<b>97</b>	<b>19</b>	<b>1,082</b>	<b>30,808</b>

Donated Asset Movement	Land <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £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)

<sup>1</sup> - (land holdings and land underlying buildings); <sup>2</sup> - (excluding dwellings); <sup>3</sup> - (including land)



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

	Land <sup>1</sup>	Buildings <sup>2</sup>	Dwellings	Road Network <sup>3</sup>	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
Cost or valuation	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2021</b>	<b>349</b>	<b>6,794</b>	<b>24</b>	-	<b>117</b>	<b>1,375</b>	<b>367</b>	<b>88</b>	<b>410</b>	<b>9,524</b>
Additions	8	41	-	-	3	74	10	3	379	518
Adjustments	-	-	-	-	-	-	-	-	-	-
Transfers	-	157	1	-	10	88	34	1	(292)	(1)
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	-
Disposals	(2)	(3)	-	-	(13)	(59)	(26)	(6)	-	(109)
Revaluations to Revaluation Reserve	6	216	-	-	-	(2)	(1)	-	-	219
Revaluations to Outturn Statement	(1)	(9)	-	-	(1)	-	-	-	(33)	(44)
<b>At 31 March 2022</b>	<b>360</b>	<b>7,196</b>	<b>25</b>	-	<b>116</b>	<b>1,476</b>	<b>384</b>	<b>86</b>	<b>464</b>	<b>10,107</b>
<b>Depreciation</b>										
<b>At 1 April 2021</b>	-	<b>251</b>	<b>1</b>	-	<b>60</b>	<b>891</b>	<b>302</b>	<b>69</b>	-	<b>1,574</b>
Charged in year	-	193	1	-	13	93	23	4	-	327
Adjustments	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	-
Disposal	-	(2)	-	-	(13)	(59)	(26)	(5)	-	(105)
Reclassifications	-	-	-	-	-	-	-	-	-	-
Revaluations to Revaluation Reserve	-	(155)	(1)	-	-	(2)	(1)	-	-	(159)
Revaluations to Outturn Statement	-	(28)	-	-	-	1	-	-	-	(27)
<b>At 31 March 2022</b>	-	<b>259</b>	<b>1</b>	-	<b>60</b>	<b>924</b>	<b>298</b>	<b>68</b>	-	<b>1,610</b>
<b>Net book value at 31 March 2022</b>	<b>360</b>	<b>6,937</b>	<b>24</b>	-	<b>56</b>	<b>552</b>	<b>86</b>	<b>18</b>	<b>464</b>	<b>8,497</b>
Net book value at 31 March 2021	349	6,543	23	-	57	484	65	19	410	7,950
<b>Analysis of asset financing:</b>										
	Land <sup>1</sup>	Buildings <sup>2</sup>	Dwellings	Road Network <sup>3</sup>	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Owned	353	4,495	24	-	56	536	85	18	459	6,026
Finance Leased	-	35	-	-	-	-	-	-	-	35
PFI included in Statement of Financial Position	5	2,329	-	-	-	1	1	-	2	2,338
Donated Asset	2	78	-	-	-	15	-	-	3	98
<b>Net book value at 31 March 2022</b>	<b>360</b>	<b>6,937</b>	<b>24</b>	-	<b>56</b>	<b>552</b>	<b>86</b>	<b>18</b>	<b>464</b>	<b>8,497</b>
<b>Donated Asset Movement</b>										
	Land <sup>1</sup>	Buildings <sup>2</sup>	Dwellings	Road Network <sup>3</sup>	Transport	Equipment	ICT Systems	Fixtures and fittings	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions	1	-	-	-	-	2	-	-	1	4
Disposals	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> - (land holdings and land underlying buildings); <sup>2</sup> - (excluding dwellings); <sup>3</sup> - (including land)

## 6b. Property, Plant and Equipment - NHS non-current assets included within note 6a (Cont.)

## Prior Year

	Land <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
<b>Cost or valuation</b>										
<b>At 1 April 2020</b>	<b>356</b>	<b>6,980</b>	<b>24</b>	-	<b>109</b>	<b>1,245</b>	<b>352</b>	<b>88</b>	<b>306</b>	<b>9,460</b>
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)
<b>At 31 March 2021</b>	<b>349</b>	<b>6,794</b>	<b>24</b>	-	<b>117</b>	<b>1,375</b>	<b>367</b>	<b>92</b>	<b>410</b>	<b>9,528</b>
<b>Depreciation</b>										
<b>At 1 April 2020</b>	-	<b>311</b>	-	-	<b>54</b>	<b>866</b>	<b>283</b>	<b>69</b>	-	<b>1,583</b>
Charged in year	-	194	1	-	12	81	21	4	-	313
Transfers	-	-	-	-	-	-	-	-	-	-
Disposal	-	(1)	-	-	(6)	(57)	(3)	-	-	(67)
Revaluations to Revaluation Reserve	-	(226)	-	-	-	-	-	-	-	(226)
Revaluations to Outturn Statement	-	(27)	-	-	-	1	1	-	-	(25)
<b>At 31 March 2021</b>	-	<b>251</b>	<b>1</b>	-	<b>60</b>	<b>891</b>	<b>302</b>	<b>73</b>	-	<b>1,578</b>
<b>Net book value at 31 March 2021</b>	<b>349</b>	<b>6,543</b>	<b>23</b>	-	<b>57</b>	<b>484</b>	<b>65</b>	<b>19</b>	<b>410</b>	<b>7,950</b>
Net book value at 31 March 2020	356	6,669	24	-	55	379	69	19	306	7,877
<b>Analysis of asset financing:</b>										
	Land <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
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
<b>Net book value at 31 March 2021</b>	<b>349</b>	<b>6,543</b>	<b>23</b>	-	<b>57</b>	<b>484</b>	<b>65</b>	<b>19</b>	<b>410</b>	<b>7,950</b>
<b>Donated Asset Movement</b>										
	Land <sup>1</sup> £m	Buildings <sup>2</sup> £m	Dwellings £m	Road Network <sup>3</sup> £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Additions	-	-	-	-	-	2	-	-	-	2
Disposals	-	-	-	-	-	(1)	-	-	-	(1)

<sup>1</sup> - (land holdings and land underlying buildings); <sup>2</sup> - (excluding dwellings); <sup>3</sup> - (including land)

*6c. Property, Plant and Equipment Disclosures*

	2021-22 £m	2020-21 £m
<b>Net book value of Property, Plant and Equipment</b>	<b>33,746</b>	<b>30,808</b>
<b>Total value of assets held under:</b>		
Finance Leases	48	49
Hire Purchase Contracts	-	-
PFI and PPP Contracts	5,747	5,329
<b>Total</b>	<b>5,795</b>	<b>5,378</b>
<b>Total depreciation charged in respect of assets held under:</b>		
Finance leases	6	5
PFI and PPP contracts	55	49
<b>Total</b>	<b>61</b>	<b>54</b>

**Valuations and Basis of Valuation**

As part of the 5-year rolling programme for Scottish Government assets, 7 properties – (Old Governors House Edinburgh, Station Street Stranraer, 3 Cadzow Court Hamilton, Cotgreen Road Tweedbank, Royal Pavilion Ingliston, St Andrews House Edinburgh and Victoria Quay Edinburgh), underwent a formal desktop revaluation as at 31st March 2022. These valuations were on the basis of Existing Use Value (EUUV).

