

The Scottish Government Consolidated Accounts for the year ended 31 March 2016

**Laid before the Scottish Parliament
By the Scottish Ministers
30 September 2016**



FOREWORD

As Director General Finance for the Scottish Government I am the principal financial adviser to the Permanent Secretary as Principal Accountable Officer and to Scottish Ministers. I am responsible for the overall Scottish Budget including tax, spending and infrastructure investment. I lead a team of finance professionals who support financial decisions across the Scottish Government to secure value for Scotland and Ministers from the Scottish Budget.

I am pleased to introduce these accounts, which are an important part of the reporting on the stewardship of the whole Scottish Budget approved by the Scottish Parliament.

The Principal Accountable Officer's responsibility is to produce accounts; decisions on spending priorities are taken by Scottish Ministers in accordance with their objectives and priorities. The accounts present the financial outturn compared to the spending plans of Scottish Ministers for financial year 2015-16 authorised by Budget Act and revisions and demonstrate the Scottish Government's track record of robust financial management.

The activities of the Scottish Government link to *Scotland Performs*, a real-time tool which measures and reports on progress of government in Scotland against the wide range of indicators set out in the [National Performance Framework \(NPF\)](#).

In the context of constitutional change and increasing fiscal responsibility devolved to Scotland, budgets in 2015-16 included, for the first time, forecasts of tax receipts alongside spending plans. We have therefore enhanced our reporting against those budgets with additional reporting in relation to taxes – a separate account of the Devolved Taxes published by Revenue Scotland – linked to the related reporting in the Scottish Consolidated Fund Account and additional explanatory material in these accounts.

The Scottish Government is committed to maintaining the highest standards of financial reporting and currently meets all requirements to produce accruals-based accounts to International Financial Reporting Standards. I am delighted that the Auditor General's opinion on these accounts is once again unqualified.

A handwritten signature in black ink that reads "Alyson Stafford".

Alyson Stafford
DG Finance
22 September 2016

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PERFORMANCE REPORT

About the Scottish Government

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

Some powers are reserved to the UK Government. These include: immigration, the constitution, foreign policy and defence. Further changes to the responsibilities devolved to the Scottish Government and Scottish Parliament have resulted from the Scotland Act 2012 and the Scotland Act 2016. These accounts reflect for the first time the powers devolved through the Scotland Act 2012 to set the rates and bands for the Scottish Landfill Tax and Land and Buildings Transaction Tax and borrowing for capital investment.

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

Scottish Cabinet Ministers and their responsibilities

The First Minister appoints a Cabinet Secretary for each of the core portfolios described below, and a further 15 Ministers to support the work of the Scottish Cabinet, 13 of whom report to a Cabinet Secretary, and two Law Officers (Lord Advocate and Solicitor General for Scotland). Whilst ministerial portfolios were re-assigned after the May 2016 Scottish Parliament election, the Ministers serving in the Cabinet Team during financial year 2015-16 were:

Nicola Sturgeon **First Minister**

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

John Swinney **Deputy First Minister and Cabinet Secretary for Finance, Constitution & Economy**

Responsibilities included: Constitution, The National Performance Framework, government strategy, reform, delivery and outcomes across portfolios, cross government implementation of Scotland's Digital Future and relations with other UK administrations, Scottish Public Finances and their sustainability - the Scottish economy, fiscal policy, the Scottish Budget, public spending, taxation, budgetary monitoring and reporting, public service reform, public bodies' policy, efficient government, public sector pay and pensions.

Richard Lochhead **Cabinet Secretary for Rural Affairs, Food & Environment**

Responsibilities included: Rural Scotland, land reform, the physical and marine environment, agriculture, forestry, fisheries, aquaculture, food and drink, crofting, sustainable development, biodiversity, natural heritage, environmental protection, flooding, water quality, national parks and environmental & climate justice.

Fiona Hyslop **Cabinet Secretary for Culture, Europe & External Affairs**

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

Additional Government Ministers during 2015-16

| | |
|------------------|--|
| Fergus Ewing | Minister for Business, Energy and Tourism |
| Derek Mackay | Minister for Transport and Islands |
| Fiona McLeod | Minister for Children and Young People |
| Alasdair Allan | Minister for Learning, Science and Scotland's Languages |
| Joe Fitzpatrick | Minister for Parliamentary Business |
| Margaret Burgess | Minister for Housing and Welfare |
| Paul Wheelhouse | Minister for Community Safety and Legal Affairs |
| Aileen McLeod | Minister for Environment, Climate Change and Land Reform |
| Maureen Watt | Minister for Public Health |
| Humza Yousef | Minister for Europe and International Development |
| Annabelle Ewing | Minister for Youth and Women's Employment |
| Jamie Hepburn | Minister for Sport, Health Improvement and Mental Health |
| Marco Biagi | Minister for Local Government and Community Empowerment |

Law Officers during 2015-16

| | |
|---------------------|-------------------|
| Frank Mulholland QC | Lord Advocate |
| Lesley Thomson QC | Solicitor General |

Parliament was dissolved on 24 March 2016, and following the Scottish Parliamentary election on 5 May 2016 a new Ministerial team was established. Details of the current cabinet secretaries and ministers can be found on the Scottish Parliament website www.parliament.scot

Further information on Ministerial responsibilities is available from the Scottish Parliament and Scottish Government websites:

www.parliament.scot

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 is the senior civil servant in Scotland and leads the 5,000 plus people working for the Scottish Government. The Permanent Secretary supports the government in developing, implementing and communicating its policies; and is the principal policy adviser to the First Minister and Secretary to the Scottish Cabinet. The Permanent Secretary is also the Principal Accountable Officer with responsibility to ensure that the government's money and resources are used effectively and properly. The government is structured into a number of directorates and their related public bodies. Directorates and agencies are managed by six Director Generals.

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

The members of the Strategic Board during 2015-16 are:

| | |
|----------------------|--|
| Sir Peter Housden | Permanent Secretary (until June 2015) |
| Leslie Evans | Permanent Secretary (from July 2015) |
| Sarah Davidson | DG Communities |
| Graeme Dickson | DG Enterprise, Environment & Innovation |
| Gary Gillespie | Chief Economic Adviser |
| Paul Gray | DG Health & Social Care |
| Paul Johnston | DG Learning & Justice |
| Alyson Stafford CBE | DG Finance |
| Ken Thomson | DG Strategy & External Affairs |
| Catherine Dyer CBE | Crown Agent and Chief Executive of the Crown Office and Procurator Fiscal Service |
| Prof Carol Tannahill | Chief Social Policy Adviser |
| Alex Smith | Non-executive director (until September 2015) |
| Janet Hamblin | Non-executive director (from September 2015) |
| Christina Allon | Non-executive director |
| Linda McKay | Non-executive director |

How the Scottish Budget is funded

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

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

Under devolved powers from the 2012 Scotland Act, 2015-16 was the first year in which devolved taxes in respect of Land and Buildings Transactions and Landfill Tax have been managed in Scotland. A total of £572.2 million has been collected, £74.2 million above the initial estimates. The additional income has been placed in the Scottish Cash Reserve facility that will be available to support any fluctuations in tax income in 2016-17. The block grant has been adjusted to take account of these locally raised tax receipts.

Revenue Scotland was established by the Revenue Scotland and Tax Powers Act 2014 to administer and collect both taxes. The taxes collected by Revenue Scotland are paid to the Scottish Consolidated Fund. The Devolved Taxes Account is prepared and published separately and can be accessed at www.gov.scot.

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

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

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 nine 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 21 November 2014, which were in place throughout the accounting period. The consolidation boundary includes the following:

Finance, Constitution and Economy Portfolio

Executive Agencies : Scottish Public Pensions Agency (www.sppa.gov.uk)
 Accountant in Bankruptcy (www.aib.gov.uk)

Health, Wellbeing and Sport Portfolio

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

Education and Lifelong Learning Portfolio

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

Fair Work, Skills and Training Portfolio

Justice Portfolio

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

Social Justice, Communities and Pensioners' Rights Portfolio

Rural Affairs, Food and the Environment Portfolio

Culture, Europe and External Affairs Portfolio

Executive Agencies : Historic Scotland (www.historic-scotland.gov.uk) (until 30 Sept 2015)

Infrastructure, Investment and Cities Portfolio

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

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

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

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

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

Performance Overview

The Budget Framework

The Scottish Government set out its spending plans for 2015-16 in October 2014 in *Scottish Budget: Draft Budget 2015-16*. Approval for a detailed budget for 2015-16 was given by the Parliament in March 2015 in the Budget (Scotland) Act 2015. The annual Budget is refined through in-year budget revisions, Parliamentary approval for which is given by statutory instrument.

Scotland's Economic Strategy

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

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

National Performance Framework

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

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

Strategic Objectives, National Outcomes and National Indicators

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

Wealthier and Fairer

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

Smarter

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

Healthier

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

Safer and Stronger

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

Greener

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

The sixteen National Outcomes describe what the Government wants to achieve over the next ten years, articulating more fully the Government's Purpose. They help to sharpen the focus of government, enable our priorities to be clearly understood and provide a clear structure for delivery.

The sixteen national outcomes are:

- We live in a Scotland that is the most attractive place for doing business in Europe.
- We realise our full economic potential with more and better employment opportunities for our people.
- We are better educated, more skilled and more successful, renowned for our research and innovation.
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- Our children have the best start in life and are ready to succeed.

- We live longer, healthier lives.
- We have tackled the significant inequalities in Scottish society.
- We have improved the life chances for children, young people and families at risk.
- We live our lives safe from crime, disorder and danger.
- We live in well-designed, sustainable places where we are able to access the amenities and services we need.
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.
- We value and enjoy our built and natural environment and protect it and enhance it for future generations.
- We take pride in a strong, fair and inclusive national identity.
- We reduce the local and global environmental impact of our consumption and production.
- Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

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

Infrastructure Investment

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

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

Performance Analysis

Outturn against Budget

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

As described above, spending plans for financial year 2015-16 were set out in *Scottish Budget: Draft Budget 2015-16* published in October 2014. After consideration by the Scottish Parliament Finance Committee and other Committees, these plans were presented in the Budget Bill introduced in January 2015 and received Royal Assent as the Budget (Scotland) Act 2015 in March 2015. Parliamentary approval for the in-year revisions to the plans set out in the Budget (Scotland) Act was granted in the Autumn Budget Revision (SSI 2015 No. 434), made in December 2015 and Spring Budget Revision (SSI 2016 No. 158), made in March 2016.

The budget reported in these accounts of £33,700 million is net of adjustments to reflect those activities not included in the accounting boundary as described above. This is made up of a resource budget of £31,756 million and a capital budget of £1,944 million.

The financial results for the year are reported in the attached accounts. They record a Net Resource Outturn of £31,399 million resulting in an underspend of £357 million. The Net Capital Outturn for the year was £1,909 million resulting in an underspend of £35 million. Total underspend of £392 million represents approximately one per cent of the total budget. An explanation of the major variances is included in these accounts on page 67. Of the total resource outturn of £31,399 million, £7,854 million (25%) is funding to local government.

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

The provisional outturn announcement made by the Cabinet Secretary for Finance and the Constitution in June 2016 indicated that the cash fiscal DEL budget in 2015-16 would be underspent by £115 million and the total DEL budget (including non-cash and financial transaction facilities) would be underspent by £285 million. The announcement reported the position in terms of Scottish

Government expenditure against total (DEL) as set by HM Treasury. The two sets of outturn information are not strictly comparable. The scope of what is included in these accounts is determined by the requirements of the Government's Financial Reporting Manual (FReM) and covers elements that are not included in the HM Treasury DEL figures.

Statement of Financial Position

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

The Consolidated Statement of Financial Position, known previously as the balance sheet, (page 75) is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the Scottish Government. This shows taxpayers' equity – an accounting measurement of the amount invested by taxpayers that has continuing public benefit. It shows how much of this has arisen from the application of revenues (including the Scottish Block Grant) and that which has resulted through changes over time in the value of physical assets.

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

The Statement of Financial Position includes:

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

Assets and liabilities

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

Physical assets are the highest value group of assets in the Consolidated Accounts with a value of £27,317 million at 31 March 2016, of which 63 per cent (£17,124 million) relates specifically to the

road network. The Consolidated Accounts provide details of changes in the year. There were additions of £1,013 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' (£29 million, page 97) will release resources previously invested for future use.

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

The Consolidated Accounts show that the largest financial assets are loans of £2,784 million that have been made to Scottish Water, to finance its capital investment programmes (an increase of £89 million from 31 March 2015), and student loans valued at £2,908 million (an increase of £327 million from 31 March 2015). The latter are made under the terms of the student loans scheme, administered by the Student Loans Company Limited. Loans to Prestwick Airport, a wholly owned subsidiary of Transport Scotland, of £21 million are also included here.

The total value of taxpayers' equity, reported in the Statement of Financial Position, is £30,181 million at 31 March 2016, an increase of £1,497 million (5.2%) from 31 March 2015.

The elements of the statement of financial position are measured and disclosed in accordance with accounting standards and notes to the accounts provide analysis and explanation. More detailed information on the Statements of Financial Position of the individual entities included within these consolidated accounts can also be found in the entity's published accounts by following the links provided on page 9 above.

Pensions

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

underlying assets and liabilities of the scheme. The Cabinet Office produces separate pension scheme accounts, covering all members across the UK.

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

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

National Accounts Classification

Changes in EU statistical accounts classification rules (ESA 10) in September 2014 triggered a review of the classification of some Non Profit Distributing (NPD) projects. There are no issues around the accounting entries, as infrastructure assets are recorded in the accounts in accordance with international accounting standards, which largely reflect the statistical national accounts rules. However the ESA10 rules have impacted on how public expenditure is measured against budgets.

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

Borrowing

The Scotland Act 2012 came in to force from April 2015, and gave the Scottish Ministers the power to borrow funds for the first time. For 2015-16 the Scottish budget included provision to borrow up to £306 million to support capital investment.

As a result of recognising the financial impact of reclassifying a number of NPD projects to the public sector, and in order to ensure sufficient budgetary cover for these non-cash capital outturn costs, the Scottish Government has agreed with HM Treasury for £283 million for these projects to be recorded against the Scotland Act 2012 borrowing limit for the year. This is for budgeting purposes only. No actual drawdown of borrowing from the National Loans Fund or other sources is therefore required for this amount in 2015-16. No other use of the facility was required in 2015-16 and the balance remains available to the Scottish Government against the statutory aggregate limit as set out in the Scotland Act 2012.

The EU Referendum

On 23 June 2016, after the end of the reporting period, a referendum was held on UK membership of the EU. The UK voted to leave the EU by 52% to 48%. Arrangements have not yet been made to remove the UK from the EU, and it is not possible to quantify the impact of this decision on Scotland. The Scottish Government has a positive vision for the role Scotland can play as a constructive and engaged partner in the EU, and this vision recognises the vital role our EU membership plays in delivering the Scottish Government's objectives of increasing sustainable growth and addressing long-standing inequalities.

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

The First Minister has announced that a new Minister will lead the discussions with the UK Government on our future relationship with Europe. Subject to approval by the Scottish Parliament, Michael Russell will be appointed as Minister for UK Negotiations on Scotland's Place in Europe. Further information can be found at <http://www.gov.scot/Topics/International/Europe>.

Payment Policy

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

As part of its plan for supporting economic recovery in Scotland, the First Minister announced on 9 October 2008 that the Scottish Government would aspire to a 10-day target for paying bills to businesses in Scotland. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business through the current economic downturn. Improvements in methodology have been introduced and continue to be introduced to improve payment performance.

For financial year 2015-16, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.4% of all payments within 10 days (2014-15: 98.5%). The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 98.8% of payments within 10 days (2014-15: 98.8%). The NHS bodies in Scotland made 84.2% of all payments within 10 days (2014-15: 84.2%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2015-16 was 99.7% (2014-15: 99.4%) of all transactions settled within the terms of its contractual 30 day payment policy. The specific payment performance of the individual bodies consolidated here will be reported separately within their individual accounts. The core Scottish Government made 99.7% (2014-15: 99.4%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 93.6% (2014-15: 93.3%) of all payments within the terms of their contractual 30 day payment policy.

Sustainability and Environmental Reporting

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

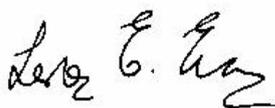
The guidance relates specifically to information to be included in Scottish Public Sector Sustainability Reports intended to complement Annual Reports and Accounts and expected to be consistent with the reporting requirements flowing from the Climate Change (Scotland) Act 2009 and the principles for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

The Scottish Government's current reporting on sustainability is focused on the environmental aspects of sustainability; it currently publishes an annual report on environmental performance against a range of targets in respect of the core estate including emissions from energy use, waste arisings and recycling rates, transport & travel emissions, water consumption and biodiversity. The development of the Scottish Sustainability Reporting Framework includes consideration of how the current reporting format can be enhanced to embrace other aspects of sustainability performance.

Environmental reporting for the Scottish Government can be found on the [Government On-Line Sustainable Performance Information Exchange](#) (GOLSPIE) portal. GOLSPIE is a dynamic platform which provides up-to-date access and reporting on the Scottish Government's environmental targets, indicators and performance.

The Scottish Government published a high level Carbon Assessment alongside the Scottish Government's Draft Budget 2015-16 published in October 2014:

<http://www.gov.scot/Publications/2014/10/8494>



Principal Accountable Officer

22 September 2016

ACCOUNTABILITY REPORT

Corporate Governance

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

Statement of Accountable Officer's Responsibilities

In accordance with the accounts direction (reproduced on page 138) issued under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers are required to prepare resource accounts for each financial year in the form and on the basis set out in the Government Financial Reporting Manual, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Scottish Ministers during the year.

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

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

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

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

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

The responsibilities of the Principal Accountable Officer are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual, a copy of which can be found at www.scotland.gov.uk/Topics/Government/Finance/spfm/Intro

For the purposes of the audit, so far as the Principal Accountable Officer is aware, there is no relevant audit information of which the auditors are unaware and all necessary steps have been taken by the

Principal Accountable Officer to ensure awareness of relevant audit information and to establish that the Scottish Government's auditors are aware of that information.

The Principal Accountable Officer authorised these accounts for issue on 22 September 2016.

GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Governance Framework

Throughout the 2015-16 financial year the Strategic Board, which I chair, has met quarterly to oversee the delivery of the Scottish Government's strategy and our readiness to address future challenges. The Board's role has been to ensure the proper stewardship of public money with a focus on Performance and Outcomes; People and Capability; Finance and Risk; and Organisational Efficiency.

Strategic Board membership consisted of: the six Directors General, the Chief Economist, the Director of People, Communications and Ministerial Support, the Chief Social Policy Adviser, the Chief Executive of the Crown Office and Procurator Fiscal Service, together with at least three Non-Executive Directors (including the Chair of the Scottish Government Audit and Risk Committee). The role of the Non-Executive Directors is to promote the highest standards of corporate governance and provide independent support and challenge to the executive members. Further information on the Strategic Board, and on the conduct of its business during the period, can be found on the [Scottish Government website](#).

The Scottish Government's strategy sets out our development priorities as the civil service supporting the Scottish Government. Responsibility for the strategy rests with the Executive Team, consisting of myself and the six Directors General. The Executive Team meets twice a week and has reported directly to the Strategic Board.

Our current governance framework supports delivery of the strategy and consists of six operational areas with boards, led at Director General level, focussing on: People, Resources, Performance, Constitution, Economy, and Finance including; Financial Strategy, Infrastructure Investment and Fiscal Responsibility. These boards provide management oversight to ensure the delivery of the strategy and core components of the Programme for Government.

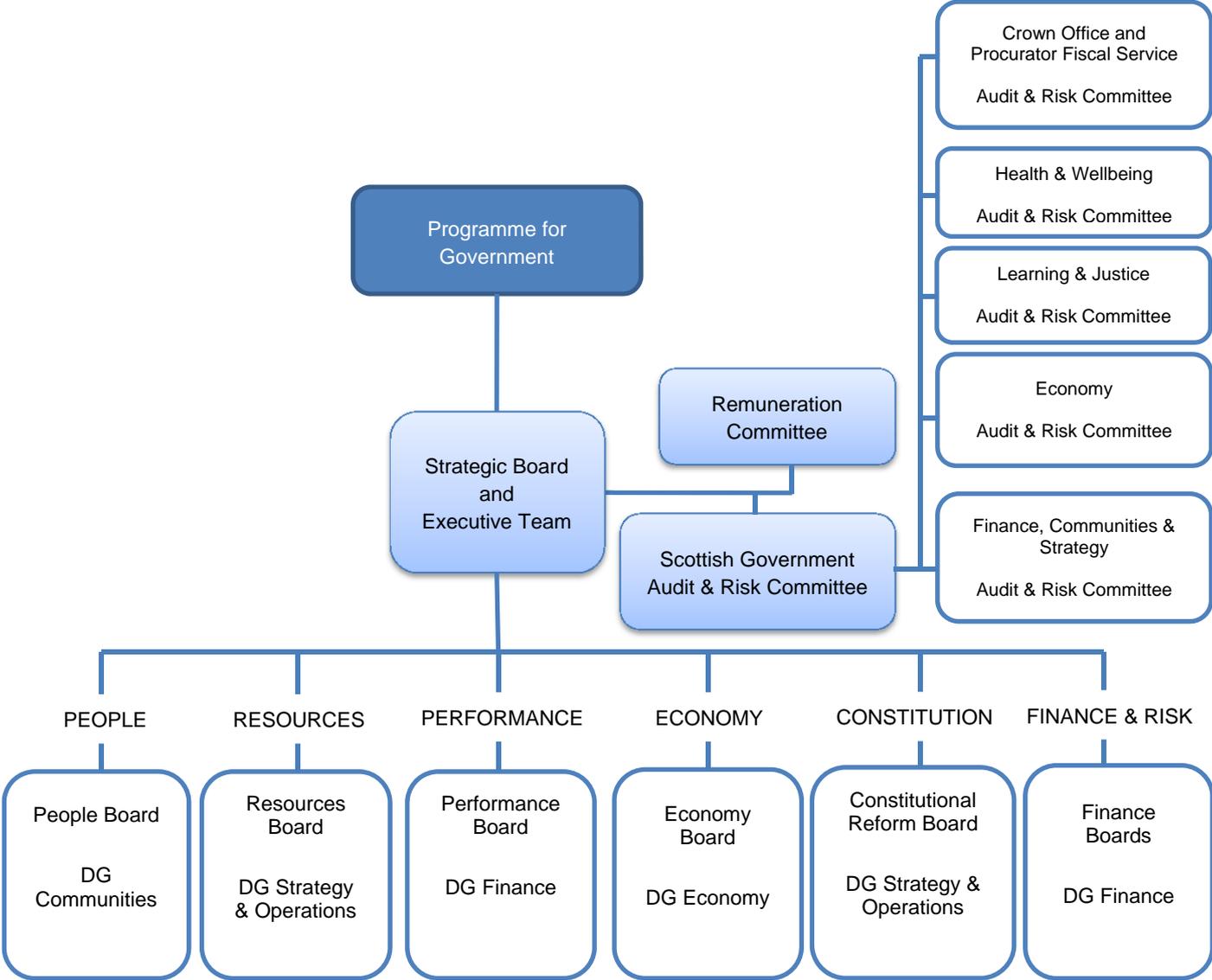
This structure has worked well over the last year but I initiated a programme to ensure our governance framework will support the organisation in meeting its future delivery challenges more effectively, covered in more detail under *Review of Corporate Governance 2020*. This is to reflect our growing fiscal responsibilities, raising taxes locally as well as spending them, the additional budget pressures we face over the next few years , and new powers over areas such as welfare arrangements. The programme also has a focus on enhancing our engagement with communities and our use of digital tools for this and in delivering all our outcomes.