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.

In line with prior years, indexation has been applied to assets valued at Depreciated Replacement Cost, using the RPI index as at 31 March 2022. The RPI index movement for the prior 12 months used for the financial year 2021-22 was 7.5 (2020-21: 1.2) and this high value has had a significant impact on the valuation of property and transport across the Consolidation. The impact on Scottish Government Assets in 2021-22 on the Net Book value was a total of £20m (2020-21: £4m) with the largest impact being against non-residential buildings (£12m, 2020-21: £2.5m) and Marine Scotland Vessels (£4m, 2020-21: £1m).

## 7. Intangible Assets

	Software Licenses £m	Information Technology Software £m	Assets under Development £m	Total £m
<b>Cost or Valuation</b>				
<b>As at 1 April 2021</b>	<b>165</b>	<b>528</b>	<b>76</b>	<b>769</b>
Additions	3	5	133	141
Disposals	(2)	(21)	-	(23)
Transfers	4	9	(13)	-
Revaluations to Outturn Statement	-	-	(7)	(7)
<b>Balance at 31 March 2022</b>	<b>170</b>	<b>521</b>	<b>189</b>	<b>880</b>
<b>Amortisation</b>				
<b>As at 1 April 2021</b>	<b>149</b>	<b>330</b>	<b>-</b>	<b>479</b>
Charged in year	7	75	-	82
Disposals	(2)	(21)	-	(23)
Transfers	(1)	1	-	-
<b>Balance at 31 March 2022</b>	<b>153</b>	<b>385</b>	<b>-</b>	<b>538</b>
<b>Net book value at 31 March 2022</b>	<b>17</b>	<b>136</b>	<b>189</b>	<b>342</b>
Net book value at 31 March 2021	16	198	76	290

	Software Licenses £m	Information Technology Software £m	Assets under Development £m	Total £m
<b>Prior Year</b>				
<b>Cost or Valuation</b>				
<b>As at 1 April 2020</b>	<b>159</b>	<b>450</b>	<b>52</b>	<b>661</b>
Additions	6	13	105	124
Disposals	(5)	(13)	(2)	(20)
Transfers	5	79	(79)	5
Revaluations	-	(1)	-	(1)
<b>Balance at 31 March 2021</b>	<b>165</b>	<b>528</b>	<b>76</b>	<b>769</b>
<b>Amortisation</b>				
<b>As at 1 April 2020</b>	<b>147</b>	<b>277</b>	<b>-</b>	<b>424</b>
Charged in year	7	55	-	62
Disposals	(5)	(2)	-	(7)
<b>Balance at 31 March 2021</b>	<b>149</b>	<b>330</b>	<b>-</b>	<b>479</b>
<b>Net book value at 31 March 2021</b>	<b>16</b>	<b>198</b>	<b>76</b>	<b>290</b>
Net book value at 31 March 2020	12	173	52	237

## 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 2021	17	-	-	17
Transfers from Non-Current Assets	1	-	-	1
Disposals	(4)	-	-	(4)
Fair Value Adjustment	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>14</b>

### Prior year

As at 1 April 2020	10	-	-	10
Transfers from Non-Current Assets	12	-	-	12
Disposals	(4)	-	-	(4)
Fair Value Adjustment	(1)	-	-	(1)
<b>Balance at 31 March 2021</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>17</b>

## 9. Inventories

	2021-22 £m	2020-21 £m
NHS inventories	202	239
Other inventories	4	4
<b>Total</b>	<b>206</b>	<b>243</b>

**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
<b>Balance at 1 April 2021</b>	<b>51</b>	<b>3,658</b>	<b>481</b>	<b>3,630</b>	<b>365</b>	<b>1,227</b>	<b>222</b>	<b>-</b>	<b>211</b>	<b>9,845</b>
Add element reported within current assets	-	80	50	165	18	-	2	25	11	351
										-
Advances and Acquisitions										
Acquisitions	141	-	-	-	-	-	-	-	-	141
Cash Advances	-	412	3	617	3	127	51	335	43	1,591
Capitalised interest	1	-	-	75	-	-	-	-	-	76
Transfers	-	-	-	-	-	-	2	-	(2)	-
Repayments and disposals	-	(96)	(51)	(216)	(7)	(97)	-	(342)	(43)	(852)
Fair Value Adjustment	-	-	-	323	-	115	-	-	2	440
Unwinding of discounted cash flow	-	-	-	208	81	-	(15)	-	8	282
Impairments	(3)	-	-	-	-	-	-	-	-	(3)
Write offs and adjustments	(12)	-	-	-	(1)	-	(1)	-	-	(14)
<b>Balance at 31 March 2022</b>	<b>178</b>	<b>4,054</b>	<b>483</b>	<b>4,802</b>	<b>459</b>	<b>1,372</b>	<b>261</b>	<b>18</b>	<b>230</b>	<b>11,857</b>
Loans repayable within 12 months transferred to current assets	-	(94)	(32)	(230)	(14)	-	-	(18)	(4)	(392)
<b>Balance at 31 March 2022</b>	<b>178</b>	<b>3,960</b>	<b>451</b>	<b>4,572</b>	<b>445</b>	<b>1,372</b>	<b>261</b>	<b>0</b>	<b>226</b>	<b>11,465</b>

In line with prior years, a discount rate has been applied to assets held at fair value using a discounted cash flow model, using the interest rates published by HM Treasury in their PES Paper dated 13 December 2021. The nominal interest rate used for Financial instruments for 2021-22 was 1.9% (2020-21: 3.7%). This reduction resulted in an increase in the fair value of loan books with a longer repayment profile, as reduced discount rate has resulted in an increased overall value of the loan books. The biggest impact was seen on the Student Loan book - see note 10e for further details.

## 10a. Non-Current Financial Assets (continued)

	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
<b>Balance at 1 April 2020</b>	<b>25</b>	<b>3,469</b>	<b>531</b>	<b>3,550</b>	<b>275</b>	<b>1,009</b>	<b>188</b>	<b>0</b>	<b>153</b>	<b>9,200</b>
Add element reported within current assets	-	107	33	160	6	-	1	193	21	521
Advances and Acquisitions										
Acquisitions	23	-	-	-	-	-	-	-	-	<b>23</b>
Cash Advances	-	356	-	631	126	256	40	344	111	1,864
Capitalised interest	-	-	-	70	-	-	-	-	1	71
Transfers	-	(74)	-	-	-	-	-	-	-	(74)
Fair value adjustment	-	(107)	(33)	(204)	(6)	(70)	(1)	(512)	(27)	(960)
Unwinding of discounted cash flow	-	-	-	(423)	-	32	(3)	-	(20)	(414)
Impairments	-	-	-	11	(14)	-	-	-	-	(3)
Write offs	3	-	-	-	(4)	-	(1)	-	(2)	(4)
Repayments and disposals	-	(13)	-	-	-	-	-	-	(15)	(28)
<b>Balance at 31 March 2021</b>	<b>51</b>	<b>3,738</b>	<b>531</b>	<b>3,795</b>	<b>383</b>	<b>1,227</b>	<b>224</b>	<b>25</b>	<b>222</b>	<b>10,196</b>
										-
Loans repayable within 12 months transferred to current assets	-	(80)	(50)	(165)	(18)	-	(2)	(25)	(11)	(351)
<b>Balance at 31 March 2021</b>	<b>51</b>	<b>3,658</b>	<b>481</b>	<b>3,630</b>	<b>365</b>	<b>1,227</b>	<b>222</b>	<b>-</b>	<b>211</b>	<b>9,845</b>



## 10b. Interests in Nationalised Industries and Limited Companies

b

As at 31 March 2022, 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 investments:

Caledonian Maritime Assets Limited	1,500,000 ordinary shares of £10 each
David MacBrayne Limited	5,500,002 ordinary shares of £1 each
Highlands and Islands Airport Limited	50,000 ordinary shares of £1 each
TS Prestwick Holdco Limited	1 ordinary share of £1
Scottish Rail Holdings	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 2022	(15)	(36)	122	35	(14)
Turnover	35	17	43	227	54
Profit/(Loss) for the financial year	1	(3)	(12)	(2)	-

Results for TS Prestwick Holdco Ltd are from final published accounts

Results for Highlands and Islands Airports Ltd, Caledonian Maritime Assets Ltd, David MacBrayne Ltd, and Ferguson Marine Ltd are draft and subject to audit with final accounts yet to be published.

As at 31 March 2022 Scottish Rail Holdings was in effect a dormant company with only £41 of reserves. As noted below from 1 April 2022, the company's wholly owned subsidiary, ScotRail Trains Limited, acquired the ScotRail business operated until then by Abellio Scotrail Limited under a Franchise Agreement with the Scottish Ministers.

**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.

**Scottish Rail Holdings Limited**

Two arm's length companies have been created during 2021-22 in line with transition of ScotRail services into Scottish Government ownership and control. Scottish Rail Holdings Ltd (SRH) and ScotRail Trains Ltd (SRT). Scottish Ministers are the sole shareholder of SRH, which is the holding company of ScotRail Trains Ltd (SRT) which took over the operation of Scotrail services on 1 April 2022. SRH is responsible for providing oversight and managing the provision of rail passenger services by SRT under the terms of a Grant Agreement.

**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. The valuation of SNIB's underlying investments is used as a proxy for valuation of Scottish Government's investment in SNIB. In line with this requirement, a share certificate was issued on 14 March 2022 to the value of £126m, reflecting the investment made by the Bank during 2021-22 up to the end of February. Additional share certificates were issued on 31 October 2022 including £3m reflecting the investments made by the bank during March 2022.

### 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 recent financial years the Scottish Government 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 (2020-21: £nil).

### 10d. 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 £3,657m to Scottish Water for their capital investment programmes and £166m via Transport Scotland to CMAL for the procurement of new shipping and the HIAL to renew and improve commercial airport infrastructure.

In year £357m of advances were provided to Scottish Water (2020-21 £354m of advances) and £37m of advances to CMAL (2020-21: £2m).

During 2020-21 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 2021-22 annual report and accounts can be found at:

[www.scottishwater.co.uk/help-and-resources/document-hub/key-publications/annual-reports](http://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/browse/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 £211m (31 March 2021: £175m) was held in Charitable Bond schemes after fair value adjustments. No investments were made by the Scottish Government in Charitable Bonds in 2021-22 (2020-21: £40m advances).

**10d. 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 2021-22 £nil was advanced (2020-21: £30m) through MMR schemes. As at 31 March 2022 a total of £45m (31 March 2021: £35m) 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.

£0.5m was advanced during 2021-22 (2020-21: £4m). As at 31 March 2022 a total of £21m (31 March 2021: £22.5m) 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 2022 a total of £4m (31 March 2021: £4m) 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 2022 £75m was held (31 March 2021: £51m) after fair value adjustments.

*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.

£44m was advanced in year (2020-21: £35m) and £43m repayments were made (2020-21: £31m). As at 31 March 2022 a total of £344m (31 March 2021: £343m) 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.

£19m was advanced in year (2020-21: £20m) and £49m repayments were made (2020-21: £38m). As at 31 March 2022 a total of £522m (31 March 2021: £399m) 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.

£64m was advanced in year (2020-21: £192m). As at 31 March 2022 a total of £280m (31 March 2021: £200m) was held after fair value adjustments.

**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 2022 £23m (31 March 2021: £28m) was held as loan funds.

EST administer and manage funds on behalf of the Scottish Government which provide loans to save energy and reduce carbon dioxide emissions. In year £4m (2020-21 £2.5m) of advances were made. At 31 March 2022 £75m (2020-21 restated: £73m) 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. £6m of advances were made in year (2020-21: £2m). At 31 March 2022 £36m (31 March 2021: £28m) was held on HEEP 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 2021-22 £nil (2020-21 £7m) of advances were made. At 31 March 2022 £15m (31 March 2021: £15m) 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 2021-22 £45m (2020-21 £27m) of advances were made. At 31 March 2022 £141m (2020-21: £96m) 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>

*10d. 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 year advances of £335m (2020-21: £344m) were made with repayments of £342m (2020-21: £512m).

**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 2022 £16m (2020-21: £16m) was held as loan funds.

The Scottish Government and the European Regional Development Funds, have established the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund. This fund is a JESSICA (Joint Venture Support for Sustainable Investment in City Areas) Urban Development Fund (£57m; 2020-21: £44m) 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. No further loans were advanced in 2021-22 (£3m was advanced to Royal Scottish National Opera in 2020-21). As at 31 March 2022 £11m (2020-21: £11m) 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 the year £4m (2020-21: £4m) advances were made. At 31 March 2022 £7.5m (2020-21: £5m) was held as loan funds.

The Scottish Growth Scheme is a package of financial support of up to £500 million for Scottish businesses. It is backed by the Scottish Government and aims to help businesses grow. £16m was provided to the fund managers in year for distribution (2020-21: £15m). As at 31 March 2022 £51m (2020-21: £34m) 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 year £4m (2020-21: £5m) of advances were made and £16m of repayments were received (2020-21: £1m). As at 31 March 2022 £5m (2020-21: £16m) was held as loan funds.