The Scottish Government Audit and Risk Committee monitors and reviews the risk, control and governance arrangements which have been established in the organisation, and the associated assurance processes. The Committee consists entirely of Non-Executive Directors, and supports me in my role as Principal Accountable Officer by providing independent challenge and support on the effectiveness of our corporate governance arrangements.

The Committee has been assisted by a network of audit and risk committees (ARCs) grouped under the relevant Portfolio Accountable Officers which have monitored and reviewed supporting assurance procedures.

The committees have been constituted and operated in accordance with relevant guidance published in the [Scottish Public Finance Manual](#). The chairs of the Scottish Government Audit and Risk Committee and ARCs met twice in the reporting year to ensure consistency in approach and the sharing of good practice. Links between all audit and risk committees, and between Non-Executive Directors and senior managers have been further facilitated through a network for Scottish Government Non-Executive Directors. The pool of Scottish Government Non-Executive Directors has been subject to rotation with one previous member completing their term of office and one new member recruited following a fair and open competition.

The 2015-16 corporate governance structure for the Scottish Government, including the portfolio-based audit and risk committees, is set out below.



The Scottish Government complies with all governance related guidance in the Scottish Public Finance Manual, the [Civil Service Code](#) and relevant elements of the [Good Governance Standard for Public Services](#) produced by the Independent Commission on Good Governance in Public Services. Governance arrangements for the separate accounting entities within the Scottish Government consolidation boundary similarly comply with relevant guidance in the Scottish Public Finance Manual and generally accepted best practice principles.

In order to ensure good practice and effective links between the Strategic Board and the Scottish Government Audit and Risk Committee (SGARC) during the reporting year, the Chair of SGARC provided two formal reports to the Strategic Board for consideration. The reports covered issues raised at SGARC meetings, the Strategic Risk Register and Internal and External Audit reports.

Review of Corporate Governance 2020

In November 2015, I commissioned a review to explore opportunities to streamline our corporate governance arrangements while ensuring principles of effectiveness and transparency were maintained. The review focussed on six key governance activities: decision-making; assurance, including risk; accountability; challenge; direction and vision; and collaboration and co-production. The conclusion of the review was that there were four key areas where improvements could be made: 1) Structure; 2) Purpose; 3) Communication; and 4) Culture. The key features of the new structure will be:

- The work of Strategic Board and its functions will be absorbed into a reframed Executive Board with responsibility for operational decisions and strategic direction.
- Executive Team will, on a periodic basis, form into a more strategic mode with input from Non-Executive Directors, expert advisers, and with external input as required.
- The SGARC will become an Assurance and Audit Committee, continuing to monitor and review the risk, control and governance arrangements within the Scottish Government.
- There will be a high-level Strategic Risk and Opportunity Support group, led by a Non-Executive Director to support Executive Team in its lead role for consideration of risks and opportunities.
- Portfolio audit and risk committees will be abolished, with the exception of the Crown Office and Procurator Fiscal Service due to the specific remit of that Committee.
- Non-Executive Directors will continue to be commissioned to engage in specific programmes of work and to review the activities of the organisation on a more flexible basis.
- The role of Non-Executive Directors will be reviewed to enhance their direct relationship with me as Permanent Secretary and to allow greater development of subject knowledge, putting them in the best possible place to play an effective support and challenge role.
- Continued engagement with Audit Scotland in its role in considering and reporting on the effectiveness of arrangements as they operate in practice.

The effectiveness of Scottish Government governance arrangements is ultimately linked to the achievement of policies, aims and objectives set by the Scottish Ministers. Information on the National Performance Framework and progress towards meeting the National Outcomes determined by Ministers is published on the [Scotland Performs](#) website. A list of National Indicators (often cross-cutting) is provided for each National Outcome allowing users to assess performance themselves. An updated National Performance Framework indicator set was published on 11 March 2016, the 50 [National Indicators](#) remained unchanged but five new ones were added on underemployment, the Living Wage, the gender pay gap, access to local greenspace and increasing natural capital.

In addition, the [Community Empowerment \(Scotland\) Act 2015](#) received Royal Assent on 24 July 2015 and ensures that the current outcomes approach to government will continue in the long term. The Act places a duty on the Scottish Ministers to consult on, develop and publish a set of national outcomes for Scotland, while having due regard for reducing the inequalities of outcomes which result from socio-economic disadvantage. The Scottish Ministers must also regularly and publicly report on progress towards these outcomes and review them at least every five years.

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.

Risk and Control Framework

Guidance on the basic principles of risk management is included in the [Scottish Public Finance Manual](#). Consistent with that guidance, a corporate approach to risk management in the core Scottish Government is documented and published on the Scottish Government intranet. The Director General Finance continues to lead work, on behalf of the Strategic Board, on the Scottish Government's risk management strategy, establishing an improvement project to further enhance risk management across the organisation with a view to providing a simpler, focussed, consistent and less resource intensive risk management process further encouraging the effective consideration of risk throughout the organisation.

Throughout the reporting period, the Strategic Board, the Executive Team and key corporate boards and committees have continued to take an active lead in embedding risk management across the organisation. Risk management is a core staff competency, supported by corporate training and development, with appropriate links in place to other activities such as programme and project management.

Risk management controls are established at the corporate level, within directorates as part of corporate governance arrangements. Robust systems are in place to ensure risks are reviewed on a

regular basis and managed at the appropriate level. The Scottish Government Audit and Risk Committee and the Non-Executive members of the various core Scottish Government boards, provide for independent external scrutiny of risk management.

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

- The programme of dialogue, learning and information sharing with DWP to ensure new powers over social security are successfully implemented, with smooth transition from DWP to new Scottish policies and administrative arrangements. Early engagement with key stakeholders and those representing the particular target groups for the devolved benefits is also underway.
- The resourcing implications of the expanding functions and priorities of the Scottish Government are being addressed as part of the SG2020 exercise. This is our overarching organisational change approach to continuing to evolve into the open capable and responsive organisation we need to be. As part of this work, steps have been taken to enable the organisation to match resources with priorities, for example through changes to promotions policy, use of redeployment, flexible working and appropriate learning and development. We are working with other branches of government to bring in staff with relevant skills and experience to support the implementation of the Scotland Act 2016 alongside existing Scottish Government staff. In relation specifically to the technical work associated with the financial provisions in the Scotland Act 2016, a Fiscal Framework Implementation Board has been established and will provide assurance, challenge and governance in relation to the implementation of the Fiscal Framework and the new fiscal powers. The SG2020 framework allows us to maintain our vigilance of these areas and to address challenges as they arise.
- That we ensure all of our policy decisions are tested against European Commission (EC) State aid rules and are implemented in a compliant way. To maintain Scottish Government reputation and minimise risk of any aid being awarded illegally as the EC increases focus on the monitoring and transparency of public funding.
- Ensuring project management controls were implemented to ensure that the Scottish Government was effectively prepared for UK's Remain/Leave Referendum on EU membership developing targeted messaging for deployment across Government and ensuring input into the UK's renegotiation proposals. In response to the result of the EU Referendum new project management arrangements were introduced and resources were reallocated to ensure an effective Scottish response.

- The continuing challenges around our capacity to effectively develop, deliver and manage the IT/Digital enabled business change projects and programmes that are essential to support our delivery of effective public services to citizens and businesses. There is now a Central Government Digital Transformation Service in place to support organisations, their Senior Responsible Officers and Accountable Officers, to develop their digital strategy, scope their projects, and put in place the right skills and resources to oversee and deliver the project; providing support in recruiting the necessary staff. Compliance with the assurance framework has been included as part of the 2015-16 annual assurance process for bodies sponsored by the Scottish Government.
- That processes are in place to ensure that early notification and interpretation of changes to EU guidance on classification are assessed against the Scottish Government's delivery landscape, and that the establishment of new bodies and Special Purpose vehicles are assessed for national Accounts classification purposes.
- Managing the short, medium and long term focus for health and social care (including supporting reviews and policy work streams). In common with much of rest of the developed world, Scotland faces an unprecedented combination of challenges including:
 - a relatively poor pattern of health across the population and of health inequalities
 - rapidly changing demographic trends including a rapidly ageing population, bringing particular pressures around dementia among other conditions; and greater survival rates among early births with an increase in the those living with developmental and learning difficulties
 - high levels of preventable diseases and other health conditions among the ageing population
 - changing and more vocal public expectations of the type of care people want, where they want it (at or closer to home) and the role they should have in it (people at the centre of decisions); and
 - continuing tight fiscal conditions despite the budget consequential that will flow if the UK Government delivers its commitment to extra health spending.

In the face of those challenges it is clear that while we are making progress toward our current 2020 Vision for health and social care, which at its core remains valid and will endure beyond 2020, we need to make more headway more quickly. We also need to look to a longer horizon, out to 2030, to bring about a transformational change in our approach to improving the health and wellbeing of the population and to the delivery of high quality, efficient, appropriately integrated and locally delivered and genuinely person centred health and social care services. Realising the 2020 Vision, and moving beyond it, requires careful management of immediate and short term pressures in the system to provide a solid platform for managing and adapting to medium term (out to 2020) and longer term (2030+) pressures.

It also requires constant assurance that individual policies and policy/delivery reviews are developed and managed coherently and that, collectively and individually, they continue to support wider-scale transformational change.

- Ensuring the Scottish Government contributes effectively to the management of Ministers' interests in the Scottish Child Abuse Inquiry, responding competently, fully, openly, transparently and in a responsible manner to the Inquiry's information and records requirements, and ensuring executive agencies and NDPB's who have an interest in the Inquiry (as relevant to Scottish Government's interests) are also fully aware and prepared for the Inquiry's implications and engage effectively with it.
- That our culture in the Scottish Government supports and enables greater diversity, demonstrating it is an exemplar employer by committing to positively value the different perspectives and skills of all staff and make full use of these in our work.
- Work undertaken to manage Phase 1 of the Futures Programme to deliver the IT functionality and necessary controls to support implementation of the new Common Agricultural Policy (CAP) and payments to farmers in 2015. To maintain a robust platform, minimise disallowance and comply with EC Paying Agency requirements.

The Scottish Government Audit and Risk Committee provides Non-Executive consideration of the adequacy of the core Scottish Government's risk management arrangements and approach for the prevention, detection, reporting and handling of fraud.

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the [Scottish Public Finance Manual \(SPFM\)](#). Development work in this area has included the publication of Grant Funding and Procured Goods and Services Contracts guidance as an Annex in the SPFM designed to raise awareness of the decision making process for determining whether a grant or a procured contract is most appropriate. In addition a comprehensive review of the Scottish Government Grants Process to enhance controls in this area resulted in the publication of transformed guidance on the Scottish Government Intranet to support staff in ensuring grants are used for the purposes for which they are intended.

The Scottish Government has continued to engage with cross-government groups, sharing our approach and supporting the prevention agenda through the Fraud, Error and Debt Team within Cabinet Office. The Scottish Government has also entered into a partnership agreement with NHS Counter Fraud Services regarding the use of counter fraud expertise including specialist investigation and analytical services with the view to developing our techniques for minimising our fraud risks. The Scottish Government also continues to participate in the biennial National Fraud Initiative data

matching exercise led by Audit Scotland, and we welcome the outcomes delivered from the 2014-15 exercise. The Scottish Government is working with Public Bodies across Scotland and Audit Scotland to continue to improve how we protect public resources now and in the future.

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

Data Security Framework

The Scottish Government has policies and related guidance on information risk to ensure that it meets prescribed information assurance standards and requirements. DG Communities as Senior Information Risk Owner, is the focus for the management of information risk at Strategic Board.

During 2015-16, four data security incidents which could have resulted in the loss or potential loss of Scottish Government data were reported to the Scottish Government Office of Protective Security. Each incident was also reported to the Information Commissioner's Office (ICO). No enforcement action was taken by ICO but actions were taken in each case to ensure that the probable impact of any loss was minimised. Appropriate procedures were also put in place to minimise the likelihood of any future recurrence.

Information assurance and security constitute a significant priority for the Scottish Government. [Safe, Secure and Prosperous: A Cyber Resilience Strategy for Scotland](#) was published in November 2015 and the Scottish Government intends to lead from the front; building our own cyber resilience and working with other public sector organisations to make sure resilience is built in to digital public services. Cyber risk is owned by the Strategic Board and delivery of the corporate Cyber Strategy 2020 will provide technical, governance, process and awareness improvements.

Assurance Framework

In December 2015 the findings of a strategic review of Internal Audit were reported to the Scottish Government Audit and Risk Committee. Led by an external expert acting as Interim Head of Internal Audit, the independent review identified key areas for improvement to strengthen our assurance arrangements and management of risk. This resulted in the appointment of a Director of Internal Audit in April 2016 to increase the profile and influence of Internal Audit across the organisation. This will further enhance the leadership of the Internal Audit function, and the level of strategic engagement with stakeholders, as an integral contributor to improving the organisation's operations and enhancing our risk management, control and governance arrangements.

An annual assurance on the adequacy and effectiveness of the core Scottish Government's internal control system, including risk management and safeguards against losses - and the extent to which it

can be relied upon is provided through the professional opinion of the Scottish Government's Director of Internal Audit. In the annual assurance report submitted to the Scottish Government Audit and Risk Committee on 22 September 2016, the Director of Internal Audit confirmed that reasonable assurance could be placed on the internal control arrangements.

Audit Scotland reviews the Scottish Government's internal audit arrangements on an annual basis and for 2015-16 concluded that reliance could be placed on the work undertaken. Audit Scotland also provides assurance through the work undertaken on behalf of the Auditor General in auditing the Scottish Government consolidated accounts.

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

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

Each portfolio reports annually to the Scottish Government Audit and Risk Committee to provide assurances that they are operating in accordance with Scottish Public Finance Manual guidance and to draw the committee's attention to relevant issues. The chairs of the portfolio-based audit and risk committees met with the Scottish Government Audit and Risk Committee, prior to the finalisation of the Scottish Government consolidated accounts, to discuss their reports and any relevant issues. At this meeting on 22 August 2016, no significant control weaknesses were raised.

The Scottish Government Audit and Risk Committee provides me with an annual assurance, timed to support the signature of the Scottish Government consolidated accounts and the associated governance statement, following consideration of the accounts by Strategic Board on 6 September 2016. In providing such assurance the Scottish Government Audit and Risk Committee must consider the comprehensiveness of the Scottish Government assurance framework, the reliability and integrity of assurances provided and the findings of both internal and external auditors. The Scottish Government Audit and Risk Committee also advises on what, if any, issues arising during the financial year, and the period up to signature of the accounts, would warrant being recorded in the governance statement for the Scottish Government consolidated accounts. This process was completed in the course of the Scottish Government Audit and Risk Committee meeting on 22 September 2016.

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

Significant Internal Control Issues

Details of significant internal control issues relevant to the 2015-16 financial year, or the period up to signature of the Scottish Government consolidated accounts, are detailed below. In providing this information due weight has been given to any significant matters recorded in the governance statements of the separate accounting entities within the Scottish Government consolidation boundary.

The delivery of CAP payments for the scheme year 2015 has proved enormously challenging. Payments have been made far later than in a normal year. The risk of penalties for late payment has been mitigated significantly following action by the European Commission following problems in a number of other Member States, but some residual risk remains. To support farmers, as the CAP payments system is being established, nationally funded loan schemes were initiated in 2015-16 but with the bulk of the loans issued in 2016-17 financial year and challenges remain in ensuring that all loans are recovered timeously. Further, in the delivery of the Futures Programme that provides the IT functionality to make the CAP payments from 2015 onwards, there have been a number of control weaknesses in contract management including a conflict of interest. These control weaknesses (e.g. authorisation and management of overtime) have been addressed, with the remaining risk mitigated significantly. The Programme and its contract management are now on a far better footing for the future.

Three of the four 2007-13 Structural Funds Programmes were suspended by the European Commission during 2015 as a result Internal Audit Authority findings, meaning that the auditors reported significant errors in the delivery of the programmes. As a result of senior management taking corrective measures those errors have been reduced significantly. This will not eliminate all risks with the 2007-13 programmes which are now in their closure phase. During this phase audit scrutiny could yet expose issues which could have financial consequences for Scottish Government. Implementation of the 2014-20 programmes is well underway. New systems and processes have been developed and are now in operation for these programmes. The updated framework addresses the known weaknesses from 2007-13 experience and should reduce the risk of audit failures in the 2014-20 programme work. There is an element of delivery risk with any European Funding programme as we work towards closure of the current arrangements by March 2017. However, the structural funds management and audit scrutiny teams have been working closely on a joint project plan to ensure the audit and closure work is completed to a high standard and on time.

The suspensions of the three programmes are being lifted by the Commission in response to the corrective action taken by senior management. DG Emploi lifted the suspensions on the European Structural Funds programmes in August 2016 with the outstanding funds being received by the

Scottish Government in August. DG Regio agreed to lift the suspension of the European Regional Development Fund programme at its Committee on the 9th September. Formal confirmation of this is expected shortly with the withheld funds being released to the SG shortly after that.

NHS 24 - The Future Programme is a significant programme of change that will see the replacement of NHS 24's telephony and technology infrastructure and applications, supporting the delivery of the core unscheduled care service and a range of other scheduled care services. As a result of issues arising following the launch of the system, NHS 24 paused implementation of the Future Programme in November 2015 and plans are now in place for a phased implementation starting in autumn 2016. The delay has had a significant impact on the operational and financial plans of the Board for this and the next five years, however patient safety remains paramount and has been central to decisions taken throughout.

NHS Tayside – During 2015-16, as a result of an operational deficit and particular costs associated with backdated unsocial hours payments, the Board received brokerage of £5.0 million in order to meet its financial targets. Agreement of this brokerage was predicated on the Health Board developing plans to return to financial balance, and the Board have put in place a five year Transformation Programme to achieve this. The Scottish Government has agreed a package of tailored support in the form of specialist skills and resources to support the Board in progressing this programme and principles which will govern the profile of brokerage repayments to be agreed as part of this process.

Written Authority

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

No such written authority was required during the 2015-16 financial year, or the period up to signature of the accounts, by Accountable Officers within the Scottish Government consolidation boundary.

REMUNERATION AND STAFF REPORT

The information in the Performance and Accountability Reports is reviewed by the external auditors for consistency with the financial statements, and the information disclosed in tables on pages 37-48 has been audited by them.

Appointments

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

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

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

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

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

Remuneration Policy

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

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code (available at www.civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body (SSRB).

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

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

Further information about the work of the SSRB can be found at www.ome.uk.com.

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the Directors General, Chief Executive of the Crown Office and Non-executive members of the Strategic Board, ensures that the Pay and Performance Management policy falls within the parameters set by the SSRB and Cabinet Office. The Scottish Government's Top Level Pay Committee has agreed that for SCS pay in 2015-16:-

- all SCS staff, apart from poor performers and those near the maximum of the pay range, will receive a 1% pay uplift to their base pay; and
- there will be no non-consolidated performance payments.

The Permanent Secretary's salary and performance-related pay are set as part of a UK Cabinet Office framework and agreed by the Prime Minister. In 2015-16, the Permanent Secretary's performance was assessed as being entitled to a non-consolidated payment which he declined in line with Scottish Government pay policy.

Non-executive members receive fees for attendance at regular Scottish Government Strategic Board meetings and Scottish Government Audit and Risk Committee (SGARC) meetings. Non-executive members expenses incurred in attending these meetings are also reimbursed.

Remuneration

The remuneration of the Ministers who served over the year to 31 March 2016 and members of the Scottish Government Strategic Board is noted below.

Ministers and Law Officers

The remuneration of the First Minister and the Cabinet Ministers during the year to 31 March 2016 is shown in the table below. Ministerial salaries are additional to salaries and entitlements as MSPs. The full year salary rate for the First Minister is £85,598 and for all other Cabinet Ministers is £44,406.

| | 2015-16 | 2014-15 |
|--------------------------|---------------------|---------------------|
| | Ministerial | Ministerial |
| | Gross Salary | Gross Salary |
| | £ | £ |
| Nicola Sturgeon, MSP (1) | 85,598 | 59,095 |
| John Swinney, MSP | 44,406 | 44,097 |
| Keith Brown, MSP | 44,406 | 33,388 |
| Roseanna Cunningham, MSP | 44,406 | 33,388 |
| Angela Constance, MSP | 44,406 | 43,161 |
| Shona Robison, MSP | 44,406 | 43,161 |
| Alex Neil, MSP | 44,406 | 44,097 |
| Michael Matheson, MSP | 44,406 | 33,388 |
| Richard Lochhead, MSP | 44,406 | 44,097 |
| Fiona Hyslop, MSP | 44,406 | 44,097 |
| Alex Salmond, MSP | - | 54,071 |
| Michael Russell, MSP | - | 28,173 |
| Kenny MacAskill, MSP | - | 28,173 |

(1) The First Minister has a benefit-in-kind for 2015-16 of £93.81 arising from the provision of accommodation at Bute House (2014-15: £93.15).

Scottish Government Ministers Pay Freeze Commitment

The Scottish Parliament Corporate Body is required under Chapter 46, Section 81 of the Scotland Act 1998 to make provision for the payment of salaries to MSPs, Officeholders of the Parliament and Ministers. A resolution of the Parliament to pay salaries in accordance with the Scottish Parliamentary Salaries Scheme was passed by the Parliament on a free vote on 21 March 2002. The Scheme determines that the Scottish Parliamentary Corporate Body should decide the salary levels for Members and Officeholders including the Law Officers. The Scheme determines that Members' and

Officeholders' salary rates should be increased annually from 1 April in line with public sector pay rises in Scotland, using the Annual Survey of Hours and Earnings published by the Office for National Statistics.

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

Law Officers

The remuneration of the serving Law Officers for the year to 31 March 2016 is shown below:

| | 2015-16 | 2014-15 |
|----------------------|--------------|--------------|
| | Gross Salary | Gross Salary |
| | £ | £ |
| Frank Mulholland, QC | 117,102 | 116,287 |
| Lesley Thomson, QC | 101,040 | 100,337 |

Senior Management Team

The remuneration for the Permanent Secretary and members of the Scottish Government Strategic Board, excluding the non-executive members, for the year to 31 March 2016 were as follows:

| | Salary | Salary | Pension Benefits | Pension Benefits | Total | Total |
|---|---------|---------|------------------|------------------|---------|---------|
| | 2015-16 | 2014-15 | *2015-16 | *2014-15 | 2015-16 | 2014-15 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sir Peter Housden KCB (to 30 June 2015) | 60-65 | 180-185 | - | - | 60-65 | 180-185 |
| Leslie Evans (1) | 150-155 | 125-130 | 298 | 25 | 450-455 | 150-155 |
| Barbara Allison (2) | - | 15-20 | - | 6 | - | 20-25 |
| Sarah Davidson | 115-120 | 95-100 | 70 | 117 | 185-190 | 210-215 |
| Graeme Dickson | 115-120 | 115-120 | 38 | 26 | 155-160 | 140-145 |
| Gary Gillespie | 90-95 | 90-95 | 41 | 20 | 130-135 | 110-115 |
| Paul Gray | 145-150 | 140-145 | - | - | 145-150 | 140-145 |
| Paul Johnston (3) | 80-85 | - | 70 | - | 150-155 | - |
| Alyson Stafford CBE | 135-140 | 135-140 | 66 | 46 | 200-205 | 180-185 |
| Ken Thomson | 115-120 | 115-120 | 43 | 43 | 160-165 | 160-165 |
| Professor Muffy Calder OBE (4) | - | 65-70 | - | - | - | 65-70 |
| Catherine Dyer CBE | 125-130 | 125-130 | 37 | 26 | 160-165 | 150-155 |
| Professor Carol Tannahill (5) | 65-70 | 65-70 | - | - | 65-70 | 65-70 |

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

(1) Leslie Evans served on Strategic Board as DG Learning & Justice, until 1 July 2015 when she was appointed as Permanent Secretary. Her full year salary as Permanent Secretary is in the band £160K-165K

(2) Barbara Allison left her interim director role on Strategic Board on 25 May 2014. The full year salary for Barbara Allison for 2014-15 is in the £90k-£95k band.

(3) Paul Johnston joined Strategic Board on 15 June 2015. The full year salary band is £105k- 110k.

(4) Professor Muffy Calder left on 31 December 2014. Prior to that date, she was on secondment to the Scottish Government from the University of Glasgow. Her salary and pension matters are the responsibility of her parent employer. The Scottish Government reimbursed the University of Glasgow on a pro-rata basis to reflect salary, ERNIC and employer pension costs for a secondment equivalent to three days per week.

(5) Professor Carol Tannahill joined the Scottish Government on 1 April 2014 on secondment from the Glasgow Centre for Population Health. 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 equivalent.

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

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

| | 2015-16 | 2014-15 |
|---|---------|---------|
| | £'000 | £'000 |
| Band of Highest Paid member of the Strategic Board Total Remuneration | 150-155 | 180-185 |
| Median Total Remuneration | 31,340 | 31,029 |
| Ratio | 4.9 | 5.9 |

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

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

Non-Executive Members

Salary

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

Benefits-in-Kind

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

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

| | 2015-16 | 2014-15 |
|-------------------------------------|---------|---------|
| | Fees | Fees |
| | £'000 | £'000 |
| Christina Allon | 5-10 | 5-10 |
| Janet Hamblin (from September 2015) | 0-5 | - |
| Linda McKay | 5-10 | 5-10 |
| Alex Smith (until September 2015) | 0-5 | 5-10 |

No non-executive members of the Scottish Government Strategic Board received benefits-in-kind.

The non-executive members do not participate in the Civil Service Pension Scheme.

Pension Benefits

Ministers and Law Officers

The pension entitlements of the Cabinet Team for the year to 31 March 2016 are shown below:

| | Accrued pension at age 65 as at 31-Mar-16 | Real increase in pension at age 65 | CETV at 31-Mar-16 | CETV at 31-Mar-15 | Real Increase in CETV |
|--------------------------|--|---|--------------------------|--------------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Nicola Sturgeon | 15-20 | 5-7.5 | 204 | 118 | 77 |
| John Swinney, MSP | 5-10 | 0-2.5 | 124 | 104 | 16 |
| Fiona Hyslop, MSP | 5-10 | 0-2.5 | 124 | 104 | 16 |
| Richard Lochhead, MSP | 5-10 | 0-2.5 | 109 | 91 | 13 |
| Alex Neil, MSP | 5-10 | 0-2.5 | 149 | 121 | 24 |
| Angela Constance, MSP | 0-5 | 0-2.5 | 53 | 40 | 11 |
| Shona Robison, MSP | 5-10 | 0-2.5 | 118 | 96 | 17 |
| Keith Brown, MSP | 5-10 | 0-2.5 | 113 | 85 | 23 |
| Michael Matheson, MSP | 5-10 | 0-2.5 | 61 | 34 | 22 |
| Roseanna Cunningham, MSP | 5-10 | 2.5-5 | 149 | 91 | 54 |

New factors are used in the calculator for the CETV values at the start and end of the period. This means CETV values shown at 31 March 2015 may not match those shown in last year's accounts.

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

The pension entitlements of the Law Officers are shown below.

| | Accrued pension at age 65 as at 31-Mar-15 | Real increase in pension at age 65 | CETV at 31-Mar-16 | CETV at 31-Mar-15 | Real Increase in CETV |
|----------------------|--|---|--------------------------|--------------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Frank Mulholland, QC | 20-25 | 0-5 | 316 | 265 | 44 |
| Lesley Thomson, QC | 10-15 | 0-5 | 192 | 144 | 37 |

Senior Management Team

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

| | Accrued pension at age 60 and related lump sum as at 31-Mar-16 | Real increase in pension and related lump sum at age 60 | CETV at 31-Mar-16 | CETV at 31-Mar-15 | Real Increase in CETV |
|---------------------|--|---|-------------------|-------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Leslie Evans | 65-70 plus lump sum 200-205 | 10-15 plus lump sum 40-45 | 1,469 | 1,104 | 282 |
| Barbara Allison | 25-30 plus lump sum 80-85 | 0-2.5 plus lump sum 2.5-5 | 560 | 496 | 21 |
| Sarah Davidson | 25-30 plus lump sum 85-90 | 2.5-5 plus lump sum 2.5-5 | 471 | 391 | 34 |
| Graeme Dickson | 45-50 plus lump sum 140-145 | 0-2.5 plus lump sum 5-7.5 | 1,100 | 984 | 38 |
| Gary Gillespie | 15-20 plus lump sum 50-55 | 0-2.5 plus lump sum 0-2.5 | 307 | 257 | 18 |
| Paul Johnston | 20-25 plus lump sum 55-60 | 0-2.5 plus lump sum 2.5-5 | 289 | 230 | 33 |
| Alyson Stafford CBE | 20-25 | 2.5-5 | 419 | 345 | 35 |
| Ken Thomson | 45-50 | 2.5-5 | 888 | 782 | 35 |
| Catherine Dyer | 40-45 plus lump sum 130-135 | 0-2.5 plus lump sum 5-7.5 | 940 | 838 | 34 |

Sir Peter Housden KCB, Permanent Secretary until 30th June 2015, and Paul Gray, Director General for Health & Social Care, chose not to be covered by the Civil Service pension arrangements during the reporting year.

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

New factors are used in the calculator for the CETV values at the start and end of the period. This means CETV values shown at 31 March 2015 may not match those shown in last year's accounts.

No employer contributions have been made to the partnership pension accounts.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 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 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.)

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account). Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**.

In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension

account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Cash Equivalent Transfer Values for Civil Service pensions

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment)

Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

For 2015-16 Scottish Government employers' contributions of £71m (2014-15: £80m) were payable to PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2015-16 the value of Scottish Government employers' contributions relating to the partnership pension account is £348k (2014-15: £139k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

People and Culture

Staff numbers and related costs

| Staff numbers (Full time equivalent) | No of Special Advisors | Permanent Staff | Other | 2015-16 Total | 2014-15 Total |
|--|---------------------------------------|----------------------------|--------------|--------------------------|--------------------------|
| Finance, Constitution and Economy | 0 | 741 | 40 | 781 | 890 |
| Health, Wellbeing and Sport | 0 | 143,640 | 2,017 | 145,657 | 144,267 |
| Education and Lifelong Learning | 0 | 1,125 | 306 | 1,431 | 1,278 |
| Fair Work, Skills and Training | 0 | 25 | 3 | 28 | 42 |
| Justice | 0 | 4,767 | 10 | 4,777 | 4,713 |
| Social Justice, Communities and Pensioners Rights | 0 | 403 | 7 | 410 | 389 |
| Rural Affairs, Food and Environment | 0 | 1,466 | 80 | 1,546 | 1,577 |
| Culture, Europe and External Affairs | 0 | 70 | 2 | 72 | 1,135 |
| Infrastructure, Investment and Cities | 0 | 859 | 46 | 905 | 671 |
| Administration | 13 | 892 | 29 | 934 | 1,308 |
| Crown Office and Procurator Fiscal Service | 0 | 1,367 | 240 | 1,607 | 1,626 |
| SG Strategic Board | 0 | 7 | 0 | 7 | 7 |
| Total | 13 | 155,362 | 2,780 | 158,155 | 157,903 |

Included in the above:

| | | |
|--|-----|-----|
| Number of staff on capital projects (full time equivalents) | 195 | 224 |
|--|-----|-----|

| Staff costs | 2015-16 £'m | 2014-15 £'m |
|--|------------------------|------------------------|
| Wages and Salaries (Permanent staff) | 5,399 | 5,319 |
| Social security costs (Permanent staff) | 433 | 427 |
| Other pension costs (Permanent staff) | 746 | 669 |
| Sub-total | 6,578 | 6,415 |
| Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments) | 279 | 215 |
| Total | 6,857 | 6,630 |
| Less recoveries in respect of outward secondments | (52) | (47) |
| Total net costs | 6,805 | 6,583 |

Number and cost of exit packages (set by reference to the Civil Service Compensation Scheme)

| Exit Packages Cost Band | No of departures agreed 2015-16 | Cost of exit packages 2015-16 £000 | No of departures agreed 2014-15 |
|--------------------------------------|--|---|--|
| <£10,000 | 46 | 201 | 31 |
| £10,000 to £25,000 | 34 | 629 | 73 |
| £25,000 to £50,000 | 44 | 1,619 | 83 |
| £50,000 to £100,000 | 38 | 2,586 | 59 |
| £100,000 to £150,000 | 3 | 519 | 14 |
| £150,000 to £200,000 | 3 | 536 | 1 |
| £200,000 to £250,000 | 0 | 0 | 3 |
| £250,000+ | 1 | 315 | 0 |
| Total number / cost of exit packages | 169 | 6405 | 264 |

Exit packages were disclosed in the staff note in 2014-15 and the total cost per band was not reported. The total cost of exit packages in 2014-15 was £11million.

There were no compulsory redundancies in 2015-16 or 2014-15.

Staff Relations, Diversity and Equal Opportunities

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

The Scottish Government gives a high priority to the development of all its people. This is set out in the Scottish Government's People Strategy. Learning and Development in the Scottish Government is quality assured through its commitment to the Investor in People (IiP) Scheme. The organisation has been recognised as an Investor in People since 1997. In August 2013, the Scottish Government became the first central UK Civil Service organisation to be recognised with a Gold Award. The Scottish Government is committed to a programme of continuous improvement in relation to its implementation of the People Strategy and the IiP standard, attaining accreditation for Investors in Young People.

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

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

In 2015-16 an average of 7.2 working days (2014-15: 7.1) were lost per staff year for the Scottish Government. The NHS Bodies in Scotland report their sickness absence rates based on contracted hours lost rather than days lost due to different shift patterns in the NHS Scotland workforce. The sickness absence rate across NHS Scotland for the year to 31 March 2016 was 4.7% of total contracted hours (2014-15: 4.7% of total contracted hours).

The Scottish Government Equal Opportunities policy states that all staff should be treated equally irrespective of their sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability, religion or belief, work pattern, employment status, gender identity (transgender), maternity or paternity status, caring responsibility or trade union membership. Employment and promotion are solely on merit and all opportunities are available to all staff irrespective of working pattern.

Furthermore the Scottish Government is committed to increasing the diversity of staff within the organisation. We are committed to developing all our staff, whilst ignoring all irrelevant differences in their management and development. In addition, we will positively value the different perspectives and skills of all our staff and make full use of these in our work.

During 2015-16 there were 42,638 male employees, 143,578 female employees, 188 for whom the information was not available and 3 who prefer not to say. This has been measured as head count numbers and not full time equivalents.

The Scottish Government made significant progress in jumping 110 places from 216 to 106 on the Stonewall UK Workplace Equality Index (WEI), the fourth top public sector organisation in Scotland. The Stonewall WEI is an evidence-based benchmarking tool used by employers to assess their achievements and progress on LGBT equality in the workplace.

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

Employment of Disabled People

The Scottish Government follows Civil Service good practice guidance on the employment of disabled people and is a Jobcentre Plus Positive about Disabled People Symbol user. The 'two-ticks' positive about disability symbol is awarded by Jobcentre Plus to employers who have made commitments to employ, keep and develop the abilities of disabled staff. As such, the Scottish Government ensures that there is no discrimination on the grounds of disability and that access to employment and career advancement is based solely on merit, competence and suitability for the work.

The 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 2016 was 1,947 (2014-15: 1,741).

Losses and special payments

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

Losses Statement

| Portfolio | 2015-16 | 2015-16 | 2014-15 |
|--|-------------|---------|---------|
| | No of Cases | £m | £m |
| Finance, Constitution and Economy | 3,666 | 2.82 | 5.53 |
| Health, Wellbeing and Sport | 4,259 | 3.06 | 3.71 |
| Education and Lifelong Learning | 1 | 0.01 | 4.80 |
| Fair Work, Skills and Training | - | - | - |
| Justice | 465 | 0.03 | 0.26 |
| Social Justice, Communities and Pensioners' Rights | 47 | 0.69 | - |
| Rural Affairs, Food and the Environment | 43 | 0.25 | 1.17 |
| Culture, Europe and External Affairs | 15 | 0.02 | 0.10 |
| Infrastructure, Investment and Cities | 40 | 0.46 | 0.73 |
| Administration | 16 | 0.04 | 0.01 |

Details of cases over £0.25m

There were no cases over £0.25m in 2015/16.

For 2014/15, the cases over £0.25m are described below:

| Portfolio | | 2014-15 £m |
|---|---|---------------|
| Finance, Constitution and Economy | Unable to recover grant due to liquidation of recipient | 2.40 |
| Health, Wellbeing and Sport | Loss of equipment – suspected theft | 0.73 |
| Rural Affairs, Food and the Environment | Exchange rate loss on balances due from the EU on the European Fisheries Fund which is paid in Euros. Due to fluctuations in exchange rate, the sterling balance on settlement was lower than previously recorded | 0.86 |
| Education and Lifelong Learning | In year write offs relating to current and historic cases | 4.80 |

Special Payments

| Portfolio | 2015-16 | 2015-16 | 2014-15 |
|--|-------------|---------|---------|
| | No of Cases | £m | £m |
| Finance, Constitution and Economy | 9 | - | - |
| Health, Wellbeing and Sport | 1,361 | 50.47 | 46.32 |
| Education and Lifelong Learning | 49 | 0.02 | 1.14 |
| Fair Work, Skills and Training | - | - | - |
| Justice | 260 | 1.26 | 1.20 |
| Social Justice, Communities and Pensioners' Rights | - | - | - |
| Rural Affairs, Food and the Environment | - | - | - |
| Culture, Europe and External Affairs | - | - | - |
| Infrastructure, Investment and Cities | - | - | - |
| Administration | 12 | 0.04 | 0.02 |
| Crown Office and Procurator Fiscal | - | - | 0.07 |

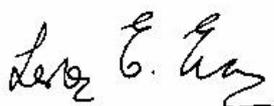
| Portfolio | 2015-16 No of Cases | Details | 2015-16 | 2014-15 |
|---|---------------------------|--|---------|---------|
| | | | £m | £m |
| Health, Wellbeing and Sport: NHS Boards: | | <i>Clinical Compensation Payments:</i> | | |
| | 3 | Ayrshire and Arran Health Board | 1.45 | 1.75 |
| | 2 | NHS Borders | 0.71 | 2.87 |
| | - | NHS Dumfries and Galloway | - | 0.26 |
| | 1 | Fife Health Board | 0.41 | 0.27 |
| | 1 | Forth Valley Health Board | 1.04 | - |
| | 5 | Grampian Health Board | 2.98 | 4.06 |
| | 16 | Greater Glasgow and Clyde Health Board | 10.88 | 3.19 |
| | 2 | NHS Highland | 0.81 | 0.98 |
| | 6 | Lanarkshire Health Board | 10.27 | 4.38 |
| | 5 | Lothian Health Board | 3.26 | 7.77 |
| | 5 | Tayside Health Board | 4.21 | 3.43 |
| | 1 | Scottish Ambulance Service | 0.94 | 0.70 |
| Education and Lifelong Learning | - | During 2014-15, Disclosure Scotland paid a supplier £1.1 million, representing the first milestone payment of a contract that subsequently did not complete. | - | 1.14 |

Gifts

The Scottish Government made gifts in the year as follows:

| Portfolio | 2015-16 | 2015-16 | 2014-15 |
|--|-------------|---------|---------|
| | No of Cases | £m | £m |
| Social Justice, Communities and Pensioners' Rights | - | - | 0.01 |
| Administration | 111 | 0.003 | - |

There were no cases over £0.25m.



Principal Accountable Officer
22 September 2016

Report of the Auditor General for Scotland to the Scottish Parliament

I have audited the financial statements of the Scottish Government Consolidated Accounts for the year ended 31 March 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise: the Summary of Resource Outturn Statement, the Summary of Capital Outturn Statement, the Summary of Total Outturn Statement, the eleven Portfolio Outturn Statements, the Analysis of Capital Expenditure and Associated Receipts, the Analysis of Major Variances in the Portfolio Outturn Statements, the Consolidated Statement of Financial Position, the Consolidated Statements of Comprehensive Net Expenditure and Changes in Taxpayers' Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 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.

Respective responsibilities of Principal Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Principal Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Scottish Government and its consolidated entities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Principal Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the

regularity of expenditure and income. In addition, I read all the financial and non-financial information in the consolidated accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 2016 and the total outturn for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



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

23 September 2016

Summary of Resource Outturn

| 2014-15 Outturn £m | 2015-16 | | |
|---|---------------|---------------|----------------|
| | Outturn £m | Budget £m | Variance £m |
| Programme Resources | | | |
| 508 Finance, Constitution and Economy | 517 | 576 | (59) |
| 11,902 Health, Wellbeing and Sport | 12,159 | 12,164 | (5) |
| 2,292 Education and Lifelong Learning | 2,310 | 2,488 | (178) |
| 252 Fair Work, Skills and Training | 268 | 270 | (2) |
| 2,563 Justice | 2,371 | 2,362 | 9 |
| 11,039 Social Justice, Communities and Pensioners' Rights | 11,224 | 11,276 | (52) |
| 426 Rural Affairs, Food and the Environment | 439 | 470 | (31) |
| 190 Culture, Europe and External Affairs | 197 | 215 | (18) |
| 1,495 Infrastructure, Investment and Cities | 1,628 | 1,641 | (13) |
| 109 Crown Office and Procurator Fiscal Service | 110 | 110 | - |
| 30,776 Total Programme Outturn | 31,223 | 31,572 | (349) |
| 192 Administration | 176 | 184 | (8) |
| 30,968 TOTAL OUTTURN | 31,399 | 31,756 | (357) |

Summary of Capital Outturn

| 2014-15 Outturn £m | 2015-16 | | |
|--|---------------|--------------|----------------|
| | Outturn £m | Budget £m | Variance £m |
| Programme Resources | | | |
| 16 Finance, Constitution and Economy | 11 | 28 | (17) |
| 439 Health, Wellbeing and Sport | 440 | 319 | 121 |
| 440 Education and Lifelong Learning | 463 | 481 | (18) |
| - Fair Work, Skills and Training | - | - | - |
| 22 Justice | 3 | 37 | (34) |
| 184 Social Justice, Communities and Pensioners' Rights | 230 | 341 | (111) |
| 53 Rural Affairs, Food and the Environment | 83 | 41 | 42 |
| 1 Culture, Europe and External Affairs | 6 | 5 | 1 |
| 536 Infrastructure, Investment and Cities | 662 | 680 | (18) |
| 4 Crown Office and Procurator Fiscal Service | 4 | 4 | - |
| 1,695 Total Programme Outturn | 1,902 | 1,936 | (34) |
| 6 Administration | 7 | 8 | (1) |
| 1,701 TOTAL OUTTURN | 1,909 | 1,944 | (35) |

Summary of Total Outturn

| 2014-15 Total Outturn £m | 2015-16 | | | Budget £m | Variance £m |
|---|---------------------------|--------------------------|------------------------|---------------|----------------|
| | Resource Outturn £m | Capital Outturn £m | Total Outturn £m | | |
| Programme Resources | | | | | |
| 524 Finance, Constitution and Economy | 517 | 11 | 528 | 604 | (76) |
| 12,341 Health, Wellbeing and Sport | 12,159 | 440 | 12,599 | 12,483 | 116 |
| 2,732 Education and Lifelong Learning | 2,310 | 463 | 2,773 | 2,969 | (196) |
| 252 Fair Work, Skills and Training | 268 | - | 268 | 270 | (2) |
| 2,585 Justice | 2,371 | 3 | 2,374 | 2,399 | (25) |
| 11,223 Social Justice, Communities and Pensioners' Rights | 11,224 | 230 | 11,454 | 11,617 | (163) |
| 479 Rural Affairs, Food and the Environment | 439 | 83 | 522 | 511 | 11 |
| 191 Culture, Europe and External Affairs | 197 | 6 | 203 | 220 | (17) |
| 2,031 Infrastructure, Investment and Cities | 1,628 | 662 | 2,290 | 2,321 | (31) |
| 113 Crown Office and Procurator Fiscal Service | 110 | 4 | 114 | 114 | - |
| 32,471 Total Programme Outturn | 31,223 | 1,902 | 33,125 | 33,508 | (383) |
| 198 Administration | 176 | 7 | 183 | 192 | (9) |
| 32,669 TOTAL OUTTURN | 31,399 | 1,909 | 33,308 | 33,700 | (392) |

Finance, Constitution and Economy
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn £m | PROGRAMME | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------------|--|----------------------------|-------------------------|---------------|--------------|----------------|
| | Departmental Expenditure Limit (DEL) | | | | | |
| 14 | Scottish Public Pensions Agency | 16 | - | 16 | 17 | (1) |
| | Digital Public Services, Committees, Commissions | | | | | |
| 91 | and Other Expenditure | 83 | 5 | 78 | 65 | 13 |
| 369 | Enterprise, Energy and Tourism | 365 | - | 365 | 409 | (44) |
| (1) | Accountant in Bankruptcy | 13 | 13 | - | - | - |
| 35 | Parliamentary Business and Government Strategy | 58 | - | 58 | 85 | (27) |
| 508 | Total DEL | 535 | 18 | 517 | 576 | (59) |
| | Annually Managed Expenditure (AME) | | | | | |
| - | Total AME | - | - | - | - | - |
| | Other Expenditure | | | | | |
| - | Total Other Expenditure | - | - | - | - | - |
| 508 | TOTAL | 535 | 18 | 517 | 576 | (59) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Finance, Constitution and Economy Portfolio is £17m (2014-15: £18m). This gives total net expenditure of £534m (2014-15: £526m).