The Registered Social Landlords (RSL) Fire Safety Loan scheme was introduced to cover the cost of buying and installing smoke, heat and carbon monoxide alarms to meet new standards. The scheme is now closed to applications. As at 31 March 2022 £8m (2020-21: £11m) was held as loan funds.

In 2021-22, the Scottish Government provided commercial loans of £nil (2020-21: £4.5m) to private companies. In 2020-21 this related solely to a loan provided to Burntisland Fabrications Limited, this is disclosed within Other Funds within Note 10a and was fully written off in year.

In 2020-21, the Scottish Government provided Covid support loans totalling £95m. No further advances were provided during 2021-22. 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

The fair value balances on these funds at 31 March 2022 is:

- Housing – House builders fund - £8 million
- Communities – Third Sector Growth Fund - £32.5 million
- Sport - Football / Rugby clubs - £21 million
- Health - Ayrshire Hospice - £5 million

### 10e. 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 StEP model uses a regression-based approach with earnings history as a predictor of future earnings, along with age, gender and qualification level to give a more accurate estimate.

The model is long-term in nature and depends on a complex set of assumptions, particularly, the latest Office of Budgetary Responsibility (OBR) 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 2022 was prepared using the OBR Economic and Fiscal outlook (published 23 March 2022) For further information on this economic scenario see the OBR website:

<https://obr.uk/download/economic-and-fiscal-outlook-march-2022/>

#### 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, in line with the OBR Economic and Fiscal Outlook, as detailed above.

#### Impact of Repayment Threshold Policy Changes

The information as at 31 March 2022 factors in the changes to repayment thresholds for Scottish students. From April 2021, Scottish students who have received loan funding from 1998 onwards will be moved from a Plan 1 to a Plan 4 loan. The result of this is students will now only have to make repayments once their annual salary is in excess of £25,000 per year. Under Plan 1, the threshold is currently set at £19,390 per year. The StEP model has captured the effect of the reduced recovery expectations.

**10f. Student Loan Valuation (continued)****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 2021-22 inflation (RPI), earnings growth and interest (Bank of England base) rate parameters set by the OBR in their March 2022 Economic and Fiscal Outlook report. Whilst the effects of these changes have been examined independently of each other, this is highly unlikely in reality; therefore the sensitivity analysis presented is theoretic in nature.

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 2022 RAB\* charge.

**Table 1: Sensitivity analysis results**

April 2022	Test	RAB charge for each test	Change on April 2022 RAB charge (percentage point)
21.4%	1. RPI +1 percentage point	22.1%	+0.7 percentage points
	2. RPI -1 percentage point	20.6%	-0.8 percentage points
	3. Earnings Growth +1 percentage point	20.8%	-0.6 percentage points
	4. Earnings Growth -1 percentage point	21.9%	+0.5 percentage points
	5. Bank of England rate +1 percentage point	21.3%	-0.1 percentage points
	6. Bank of England rate -1 percentage point	21.6%	+0.2 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.

**Impact of Model on Current Student Loans Valuation**

Outputs from the StEP model, including the RAB charge, are fundamental to the calculation of the current value of student loans.

Since valuation at 31 March 2021, both RPI and Bank of England base rate have shifted in response to economic conditions; RPI has increased from 1.5% to 9.0% and the Bank of England base rate has increased from 0.1% to 0.75%.

As inferred by the above sensitivity analysis, these movements have caused sizeable changes to the RAB charge and other outputs therefore resulting in a material adjustment to fair value.

The continued volatility of these rates, and the significance of the impact of such changes, means that year on year, material adjustments to fair value are not unexpected.

Although the continued volatility of these rates is recognised, Spring/Summer 2022 has seen greater changes in economic conditions that expected. Since 31 March 2022, there has been substantial movement in the RPI and Bank of England base rate which now sit at 12.6% and 2.2% respectively (September 2022). The change in RPI, Bank of England base rate and earnings growth indices will individually affect the RAB charge – with the RPI impact on the RAB charge either partially or fully counteracted by the Bank of England base rate and earnings growth impact – however we are unable to predict the magnitude of change on the RAB charge caused by each determinant.

The changes will affect the carrying value of the Student Loan book, however the impact will only be realised when the StEP model results are produced in Autumn/Winter 2022. Therefore a post balance sheet adjustment has not been made, but an acknowledgement that there will be a greater than anticipated movement in the carrying value through 2022-23.

For further information on these rate changes, see Office of National Statistics and Bank of England websites:

[RPI All Items: Percentage change over 12 months: Jan 1987=100 - Office for National Statistics \(ons.gov.uk\)](#)

[Bank Rate history and data | Bank of England Database](#)



## 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	1 - 2 yrs	2 - 5 yrs	>5yrs	2021-22	2020-21
	£m	£m	£m	£m	Total £m	Total £m
Trade payables	987	-	-	-	987	856
Accruals	2,179	2	-	-	2,181	2,065
Other payables	1,124	38	-	-	1,162	747
NLF loans	32	94	142	212	480	531
Accrued Interest due on NLF Loans	6	-	-	-	6	7
Balances Payable to SCF	3	-	-	-	3	3
Corporate balance with SCF	997	-	-	-	997	644
PFI Imputed finance leases	106	114	386	2,303	2,909	2,990
Lease payables	3	2	5	13	23	25
Bank overdraft	2	-	-	-	2	4
Other financial liabilities	1	50	-	-	51	38
<b>Total</b>	<b>5,440</b>	<b>300</b>	<b>533</b>	<b>2,528</b>	<b>8,801</b>	<b>7,910</b>

### 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.

### 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

65% (2020-21: 68%) of the Scottish Government's financial assets and 100% (2020-21:100%) 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 £36.5m is the sterling equivalent of €41.5m translated at the accounting date (using the official EU exchange rate as at 31 March 2022).

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 £1,372m (2020-21: £1,243m).



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

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

Financial Assets	Note	Fair Value through Profit and Loss	Loans and receivables	Shares held in or loans advanced to the public sector	2021-22 Total	2020-21 Total Restated
		Note a	Note b	Note c		
		£m	£m	£m	£m	£m
Voted loans	10	-	480	3,574	4,054	3,738
NLF loans	10	-	-	483	483	531
Housing loans	10	-	459	-	459	383
Shared Equity Housing loans	10	1,372	-	-	1,372	1,227
Energy related loans	10	-	261	-	261	224
EU CAP funds	10	-	18	-	18	25
Other Funds	10	-	230	-	230	222
Student loans	10	4,802	-	-	4,802	3,795
Interests in nationalised industries	10	-	-	178	178	51
Trade receivables	12	-	67	-	67	69
Accrued income	12	-	358	-	358	331
Interest receivable	12	-	25	-	25	26
Amounts receivable from the SCF	12	-	200	-	200	60
Other receivables	12	-	111	-	111	90
Corporate balance with the SCF	12	-	2	-	2	4
Cash and cash equivalents	2	-	1,052	-	1,052	708
<b>Total</b>		<b>6,174</b>	<b>3,263</b>	<b>4,235</b>	<b>13,672</b>	<b>11,484</b>

Note: As not all current assets are financial instruments, the above tables exclude VAT £93m (2020-21: £87m) and prepayments £655m (2020-21: £468m) which are included in the associated asset notes.

Financial Liabilities	Note	Fair Value through Profit and Loss	All other financial liabilities	Shares held in or loans advanced to the public sector	2021-22 Total	2020-21 Total
		Note a	Note d	Note c		
		£m	£m	£m	£m	£m
Trade payables	13	-	987	-	987	856
Accruals	13	-	2,181	-	2,181	2,065
Other payables	13	-	1,162	-	1,162	747
NLF loans	13	-	-	480	480	531
Accrued Interest due on NLF Loans	13	-	-	6	6	7
Balances payable to the SCF	13	-	3	-	3	3
Corporate balance with SCF	13	-	997	-	997	644
PFI Imputed finance leases	13	-	2,909	-	2,909	2,990
Lease payables	13	-	23	-	23	25
Bank overdraft	13	-	2	-	2	4
Other financial liabilities	13	-	51	-	51	38
<b>Total</b>		<b>-</b>	<b>8,315</b>	<b>486</b>	<b>8,801</b>	<b>7,910</b>

Note: As not all liabilities are financial instruments, the above tables exclude deferred income £78m (2020-21: £116m), other tax and social security £184m (2020-21: £174m), superannuation payable £157m (2020-21: £148m) and employee benefit accrual £249m (2020-21: £204m) 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)

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:	2021-22	2020-21 restated
	£m	£m
Trade receivables	67	68
VAT	93	87
Other receivables	102	88
Prepayments and accrued income	595	596
Benefit Overpayments	3	8
Accrued income relating to EU funding	118	180
Interest receivable	25	26
Balances receivable from SCF	200	60
Corporate balance with the SCF	2	4
<b>Balance as at 31 March</b>	<b>1,205</b>	<b>1,117</b>

Amounts falling due after more than one year:	2021-22	2020-21
	£m	£m
Benefit Overpayments	18	8
Other receivables	9	2
Prepayments and accrued income	60	66
<b>Balance as at 31 March</b>	<b>87</b>	<b>76</b>
<b>Total balance as at 31 March</b>	<b>1,292</b>	<b>1,193</b>

Trade Receivables are shown net of impairments as follows:	2021-22	2020-21 Restated
	£m	£m
<b>Amounts falling due within one year:</b>		
At 1 April	23	22
Charge for the year	22	10
Unused amount released	(1)	(7)
Utilised during the year	8	(2)
<b>At 31 March</b>	<b>52</b>	<b>23</b>

The impairment of Trade Receivables is mainly driven from NHS Trusts. The Prior year restatement has been made to separate the disclosure of the impairment against Trade Receivables and Other Receivables.

Other Receivables are shown net of impairments as follows:	2021-22	2020-21 Restated
	£m	£m
<b>Amounts falling due within one year:</b>		
At 1 April	3	3
Charge for the year	1	-
Unused amount released	-	-
Utilised during the year	-	-
<b>At 31 March</b>	<b>4</b>	<b>3</b>
<b>Amounts falling due after more than one year:</b>		
At 1 April	17	17
Charge for the year	-	-
Unused amount released	-	-
Utilised during the year	(2)	-
<b>At 31 March</b>	<b>15</b>	<b>17</b>

The impairment of Other Receivables is mainly driven from Social Security Scotland and relates to the impairment against Benefit Overpayments. Benefit overpayments arise where a change of circumstances has been processed after that change of circumstances took place, or where client error or fraud have been identified.

The Prior year restatement has been made to separate the disclosure of the impairment against Trade Receivables and Other Receivables and to correct an administrative error in the prior year that overstated the impairment against Benefit Overpayments within the consolidated accounts by £15m.

### 13. Payables and Other Liabilities

Amounts falling due within one year:	2021-22 £m	Restated 2020-21 £m
<b>Payables and other current liabilities</b>		
Trade payables	987	829
Other taxation and social security	183	174
Superannuation payable	157	148
Other payables	1,124	775
Deferred income and accruals	2,495	2,303
Benefits Payable	118	96
Accrued interest due on NLF loans	6	7
Finance leases	2	2
PFI imputed finance leases	105	98
PFI deferred residual interest	-	-
Corporate balance with the SCF	997	644
Balances payable to the SCF	3	3
	<b>6,177</b>	<b>5,079</b>
<b>Other financial liabilities</b>		
Current instalments on NLF loans	32	50
Bank overdraft	2	4
Other financial liabilities	1	-
	<b>35</b>	<b>54</b>
<b>Total current liabilities</b>	<b>6,212</b>	<b>5,133</b>

The balance payable to the SCF includes amounts due on income not applied of £1m (2019-20: £3m).

The prior year figures have been restated to ensure the accurate disclosure of Benefits Payable. There is also a small reduction in the Trade Payables balance.

Amounts falling due after more than one year:	2021-22 £m	2020-21 £m
<b>Payables and other non-current liabilities</b>		
Other payables	38	15
Deferred income and accruals	12	7
Finance leases	21	23
PFI imputed finance leases	2,804	2,892
	<b>2,875</b>	<b>2,937</b>
<b>Other financial liabilities</b>		
Instalments due on NLF loans	448	481
Other financial liabilities	51	38
	<b>499</b>	<b>519</b>
<b>Total non-current payables and other financial liabilities</b>	<b>3,374</b>	<b>3,456</b>

#### Redress Scotland

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. The scheme, opened in December 2021, allows for individuals to submit applications and the new independent body, Redress Scotland, will consider applications and makes determinations, which may include an offer of a redress payment to be made by the Scottish Government. For more information about the scheme see <https://www.gov.scot/collections/financial-redress-for-survivors-of-child-abuse-in-care/>

Organisations that were responsible for the care of children at the time of the abuse have been asked to participate in Scotland's Redress Scheme, and to make fair and meaningful financial contributions to redress payments for survivors. For further information on the contributors to the Redress scheme see <https://www.gov.scot/publications/scotlands-redress-scheme-contributor-list/>

As at 31 March 2022 the deferred income balance above included the following balances, reflecting the contributions received from organisations that have not yet been utilised, reflecting the contributions received from organisations that have not yet been utilised:

	£'000
Aberlour	100
Daughter's of Charity	2,940
Barnardo's	150
Sisters of Nazareth	250
Salesians of Don Bosco	75
Sight Scotland	-
Poor Servants of Mother of God	30
Rossie Young People's Trust	50
CoSLA	60
Save the Children	30
	<b>3,685</b>