Health, Wellbeing and Sport

Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn £m | PROGRAMME | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------------|---|----------------------------|-------------------------|---------------|---------------|----------------|
| | Departmental Expenditure Limit (DEL) | | | | | |
| 11,478 | Health | 13,233 | 1,265 | 11,968 | 11,971 | (3) |
| 233 | Sport | 63 | - | 63 | 63 | - |
| 11,711 | Total DEL | 13,296 | 1,265 | 12,031 | 12,034 | (3) |
| | Annually Managed Expenditure (AME) | | | | | |
| 175 | Health | 109 | - | 109 | 110 | (1) |
| 175 | Total AME | 109 | - | 109 | 110 | (1) |
| | Other Expenditure | | | | | |
| 16 | Health - Revenue-financed infrastructure | 31 | 12 | 19 | 20 | (1) |
| 16 | Total Other Expenditure | 31 | 12 | 19 | 20 | (1) |
| 11,902 | TOTAL | 13,436 | 1,277 | 12,159 | 12,164 | (5) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Health, Wellbeing and Sport Portfolio is £18m (2014-15: £19m). This gives a total net expenditure of £12,177m (2014-15: £11,921m).

Education and Lifelong Learning
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|--|----------------------------|-------------------------|---------------|--------------|----------------|
| £m | PROGRAMME | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| 153 | Learning | 170 | 2 | 168 | 198 | (30) |
| 91 | Children and Families | 131 | 46 | 85 | 98 | (13) |
| 484 | Higher Education Student Support | 512 | 1 | 511 | 598 | (87) |
| | Scottish Further and Higher Education Funding | | | | | |
| 1,667 | Council | 1,627 | - | 1,627 | 1,673 | (46) |
| 6 | Advanced Learning and Science | 5 | - | 5 | 6 | (1) |
| 5 | Central Government Grants to Local Authorities | 5 | - | 5 | 5 | - |
| 2,406 | Total DEL | 2,450 | 49 | 2,401 | 2,578 | (177) |
| | Annually Managed Expenditure (AME) | | | | | |
| (114) | Higher Education Student Support | (48) | 43 | (91) | (90) | (1) |
| (114) | Total AME | (48) | 43 | (91) | (90) | (1) |
| | Other Expenditure | | | | | |
| - | Total Other Expenditure | - | - | - | - | - |
| 2,292 | TOTAL | 2,402 | 92 | 2,310 | 2,488 | (178) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Education and Lifelong Learning Portfolio is £12m (2014-15: £13m). This gives total net expenditure of £2,322m (2014-15: £2,305m).

Fair Work, Skills and Training
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn £m | PROGRAMME | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| | Departmental Expenditure Limit (DEL) | | | | | |
| 252 | Fair Work, Skills and Training | 268 | - | 268 | 270 | (2) |
| 252 | Total DEL | 268 | - | 268 | 270 | (2) |
| | Annually Managed Expenditure (AME) | | | | | |
| - | Total AME | - | - | - | - | - |
| | Other Expenditure | | | | | |
| - | Total Other Expenditure | - | - | - | - | - |
| 252 | TOTAL | 268 | - | 268 | 270 | (2) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Fair Work, Skills and Training Portfolio is £2m (2014-15: £2m). This gives total net expenditure of £270m (2014-15: £254m).

Justice
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| £m | PROGRAMME | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| | 28 Community Justice Services | 33 | - | 33 | 31 | 2 |
| | 23 Courts, Judiciary | 11 | - | 11 | 11 | - |
| | 18 Criminal Injuries Compensation | 18 | - | 18 | 18 | - |
| | 150 Legal Aid | 150 | - | 150 | 150 | - |
| | 24 Police Central Government | 28 | 2 | 26 | 29 | (3) |
| | 4 Safer and Stronger Communities | 14 | 8 | 6 | 7 | (1) |
| | 362 Police and Fire Pensions | 427 | - | 427 | 411 | 16 |
| | 267 Scottish Prison Service | 272 | 7 | 265 | 270 | (5) |
| | 29 Miscellaneous | 30 | - | 30 | 33 | (3) |
| | 1,100 Scottish Police Authority | 1,083 | - | 1,083 | 1,083 | - |
| | 305 Scottish Fire and Rescue Service | 287 | - | 287 | 289 | (2) |
| | 86 Central Government Grants to Local Authorities | 86 | - | 86 | 86 | - |
| | 2,396 Total DEL | 2,439 | 17 | 2,422 | 2,418 | 4 |
| | Annually Managed Expenditure (AME) | | | | | |
| | - Courts, Judiciary | - | - | - | 1 | (1) |
| | (22) Scottish Prison Service | (4) | - | (4) | (10) | 6 |
| | 115 Police and Fire Pensions | (115) | - | (115) | (115) | - |
| | 93 Total AME | (119) | - | (119) | (124) | 5 |
| | Other Expenditure | | | | | |
| | 69 Scottish Prison Service NPD/PPP/PFI | 63 | - | 63 | 63 | - |
| | 5 Scottish Police Authority Loan Charges | 5 | - | 5 | 5 | - |
| | 74 Total Other Expenditure | 68 | - | 68 | 68 | - |
| | 2,563 TOTAL | 2,388 | 17 | 2,371 | 2,362 | 9 |

Note: In addition to direct expenditure, the share of administration costs allocated to the Justice Portfolio is £9m (2014-15: £9m). This gives total net expenditure of £2,380m (2014-15: £2,572m).

At 1 April 2015 Scottish Tribunal Service merged with Scottish Court Service, forming Scottish Courts and Tribunals Service. 2014-15 figures have not been restated.

Social Justice, Communities and Pensioners' Rights
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|--|----------------------------|-------------------------|---------------|---------------|----------------|
| £m | PROGRAMME | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| 7,849 | Local Government | 7,854 | - | 7,854 | 7,850 | 4 |
| 5 | Planning | 5 | - | 5 | 4 | 1 |
| 24 | Third Sector | 19 | - | 19 | 22 | (3) |
| | - Local Governance and Elections | 2 | - | 2 | 2 | - |
| 22 | Equalities | 23 | - | 23 | 22 | 1 |
| 370 | Housing and Regeneration | 400 | 15 | 385 | 448 | (63) |
| 9 | Welfare Reform Mitigation | 13 | - | 13 | 15 | (2) |
| 1 | Scottish Futures Fund | - | - | - | - | - |
| 114 | Central Government Grants to Local Authorities | 114 | - | 114 | 115 | (1) |
| 8,394 | Total DEL | 8,430 | 15 | 8,415 | 8,478 | (63) |
| | Annually Managed Expenditure (AME) | | | | | |
| 2,650 | Non-Domestic Rates | 2,788 | - | 2,788 | 2,788 | - |
| (5) | Housing Fair Value | 21 | - | 21 | 5 | 16 |
| | - Third Sector Fair Value | - | - | - | 1 | (1) |
| | - Financial Guarantee Contract Provision | - | - | - | 4 | (4) |
| 2,645 | Total AME | 2,809 | - | 2,809 | 2,798 | 11 |
| | Other Expenditure | | | | | |
| | - Total Other Expenditure | - | - | - | - | - |
| 11,039 | TOTAL | 11,239 | 15 | 11,224 | 11,276 | (52) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Social Justice, Communities and Pensioners' Rights Portfolio is £24m (2014-15: £23m). This gives total net expenditure of £11,248m (2014-15: £11,062m).

Rural Affairs, Food and the Environment
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| £m | Programme | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| 122 | EU Support and Related Services | 595 | 459 | 136 | 138 | (2) |
| 67 | Research, Analysis and Other Services | 64 | - | 64 | 69 | (5) |
| 58 | Marine and Fisheries | 70 | 12 | 58 | 64 | (6) |
| 174 | Environmental and Rural Services | 169 | - | 169 | 180 | (11) |
| 14 | Climate Change | 15 | - | 15 | 18 | (3) |
| 435 | Total DEL | 913 | 471 | 442 | 469 | (27) |
| | Annually Managed Expenditure (AME) | | | | | |
| (9) | EU Support and Related Services | (2) | - | (2) | - | (2) |
| - | Research, Analysis and Other Services | (1) | - | (1) | - | (1) |
| - | Marine and Fisheries | - | - | - | - | - |
| - | Environmental and Rural Services | - | - | - | - | - |
| - | Climate Change | - | - | - | 1 | (1) |
| (9) | Total AME | (3) | - | (3) | 1 | (4) |
| | Other Expenditure | | | | | |
| - | Animal Licence Fees | - | - | - | - | - |
| - | Total Other Expenditure | - | - | - | - | - |
| 426 | TOTAL | 910 | 471 | 439 | 470 | (31) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Rural Affairs, Food and the Environment Portfolio is £5m (2014-15: £5m). This gives total net expenditure of £444m (2014-15: £431m).

Culture, Europe and External Affairs
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| £m | PROGRAMME | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| 12 | Europe and External Affairs | 14 | - | 14 | 15 | (1) |
| 144 | Culture | 143 | - | 143 | 156 | (13) |
| 34 | Historic Environment Scotland | 70 | 30 | 40 | 44 | (4) |
| 190 | Total DEL | 227 | 30 | 197 | 215 | (18) |
| | Annually Managed Expenditure (AME) | | | | | |
| - | Total AME | - | - | - | - | - |
| | Other Expenditure | | | | | |
| - | Total Other Expenditure | - | - | - | - | - |
| 190 | TOTAL | 227 | 30 | 197 | 215 | (18) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Culture, Europe and External Affairs Portfolio is £4m (2014-15: £6m). This gives total net expenditure of £201m (2014-15: £196m).

At 1 October 2015 Historic Scotland merged with Royal Commission on the Ancient and Historical Monuments of Scotland, forming Historic Environment Scotland. 2014-15 figures have not been restated. Budgets, outturns and variances for all three bodies are included within Historic Environment Scotland line.

Infrastructure, Investment and Cities
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure | Income Applied | Outturn | Budget | Variance |
|--------------------|---|----------------------|-------------------|--------------|--------------|-------------|
| £m | PROGRAMME | £m | £m | £m | £m | £m |
| | Departmental Expenditure Limit (DEL) | | | | | |
| 693 | Rail Services | 767 | 18 | 749 | 794 | (45) |
| 253 | Concessionary Fares and Bus Services | 252 | - | 252 | 261 | (9) |
| 74 | Other Transport Policy, Projects and Agency Admin | 64 | - | 64 | 63 | 1 |
| 225 | Motorways and Trunk Roads | 266 | 1 | 265 | 261 | 4 |
| 166 | Ferry Services | 167 | 3 | 164 | 150 | 14 |
| 43 | Air Services | 48 | - | 48 | 43 | 5 |
| | - European Social Fund Programmes | 12 | 12 | - | - | - |
| | - European Regional Development Fund Programmes | 80 | 80 | - | - | - |
| 15 | Scottish Futures Fund | 14 | - | 14 | 20 | (6) |
| (95) | Scottish Water | 1 | 98 | (97) | (97) | - |
| 35 | Other Expenditure | 33 | 1 | 32 | 35 | (3) |
| 31 | Central Government Grants to Local Authorities | 30 | - | 30 | 30 | - |
| 1,440 | Total DEL | 1,734 | 213 | 1,521 | 1,560 | (39) |
| | Annually Managed Expenditure (AME) | | | | | |
| | - Motorway and Trunk Roads Provision | (1) | - | (1) | 1 | (2) |
| (13) | ESF/ERDF Fair Value Adjustments | 14 | - | 14 | - | 14 |
| | - ESF Provisions | 14 | - | 14 | - | 14 |
| (13) | Total AME | 27 | - | 27 | 1 | 26 |
| | Other Expenditure | | | | | |
| 68 | Motorways and Trunk Roads NPD/PPP/PFI | 80 | - | 80 | 80 | - |
| 68 | Total Other Expenditure | 80 | - | 80 | 80 | - |
| 1,495 | TOTAL | 1,841 | 213 | 1,628 | 1,641 | (13) |

Note: In addition to direct expenditure, the share of administration costs allocated to the Infrastructure, Investment and Cities Portfolio is £0.2m (2014-15: £1m). This gives total net expenditure of £1,628m (2014-15: £1,496m).

Crown Office and Procurator Fiscal Service
Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn | | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| £m | PROGRAMME | | | | | |
| | Departmental Expenditure Limit (DEL) | | | | | |
| | Staff Costs | | | | | |
| 67 | Directly Employed Staff | 68 | - | 68 | 70 | (2) |
| 2 | Other Staff Costs | 2 | - | 2 | 1 | 1 |
| | Administration Expenditure | | | | | |
| 9 | Accommodation | 9 | - | 9 | 9 | - |
| 1 | Travel/Transport | 1 | - | 1 | 1 | - |
| 18 | Legal | 18 | - | 18 | 18 | - |
| 5 | Supplies and Services | 6 | 1 | 5 | 4 | 1 |
| - | Training | - | - | - | - | - |
| 5 | Capital Charges | 5 | - | 5 | 5 | - |
| 1 | Other Office Costs | 2 | - | 2 | 1 | 1 |
| 108 | Total DEL | 111 | 1 | 110 | 109 | 1 |
| | Annually Managed Expenditure (AME) | | | | | |
| 1 | Impairment | - | - | - | 1 | (1) |
| 1 | Total AME | - | - | - | 1 | (1) |
| 109 | TOTAL | 111 | 1 | 110 | 110 | - |

Administration

Portfolio Outturn Statement for the Year Ended 31 March 2016

| 2014-15 Outturn £m | PROGRAMME | Gross Expenditure £m | Income Applied £m | Outturn £m | Budget £m | Variance £m |
|--------------------------|---|----------------------------|-------------------------|---------------|--------------|----------------|
| | Departmental Expenditure Limit (DEL) | | | | | |
| | Staff Costs | | | | | |
| 135 | Directly Employed Staff | 134 | - | 134 | 134 | - |
| 8 | Seconded Staff Costs | 8 | - | 8 | 8 | - |
| 11 | Other Staff Costs | 4 | - | 4 | 5 | (1) |
| 6 | VAT | (1) | - | (1) | - | (1) |
| | Administration Expenditure | | | | | |
| 21 | Accommodation | 21 | - | 21 | 20 | 1 |
| 3 | Travel | 3 | - | 3 | 3 | - |
| 1 | Transport | 1 | - | 1 | 1 | - |
| 1 | Legal | 1 | - | 1 | 2 | (1) |
| 1 | Supplies and Services | 1 | - | 1 | 2 | (1) |
| 2 | Training | 2 | - | 2 | 2 | - |
| - | Hospitality | - | - | - | - | - |
| 1 | Audit Fee | 1 | - | 1 | 1 | - |
| 11 | Depreciation | 10 | - | 10 | 14 | (4) |
| 15 | Other Office | 12 | - | 12 | 13 | (1) |
| | Administration Income | | | | | |
| (2) | Accommodation Charges | - | 1 | (1) | (2) | 1 |
| (8) | Staff Secondments and Other Staff Income | - | 8 | (8) | (9) | 1 |
| (11) | Fees and Charges | - | 7 | (7) | (8) | 1 |
| (1) | Miscellaneous Income | - | 2 | (2) | (2) | - |
| 194 | Total DEL | 197 | 18 | 179 | 184 | (5) |
| | Annually Managed Expenditure (AME) | | | | | |
| (2) | Provisions and Impairments | (3) | - | (3) | - | (3) |
| (2) | Total AME | (3) | - | (3) | - | (3) |
| 192 | TOTAL | 194 | 18 | 176 | 184 | (8) |

Note: The administration costs that can be directly allocated to portfolios amount to £91m (2014-15: £96m).

Analysis of Capital Expenditure and Associated Receipts

| Portfolio | Capital Expenditure £m | Disposals/ Repayments £m | 2015-16 Total £m | Budget £m | Variance £m | 2014-15 £m |
|---|---------------------------|--------------------------------|------------------------|--------------|----------------|---------------|
| DEL | | | | | | |
| Finance, Constitution and Economy | 11 | - | 11 | 28 | (17) | 16 |
| Health, Wellbeing and Sport | 361 | (9) | 352 | 225 | 127 | 314 |
| Education and Lifelong Learning | 2 | - | 2 | 5 | (3) | 1 |
| Fair Work, Skills and Training | - | - | - | - | - | - |
| Justice | 4 | (1) | 3 | 37 | (34) | 22 |
| Social Justice, Communities and Pensioners' Rights | 251 | (21) | 230 | 341 | (111) | 184 |
| Rural Affairs, Food and the Environment | 85 | (2) | 83 | 41 | 42 | 53 |
| Culture, Europe and External Affairs | 6 | - | 6 | 5 | 1 | 1 |
| Infrastructure, Investment and Cities | 571 | (6) | 565 | 581 | (16) | 425 |
| Crown Office and Procurator Fiscal Service Administration | 4 | - | 4 | 4 | - | 4 |
| Administration | 8 | (1) | 7 | 8 | (1) | 6 |
| Total | 1,303 | (40) | 1,263 | 1,275 | (12) | 1,026 |
| AME | | | | | | |
| Education and Lifelong Learning | 591 | (130) | 461 | 476 | (15) | 439 |
| Infrastructure, Investment and Cities | (2) | - | (2) | - | (2) | (5) |
| Total | 589 | (130) | 459 | 476 | (17) | 434 |
| Outside DEL | | | | | | |
| Health, Wellbeing and Sport | 88 | - | 88 | 94 | (6) | 125 |
| Infrastructure, Investment and Cities | 99 | - | 99 | 99 | - | 116 |
| Total | 187 | - | 187 | 193 | (6) | 241 |
| Total per outturn summary | 2,079 | (170) | 1,909 | 1,944 | (35) | 1,701 |
| NLF Loan Repayments (no budget) | | | | | | |
| Infrastructure, Investment and Cities | - | (14) | (14) | - | (14) | (5) |
| Total | - | (14) | (14) | - | (14) | (5) |
| Total capital outturn | 2,079 | (184) | 1,895 | 1,944 | (49) | 1,696 |

Voted Loans to Scottish Water are budgeted for on a net expenditure basis so that repayments of £271m have been netted off from the expenditure within Infrastructure, Investment and Cities Portfolio.

Analysis of Major Variances in the Portfolio Outturn Statements

| | Outturn | Budget | Variance |
|---------------------------------|---------------|---------------|--------------|
| | £m | £m | £m |
| Resource | | | |
| Departmental Expenditure Limit | 28,503 | 28,891 | (388) |
| Annually Managed Expenditure | 2,729 | 2,697 | 32 |
| Outside DEL | 167 | 168 | (1) |
| Capital | | | |
| Departmental Expenditure Limit | 1,263 | 1,275 | (12) |
| Annually Managed Expenditure | 459 | 476 | (17) |
| Outside DEL | 187 | 193 | (6) |
| NLF Loan Repayments (no budget) | (14) | - | (14) |
| | 33,294 | 33,700 | (406) |

Explanation of Major Variances greater than £3m within Portfolios

The Scottish Government has been aligned around the 5 Strategic Objectives that underpin the Purpose and describe a Scotland that is Wealthier and Fairer, Smarter, Healthier, Safer and Stronger and Greener. In order to monitor the progress in these key areas, the Scottish Government was set up in a portfolio structure. Performance by the chief operating decision maker is assessed by portfolio, not by strategic objectives.

| | Variance £m |
|---|----------------|
| Finance, Constitution and Economy | |
| Resource Departmental Expenditure Limits (RDEL) | |
| Digital Public Services, Committees, Commissions and Other Expenditure | |
| This managed position reflects timing differences between the agreed implementation schedule for superfast broadband and receipt of funding from programme stakeholders (including UK government). | |
| Total Overspend | 13 |
| Enterprise, Energy and Tourism: | |
| Lower than anticipated take-up in demand-led Energy Efficiency and Renewable Energy grant schemes led to underspends of £43.2m of which £8.5m was used to support Renewable Energy Investment Fund (REIF); additional expenditure on Tourism major events (Solheim Cup & European Sports Championships) of £2.8m and planned underspends from Enterprise Bodies of £11.1m. Other minor underspends of £1m were identified across a range of programmes. | |
| Total Underspend | (44) |
| Parliamentary Business and Government Strategy: | |
| Phasing of costs relating to Scottish Parliamentary Elections in May 2016 resulted in an £11m reduction in expenditure. Revised modelling during the year by HMRC on the costs of Scotland Act Implementation resulted in a £16m saving to the Scottish Government. | |
| Total Underspend | (27) |
| Other minor variances across the portfolio. | (1) |
| Total Resource | (59) |

Explanation of Major Variances for each Programme within Portfolios (Cont.)**Capital**

Lower than anticipated take-up in demand-led Energy Efficiency and Renewable Energy grant schemes led to underspends of £10m. (17)
 Further £7m underspend within SPPA due to savings as a result of the tendering process on Project 2017 (new payroll and pension administration system).

Total Finance, Constitution and Economy Underspend (76)

Health, Wellbeing and Sport**Resource Departmental Expenditure Limits (RDEL)**

Year-end resource DEL position comprises a planned underspend of £5m offset by an agreed additional £2m costs on non-cash DEL. The £5m underspend represents agreed efficiency savings on health programmes in 2015-16 and relates to small underspends across the Portfolio.

The £2m relates to additional non-cash costs which were identified with Boards in the financial year. These costs were met within the overall SG non-cash budget.

Total Underspend (3)

Annually Managed Expenditure (AME)

Minor variances across the portfolio. (1)

Outwith Departmental Expenditure Limits (ODEL)

Minor variances across the portfolio. (1)

Total Resource (5)

Capital

The £127m capital DEL overspend comprises a £5m underspend offset by NPD spend of £132m as a result of ESA 10 changes. NPD projects funded in the year relate to NHS Dumfries and Galloway (Dumfries and Galloway Royal Infirmary), NHS Lothian (The Royal Sick Kids Hospital) and NHS National Services Scotland (SNBTS National Centre). 121

The small underspend on conventional capital was agreed with DG Finance and represents efficiency savings on health programmes in 2015-16.

THE ODEL underspend is caused by two hub projects – NHS Greater Glasgow and Clyde's Inverclyde Continuing Care Project and NHS Lothian's Partnership Centre Bundle, both reaching financial close later than expected.

Total Health, Wellbeing and Sport Overspend 116

Education and Lifelong Learning**Resource Departmental Expenditure Limits (RDEL)****Learning:**

£19.4m underspend relates to Schools' Estate due to agreed reprofiling of spend into next financial year. £10.5m underspend relates to slower than anticipated take up of the Innovation Fund and related Attainment programmes and budget reprofiling within Technologies for Learning. Funding has been carried forward into the next financial year to ensure full spend on the Attainment Fund. £0.1m other minor underspends within Learning.

Total Underspend (30)

Explanation of Major Variances for each Programme within Portfolios (Cont.)**Children and Families:**

£4.9m underspend within Early Years due to a range of factors including slower than anticipated requirement by Local Authorities for Free School Meals, associated costs with reprofiled Attainment programmes in Learning and costs being met by other funds. £4.0m underspend relating to Kinship Care Allowances where initial implementation took longer than anticipated. £2.9m underspend within Disclosure Scotland on staff costs, Force enquiries, transformation programme and also income being higher than anticipated. £1.2m of other minor underspends within Children & Families.

Total Underspend (13)

Higher Education Student Support:

£82m underspend relates to lower than anticipated write down of the carrying value of the Income Contingent Repayment Student Loan book. This is a technical accounting adjustment, where the budgetary impact is against a specific ring-fenced non-cash element of Scottish Government DEL budget which could not have been spent elsewhere. Further £5m underspend is due to less than anticipated uptake on demand led budgets.