## 14. Provisions for liabilities and charges

Notes to the Accounts

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2021-22 £m	Total 2020-21 £m
<b>Balance as at 1 April</b>	<b>27</b>	<b>140</b>	<b>563</b>	<b>-</b>	<b>234</b>	<b>964</b>	<b>877</b>
Add: element reported as due within one year	3	11	254	1	78	347	1,165
<b>Balance as at 1 April</b>	<b>30</b>	<b>151</b>	<b>817</b>	<b>1</b>	<b>312</b>	<b>1,311</b>	<b>2,042</b>
Provided for in year	1	8	104	1	51	165	281
Provisions not required written back	-	(5)	-	-	(52)	(57)	(26)
Provisions utilised in year	(5)	(11)	(20)	(1)	(37)	(74)	(991)
Discount amortised	3	1	-	-	-	4	5
<b>Balance as at 31 March</b>	<b>29</b>	<b>144</b>	<b>901</b>	<b>1</b>	<b>274</b>	<b>1,349</b>	<b>1,311</b>
Payable within one year	(3)	(12)	(226)	(1)	(92)	(334)	(347)
<b>Balance as at 31 March</b>	<b>26</b>	<b>132</b>	<b>675</b>	<b>-</b>	<b>182</b>	<b>1,015</b>	<b>964</b>

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	Other Provisions £m	Total 2021-22 £m	Total 2020-21 £m
Payable in 1 year	3	11	226	1	92	333	348
Payable between 2 - 5 yrs	20	35	461	-	78	594	576
Payable between 6-10 yrs	6	35	52	-	46	139	145
Thereafter	-	63	162	-	58	283	242
<b>Total as at 31 March</b>	<b>29</b>	<b>144</b>	<b>901</b>	<b>1</b>	<b>274</b>	<b>1,349</b>	<b>1,311</b>

### 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 £901m (2020-21: £817m) which relates to clinical and medical negligence costs.

In 2021-22 £104m (2020-21: £48m) of estimated settlement value of medical and clinical negligence claims were added to the provision.

In 2021-22 £20m (2020-21: £37m) in claims were settled.

### SPS 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>

### Other Provisions

Other provisions include NHS balances of £41m (2020-21: £52m). 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.

Also included within other provisions are Transport Scotland balances of £28m (2020-21: £30m) including £25m relating to land & property acquisition (2020-21: £26m) and £3m (2020-21: £3m) relating to road claims.

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 Compulsory Purchase Order, 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.

Included within other provisions are Scottish Prison Service balances of £14m (2020-21: £13m) 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.

Included within other Provisions are Crown Office balances of £24m (2020-21: £16m) relating to litigation.

As a result of the suspension of the European Social Fund, the Scottish Government moved to a simplified model for recovery in respect of this programme, which is based on a unit cost for employment counselling. EC auditors have agreed that this approach is robust and all claims to date have been accepted on this basis. There is a risk of financial loss in respect of this programme. Current financial forecasts estimate an under-recovery for the Scottish Government with a provision of £43m (2020-21: £29m) for further future financial losses. This estimate is the difference between the total amount approved and paid to Lead Partners within the programme, and the amount currently considered reclaimable from the EC due to the alternative model and methodology agreed with the EC. Work is ongoing throughout the Programme period to assess the value and likelihood of the financial risk as it crystallises.

Historic cases against the Scottish Government for compensation relating to the contraction of silicosis from former stonemasons employed by the predecessors of Historic Scotland have resulted in a provision recognised in the accounts of £4m (2020-21: £1m)

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 £33m. This has been reviewed and revalued at £114m as at 31 March 2022 (2020-21: £161m). The valuation is calculated using the requirements of IFRS 9 for Financial Guarantee Contracts. This includes consideration of the comprehensive security package the Scottish Government received in exchange for the provision of the guarantee, consisting of the Smelter, the Hydro power station, extensive land holdings and a series of other protections. See the accounting policies note for further information on the requirements of IFRS 9.

**15. Capital Commitments**

	2021-22	Restated
	£m	2020-21
		£m
<b>Property, plant and equipment</b>		
Contracted capital commitments for which no provision has been made	1,548	1,389
<b>Total</b>	<b>1,548</b>	<b>1,389</b>
<b>Intangible assets</b>		
Contracted capital commitments for which no provision has been made	26	57
<b>Total</b>	<b>26</b>	<b>57</b>
<b>Total Commitments</b>	<b>1,574</b>	<b>1,446</b>

2021-22 property, plant and equipment commitments includes:

Transport Scotland balances for future payments of £1,118m (2020-21: £860m) 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 £359m (2020-21: £358m);

Scottish Prison Services balances of £19m for the construction of the Women's National Facility and 2 Community Custody Units (20-21 restated £65m) as well as various upgrades across the prison estate.

£6m of capital commitments for Social Security Scotland (2020-21: £12m) including £3m (2020-21: £8.5m) for Angus Husband House

£37m (2020-21: £81m) in relation to the building of boats (800 & 801).

2021-22 intangible asset commitments includes:

£7m (2020-21: £43m) for the development of Social Security Digital Portals;

£5m for Social Security Scotland for IT infrastructure (2020-21: £5m);

£nil Digital Planning commitment (2020-21: £3m);

£nil (2020-21: £6m) to complete the CAP Futures project.

£10m (2020-21: £nil) for the Shared Services Programme with regard to transformation of its corporate services to a single, integrated cloud ERP solution

## 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:

	2021-22 £m	2020-21 £m
<b>Land</b>		
Within one year	9	9
Between two and five years (inclusive)	19	21
After five years	22	20
<b>Total</b>	<b>50</b>	<b>50</b>
<b>Buildings</b>		
Within one year	50	44
Between two and five years (inclusive)	144	129
After five years	186	157
<b>Total</b>	<b>380</b>	<b>330</b>
<b>Other Commitments</b>		
Within one year	23	21
Between two and five years (inclusive)	28	22
After five years	14	11
<b>Total</b>	<b>65</b>	<b>54</b>

### 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:

	2021-22 £m	2020-21 £m
<b>Land</b>		
Within one year	-	-
Between two and five years (inclusive)	-	-
After five years	1	1
<b>Total</b>	<b>1</b>	<b>1</b>
Less the interest element	-	-
<b>Total</b>	<b>1</b>	<b>1</b>
<b>Buildings</b>		
Within one year	5	5
Between two and five years (inclusive)	19	20
After five years	45	52
<b>Total</b>	<b>69</b>	<b>77</b>
Less the interest element	(48)	(54)
<b>Total</b>	<b>21</b>	<b>23</b>
<b>Other Commitments</b>		
Within one year	-	-
Between two and five years (inclusive)	-	1
After five years	-	-
<b>Total</b>	<b>-</b>	<b>1</b>
Less the interest element	-	-
<b>Total</b>	<b>-</b>	<b>1</b>

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:

	2021-22 £m	2020-21 £m
Payable in 1 year	1,461	1,577
Payable between 2 - 5 years	1,517	3,144
Payable in more than 5 years	4,955	-
<b>Total</b>	<b>7,933</b>	<b>4,721</b>

Other financial commitments payable within one year include: £9m (2020-21: £1.5m) in relation to hosting the UCI World Cycling Championships; £6m (2020-21: £5m) for Festival UK 2022; £10m (2020-21: £nil) for Scottish Land Fund - National Lottery Community Fund (3 month termination period); £4m (2020-21: £nil) for Department of Work and Pensions (DWP) recharges; £4m in relation to Advocacy contract.

Other Financial Commitments payable within 2 to 5 years include: £14m (2020-21: £23m) to host the 2023 UCI World Cycling Championships; £2m (2020-21: £5m) in relation to hosting the Scottish Open;

Other financial commitments held by Transport Scotland include:

£671m (2020-21: £671m) to Network Rail in relation to the Operation, Maintenance, Renewal (OMR) and Enhancement of the rail infrastructure in Scotland payable in 1 year; £692m (2020-21: £739m) payable in 2-5 years and £2,528m (2020-21: £2,146m) payable in more than 5 years

£684m for Scotrail Holdings (2020-21: £792m due to Abellio Scotrail) payable in 1 year; £728m (2020-21: £nil payable to Abellio) payable in 2-5 years and £2,310m (£nil payable to Abellio) payable in more than 5 years.

£29m (2020-21: £27m) to Serco Caledonian Sleeper under the Franchise Agreements payable in 1 year; £30m (2020-21: £29m) payable in 2-5 years and £96m (2020-21: £82m) payable in more than 5 years.

For further details on the responsibilities for rail see the Transport Scotland annual report and accounts.

Other Financial commitments held by Scottish Forestry include:

£37m for the Forestry Grant Scheme - SDRP 2014-2020 (2020-21: £38.5m) payable in 1 year and £40m (2020-21: £41m) payable in 2-5 years; and

£3m for Rural Priorities SDRP 2007-2013 (2020-21: £2m) payable in 1 year and £9m (2020-21: £12m) payable in 2-5 years.

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 £2.5m, 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, Scottish Homes Pension Fund, Scottish Legal Complaints Commission, Scottish Agricultural College and Scotland's Learning Partnership.

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

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

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

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

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

Guarantees to Shetland Council Pension Fund; Orkney Islands Council Pension Scheme and 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 £1,839m (2020-21: £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 £22m (2020-21: £17m) at 31 March.



## 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. There are no future PFI obligations due to this buyout.

*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 £6m as at 31 March 2022. 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 £212m as at 31 March 2022 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.

**18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)****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).

**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 16 January 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.

**18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)****NHS Greater Glasgow (Continued)**

*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.

*Clydebank Health and Care Centre* - HUB contract commenced with HUB West Scotland Project Co. on 22 January 2021 for a period of 23 years and 9 months. Estimated capital value at commencement £20m.

**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.

*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 £73m at 31 March 2022. 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 £156m at 31 March 2022. 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 at 31 March 2022. 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 at 31 March 2022.

**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.

**18a. Commitments Under Service Concession Arrangements - Included in Statement of Financial Position (Cont.)****NHS Lothian (continued)**

*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.

**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 2021-22 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)* - This Design-Build-Finance-Operate (DBFO) 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 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			2021-22 Total £m	2020-21 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	202	66	115	383	301
Due within 2 to 5 years	814	228	461	1,503	607
Due after 5 years	2,350	331	1,563	4,244	1,938
<b>Total</b>	<b>3,366</b>	<b>625</b>	<b>2,139</b>	<b>6,130</b>	<b>2,846</b>

Interest Element	NHS Bodies			2021-22 Total £m	2020-21 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	140	4	55	199	227
Due within 2 to 5 years	506	14	221	741	701
Due after 5 years	1,001	11	751	1,763	1,849
<b>Total</b>	<b>1,647</b>	<b>29</b>	<b>1,027</b>	<b>2,703</b>	<b>2,777</b>

Present Value of Minimum Lease Payments	NHS Bodies			2021-22 Total £m	2020-21 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	62	62	60	184	360
Due within 2 to 5 years	307	214	239	760	674
Due after 5 years	1,350	320	813	2,483	2,291
<b>Total</b>	<b>1,719</b>	<b>596</b>	<b>1,112</b>	<b>3,427</b>	<b>3,325</b>

Service elements due in future periods, included above	NHS Bodies			2021-22 Total £m	2020-21 Total £m
	in Scotland £m	Scottish Prison Service £m	Transport Scotland £m		
Rentals due within 1 year	79	55	38	172	186
Due within 2 to 5 years	333	186	138	657	578
Due after 5 years	1,303	266	1,091	2,660	2,815
<b>Total</b>	<b>1,715</b>	<b>507</b>	<b>1,267</b>	<b>3,489</b>	<b>3,579</b>

*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 £35m (2020-21: £31m).



## 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 £3m (2020-21: £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.

### 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 £2.5m, which have to be reported and authorised by the Scottish Parliament in accordance with the Scottish Public Finance Manual, are included in the consolidated annual accounts.

#### NHS related

Clinical and Medical compensation payments of £457m (2020-21: £394m).

NHS Employer's Liability estimated at £5m (2020-21: £4m).

#### Housing related

The Mortgage Indemnity New Home Scheme (MI New Home) allows credit-worthy borrowers, locked out of the market by high deposit requirements, access to 90% to 95% LTV mortgages. The scheme is supported by a SG guarantee which sits behind cash indemnities set aside by participating house builders (for each house sold under the scheme). The guarantee valued at £2m (2020-21: £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 December 2022.

National Housing Trust (NHT) guarantees of £1.5m (2020-21: £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 has significantly lowered with a number of developments leaving the NHT. 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 (2020-21: £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.

#### 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. With regard to the schemes from 2016 to 2019 the Scottish Government are in regular communication with the Rural Payments Agency over the current state of analysis and potential level of payments. However the amount and final timing of any outlay in relation to these two items is uncertain.

**19b. Contingent Liabilities (continued)****Benefit Underpayments**

Social Security Scotland acknowledges that administrative errors by its staff (official error) and that of the Department for Work and Pensions under Agency Agreements will sometimes result in the underpayment of benefit. Where underpayments relating to official error are identified, we pay arrears in full at the earliest opportunity.

Due to limitations in data the liability for benefit underpayments cannot currently be quantified and so a contingent liability exists for underpayments not yet identified and corrected.

**Redress Scotland**

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. Scotland's Redress Scheme went live in December 2021. The Act established Redress Scotland as an independent body and made provision for the functions of Redress Scotland and of Scottish Ministers in relation to the redress scheme.