Total Underspend (87)

Scottish Further and Higher Education Funding Council:

Without reducing the spending power of the Higher Education sector and merely reflecting the correction of historical timing differences between financial and academic year-ends, £50m of Scottish Funding Council cash reserves were released. This led to a lower than anticipated in-year cash drawdown. This was off-set by £4m overspend relating to timing differences in receipt of European Structural Funds Income.

Total Underspend (46)

Other minor variances across the portfolio. (1)

Annually Managed Expenditure (AME)

Minor variances across the portfolio. (1)

Total Resource (178)

Capital

£15m underspend as a result of Student Loan advances being lower than expected. Financial Transactions underspend of £3.7m re agreed preprofiling within schools estate programme and £0.7m other minor overspends within Learning. (18)

Total Education and Lifelong Learning Underspend (196)

Fair Work, Skills and Training**Resource Departmental Expenditure Limits (RDEL)**

Minor variances across the portfolio. (2)

Total Fair Work, Skills and Training Underspend (2)

Justice**Resource Departmental Expenditure Limits (RDEL)****Police Central Government:**

The variance relates to the Scottish Crime Campus, consisting of lower than budgeted depreciation costs and greater than budgeted rental income.

Total Underspend (3)

Explanation of Major Variances for each Programme within Portfolios (Cont.)

| | |
|--|-------------|
| Police and Fire Pensions: | |
| The police and fire pensions budgets continue to be under demand-led pressure. The variance relates to higher than anticipated pension payments this financial year. It is a result of increased take up of lump sums and amounts due to changes in Government Actuarial Department commutation rates and larger than expected numbers of retirements. | |
| Total Overspend | 16 |
| Scottish Prison Service: | |
| Variance due to costs associated with the sale of land at HMP Edinburgh not materialising and a range of smaller underspends in pay and running costs including the impact of minimised discretionary expenditure. | |
| Total Underspend | (5) |
| Miscellaneous | |
| The variance arises as a result of the full Criminal Justice Survey not running during this financial year and reduced research activity (£1.27m), timing of charges regarding Emergency Responder Telecommunications (£0.8m), an underspend arising on the Parole Unit along with other minor underspends. | |
| Total Underspend | (3) |
| Other minor variances across the portfolio. | (1) |
| Annually Managed Expenditure (AME) | |
| Scottish Prison Service: | |
| Budgeted increases in the value of prison buildings were lower than anticipated due to fluctuations in the indices used for valuation purposes. | 6 |
| Other minor variances across the portfolio. | (1) |
| Total Resource | 9 |
| Capital | |
| Underspend due to the ministerial announcement cancelling plans for a female prison in Inverclyde resulting in a saving of £30m with further £4m as a result of delay in the acquisition of a site for HMP Highland. | (34) |
| Total Justice Underspend | (25) |
| Social Justice, Communities and Pensioners' Rights | |
| Resource Departmental Expenditure Limits (RDEL) | |
| Local Government: | |
| The £4m additional expenditure relates to four applications for assistance under the Bellwin Scheme. The Bellwin Scheme allows Scottish Ministers to make additional revenue support to local authorities who would otherwise be faced with an undue financial burden as a result of providing relief, and carrying out immediate work, due to large-scale emergencies. The Deputy First Minister approved the triggering of the Bellwin Scheme following a number of storms at the end of 2015 and the beginning of 2016. | |
| Total Overspend | 4 |
| Third Sector: | |
| The £3m underspend reflects re-profiling of part of the Third Sector budget to support third sector equality projects, the timing of European Social Fund new programmes, and work which was in development. | |
| Total Underspend | (3) |

Explanation of Major Variances for each Programme within Portfolios (Cont.)

| | |
|--|--------------|
| Housing and Regeneration: | |
| There are underspends of £10m due to additional receipts, £34m following reduced demand in the core affordable housing budget, £4m of JESSICA income from European Regional Development Fund (ERDF) to match fund investments made during the year and £1m other minor variances. A further £14m planned underspend was used to manage expenditure priorities. | |
| Total Underspend | (63) |
| Other minor variances across the portfolio. | (1) |
| Annually Managed Expenditure (AME) | |
| Housing Fair Value: | |
| Fair value adjustments for Housing Shared Equity due to movement in the House Price Index and fair value adjustments on other investments, including charitable bonds. | |
| Total Overspend | 16 |
| Financial Guarantee Contract Provision: | |
| £4m held against calls on Guarantees of loans issued under the National Housing Trust scheme not required. | |
| Total Underspend | (4) |
| Other minor variances across the portfolio. | (1) |
| Total Resource | (52) |
| Capital | |
| Underspends include £44m due to the unpredictability of housing demand led schemes, £17m due to delays in some housing projects between financial years, £16m due to no suitable projects being identified in year, £12m on demand led energy efficiency schemes, £10m for JESSICA regeneration fund due to delays in developer progress. £4m financial transaction overspend on JESSICA regeneration offset by income from European Regional Development Fund (ERDF). A further underspend of £15m due to significant increase in receipts from shared equity sales and £1m in minor underspends. | (111) |
| Total Social Justice, Communities and Pensioners' Rights Underspend | (163) |
| Rural Affairs, Food and the Environment | |
| Resource Departmental Expenditure Limits (RDEL) | |
| Research, Analysis and Other Services: | |
| Planned underspend used to manage expenditure priorities. | |
| Total Underspend | (5) |
| Marine and Fisheries: | |
| Planned underspend of £4m on Fisheries used to manage other priorities and £2m in relation to donated asset which nets off against capital expenditure overspend. | |
| Total Underspend | (6) |
| Environmental and Rural Services: | |
| Underspend on Private Water schemes of £2m due to fluctuating demand. Planned underspend of £6m on Zero Waste and £1m on Natural Assets & Flooding used to manage expenditure priorities. £2m lower than anticipated cash drawdown for Scottish Environmental Protection Agency. | |
| Total Underspend | (11) |

Explanation of Major Variances for each Programme within Portfolios (Cont.)

| | |
|---|-------------|
| Climate Change: | |
| £2m underspend due to demand led nature of the Land Managers Renewables Fund and £1m of planned underspend to manage other expenditure priorities. | |
| Total Underspend | (3) |
| Other minor variances across the portfolio. | (2) |
| Annually Managed Expenditure (AME) | |
| Minor variances across the portfolio. | (4) |
| Total Resource | (31) |
| Capital | |
| £54m of loans in respect of Less Favoured Area Support Scheme (LFASS) payment delays resulted in a net overspend of £46m on financial transactions. Overspend of £3m in relation to Marine Scotland asset. Underspend of £5m relating to rephasing of the Futures Project to support CAP reform and £2m from sale of Research asset. | 42 |
| Total Rural Affairs, Food and the Environment Overspend | 11 |
| Culture, Europe and External Affairs | |
| Resource Departmental Expenditure Limits (RDEL) | |
| Culture: | |
| Underspend of £11m relates to release of cash reserves at Creative Scotland leading to lower than anticipated in-year cash drawdown. This did not impact on Creative Scotland's in-year expenditure plans. Additional underspend of £2m relates to a number of minor portfolio savings made as a result of in-year reprioritisation of spending plans. | |
| Total Underspend | (13) |
| Historic Environment Scotland: | |
| Underspend relates to expenditure timing differences leading to lower than anticipated in-year cash drawdown. | |
| Total Underspend | (4) |
| Minor variances across the portfolio. | (1) |
| Capital | |
| Minor variances across the portfolio. | 1 |
| Total Culture, Europe and External Affairs Underspend | (17) |
| Infrastructure, Investment and Cities | |
| Resource Departmental Expenditure Limits (RDEL) | |
| Rail Services: | |
| A range of underspends and savings including accrued income on Borders Railway planning gain (£18m), lower than anticipated expenditure on Rail Contracts due to reduced level of Retail Price Index adjustments (£15m), release of provisions no longer required (£4m), reprofiling of High Speed Rail expenditure (£4m), reduction of work undertaken on Rail Development (£2m) and savings on several minor Rail Projects (£2m). | |
| Total Underspend | (45) |
| Concessionary Fares and Bus Services: | |
| Underspend due to the demand being lower than anticipated together with a reduction in the reimbursement rate by 1%. | |
| Total Underspend | (9) |

Explanation of Major Variances for each Programme within Portfolios (Cont.)

| | |
|--|-------------|
| Motorways and Trunk Roads | |
| £11m of expenditure reclassified from capital to resource, £6m of Forth Estuary Transport Authority additional pension deficit settlement and £4m of additional expenditure on Forth Road Bridge remedial work partially offset by underspend on road depreciation of £17m. | |
| Total Overspend | 4 |
| Ferry Services: | |
| £8m of increased Ferry Services contract costs, £7m of additional expenditure on Calmac transformation projects and £5m of further spend on Clyde and Hebrides Ferry Services and Argyll Ferries partially offset by £6m in fuel savings. | |
| Total Overspend | 14 |
| Air Services: | |
| Additional expenditure of £3m on Sumburgh terminal maintenance and £2m on Sumburgh runway remediation. | |
| Total Overspend | 5 |
| Scottish Futures Fund: | |
| Reprofiling of Freight Facilities Grant and Green Bus Fund expenditure. | |
| Total Underspend | (6) |
| Other Expenditure: | |
| Classification change for Scottish Futures Trust expenditure resulted in an underspend of £4.6m. Other minor overspends of £1.6m were identified across a range of programmes. | |
| Total Underspend | (3) |
| Other minor variances across the portfolio. | 1 |
| Annually Managed Expenditure (AME) | |
| ESF/ERDF Fair Value Adjustments: | |
| Fair value adjustments in relation to foreign exchange rate movements. | |
| Total Overspend | 14 |
| ESF Provisions: | |
| Provisions made for self correction and for insufficient eligible expenditure. | |
| Total Overspend | 14 |
| Other minor variances across the portfolio. | (2) |
| Total Resource | (13) |
| Capital | |
| Transport Scotland additional expenditure of £141m as a result of ESA 10 changes in relation to Aberdeen Western Peripheral Road NPD project. This was offset by Forth Road Bridge savings (£52m), reprofiling of expenditure on road schemes (£15m), reclassification of maintenance expenditure (£11m), savings on low carbon vehicle loans (£2m) and release of land provision (£2m). | (18) |
| Reduction in voted loans to Scottish Water of £80m. | |
| Scottish Futures Trust expenditure reclassification of £5m. | |
| Total Infrastructure, Investment and Cities Underspend | (31) |

Explanation of Major Variances for each Programme within Portfolios (Cont.)**Crown Office and Procurator Fiscal Service****Resource Departmental Expenditure Limits (RDEL)**

| | |
|---------------------------------------|---|
| Minor variances across the portfolio. | 1 |
|---------------------------------------|---|

Annually Managed Expenditure (AME)

| | |
|---------------------------------------|-----|
| Minor variances across the portfolio. | (1) |
|---------------------------------------|-----|

Total Crown Office and Procurator Fiscal Service variance

-

Administration**Resource Departmental Expenditure Limits (RDEL)****Administration Expenditure - Depreciation:**

The depreciation on the value of the Scottish Government's assets was less than forecast. This was partly due to a review of IT assets to reflect their current economic benefit to the Scottish Government. This non-cash budget, which is subject to separate controls, is not available to fund discretionary spending in the Administration Budget e.g. staff costs, goods and services.

| | |
|-------------------------|------------|
| Total Underspend | (4) |
|-------------------------|------------|

| | |
|---|-----|
| Other minor variances across the portfolio. | (1) |
|---|-----|

Annually Managed Expenditure (AME)**Provisions and Impairments:**

£1m impairment reversal following scheduled revaluation of Victoria Quay, £0.5m reversal of prior year impairment for Saughton House plus £1.3m release of Early Retirement provision.

(3)

Capital

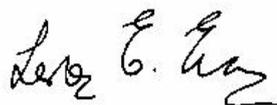
| | |
|---------------------------------------|-----|
| Minor variances across the portfolio. | (1) |
|---------------------------------------|-----|

Total Administration Underspend**(9)**

The Scottish Government
Consolidated Statement of Financial Position
As at 31 March 2016

| 2014-15 £m | | Note | 2015-16 £m |
|-----------------|---|-------|----------------|
| Restated | Non-Current Assets | | |
| 26,421 | Property, Plant and Equipment | 5a | 27,317 |
| 135 | Intangible Assets | 6 | 148 |
| | Other Financial Assets Including Investments Due In More Than One | | |
| 6,232 | Year | 8 | 6,834 |
| 54 | Trade Receivables and Other Assets Due in More Than One Year | 10a | 47 |
| 32,842 | Total Non-Current Assets | | 34,346 |
| | Current Assets | | |
| 100 | Inventories | 9 | 102 |
| 1,044 | Receivables and Other Current Assets | 10a | 1,332 |
| 123 | Cash and Cash Equivalents | 3 | 134 |
| 420 | Other Financial Assets Including Investments Due Within One Year | 8 | 516 |
| 42 | Assets Classified as Held for Sale | 7 | 29 |
| 1,729 | Total Current Assets | | 2,113 |
| 34,571 | Total Assets | | 36,459 |
| | Current Liabilities | | |
| (2,318) | Payables and Other Current Liabilities | 11a | (2,408) |
| (17) | Other Financial Liabilities Due Within One Year | 11a | (27) |
| (367) | Provisions for Liabilities and Charges Due Within One Year | 12 | (185) |
| (2,702) | Total Current Liabilities | | (2,620) |
| 31,869 | Total Assets less Current Liabilities | | 33,839 |
| | Non-Current Liabilities | | |
| (2,098) | Payables and Other Liabilities | 11a | (2,474) |
| (676) | Other Financial Liabilities Due in More Than One Year | 11a | (652) |
| (411) | Provisions for Liabilities and Charges Due in More Than One Year | 12 | (532) |
| (3,185) | Total Non-Current Liabilities | | (3,658) |
| 28,684 | Assets less Liabilities | | 30,181 |
| | Taxpayers' Equity | | |
| 18,843 | General Fund | SOCTE | 20,623 |
| 9,841 | Revaluation Reserve | SOCTE | 9,558 |
| 28,684 | Total Taxpayers' Equity | | 30,181 |

The notes on pages 79 to 137 form part of these accounts



Principal Accountable Officer
22 September 2016

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

| | Note | General Fund £m | Revaluation Reserve £m | Total £m |
|---|------|-----------------------|------------------------------|-----------------|
| Balance at 1 April 2015 | | 18,843 | 9,841 | 28,684 |
| Net operating cost for the year | | (31,399) | - | (31,399) |
| Net gain/(loss) on revaluation/indexation of property, plant and equipment | 5a | - | (79) | (79) |
| Net gain/(loss) on asset transfers & adjustments | | (1) | - | (1) |
| Actuarial gain/(loss) on NHS Highland Pension Liability | | 3 | - | 3 |
| Total Comprehensive Net Expenditure | - | (31,397) | (79) | (31,476) |
| Non Cash Charges | | | | |
| Non cash charges - auditor's remuneration | 2a | 3 | - | 3 |
| Total Non Cash Charges | | 3 | - | 3 |
| Other Reserve Movements | | | | |
| NHS Highland pension adjustment | | 4 | - | 4 |
| Movement in working capital - non-territorial health boards | | (4) | - | (4) |
| Transfer of fixed assets (to)/from other bodies | | (8) | (17) | (25) |
| Transfers between reserves | | 166 | (166) | - |
| Non-current asset adjustments | | 478 | (21) | 457 |
| Net movement on investment funds | | 1 | - | 1 |
| Total Other Reserve Movements/Adjustments | | 637 | (204) | 433 |
| Funding | | | | |
| Parliamentary Funding | | 31,100 | - | 31,100 |
| Less funding to pensions schemes | | (360) | - | (360) |
| Less funding to NRS, OSCR, Scottish Courts and Tribunals Service, Revenue Scotland and Scottish Housing Regulator | | (104) | - | (104) |
| Net parliamentary funding drawn down | | 30,636 | - | 30,636 |
| Funding from National Insurance Contributions | | 1,912 | - | 1,912 |
| Movement of balance with the SCF | 3 | (11) | - | (11) |
| Net Funding Position | 22 | 32,537 | - | 32,537 |
| Net increase/(decrease) in year | | 1,780 | (283) | 1,497 |
| Balance at 31 March 2016 | | 20,623 | 9,558 | 30,181 |

The Scottish Government
Consolidated Statements of Comprehensive Net Expenditure
and Changes in Taxpayers' Equity
For the year ended 31 March 2015

| | Note | General Fund Restated £m | Revaluation Reserve Restated £m | Total £m |
|--|------|-----------------------------------|--|-----------------|
| Balance as at 1 April 2014 | | 17,418 | 10,030 | 27,448 |
| Net operating cost for the year | | (30,968) | | (30,968) |
| Net gain/(loss) on revaluation/indexation of property, plant and equipment | 5a | | (127) | (127) |
| Net gain/(loss) on asset transfers & adjustments | | | | - |
| Total Comprehensive Expenditure for the year ended 31 March 2015 | | (30,968) | (127) | (31,095) |
| Non Cash Charges | | | | |
| Non cash charges - auditor's remuneration | 2a | 2 | - | 2 |
| Non current asset adjustment | | 97 | 39 | 136 |
| Non cash charges - minor NHS adjustments | 2a | - | - | - |
| Total Non Cash Charges | | 99 | 39 | 138 |
| Other Reserve Movements | | | | |
| Transfer of fixed assets (to)/from other bodies | | 122 | (3) | 119 |
| NHS pension reserve movement | | - | - | - |
| Transfers between reserves | | 98 | (98) | - |
| Other adjustments | | (2) | - | (2) |
| Total Other Reserve Movements/Adjustments | | 218 | (101) | 117 |
| Funding | | | | |
| Parliamentary Funding | | 30,617 | - | 30,617 |
| Less funding to pensions schemes | | (404) | - | (404) |
| Less funding to NRS, OSCR, Scottish Court Service and Scottish Housing Regulator | | (98) | - | (98) |
| Net parliamentary funding drawn down | | 30,115 | - | 30,115 |
| Funding from National Insurance Contributions | | 1,968 | - | 1,968 |
| Movement of balance with the SCF | | (7) | - | (7) |
| Net Funding Position | 22 | 32,076 | - | 32,076 |
| Net increase/(decrease) in year | | 1,425 | (189) | 1,236 |
| Balance at 31 March 2015 | | 18,843 | 9,841 | 28,684 |

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).

The 2014/15 opening balances for the General Fund and Revaluation Reserve have been restated to reflect adjustments to the distribution of total taxpayers equity, that remains unchanged.

The Scottish Government
Consolidated Statement of Cash Flows
For the year ended 31 March 2016

| 2014-15 | | 2015-16 |
|--|------------|-----------------|
| £m | Note | £m |
| (30,070) | (A) | (30,935) |
| (1,685) | (B) | (1,621) |
| (274) | (D) | (234) |
| 32,024 | (C) | 32,801 |
| (5) | | 11 |
| (A) Reconciliation of operating costs to operating cash flows | | |
| (31,029) | (E) | (31,360) |
| 541 | 2a | 562 |
| 194 | 4d | 155 |
| (10) | 2d | (2) |
| (48) | 2d | (101) |
| 23 | 2d | (60) |
| 156 | 2d | (45) |
| 103 | 4c | (84) |
| (30,070) | | (30,935) |
| (B) Analysis of cash flows from investment activities | | |
| (939) | 2d, 5a | (848) |
| (73) | 2d, 6 | (41) |
| 10 | 2a, 2d, 5a | 22 |
| 6 | 7 | 10 |
| (1,038) | 2d, 8 | (1,235) |
| 344 | 2d, 8 | 457 |
| 5 | 8 | 14 |
| (1,685) | | (1,621) |
| (C) Analysis of cash flows from financing activities | | |
| 30,115 | SOCTE | 30,636 |
| 1,968 | SOCTE | 1,912 |
| (5) | 8 | (14) |
| 140 | 2d | 338 |
| - | 4c | 84 |
| (194) | 4d | (155) |
| 32,024 | | 32,801 |
| 5 | F | (11) |
| 32,029 | | 32,790 |

(D) Payments to the Scottish Consolidated Fund (SCF) represents the income not applied, £39m (Note 4b) and the increase in balances payable/receivable to the SCF £195m (Notes 10a & 11a).

(E) Net operating cost for cash flow purposes is the net operating cost of £31,399m (SoCTE) less £39m of income which cannot be applied and is surrenderable to the SCF (Note 4b).

(F) Decrease/ (increase) in cash represents the movement in cash and cash equivalents (Note 3) and bank overdrafts (Note 11a).

NOTES TO THE ACCOUNTS

For the Year Ended 31 March 2016

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 2015-16 *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 as defined by the *Government Financial Reporting Manual* (Section 4.2). Transactions between entities included in the consolidation are eliminated. A list of all those entities within the consolidation boundary is given within the Performance Report.

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

From 2015-16, IFRS 13: Fair Value Measurement has been adopted in full. As a result IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets have been adapted and interpreted for the public sector in the 2015-16 FReM, to ensure that IFRS 13 is consistently adopted across Government. This has resulted in surplus assets that are not held for service potential being valued using an open market value where there are no restrictions on the sale of the asset. Previously such surplus assets were valued using market value in existing use, i.e. the valuation took into consideration the asset's specific use. In applying IFRS 13 in full, this has not resulted in a material difference to 2014-15 or 2015-16 Account

1.2 Property, Plant and Equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see 1.4 below), and will be accounted for under IAS16 *Property, Plant and Equipment*.

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

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

Capitalisation

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

Valuation

Land and buildings have been stated at open market value for existing use or, under IAS 16 as adapted for the public sector, depreciated replacement cost for specialised buildings under a rolling 5-year programme of professional valuations and appropriate indices in intervening years. From 1 April 2007, other plant and equipment assets, other than vessels and aircraft, are no longer revalued using indices but will be 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 detrunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. Any associated profit or loss is processed through the general fund.

Subsequent Cost

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

1.3 Depreciation

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, depreciation is charged at rates calculated to write off their valuation by equal instalments over their estimated useful lives which are normally in the following ranges:

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

1.4 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
- 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 SIC 32 *Intangible Assets- Web Site Costs*, and are valued initially at cost and subsequently at fair value using the revaluation model.

Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. Non income generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

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 under development are not amortised.

1.7 Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with IAS 32 and 39, IFRS 7, and IFRS 13 as interpreted by the FReM. IFRS 7 requires the classification of financial instruments into separate categories for which the accounting treatment is different. The Scottish Government has classified its financial instruments as follows:

Financial Assets:

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

Financial Liabilities:

- Borrowings, trade payables, accruals, payables, bank overdrafts and financial guarantee contracts are classified as 'Other Liabilities'.

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

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

Financial instruments subsequent measurement depends on their classification:

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

Financial assets

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

Student Loans

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

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

- Interest subsidy: This is the difference between the interest paid by students (lower of RPI and Bank of England Base Rate + 1% point) and the cost of capital on loans (currently 2.2%). 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 of 2.2% in real terms.

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 8, while disclosures relating to risk, required by IFRS 7, can be found in note 19.