Individuals who apply to the scheme complete and submit an application form, together with supporting information, to Scottish Government who review the application prior to any submission to Redress Scotland. Redress Scotland convene a panel to consider each application. The panel make decisions using the statutory assessment framework and the applicant will choose whether to accept the terms.

In relation to the applications received under Scotland's Redress Scheme up to 31 March 2022, which have not yet concluded, there is a potential maximum liability of £74million. Some of this may be covered by the contributions received from associated organisations (see note 13 Deferred Income). This would not all be payable in the next 12 months due to the time required to process each application, taking into consideration the workload of the Panel at Redress Scotland and because applicant's have a six month period to consider the offer of redress before choosing whether to accept and receive payment. A more accurate liability associated with these applications is not possible to calculate as given the nature of the scheme there is no reason to assume that the level and nature of previous applications will be a reasonable basis for future applications.

The full liability over the course of the scheme is unknown, as the total number of applications is not known and the distribution of the nature and level of individual payments awarded is not possible to predict. However the Scottish Government is committed to giving financial redress to all survivors, regardless of the financial contributions received from contributing organisations.

**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

Projects with approved decommissioning programmes and approved financial securities:

- Neart na Gaoithe Offshore Wind Farm (NNG) (Fife) (£98m)

Projects with decommissioning programmes and approved financial securities still to be approved:

- Beatrice Offshore Wind Farm (c. £100m) (constructed);
- Hywind Energy Park (Aberdeenshire) (c. £20m) (constructed);
- Aberdeen Bay Wind Farm, also known as European Offshore Wind Deployment Centre (Aberdeenshire) (c. £20m) (constructed);
- Moray East Offshore Wind Farm (Aberdeenshire) (c.£235m) (partially constructed);
- Kincardine Offshore Floating Wind Farm (Aberdeenshire) (c. £20m) (constructed)
- Seagreen Offshore Wind Farm (c. £100m) (partially constructed)

**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.

In certain circumstances (e.g. late termination of contracts) a payment of up to 13m Swiss Francs (£11m at 31 March 2022 exchange rates; £10m at 31 March 2021 exchange rates) 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.

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 (£2020-21: £5m) and 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, Scottish Rail Holdings 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/public-bodies/>

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:

	2020-21 £m	Gross Inflows £m	Gross Outflows £m	2021-22 £m
Monetary amounts such as bank balances and monies on deposit	22	33	(35)	20
Unclaimed dividends and unapplied balances	11	-	-	11
<b>Total Monetary Assets</b>	<b>33</b>	<b>33</b>	<b>(35)</b>	<b>31</b>

Accountant in Bankruptcy holds funds of £20m (2021-22: £22m) 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 £11m (2020-21: £12m). The balance of £9m (2020-21: £10m) relates to money consigned in respect of unclaimed dividends and unapplied balances.

The NHS Bodies hold money on behalf of patients. This totalled £9m in 2021-22 (2020-21: £10m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2020-21: £1m).

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

Description	2020-21 Number held	2021-22 Number held
Residential property	581	319
Motor vehicles, boats and caravans	36	32
Life Policies	49	24
Shares and Investments	14	13
Miscellaneous	278	141

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.

	2021-22 £m	2020-21 £m
Budget (Scotland) Act 2020	55,025	49,251
Scotland's Summer Budget Revision - Scottish Statutory Instrument 2020	-	2,787
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2020	1,470	2,458
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2020	1,202	1,857
<b>Total approved spending</b>	<b>57,697</b>	<b>56,353</b>
Less activities not included in these accounts:		
National Records of Scotland	(61)	(54)
Office of the Scottish Charity Regulator	(4)	(3)
Scottish Courts and Tribunals Service	(179)	(155)
Scottish Fiscal Commission	(2)	(2)
Revenue Scotland	(7)	(7)
Registers of Scotland	(21)	(53)
Food Standards Scotland	(22)	(19)
Scottish Housing Regulator	(5)	(5)
NHS and Teachers' Pension Schemes	(6,026)	(5,229)
Forestry Commission (Scotland)	-	-
Scottish Parliamentary Corporate Body	(128)	(112)
Audit Scotland	(17)	(13)
<b>Consolidated Accounts approved estimates</b>	<b>51,225</b>	<b>50,701</b>

Portfolio analysis	Budget Act Approval £m	2021-22 Capital Budget £m	2021-22 Operating Budget £m
Health and Social Care	18,398	501	17,897
Social Justice, Housing and Local Government	16,411	166	16,245
Finance and Economy	2,616	308	2,308
Education and Skills	4,587	526	4,061
Justice and Veterans	3,123	56	3,067
Net Zero, Energy and Transport	4,536	603	3,933
Rural Affairs and Islands	948	35	913
Deputy First Minister and Covid Recovery	72	-	72
Constitution, External Affairs and Culture	354	(1)	355
Crown Office and Procurator Fiscal Service	180	8	172
<b>Consolidated Accounts approved estimates</b>	<b>51,225</b>	<b>2,202</b>	<b>49,023</b>

**23. Cash Authorisation**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£m</b>	<b>£m</b>
<b>Cash authorisation for the Scottish Administration</b>		
Budget (Scotland) Act 2020	47,912	43,228
Scotland's Summer Budget Revision - Scottish Statutory Instrument 2020	-	2,787
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2020	1,026	2,448
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2021	1,411	2,611
<b>Total Approved Cash Authorisation for the Scottish Administration</b>	<b>50,349</b>	<b>51,074</b>
Less non core activities not included in the consolidated accounts:		
National Records of Scotland	(57)	(48)
NHS and Teachers' Pensions	147	(74)
Office of the Scottish Charity Regulator	(4)	(3)
Registers of Scotland	(21)	(53)
Scottish Housing Regulator	(5)	(5)
Scottish Courts and Tribunals Service	(153)	(128)
Revenue Scotland	(7)	(7)
Food Standards Scotland	(22)	(18)
Scottish Fiscal Commission	(2)	(2)
<b>Available Cash Authorisation for Consolidated Bodies</b>	<b>50,225</b>	<b>50,736</b>
<b>Funding drawn down from the Scottish Consolidated Fund</b>	<b>SOCTE 48,800</b>	<b>48,128</b>

## Accounts Direction

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### 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

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<b>Departmental Expenditure Limit (DEL)</b>	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.
<b>Annually Managed Expenditure (AME)</b>	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.
<b>Other Expenditure Outwith the Departmental Expenditure Limit (ODEL)</b>	Expenditure that is provided for in the budget but is not included in the total budget for Scotland for control purposes.
<b>Capital charges</b>	An annual charge reflecting the consumption of fixed assets (depreciation) and any impairment, to ensure that the full cost of departmental activities is measured.
<b>Resource accounting</b>	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.
<b>Resource budgeting</b>	Planning and controlling public expenditure on a resource accounting basis.



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