Embedded Derivatives

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

Financial Guarantee Contracts

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

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

Financial Transactions

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

1.8 Inventories

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

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

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

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

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

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

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

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

1.10 Income

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

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

1.11 Administration and Programme Expenditure

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

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

1.12 Grants

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

1.13 European Union Funds

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

1.14 Foreign Exchange

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

1.15 Leases

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

1.16 Pensions

The Scottish Government as an employer

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

The Scottish Government as a scheme administrator

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

NHS Bodies

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

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

1.17 Provisions

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

Student Loans

The provision is established to reflect the debt sale subsidy.

Early Departure Costs

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

NHS

NHS bodies provide for all claims notified to the NHS Central Legal Office 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. 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.

CNORIS

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

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

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

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

1.18 Contingent Liabilities

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

1.19 Value Added Tax (VAT)

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

1.20 Segmental Reporting

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

1.21 Trade Receivables

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

1.22 Cash and Cash Equivalents

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

Balances are analysed between those held with the Government Banking Service and balances held in commercial banks.

1.23 Trade Payables

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

1.24 Short Term Employee Benefits

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

1.25 New Accounting Standards

A number of new accounting standards have been issued or amendments made to existing standards, but do not come in to force until future accounting periods and therefore are not yet applied. All new standards issued and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. The standards that are considered relevant to Scottish Government and the anticipated impact on the consolidated accounts are as follows:

IFRS 9 – Financial Instruments

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

IFRS 16 – Leases

This standard will come into effect from 1 January 2019, when the distinction between finance and operating leases is removed and all leases become “on balance sheet”. FRAB have not yet considered if this standard is to be adapted or applied in full although it is anticipated that the principles of the standard will be applied.

2. Note to the Cash Flow Statement

2a. Adjustment to Operating Activities for Non-cash Transactions

| | 2015-16 Net £m | 2014-15 Net £m |
|--|----------------------|----------------------|
| Depreciation | 483 | 433 |
| Impairment/Write-backs | (2) | 71 |
| Total Capital Charges | 481 | 504 |
| Loss/(Profit) on disposal of property, plant and equipment | (10) | (2) |
| Capitalised Interest - financial assets | (44) | (51) |
| Investment fair value adjustment | 146 | 88 |
| Income from donated asset additions | (13) | (15) |
| Auditors Fees | 3 | 2 |
| Unrealised exchange rate (gain)/loss | 14 | - |
| NHS Lothian - transfer of assets | 1 | - |
| Other non-cash items | (12) | 15 |
| NHS Highland - movement in year in LG pension costs | (4) | - |
| Total | 562 | 541 |

2b. Analysis of Capital Charges by Portfolio

| Portfolio | Depreciation £m | Impairment/ Write Backs £m | 2015-16 Total £m | 2014-15 Total £m |
|--|--------------------|----------------------------------|------------------------|------------------------|
| Finance, Constitution and Economy | 5 | - | 5 | 3 |
| Health, Wellbeing and Sport | 309 | 10 | 319 | 390 |
| Education and Lifelong Learning | 5 | - | 5 | 6 |
| Fair Work, Skills and Training | - | - | - | - |
| Justice | 38 | (11) | 27 | 20 |
| Social Justice, Communities and Pensioners' Rights | - | - | - | (3) |
| Rural Affairs, Food and the Environment | 17 | - | 17 | 9 |
| Culture, Europe and External Affairs | 1 | - | 1 | 2 |
| Infrastructure, Investment and Cities | 94 | - | 94 | 59 |
| Crown Office and Procurator Fiscal Service | 4 | 1 | 5 | 6 |
| Total Programme | 473 | - | 473 | 492 |
| Administration | 10 | (2) | 8 | 12 |
| Total Capital Charges | 483 | (2) | 481 | 504 |

2c. Audit Fee

The consolidated audit fee for 2015-16 is £6m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted above. Other entities within the consolidation boundary pay fees. The consolidated audit fee for 2014-15 year was £6m (Core Portfolios £1m). There were no additional charges in relation to non audit work undertaken by Audit Scotland.

2d. Movement in Working Capital

| | Note | Opening Balances £m | Closing Balances £m | 2015-16 Net Movement £m | 2014-15 Net Movement £m |
|---|------|---------------------------|---------------------------|----------------------------------|----------------------------------|
| Inventories | | | | | |
| Net Decrease/(Increase) | 9 | 100 | 102 | (2) | (10) |
| Receivables and other assets | | | | | |
| Due within one year | 10a | 1,044 | 1,332 | (288) | (163) |
| Due after more than one year | 10a | 54 | 47 | 7 | 38 |
| Less: Capital included in PPE | | (10) | (6) | (4) | 2 |
| Less: Capital included in intangibles | | - | - | - | - |
| Less: Capital included in investment | | (34) | - | (34) | 1 |
| Less: Receivable from SCF | 10a | (74) | (289) | 215 | 74 |
| Less: General Fund receivable included above | 10a | - | (3) | 3 | - |
| Total | | 980 | 1,081 | | |
| Net Decrease/(Increase) | | | | (101) | (48) |
| Payables and other liabilities | | | | | |
| Due within one year | 11a | 2,335 | 2,435 | 100 | (212) |
| Due after more than one year | 11a | 2,774 | 3,126 | 352 | 155 |
| Less: Capital included in PPE | | (697) | (846) | (149) | 20 |
| Less: Capital included in intangibles | | - | (5) | (5) | 6 |
| Less: Capital included in Investment | | - | (12) | (12) | 24 |
| Less: Bank overdraft | 11a | (3) | (3) | - | - |
| Less: SCF corporate payable included in above | 11a | (111) | (132) | (21) | 7 |
| Less: Payable to SCF | 11a | - | (2) | (2) | 158 |
| Less: NLF payable included in above | 11a | (700) | (685) | 15 | 5 |
| Less: PFI imputed leases | 11a | (1,989) | (2,327) | (338) | (140) |
| Total | | 1,609 | 1,549 | | |
| Net (Decrease)/Increase | | | | (60) | 23 |
| Provisions (Current and non-current) | | | | | |
| Less: Capital provisions | 12 | 778 | 717 | (61) | 142 |
| Total | | 679 | 634 | 16 | 14 |
| Net (Decrease)/Increase | | | | (45) | 156 |
| Total Net Movement (Decrease)/Increase | | | | (208) | 121 |

3. Cash and Cash Equivalents

| | 2015-16 £m | 2014-15 £m |
|---|---------------|---------------|
| Government Banking Service | 121 | 86 |
| Commercial banks and cash in hand | 13 | 37 |
| At 31 March | 134 | 123 |
| At 1 April | 123 | 128 |
| Net change in cash and cash equivalent balances | 11 | (5) |
| At 31 March | 134 | 123 |

| The balance at 31 March comprises | | 2015-16 Net £m | 2014-15 Net £m |
|---|------|----------------------|----------------------|
| | Note | | |
| Cash due to be paid to the Scottish Consolidated Fund | 11a | 132 | 111 |
| Consolidated Fund extra receipts received and due to be paid to SCF | 11a | 2 | 12 |
| At 31 March | | 134 | 123 |

4. Income

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

| | Total Income £m | Income Not Applied £m | 2015-16 Income Applied £m | 2014-15 Income Applied £m |
|--|--------------------|-----------------------------|------------------------------------|------------------------------------|
| Administration Income: | | | | |
| Allowable within admin cost limit | 11 | - | 11 | 11 |
| Other: | | | | |
| Fees and charges (1) | 7 | - | 7 | 11 |
| Other (Detail) | - | - | - | - |
| Total Administration Income | 18 | - | 18 | 22 |
| Programme Income: | | | | |
| Finance, Constitution and Economy | 20 | 2 | 18 | 18 |
| Health, Wellbeing and Sport | 1,277 | - | 1,277 | 809 |
| Education and Lifelong Learning | 92 | - | 92 | 98 |
| Fair Work, Skills and Training | - | - | - | - |
| Justice | 51 | 34 | 17 | 19 |
| Social Justice, Communities and Pensioners' Rights | 15 | - | 15 | 20 |
| Rural Affairs, Food and the Environment | 471 | - | 471 | 534 |
| Culture, Europe and External Affairs | 30 | - | 30 | 42 |
| Infrastructure, Investment and Cities | 213 | - | 213 | 184 |
| Crown Office and Procurator Fiscal Service | 4 | 3 | 1 | 1 |
| Total Programme Income | 2,173 | 39 | 2,134 | 1,725 |
| Total | 2,191 | 39 | 2,152 | 1,747 |

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

4b. Income Not Applied

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

| The major items of income not applied are: | Cash Received £m | Accrued £m | 2015-16 £m | 2014-15 £m |
|--|------------------------|---------------|---------------|---------------|
| Repayment of interest | - | - | - | - |
| Designated receipts - Fines, forfeitures and fixed penalties | 28 | - | 28 | 30 |
| Non-designated receipts - Proceeds of Crime and other | 11 | - | 11 | 12 |
| Total Income Not Applied | 39 | - | 39 | 42 |

4c. Interest Receivable

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

| | Total Income £m | Income Not Applied £m | 2015-16 Income Applied £m | 2014-15 Total Income £m |
|--|-----------------------|--------------------------------|------------------------------------|----------------------------------|
| Programme Income: | | | | |
| Social Justice, Communities and Pensioners' Rights | - | - | - | - |
| Health, Wellbeing and Sport | - | - | - | - |
| Infrastructure, Investment and Cities | 84 | - | - | 103 |
| Total | 84 | - | - | 103 |

4d. Interest Payable

| | 2015-16 Total £m | 2014-15 Total £m |
|---|------------------------|------------------------|
| Finance lease charges allocated in the year | 154 | 194 |
| Other interest | 1 | - |
| Total | 155 | 194 |

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

Prior Year

| | Land ¹ £m | Buildings ² £m | Dwellings £m | Road Network ³ £m | Transport £m | Equipment £m | ICT Systems £m | Fixtures and fittings £m | Assets under Construction £m | Total £m |
|--|-------------------------|------------------------------|-----------------|------------------------------------|-----------------|-----------------|----------------------|--------------------------------|------------------------------------|---------------|
| Cost or valuation | | | | | | | | | | |
| At 1 April 2014 | 503 | 5,758 | 607 | 20,321 | 200 | 1,185 | 386 | 87 | 1,628 | 30,675 |
| Additions | 1 | 42 | - | 9 | 4 | 32 | 17 | 1 | 797 | 903 |
| Adjustments | - | - | - | 106 | - | - | - | - | - | 106 |
| Transfers | 6 | 760 | 7 | 210 | 11 | 31 | 11 | 3 | (917) | 122 |
| Transfers (to) assets classified held for sale | (13) | (2) | - | - | - | - | - | - | - | (15) |
| Disposals | (4) | (12) | - | - | (11) | (67) | (19) | (7) | (1) | (121) |
| Revaluation | 9 | 133 | 26 | (482) | 1 | - | - | - | (4) | (317) |
| Impairments | (5) | (85) | 13 | - | (1) | (1) | (2) | - | (6) | (87) |
| At 31 March 2015 | 497 | 6,594 | 653 | 20,164 | 204 | 1,180 | 393 | 84 | 1,497 | 31,266 |
| Depreciation | | | | | | | | | | |
| At 1 April 2014 | - | 298 | 25 | 3,194 | 102 | 785 | 287 | 55 | - | 4,746 |
| Charged in year | - | 174 | 19 | 58 | 17 | 89 | 38 | 7 | - | 402 |
| Transfers | - | - | - | 14 | - | - | - | - | - | 14 |
| Transfers (to) assets classified held for sale | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | (8) | - | - | (11) | (66) | (19) | (7) | - | (111) |
| Revaluation | - | (94) | 2 | (99) | 1 | - | - | - | - | (190) |
| Revaluation to Outturn Statement | - | (13) | (1) | - | (1) | - | (2) | 1 | - | (16) |
| At 31 March 2015 | - | 357 | 45 | 3,167 | 108 | 808 | 304 | 56 | - | 4,845 |
| Net book value 31 March 2015 | 497 | 6,237 | 608 | 16,997 | 96 | 372 | 89 | 28 | 1,497 | 26,421 |
| Net book value 31 March 2014 | 503 | 5,460 | 582 | 17,127 | 98 | 400 | 99 | 32 | 1,628 | 25,929 |

| | Land ¹ £m | Buildings ² £m | Dwellings £m | Road Network ³ £m | Transport £m | Equipment £m | ICT Systems £m | Fixtures and fittings £m | Assets under Construction £m | Total £m |
|---|-------------------------|------------------------------|-----------------|------------------------------------|-----------------|-----------------|----------------------|--------------------------------|------------------------------------|---------------|
| Analysis of asset financing: | | | | | | | | | | |
| Owned | 478 | 4,679 | 529 | 15,106 | 86 | 370 | 89 | 28 | 1,328 | 22,693 |
| Finance Leased | 1 | 42 | - | - | 6 | 1 | - | - | - | 50 |
| PFI included in Statement of Financial Position | 18 | 1,516 | 79 | 1,891 | - | 1 | - | - | 169 | 3,674 |
| Donated Assets | - | - | - | - | 4 | - | - | - | - | 4 |
| Net book value at 31 March 2015 | 497 | 6,237 | 608 | 16,997 | 96 | 372 | 89 | 28 | 1,497 | 26,421 |

| | Land ¹ £m | Buildings ² £m | Dwellings £m | Road Network ³ £m | Transport £m | Equipment £m | ICT Systems £m | Fixtures and fittings £m | Assets under Construction £m | Total £m |
|-------------------------------|-------------------------|------------------------------|-----------------|------------------------------------|-----------------|-----------------|----------------------|--------------------------------|------------------------------------|-------------|
| Donated Asset Movement | | | | | | | | | | |
| Additions | - | 2 | - | - | - | 2 | 1 | - | 3 | 8 |
| Disposals | - | - | - | - | - | (4) | - | - | - | (4) |

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

5b . Non Current Asset Disclosures

| | 2015-16 £m | 2014-15 £m |
|--|---------------|---------------|
| Net book value of Property, Plant and Equipment | 27,317 | 26,421 |
| Total value of assets held under: | | |
| Finance Leases | 48 | 50 |
| Hire Purchase Contracts | - | - |
| PFI and PPP Contracts | 4,543 | 3,674 |
| Total | 4,591 | 3,724 |
| Total depreciation charged in respect of assets held under: | | |
| Finance leases | 5 | 27 |
| PFI and PPP contracts | 962 | 495 |
| Total | 967 | 522 |

As part of the 5-year rolling programme, the Scottish Agricultural Research Institutes and 8 other properties including Victoria Quay underwent a formal inspection and revaluation on the basis of Existing Use Value, as at 31 March 2016. Valuations were carried out by the Valuation Office Agency. These valuations were carried out in accordance with the Valuation - Professional Standards 2014 (the Red Book) published by the Royal Institution of Chartered Surveyors.

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

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

6. Intangible Assets

| | EC Emission Rights £m | Software Licenses £m | Information Technology Software £m | Websites that Deliver Service £m | Assets Under Development £m | Total £m |
|--|-----------------------------|----------------------------|---|---|--------------------------------------|-------------|
| Cost or Valuation | | | | | | |
| Balance at 1 April 2015 | - | 162 | 234 | 1 | 23 | 420 |
| Additions | - | 5 | 5 | - | 36 | 46 |
| Disposals | - | (4) | (6) | - | - | (10) |
| Transfers | - | (1) | 45 | - | (44) | - |
| Impairments | - | - | (1) | - | - | (1) |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2016 | - | 162 | 277 | 1 | 15 | 455 |
| Amortisation | | | | | | |
| Balance at 1 April 2015 | - | 129 | 155 | 1 | - | 285 |
| Charged in year | - | 11 | 22 | - | - | 33 |
| Disposals | - | (4) | (6) | - | - | (10) |
| Donated assets disposal | - | - | - | - | - | - |
| Adjustments | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| Transfers (to)/from assets classified held for sale | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - |
| Revaluations | - | - | (1) | - | - | (1) |
| At 31 March 2016 | - | 136 | 170 | 1 | - | 307 |
| Net book value at 31 March 2016 | - | 26 | 107 | - | 15 | 148 |
| Net book value at 31 March 2015 | - | 33 | 79 | - | 23 | 135 |

Assets under development include £5m relating to information technology software, and £10m relating to software developed in-house or by third parties.

| Prior Year | EC Emission Rights £m | Software Licenses £m | Information Technology Software £m | Websites that Deliver a Service £m | Assets Under Development £m | Total £m |
|--|-----------------------------|----------------------------|---|---|--------------------------------------|-------------|
| Cost or Valuation | | | | | | |
| Balance at 1 April 2014 | - | 160 | 183 | 1 | 23 | 367 |
| Additions | - | 4 | 10 | - | 53 | 67 |
| Disposals | - | (3) | (12) | - | - | (15) |
| Transfers | - | 1 | 53 | - | (53) | 1 |
| At 31 March 2015 | - | 162 | 234 | 1 | 23 | 420 |
| Amortisation | | | | | | |
| Balance at 1 April 2014 | - | 118 | 150 | 1 | - | 269 |
| Charged in year | - | 14 | 17 | - | - | 31 |
| Disposals | - | (3) | (12) | - | - | (15) |
| At 31 March 2015 | - | 129 | 155 | 1 | - | 285 |
| Net book value at 31 March 2015 | - | 33 | 79 | - | 23 | 135 |
| Net book value at 31 March 2014 | - | 42 | 33 | - | 23 | 98 |

Assets under development included £23m relating to information technology software.

7. Assets Classified as Held for Sale

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

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

| | Property, Plant and Equipment £m | Intangible Assets £m | Investment Assets £m | Total £m |
|-----------------------------------|--|----------------------------|----------------------------|-------------|
| At 1 April 2015 | 42 | - | - | 42 |
| Transfers from Non-Current Assets | 1 | - | - | 1 |
| Change arising on revaluation | (4) | - | - | (4) |
| Disposals | (10) | - | - | (10) |
| At 31 March 2016 | 29 | - | - | 29 |
| Prior year | | | | |
| At 1 April 2014 | 36 | - | - | 36 |
| Transfers from Non-Current Assets | 15 | - | - | 15 |
| Change arising on revaluation | (3) | - | - | (3) |
| Disposals | (6) | - | - | (6) |
| At 31 March 2015 | 42 | - | - | 42 |

8. Financial Assets

8a. Non-Current Financial Assets

| | Interests in Nationalised Industries and Limited Companies £m | Voted Loans £m | NLF Loans £m | Student Loans £m | Housing Association Loans £m | Shared Equity Housing £m | Other Housing Loans £m | Other Funds £m | Total £m |
|--|--|----------------------|--------------------|------------------------|---------------------------------------|-----------------------------------|---------------------------------|----------------------|--------------|
| Balance at 1 April 2015 | 24 | 2,419 | 676 | 2,451 | 58 | 450 | 27 | 127 | 6,232 |
| Add element reported within current assets | - | 276 | 14 | 130 | - | - | - | - | 420 |
| Advances and acquisitions: | | | | | | | | | |
| Cash advances | 1 | 365 | - | 549 | - | 200 | 13 | 119 | 1,247 |
| Fair value adjustment | - | - | - | (170) | - | (8) | (5) | (9) | (192) |
| Capitalised interest | - | - | - | 43 | - | - | - | 1 | 44 |
| Adjustment | - | - | - | (1) | - | - | - | - | (1) |
| Grant paid | - | - | - | - | - | - | - | - | - |
| Repayments and disposals | - | (276) | (14) | (130) | - | (15) | (1) | (1) | (437) |
| Student Loans unallocated receipts | - | - | - | (10) | - | - | - | - | (10) |
| Unwinding of discounted cash flow | - | - | - | 46 | 1 | - | - | - | 47 |
| Revaluations to outturn statement | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2016 | 25 | 2,784 | 676 | 2,908 | 59 | 627 | 34 | 237 | 7,350 |
| Loans repayable within 12 months transferred to current assets | - | (308) | (24) | (130) | - | - | - | (54) | (516) |
| Balance at 31 March 2016 | 25 | 2,476 | 652 | 2,778 | 59 | 627 | 34 | 183 | 6,834 |

| Prior Year | Interests in Nationalised Industries and Limited Companies | | | | | | | | |
|--|--|-------------------|-----------------|----------------------------------|------------------------------------|--------------------------------|---------------------------------|----------------------|--------------|
| | £m | Voted Loans £m | NLF Loans £m | Restated* Student Loans £m | Housing Association Loans £m | Shared Equity Housing £m | Other Housing Loans £m | Other Funds £m | Total £m |
| Balance at 1 April 2014 | 22 | 2,400 | 690 | 2,110 | 57 | 269 | 24 | 106 | 5,678 |
| Add element reported within current assets | - | 193 | 5 | 120 | - | - | - | - | 318 |
| Advances and acquisitions: | | | | | | | | | |
| Cash advances | 2 | 298 | - | 515 | - | 189 | 3 | 33 | 1,040 |
| Fair value adjustment | - | - | - | (149) | - | - | - | - | (149) |
| Capitalised interest | - | - | - | 50 | - | - | - | 1 | 51 |
| Adjustments | - | - | - | - | - | - | - | (1) | (1) |
| Grant paid | - | - | - | - | - | - | - | (2) | (2) |
| Repayments and disposals | - | (196) | (5) | (126) | - | (11) | (1) | (10) | (349) |
| Unwinding of discounted cash flow | - | - | - | 61 | 1 | - | - | - | 62 |
| Revaluations to outturn statement | - | - | - | - | - | 3 | 1 | - | 4 |
| Balance at 31 March 2015 | 24 | 2,695 | 690 | 2,581 | 58 | 450 | 27 | 127 | 6,652 |
| Loans repayable within 12 months transferred to current assets | - | (276) | (14) | (130) | - | - | - | - | (420) |
| Balance at 31 March 2015 | 24 | 2,419 | 676 | 2,451 | 58 | 450 | 27 | 127 | 6,232 |

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

*Prior year Student Loans balances have been restated (Note 23 Restatement)

8b. Nationalised Industries

As at 31 March 2016, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited and Prestwick Holdco Limited. The Scottish Ministers hold the following investments:

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

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

| | Caledonian Maritime Assets Ltd £m | David MacBrayne Ltd £m | Highlands and Islands Airports Ltd £m | Prestwick Holdco Ltd £m |
|--------------------------------------|--|---|--|--|
| Net Assets as at 31 March 2016 | (21) | (24) | 75 | 14 |
| Turnover | 11 | 21 | 33 | 190 |
| Profit/(Loss) for the financial year | (10) | (5) | 8 | (5) |

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

Caledonian Maritime Assets Ltd

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

David MacBrayne Ltd

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

Highlands and Islands Airports Ltd (HIAL)

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

TS Prestwick Holdco Limited

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

8c. Other Interests

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

Student Loan Company (SLC)

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

Scottish Futures Trust Ltd (SFT)

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

Scottish Health Innovations Ltd

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

Voted Loans

The Scottish Ministers have provided loans from voted provision to Caledonian Maritime Assets Limited of £108m to be used for the construction of new shipping; £7m to crofters for building purposes; and £2,670m to Scottish Water for their capital investment programmes.

National Loans Fund

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

Scottish Water's 2015-16 annual report and accounts can be found at <http://www.scottishwater.co.uk/About-Us/Publications/Annual-Reports/Annual-Report-1516>

Student Loans

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

8c. Other Interests (Cont.)

Housing Association Loans

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

Shared Equity and Other Housing Loans

The Other Housing Loans include Deferred Financial Commitment Loans. The fair value estimation technique for housing loans was reviewed in 2009-10, resulting in a change from discounted cash flow to one relating to the underlying property valuation using the Nationwide Pricing Index method.

Other Funds

The Scottish Government provides funding to three organisations, Salix Finance Limited, Social Investment Scotland (SIS) and Energy Saving Trust (EST), to deliver programmes which include the issue of loans. Salix provides loans (£6m) to the public sector to improve their energy efficiency and reduce their carbon emissions. SIS administer and manage the Scottish Investment Fund (£17m) on behalf of the Scottish Government, the fund was set up to provide loans to build capacity, capability and financial sustainability in the third sector. EST administer and manage funds on behalf of the Scottish Government which provide loans (£51m) to save energy and reduce carbon dioxide emissions.

The Scottish Government, and the European Regional Development Funds, have established the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund. This fund is a JESSICA (Joint Venture Support for Sustainable Investment in City Areas) Urban Development Fund (£37m) that helps fund regeneration and energy efficient projects within targeted areas of Scotland.

During the course of 2015-16, a Scottish Government national loans scheme was put in place (£54m) to provide support to the farming economy.

The Scottish Government provided £1.7m during 2014-15 and a further £4m during 2015-16 to the Scottish Futures Trust for use in their oversight of the Non Profit Distributing (NPD) programme. SFT's pipeline of NPD projects is delivered through two channels – very large projects such as major roads or large hospitals, procured directly by the public sector organisations through the NPD programme, with smaller Design, Build, Finance and Maintain (DBFM) projects delivered via the Scotland-wide hub initiative in partnership with local authorities, health boards and other public bodies. The funds are used to support subordinated debt investment in individual hub DBFM projects at a commercial rate of return. Interest on this investment contributes to the funding of on-going SFT activity.

In addition to the existing Charitable Bonds (£12m), the Scottish Government invested a further £25.6m in four Charitable Bonds during 2015-16. The bond issuer loaned £18.9m, at a market rate, to Kingdom Housing Association (£5.2m), Ayrshire Housing Association (£1.6m), Eildon Housing Association (£10m), and Orkney Housing Association (£2.1m) to develop new affordable homes. The balance of £6.7m will be donated to one or more charitable Housing Associations by the bond issuer for the provision of new social housing, funded by the Scottish Government foregoing interest on the bond. The full £25.6m will be repaid to the Scottish Government in 2025-26.

9. Inventories

| | 2015-16 | 2014-15 |
|-------------------|------------|------------|
| | £m | £m |
| NHS inventories | 100 | 96 |
| Other inventories | 2 | 4 |
| Total | 102 | 100 |

10a. Receivables and Other Assets

| | 2015-16 £m | 2014-15 £m |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade receivables | 62 | 58 |
| VAT | 68 | 57 |
| Other receivables | 89 | 90 |
| Prepayments and accrued income | 294 | 371 |
| Accrued income relating to EU funding | 499 | 366 |
| Interest receivable | 28 | 28 |
| Balances receivable from SCF | 289 | 74 |
| Corporate balance with the SCF | 3 | - |
| Balance as at 31 March | 1,332 | 1,044 |
| | | |
| | 2015-16 £m | 2014-15 £m |
| Amounts falling due in more than one year | | |
| Other receivables | 3 | 3 |
| Prepayments and accrued income | 44 | 51 |
| Balance as at 31 March | 47 | 54 |
| Total balance as at 31 March | 1,379 | 1,098 |

Included within the total is interest receivable on NLF loans of £9m (2014-15: £10m) that will be paid to the Scottish Consolidated Fund as income not applied once the debt has been settled.

| Trade Receivables are shown net of impairments as follows: | 2015-16 £m | 2014-15 £m |
|---|---------------|---------------|
| At 1 April | 9 | 7 |
| Charge for the year | 6 | 5 |
| Unused amount released | (1) | (1) |
| Utilised during the year | (3) | (2) |
| At 31 March | 11 | 9 |

European Structural Funds Programmes (ESF) - included within Accrued income relating to EU funding

The Scottish Government has provided the European Commission (EC) with assurances about how it and other bodies in receipt of European Structural Funds are managing the programmes. The EC has recognised the actions taken and, in August 2016, the suspensions for the two European Social Fund programmes were lifted. We were notified in September 2016 of a decision to discontinue the remaining suspension in respect of one European Regional Development Fund programme. Formal confirmation from the EC is expected to follow within a short timescale.

10b. Intra Government Receivables and Other Asset Balances

| | 2015-16 | 2014-15 |
|---|----------------|----------------|
| | £m | £m |
| Amounts falling due within one year | | |
| Balances with other central government bodies | 263 | 93 |
| Balances with local authorities | 45 | 43 |
| Balances with NHS Bodies in England and Wales | 5 | 8 |
| Balances with public corporations and trading funds | 11 | 1 |
| Balances with the European Union | 504 | 324 |
| Total: Intra-governmental balances | 828 | 469 |
| Balances with bodies external to government | 504 | 575 |
| Balance as at 31 March | 1,332 | 1,044 |

| | 2015-16 | 2014-15 |
|---|----------------|----------------|
| | £m | £m |
| Amounts falling due in more than one year | | |
| Balances with other central government bodies | (212) | (194) |
| Balances with local authorities | 16 | - |
| Balances with NHS Bodies in England and Wales | - | - |
| Balances with public corporations and trading funds | - | - |
| Balances with the European Union | - | - |
| Total: Intra-governmental balances | (196) | (194) |
| Balances with bodies external to government | 243 | 248 |
| Balance as at 31 March | 47 | 54 |

11a. Payables and Other Liabilities

| | 2015-16 | Restated* |
|--|----------------|------------------|
| | £m | 2014-15 |
| | | £m |
| Amounts falling due within one year | | |
| Trade payables | 471 | 495 |
| Other taxation and social security | 118 | 118 |
| Superannuation payable | 95 | 85 |
| Other payables | 103 | 176 |
| Deferred income and accruals | 1,430 | 1,277 |
| Accrued interest due on NLF loans | 9 | 10 |
| Finance leases | 3 | 2 |
| PFI imputed finance leases | 45 | 44 |
| Corporate balance with the SCF | 132 | 111 |
| Balances payable to the SCF | 2 | - |
| | 2,408 | 2,318 |
| Other financial liabilities: | | |
| Current instalments on NLF loans | 24 | 14 |
| Bank overdraft | 3 | 3 |
| | 27 | 17 |
| Total current liabilities | 2,435 | 2,335 |

The balance payable to the SCF includes amounts due on income not applied of £2m (2014-15: £nil).

*Prior Year Deferred income and accruals balance has been restated (Note 23 Restatement)

| | 2015-16 | Restated |
|--|----------------|-----------------|
| | £m | 2014-15 |
| | | £m |
| Amounts falling due in more than one year | | |
| Other payables | 104 | 64 |
| Deferred income and accruals | 61 | 59 |
| Finance leases | 26 | 29 |
| PFI imputed finance leases | 2,282 | 1,945 |
| Lease adjustment for rent free period | 1 | 1 |
| | 2,474 | 2,098 |
| Other financial liabilities | | |
| Instalments on NLF loans | 652 | 676 |
| | 652 | 676 |
| Total | 3,126 | 2,774 |

11b. Intra Government Payables and Other Liabilities Balances

| | 2015-16 | Restated |
|---|----------------|-----------------|
| | £m | 2014-15 |
| | | £m |
| Amounts falling due within one year | | |
| Balances with other central government bodies | 358 | 350 |
| Balances with local authorities | 297 | 189 |
| Balances with NHS Bodies in England and Wales | 29 | 16 |
| Balances with public corporations and trading funds | 4 | 1 |
| Balances with the European Union | 30 | 223 |
| Total: Intra-governmental balances | 718 | 779 |
| Balances with bodies external to government | 1,717 | 1,556 |
| Balance as at 31 March | 2,435 | 2,335 |

| | 2015-16 | Restated |
|---|----------------|-----------------|
| | £m | 2014-15 |
| | | £m |
| Amounts falling due in more than one year | | |
| Balances with other central government bodies | 652 | 676 |
| Balances with local authorities | - | 107 |
| Balances with NHS Bodies in England and Wales | - | - |
| Balances with public corporations and trading funds | - | - |
| Balances with the European Union | 48 | 45 |
| Total: Intra-governmental balances | 700 | 828 |
| Balances with bodies external to government | 2,426 | 1,946 |
| Balance as at 31 March | 3,126 | 2,774 |

12a. Provisions for Liabilities and Charges

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

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

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

| Prior Year | Student Loans Sale Subsidy £m | Early Departure Costs £m | NHS Clinical and Medical Negligence £m | SPS Prisoner Compensation £m | Other Provisions £m | Total 2015-16 £m |
|--|--|-----------------------------------|---|---------------------------------------|---------------------------|------------------------|
| Balance as at 1 April 2014 | 48 | 139 | 121 | - | 87 | 395 |
| Add: element reported as due within one year | - | 14 | 140 | 3 | 84 | 241 |
| Balance as at 1 April 2014 | 48 | 153 | 261 | 3 | 171 | 636 |
| Provided for in year | - | 17 | 64 | 1 | 144 | 226 |
| Provisions not required written back | (4) | (3) | (13) | (1) | (7) | (28) |
| Provisions utilised in year | (2) | (13) | (10) | (1) | (32) | (58) |
| Discount amortised | 2 | 1 | - | - | (1) | 2 |
| Balance as at 31 March 2015 | 44 | 155 | 302 | 2 | 275 | 778 |
| Payable within one year | - | (14) | (184) | (2) | (167) | (367) |
| Balance as at 31 March 2015 | 44 | 141 | 118 | - | 108 | 411 |

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

| | | | | | | |
|------------------------------------|-----------|------------|------------|----------|------------|------------|
| Payable in 1 year | - | 14 | 184 | 2 | 167 | 367 |
| Payable between 2 - 5 yrs | 13 | 70 | 118 | - | 92 | 293 |
| Payable between 6 - 10 yrs | 31 | 33 | - | - | 12 | 76 |
| Thereafter | - | 38 | - | - | 4 | 42 |
| Balance as at 31 March 2015 | 44 | 155 | 302 | 2 | 275 | 778 |

12b. Provisions for Liabilities and Charges

Student Loans

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

NHS Clinical and Medical Negligence

Included within provisions is an amount of £363m (2014-15: £302m) which relates to clinical and medical negligence costs. NHS Bodies provide for all claims notified to the NHS Central Legal Office 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.

NHS Boards settled claims for £30m in 2015-16 (2014-15: £40m). Following the accounting review undertaken in 2014-15, on consolidation, the Scottish Government's CNORIS provision represents the national liability and the Boards' accounting for individual claims is removed.

In 2015-16 £144m of estimated settlement value of medical and clinical negligence claims were added to the provision. £41m in claims were settled and £42m was written back as no longer required.

Prisoner Compensation

Included within the Scottish Prison Service (SPS) is an amount of £3m (2014-15: £2m) based on estimates of exposure to potential prisoner compensation claims. During the year £2m was added to the provision, while £1m of the provision was written-back following the Contravention Rights proceedings (Amendment) (Scotland) Act 2009 which came into force on 2 November 2009. This Act introduced a one year time limit to contravention rights claims. Further information can be found within the SPS annual accounts at www.sps.gov.uk.

Other Provisions - NHS Balances

Other provisions include NHS balances of £38m (2014-15: £26m). The NHS balances relate to various NHS Boards and Bodies and include: provision for non-medical legal liabilities, employer and third party costs, provision for future development costs, dilapidations, and a variety of other smaller provisions.

Other Provisions - Transport Scotland Balances

Also included within other provisions are Transport Scotland balances of £83.02m (14-15: £99.63m) includes £72.14m relating to land & property acquisition (14-15, £90.35m), £5.27m relating to major projects (14-15, £8.25m), and £5.61m relating to other (14-15, £1.02m ref early retirement benefits).

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

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

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

Other Provisions - European Structural Funds Programmes (ESF)

The 2007-13 ESF programmes are approaching closure with the expectation that the formal EU closure process will be concluded by 31 March 2017. An interim draft final declaration for the 2007-2013 programmes was submitted in July 2016. This included self-corrections which have facilitated the lifting of all previously suspended programmes. On the basis of the interim draft final declaration, provision of £14 million has been made within these Accounts reflecting that forecast costs are expected to exceed forecast income, recognising the specific ways in which individual projects are funded. In approaching closure there remains some uncertainty on final programme values which we expect to be confirmed by 31 March 2017.

13. Capital Commitments

| | 2015-16 £m | 2014-15 £m |
|---|---------------|---------------|
| Property, Plant and Equipment | | |
| Contracted capital commitments for which no provision has been made | 1,001 | 695 |
| Total | 1,001 | 695 |
| Intangible Assets | | |
| Contracted capital commitments for which no provision has been made | 19 | 12 |
| Total | 19 | 12 |
| Total Commitments | 1,020 | 707 |

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

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

The 2014/15 Scottish Government Consolidated Accounts included a disclosure of authorised but not committed capital expenditure which is outwith the scope of the applicable accounting standards; these balances have been excluded from the accounts for 2015/16.

14. Commitments Under Leases

14a. Operating Leases

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

Obligations under operating leases comprise:

| | 2015-16 £m | 2014-15 £m |
|--|---------------|---------------|
| Land | | |
| Within one year | 1 | 1 |
| Between two and five years (inclusive) | 3 | 3 |
| After five years | 6 | 7 |
| Total | 10 | 11 |
| Buildings | | |
| Within one year | 36 | 38 |
| Between two and five years (inclusive) | 113 | 121 |
| After five years | 115 | 135 |
| Total | 264 | 294 |
| Other Commitments | | |
| Within one year | 21 | 18 |
| Between two and five years (inclusive) | 33 | 37 |
| After five years | - | 3 |
| Total | 54 | 58 |

14b. Finance Leases

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

Obligations under finance leases comprise:

| | 2015-16 £m | 2014-15 £m |
|--|---------------|---------------|
| Buildings | | |
| Within one year | 6 | 6 |
| Between two and five years (inclusive) | 20 | 21 |
| After five years | 70 | 76 |
| Total | 96 | 103 |
| Less the interest element | (68) | (72) |
| Total | 28 | 31 |
| Other Commitments | | |
| Within one year | - | - |
| Between two and five years (inclusive) | 1 | 1 |
| After five years | 1 | 1 |
| Total | 2 | 2 |
| Less the interest element | (1) | - |
| Total | 1 | 2 |

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

14c. Commitments Under Leases

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

The ground lease covering the land at Saughton House is the only property which has terms of renewal. All other leases have no terms of renewal or purchase options.

15. Other Financial Commitments

15a. Other Commitments

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

| | 2015-16 £m | 2014-15 £m |
|------------------------------|---------------|---------------|
| Payable in 1 year | 760 | 780 |
| Payable between 2 - 5 years | 3,094 | 3,027 |
| Payable in more than 5 years | - | - |
| Total | 3,854 | 3,807 |

Other financial commitments payable within one year include £464m (2014-15: £447m) as a committed income stream to Network Rail in accordance with the Deed of Grant, £247m (2014-15: £293m) to Abellio ScotRail and £19m (2014-15: £17m) to Serco Caledonian Sleeper under the Franchise Agreements.

Commitments payable within 2 to 5 years include £1,585m (2014-15: £1,161m) to Network Rail, £1,449m (2014-15: £1,078m) to Abellio, £86m (2014-15: £56m) to Serco and £63m (2014-15: £nil) to fund Scotland's successful bid to co-host the European Sports Championships in 2018.

15b. Guarantees, Indemnities and Letters of Comfort

The Scottish Government entered into the following guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*. They are included for parliamentary reporting and accountability purposes.

Guarantees

Education & Lifelong Learning

Guarantees to the Lothian Pension Fund in relation to the admission of Children's Hearing Scotland and the Scottish Agricultural College were outstanding at 31 March 2016 and were of unquantifiable amounts.

Social Justice, Communities and Pensioners' Rights

There was a guarantee of a loan between Social Investment Scotland and Glencraft (Aberdeen) Ltd following the restructuring of the business. This loan was for less than £1m. There were also guarantees to the Lothian Pension Fund in relation to the admission of the Scottish Homes Pension Fund and Scottish Futures Trust, which were for unquantifiable amounts.

Finance, Constitution and Economy

There was a guarantee to Highlands and Islands Enterprise in relation to their pension scheme, which was unquantifiable at 31 March 2016.

Infrastructure, Investment and Cities

An unquantifiable guarantee at the start of the year, relating to the Scottish Government's underwriting of the Abellio ScotRail and Serco Caledonian Sleeper pension funds, in line with that provided to other train operators by the Department for Transport was nil at the year end.

Health, Wellbeing and Sport

There was a guarantee of less than £1m in respect of the underwriting of a figure equivalent to 50% of the previous year's donation from the Robertson Trust to the Scottish Charity Air Ambulance.

Justice

At the year-end there was an unquantifiable guarantee to Lothian Pension Fund in relation to the admission of The Scottish Legal Complaints Commission.

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

Indemnities

Culture, Europe and External Affairs

At the beginning of the year there was an existing indemnity of £1,133m relating to objects lent under the National Heritage Act 1980 and the National Heritage (Scotland) Act 1985. At the year end this figure decreased to £1,111m. This final figure depends on new acquisitions and the number of exhibitions that these pieces are included in during the financial year.

Furthermore, there was an existing £15.450m indemnity for local museums and galleries. This increased to £15.565m at 31 March 2016 and is likewise dependent on the number of new acquisitions and number of exhibitions that these pieces were included in, during the financial year.

Social Justice, Communities and Pensioners' Rights

Mortgage lenders held indemnities by Scottish Homes for less than £1m at year end.

Infrastructure, Investment and Cities

A new indemnity was created at the beginning of the year for an unquantifiable amount. This related to operating agreements in respect of the ScotRail and Caledonian Sleeper Franchise Agreement

Letters of Comfort

None

16. Commitments under Service Concession Arrangements

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

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

the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the agreement.

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

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

Description of Schemes

Health Bodies:

Ayrshire and Arran Woodland View (formerly North Ayrshire Community Hospital) - Year 1 & 2 recognition of Non-Profit Distributing (NPD) element of Work in Progress. Mental Health and Frail Elderly In-patient facility due to reach practical completion in April 2016, with the first patient due to move into the facility in May 2016.

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

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

Dumfries and Galloway – Maternity and Day Surgery Unit - situated in Dumfries, is included in the statement of financial position (land and buildings) at a valuation of £10.322m as at 31st March 2016. The premises opened in January 2002 and the contract ends in January 2032. Under IFRIC 12, the asset is treated as an asset of the Board and is included in the Board's account as a fixed asset. The liability to pay for the property is in substance a finance lease obligation.

Dumfries and Galloway – The Board are in the construction phase of an NPD project to deliver the new District General Hospital replacing the existing Dumfries and Galloway Royal Infirmary. To date, a total of £81.575m of a £212.6m total construction cost has been added to Assets under Construction. The new hospital is due to open during 2017-18. The NPD (Non-Profit Distributing) funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI (Private Finance Initiative) model in Scotland.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lanarkshire Stonehouse Hospital - The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034. The estimated capital value is £ 4.282m. The hospital is provided under a contract between Lanarkshire Health Board and Stonehouse Hospitals Limited, with the service arrangements provided internally by Lanarkshire Health Board.

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

Lanarkshire Hub Projects - The provision of three community Health Centres in East Kilbride, Kilsyth and Wishaw under the Scottish Future Trust Hubco leased model. These new facilities opened in 2015-16 and are provided by hub South West Scotland under a 25 year contract. The Hubco provides the centres and is responsible for lifecycle and hard facilities management services which are delivered under a subcontract with Graham Facilities Management Ltd. The contract is managed under a performance regime with deduction applied to the payment for performance failures. The current estimated capital value of these facilities is £ 39.486m.

Lothian Royal Infirmary of Edinburgh at Little France - an Acute Teaching hospital. The contract started 1 November 2013 and will end 30 June 2053. The estimated capital value is £181.387m.

Lothian Ferryfield House – The provision of a 30 bedded facility for frail elderly and dementia patients which replaced the 100 year old Northern General Hospital. The contract started 1 October 1996 and will end 1 October 2021. The estimated capital value is £2.509m.

Lothian Ellens Glen - service provides a 60 bedded facility for frail elderly and dementia patients. The contract started 1 November 1999 and will end 1 November 2029. The estimated capital value is £3.744m.

Lothian Findlay House - service provides a 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital. The contract started 13 June 2003 and will end 12 June 2033. The estimated capital value is £3.948m.

Lothian Tippethill - service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn. The contract started 6 September 2000 and will end 5 September 2025. The estimated capital value is £3.126m.

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

Lothian Bathgate Primary Care Centre - service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality. The contract started 1 October 2001 and will end 30 September 2026. The estimated capital value is £2.209m.

Lothian - Midlothian Community Hospital - This hospital provides 88 beds for frail elderly and dementia patients, outpatient clinics and a number of CHP led community activities. The contract started 1 September 2010 and will end 31 August 2040. The estimated capital value is £15.109m.

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

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

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

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

NSS - SNBTS National Centre. The National Centre for the processing and testing of blood, tissues and cells for patients in Scotland by the Scottish National Blood Transfusion Service (SNBTS)

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

Transport Scotland:

M6/(74) DBFO - The contract covers the design, construction, financing and operation of 28.3km of the new Scottish motorway as well as the operation and maintenance of 90km of new and existing Scottish motorway. Payments are made under a shadow toll regime. The toll period commenced in July 1997 and expires in July 2027.

M77 Fenwick to Malletsheugh - This is a joint Public Private Partnership (PPP) entered into by the Scottish Government, East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of the new Scottish motorway and a new 9km local link road between the new motorway and the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035.

M80 - The contract covers the design, build and financing of approximately 18km of dual two/three lane motorway, together with, but not limited to, associated slip roads, side roads, junctions, structures, culverts and associated works. The contract also incorporates the operation and maintenance of the new motorways, associated structures, and related elements for a period of 30 years after completion of the new works. Unitary charge payments commenced in September 2011 and will cease in September 2041.

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

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

Scottish Prison Service:

HMP Kilmarnock - The contract covers the design, construction, financing and operation of a prison, HMP Kilmarnock. The contract commenced in March 1999 for a period of 25 years. The capital liability is now nil, however, payments for the service element continue to the end of the contract.

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

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

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

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

Under IFRIC 12 the asset is treated as an asset of the Scottish Government and included in the Scottish Government's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation.

Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

| Gross Minimum Lease Payments | NHS Bodies | | | 2015-16 Total £m | 2014-15 Total £m |
|------------------------------|----------------------|----------------------------------|-----------------------------|------------------------|------------------------|
| | in Scotland £m | Scottish Prison Service £m | Transport Scotland £m | | |
| Rentals due within 1 year | 144 | 11 | 40 | 195 | 198 |
| Due within 2 to 5 years | 610 | 41 | 162 | 813 | 779 |
| Due after 5 years | 2,429 | 121 | 976 | 3,526 | 3,332 |
| Total | 3,183 | 173 | 1,178 | 4,534 | 4,309 |

| Interest Element | NHS Bodies | | | 2015-16 Total £m | 2014-15 Total £m |
|---------------------------|----------------------|----------------------------------|-----------------------------|------------------------|------------------------|
| | in Scotland £m | Scottish Prison Service £m | Transport Scotland £m | | |
| Rentals due within 1 year | 114 | 7 | 29 | 150 | 153 |
| Due within 2 to 5 years | 429 | 26 | 108 | 563 | 567 |
| Due after 5 years | 1,198 | 44 | 253 | 1,495 | 1,601 |
| Total | 1,741 | 77 | 390 | 2,208 | 2,321 |

| Present Value of Minimum Lease Payments | NHS Bodies | | | 2015-16 Total £m | 2014-15 Total £m |
|---|----------------------|----------------------------------|-----------------------------|------------------------|------------------------|
| | in Scotland £m | Scottish Prison Service £m | Transport Scotland £m | | |
| Rentals due within 1 year | 30 | 4 | 11 | 45 | 45 |
| Due within 2 to 5 years | 181 | 15 | 54 | 250 | 212 |
| Due after 5 years | 1,231 | 77 | 723 | 2,031 | 1,731 |
| Total | 1,442 | 96 | 788 | 2,326 | 1,988 |

Amounts charged to the portfolio outturn statements in respect of NPD/PPP/PFI transactions included in Statement of Financial Position comprise:

| | 2015-16 £m | 2014-15 £m |
|------------------|---------------|---------------|
| Service charges | 195 | 181 |
| Interest charges | 153 | 156 |
| Other charges | 20 | 23 |
| Total | 368 | 360 |

Contingent rents

IAS 17 *Leases* defines contingent rents as "that portion of lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, and future market rates of interest)".

Contingent rents recognised as an expense in the period were £21m (2014-15: £20m)

17. Contingent Assets/Liabilities disclosed under IAS 37

17a. Contingent Assets disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a Contingent Asset under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is as follows:

a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control:

| Brief Description | Balance at 01 April 2015 | Balance at 31 March 2016 |
|---|-----------------------------|-----------------------------|
| Health, Wellbeing and Sport | | |
| NHS Greater Glasgow and Clyde - Woodilee land sale - ransom strip. | £3m | nil |
| Infrastructure, Investment and Cities | | |
| Transport Scotland successfully defended an allegation of Glasgow Airport Rail Link (GARL) copyright infringement, and a subsequent appeal which was dismissed in May 2012. The process of recovering the expenses awarded by the Court of Session is continuing. | unquantifiable | unquantifiable |
| Transport Scotland successfully defended a legal challenge in respect of the procurement of the Northern Isles Ferry Service. The legal judgement was confirmed in March 2016. The process of recovering the expenses awarded by the Court of Session is ongoing. | nil | unquantifiable |
| Education and Lifelong Learning | | |
| Disclosure Scotland (DS) planned to replace the BT service contract with a new contract for the care and maintenance of the PVG system which would better meet the organisation needs. It awarded a new contract to a new supplier in May 2014 with the service due to transfer in December 2014. The delivery and transfer of the service by the "new supplier" did not take place as planned and to protect the business critical operations DS continued the existing service contract with BT until the end of March 2015. DS awarded a new contract to BT for the support and maintenance of the PVG system starting April 2015. DS is in discussions with the "new supplier" around the non-completion of the contract awarded in May 2014 and therefore is unable to quantify any amount claimable at this time. | unquantifiable | unquantifiable |
| Social Justice, Communities and Pensioners' Rights | | |
| 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. | unquantifiable | unquantifiable |
| 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. | unquantifiable | unquantifiable |
| Receipts payable following right to buy sales of ex-council housing stock and ex-Scottish Homes housing stock. Timing uncertain as to when events giving rise to the realisation of this contingent asset are likely to occur. | unquantifiable | unquantifiable |
| Grants repayable from Edinburgh Council Rent Guarantee - Project Resonance. Grant becomes repayable if either (a) projects do not proceed as planned, where it is repayable immediately, or, (b) projects are sold on privately up to 10 years from now. Timing uncertain as to when events giving rise to the contingent asset are likely to occur. | < £1m | < £1m |

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

The definition of a Contingent Liability under IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* is as follows:

a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or

the amount of the obligation cannot be measured with sufficient reliability.

| Brief Description | Balance at 01 April 2015 | Balance at 31 March 2016 |
|---|-----------------------------|-----------------------------|
| Health, Wellbeing and Sport | | |
| Clinical and Medical compensation payment. | £204m | £225m |
| NHS Employer's Liability. | £3m | £3m |
| NHS Third Party Liability. | £1m | £0.5m |
| Non-clinical compensation. | £1m | £1m |
| Penrose Inquiry - potential additional costs as a result of recommendations included within the Final Report, particularly in relation to working with other UK nations to review financial support schemes offered. | unquantifiable | Closed |
| Vale of Leven Inquiry - potential costs and implications arising as a result of the 75 recommendations included within the Vale of Leven hospital inquiry. | unquantifiable | Closed |
| Education and Lifelong Learning | | |
| Additional subsidy chargeable on the Income Contingent Repayment Student Loans if the Bank of England Base Rate plus 1 percentage point is lower than RPI rate modelled to calculate the cost of providing Student Loans over the Spending Review period. | unquantifiable | unquantifiable |
| Justice | | |
| Claims against former independent Conveyancing and Executry Practitioners in Scotland. This is a contingent liability relating to an agreement to meet any valid claims arising from the acts or omissions of past independent conveyancing and executry practitioners, as defined by the Law Reform (Miscellaneous Provisions) Scotland Act 1990. | unquantifiable | unquantifiable |
| Potential prisoner compensation. (See note 14). | £0.31m | £0.8m |
| Scottish Prison Service other costs. | £0.05m | £0.2m |
| Rural Affairs, Food and the Environment | | |
| Court of Session has found that the Agricultural Holdings Act 2003 has breached the European Convention of Human Rights - Art 1 P1. The Scottish Government has lost its Appeal to the Supreme Court, which could result in compensation payouts to tenant farmers and their landlords. | unquantifiable | unquantifiable |
| Netsmen compensation payments resulting from the Conservation of Salmon Regulations (Scotland) 2016, prohibiting the retention of salmon caught in coastal waters whilst a proper management framework for this type of fishing is in place. | nil | unquantifiable |
| Claims for Francovich damages from Angus Growers and 20 of the Producer Organisation's grower members against the loss of investment opportunities for their growers businesses. The claim is for the period that Angus Growers were not recognised as a Producer Organisation (PO) in terms of the EU Fruit and Vegetable Scheme and were not entitled to receive grant funding. | £17m | <£17m |

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

| Brief Description | Balance at 01 April 2015 | Balance at 31 March 2016 |
|---|-----------------------------|-----------------------------|
| Infrastructure, Investment and Cities | | |
| Transport Scotland has a guarantee in place in relation to funding received by European Union re TENS-T funding for GARL Project where there is an obligation for a period of 5 years, to require repayment of 50% of the total funding (€350,000 / £697,298) should it be considered that the monies were not used for the purposes agreed under the original application. This liability runs out in July 2015 and would be based on the exchange rate at the time any repayment is made. | <£1m | Closed |
| As part of Transport Scotland's normal course of business the Forestry Commission granted the right to use a forestry track as an emergency diversion route on the A83 Rest And Be Thankful on the understanding that Transport Scotland will have liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m but it is not considered likely that any liability will occur. | £5m | £5m |
| Social Justice, Communities and Pensioners' Rights | | |
| This potential liability relates to the Glasgow Stock Transfer. It would arise if HMRC were to successfully challenge the terms of the original VAT agreement that was entered into in 2004 by GHA and GCC. In previous years this was reported as the liability that would arise on future works. However if a challenge was successful HMRC would be able to go back six years to reclaim tax previously claimed in that period. It is however considered highly unlikely that HMRC would in fact challenge the arrangement given the time that has elapsed since the transfer. | £118.5m | £100.1m |
| Housing and Regeneration litigation in relation to ex Scottish Homes cases from former tenants and former employees. | £0.9m | £0.2m |
| The Mortgage Indemnity New Home Scheme (MI New Home) allows credit-worthy borrowers, locked out of the market by high deposit requirements, access to 90% to 95% LTV mortgages. The scheme is supported by a SG guarantee which sits behind cash indemnities set aside by participating housebuilders (for each house sold under the scheme). The guarantee can only be called upon once the indemnities are exhausted and lasts for 7 years. | £7.1m | £7.35m |
| National Housing Trust - Guarantees which the Scottish Government are committed to giving but are not active until the houses which the guarantee relates to have been completed. | £2.5m | £3.1m |
| Finance, Constitution and Economy | | |
| Solheim Cup - If the Cup were to be cancelled the SG will be required to make a payment to the European Ladies Tour. | nil | £5.6m |
| European Indoor Athletics Championship 2019 - A bid has been submitted by Glasgow City Council to host these championships. If the bid is successful the SG will be committed to providing funding currently estimated in the range of between £1.5m and £2.2m. | nil | £2.2m |
| European Sports Championship - Co-hosting and Service agreements in the event that the championships are cancelled. | nil | £7m |

18. Related Party Transactions

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

The Scottish Government is also the sponsor of cross-border public authorities which are listed in The Scotland Act 1998 (Cross-Border Public Authorities) (Specification) Order 1999. These bodies are regarded as related parties with which the Scottish Government has had material transactions during the year.

In addition the Scottish Government has had a number of transactions with other government departments and other central government bodies, primarily the Scotland Office and the Office of the Advocate General, the Rural Payments Agency, the Home Office and the Department for Work and Pensions.

The Scottish Government has material transactions with local government bodies, Regional Transport Partnerships, Community Justice Authorities and Scottish Water.

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

All Scottish Ministers are required, as Members of the Scottish Parliament, to register information about certain financial interests. The types of financial interest that must be registered are those that might affect any actions, speeches or votes in the Parliament. This register is available for public inspection at the office of the Standards clerks with a further copy available at the main visitor information desk at the Scottish Parliament building.

Accounts of the individual Executive Agencies, the Crown Office and Procurator Fiscal Service and Health Bodies contain details of related party transactions specific to those entities.

19. Financial Instruments

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

Liquidity Risk

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

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

Maturity Profile

| Financial Liabilities | <1yr | 1 - 2 yrs | 2 - 5 yrs | >5yrs | 2015-16 | 2014-15 |
|-----------------------------------|--------------|--------------|------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | Total £m | Total £m |
| Trade payables | 471 | - | - | - | 471 | 588 |
| Accruals | 1,263 | 3 | - | - | 1,266 | 935 |
| Other payables | 70 | 137 | - | - | 207 | 287 |
| NLF loans | 24 | 30 | 91 | 531 | 676 | 690 |
| Accrued Interest due on NLF Loans | 9 | - | - | - | 9 | 10 |
| Balances Payable to SCF | 2 | - | - | - | 2 | - |
| Corporate balance with SCF | 132 | - | - | - | 132 | 115 |
| PFI Deferred Residual Interest | - | - | - | - | - | 1 |
| PFI Imputed finance leases | 45 | 841 | 133 | 1,308 | 2,327 | 2,073 |
| Lease payables | 3 | 3 | 11 | 13 | 30 | 77 |
| Bank overdraft | 3 | - | - | - | 3 | 3 |
| Other financial liabilities | - | - | - | - | - | 4 |
| Total | 2,022 | 1,014 | 235 | 1,852 | 5,123 | 4,783 |

19. Financial Instruments (Cont.)

Credit risk

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

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

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

Market risk

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

Interest Rate Risk

66% (2014-15: 63%) of the Scottish Government's financial assets and 100% (2014-15: 100%) of its financial liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk. The portion of the Scottish Government's financial assets that carry a floating rate of interest relate in the main to student loans.

Foreign Currency Risk

Within payables, the Scottish Government has a balance that is subject to exchange rate fluctuations. This relates to advances received by the Infrastructure, Investment and Cities portfolio from the European Commission (EC) for the 2007-13 and 2014-20 European Structural Funds' (ESF) programmes. The advances are either utilised by the end of the programme period or returned to the EC when the individual programme is closed. The year end balance of €110.5m is the sterling equivalent of £87.0m translated at the accounting date (exchange rate at 31 March 2016: €1 = £0.787).

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 £627m (2014-15: £450m).

19. Financial Instruments (Cont.)

Categories of financial assets and financial liabilities

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

Financial Assets

Current Year

Description

| | Note | Fair Value Through Profit and Loss Note a £m | Loans and Receivables Note b £m | Shares Held in or Loans Advanced to Public Sector Note c £m | 2015-16 Total £m |
|--------------------------------------|------|---|--|---|------------------------|
| Voted loans | 8 | - | 7 | 2,778 | 2,785 |
| NLF loans | 8 | - | - | 676 | 676 |
| Housing association loans | 8 | - | 59 | - | 59 |
| Shared Equity Housing | 8 | 627 | - | - | 627 |
| Other Housing Loans | 8 | - | 35 | - | 35 |
| Other Funds | 8 | - | 236 | - | 236 |
| Student loans | 8 | - | 2,908 | - | 2,908 |
| Interests in nationalised industries | 8 | - | 25 | - | 25 |
| Trade receivables | 10a | - | 62 | - | 62 |
| Accrued income | 10a | - | 636 | - | 636 |
| Interest receivable | 10a | - | 28 | - | 28 |
| Amounts receivable from the SCF | 10a | - | 289 | - | 289 |
| Deposits and advances | 10a | - | - | - | - |
| Other receivables | 10a | - | 92 | - | 92 |
| Corporate balance with the SCF | 10a | - | 3 | - | 3 |
| Cash and cash equivalents | 3 | - | 134 | - | 134 |
| Total | | 627 | 4,514 | 3,454 | 8,595 |

19. Financial Instruments (Cont.)**Financial Assets****Prior Year****Description**

| | Note | Fair Value Through Profit and Loss Note a £m | Restated Loans and Receivables Note b £m | Shares Held in or Loans Advanced to Public Sector Note c £m | 2014-15 Total £m |
|--------------------------------------|-------------|---|---|--|---------------------------------|
| Voted loans | 8 | - | 7 | 2,688 | 2,695 |
| NLF loans | 8 | - | - | 690 | 690 |
| Housing association loans | 8 | - | 58 | - | 58 |
| Shared Equity Housing | 8 | 450 | - | - | 450 |
| Other Housing Loans | 8 | 15 | 12 | - | 27 |
| Other Funds | 8 | - | 127 | - | 127 |
| Student loans | 8 | - | 2,581 | - | 2,581 |
| Interests in nationalised industries | 8 | - | 24 | - | 24 |
| Trade receivables | 10a | - | 58 | - | 58 |
| Accrued income | 10a | - | 456 | - | 456 |
| Interest receivable | 10a | - | 28 | - | 28 |
| Amounts receivable from the SCF | 10a | - | 74 | - | 74 |
| Deposits and advances | 10a | - | - | - | - |
| Other receivables | 10a | - | 93 | - | 93 |
| Cash and cash equivalents | 3 | - | 123 | - | 123 |
| Total | | 465 | 3,641 | 3,378 | 7,484 |

Note: As not all assets are financial instruments, the above table excludes VAT £68m (2014/15: 57m) and Prepayments £201m (2014/15: £382m) from the associated asset note (Note 10a).

19. Financial Instruments (Cont.)

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

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

19. Financial Instruments (Cont.)

| Financial Liabilities | | | Fair Value Through Profit and Loss | All Other Financial Liabilities | Shares Held in or Loans Advanced to the Public Sector | Restated 2014-15 Total |
|-----------------------------------|-----|------|---|---------------------------------------|---|------------------------------|
| Restated prior year | | Note | Note a £m | Note d £m | Note c £m | £m |
| Description | | | | | | |
| Trade payables | 11a | - | 495 | - | - | 495 |
| Accruals | 11a | - | 949 | - | - | 949 |
| Other payables | 11a | - | 240 | - | - | 240 |
| NLF loans | 11a | - | - | - | 690 | 690 |
| Accrued Interest due on NLF Loans | 11a | - | - | - | 10 | 10 |
| Balances payable to the SCF | 11a | - | - | - | - | - |
| Corporate balance with SCF | 11a | - | 111 | - | - | 111 |
| PFI Imputed finance leases | 11a | - | 1,989 | - | - | 1,989 |
| Lease payables | 11a | - | 31 | - | - | 31 |
| Bank overdraft | 11a | - | 3 | - | - | 3 |
| Total | | | - | 3,818 | 700 | 4,518 |

Note: As not all liabilities are financial instruments, the above table excludes deferred income £421m, other taxation and social security £118m, superannuation payable £85m and employee benefit accrual £70m from the associated liabilities note (Note 11a). The finance leases are disclosed at the discounted cash flow value.

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

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

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

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

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

20. Third Party Assets

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

| | 2014-15 £m | Gross Inflows £m | Gross Outflows £m | 2015-16 £m |
|--|---------------|---------------------|----------------------|---------------|
| Monetary amounts such as bank balances and monies on deposit | 47 | 26 | (24) | 49 |
| Unclaimed dividends and unapplied balances | 20 | - | (1) | 19 |
| Securities | - | - | - | - |
| Other monetary assets | - | - | - | - |
| Total Monetary Assets | 67 | 26 | (25) | 68 |

Accountant in Bankruptcy holds funds of £56m (2014-15: £56m) on behalf of third parties. This mainly comprises realised assets that are held whilst awaiting repayment to the public purse or distribution to creditors with a value of £37m (2014-15: £36m). The balance of £19m (2014-15: £20m) relates to money consigned in respect of unclaimed dividends and unapplied balances.

The NHS Bodies hold money on behalf of patients. This totalled £10m in 2015-16 (2014-15: £10m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2014-15: £1m).

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

| Description | 2015-16 | 2014-15 |
|------------------------------------|-------------|-------------|
| | Number held | Number held |
| Residential property | 2,081 | 1,564 |
| Motor vehicles, boats and caravans | 170 | 109 |
| Life Policies | 810 | 779 |
| Shares and Investments | 430 | 260 |
| Miscellaneous | 1,512 | 1,137 |

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

21. Resource Budget

The resource budget detailed in the outturn statements is the consolidated budget for the Scottish Government. The following table provides a reconciliation of the budgets shown in the accounts with the total budget for Scotland approved by the Scottish Parliament.

| | 2015-16 £m | 2014-15 £m |
|---|---------------|---------------|
| Budget (Scotland) Act 2015 | 37,322 | 35,458 |
| Scotland's Autumn Budget Revisions - Scottish Statutory Instrument 2015 No. 434 | 88 | 973 |
| Scotland's Spring Budget Revisions - Scottish Statutory Instrument 2016 No. 158 | (2) | 475 |
| Total approved spending | 37,408 | 36,906 |
| Less activities not included in these accounts: | | |
| National Records of Scotland | (23) | (21) |
| Office of the Scottish Charity Regulator | (3) | (3) |
| Scottish Courts and Tribunals Service | (94) | (74) |
| Revenue Scotland | (5) | - |
| Food Standards Scotland | (16) | (11) |
| Scottish Housing Regulator | (4) | (5) |
| NHS and Teachers' Pension Schemes | (3,398) | (3,617) |
| Forestry Commission (Scotland) | (63) | (60) |
| Scottish Parliament Corporate Body | (92) | (91) |
| Audit Scotland | (10) | (8) |
| Consolidated Portfolios' approved estimates | 33,700 | 33,016 |
| Capital Budget - see Analysis of Capital Expenditure and Receipts | 1,944 | 1,841 |
| Operating Budget as reflected in portfolio outturn statements | 31,756 | 31,175 |
| | 33,700 | 33,016 |

| Portfolio analysis | Budget Act Approval £m | 2015-16 Capital Budget £m | 2015-16 Operating Budget £m |
|--|---------------------------------|------------------------------------|--------------------------------------|
| Finance, Constitution and Economy | 604 | 28 | 576 |
| Health, Wellbeing and Sport | 12,483 | 319 | 12,164 |
| Education and Lifelong Learning | 2,969 | 481 | 2,488 |
| Fair Work, Skills and Training | 270 | - | 270 |
| Justice | 2,399 | 37 | 2,362 |
| Social Justice, Communities and Pensioners' Rights | 11,617 | 341 | 11,276 |
| Rural Affairs, Food and the Environment | 511 | 41 | 470 |
| Culture, Europe and External Affairs | 220 | 5 | 215 |
| Infrastructure, Investment and Cities | 2,321 | 680 | 1,641 |
| Crown Office and Procurator Fiscal Service | 114 | 4 | 110 |
| Administration | 192 | 8 | 184 |
| | 33,700 | 1,944 | 31,756 |

21. Resource Budget (Cont.)

The 2014-15 approved budgets.

| | Budget Act £m | 2014-15 Capital £m | 2014-15 Operating £m |
|--|------------------------------|-----------------------------------|-------------------------------------|
| Finance, Constitution and Economy | 537 | 16 | 521 |
| Health, Wellbeing and Sport | 12,355 | 434 | 11,921 |
| Education and Lifelong Learning | 2,804 | 469 | 2,335 |
| Fair Work, Skills and Training | 252 | - | 252 |
| Justice | 2,573 | 24 | 2,549 |
| Social Justice, Communities and Pensioners' Rights | 11,274 | 225 | 11,049 |
| Rural Affairs, Food and the Environment | 463 | 22 | 441 |
| Culture, Europe and External Affairs | 194 | 2 | 192 |
| Infrastructure, Investment and Cities | 2,252 | 639 | 1,613 |
| Crown Office and Procurator Fiscal Service | 113 | 4 | 109 |
| Administration | 199 | 6 | 193 |
| | 33,016 | 1,841 | 31,175 |

Budgets approved by the Scottish Parliament are applied to the consolidated accounts as detailed above. The budgets advised to HM Treasury include items outwith the scope of the Scottish Parliament. A reconciliation between the 2015-16 budget approved by the Scottish Parliament and the amount drawn down from HM Treasury is provided below.

| | 2015-16 £m |
|---|-----------------------|
| Total spending approved by Scottish Parliament | 37,408 |
| NDPB's non cash budgets | 206 |
| Judicial salaries | 30 |
| Repayment of NLF and other loans by Scottish Water | (53) |
| Forth Road Crossing technical adjustment | (50) |
| Sleeper contract technical adjustment | 14 |
| Provision of SFRS grant-in-aid to support working capital requirements | (8) |
| Historic Scotland non-cash allocation | (1) |
| Utilisation of Scottish Cultural Collections and Royal Botanic Gardens reserves | 2 |
| IFRS - PPP/PFI adjustments | (96) |
| IFRS - revenue financed infrastructure projects (Transport Scotland) | (99) |
| Police loan charges | (5) |
| HM Treasury funding for DEL not included in Spring Budget Revision | (156) |
| HM Treasury funding for AME not included in Spring Budget Revision (inc. NDPBs) | 117 |
| Total Managed Expenditure budget draw down from HM Treasury | 37,309 |
| Analysed by spending category: | |
| Departmental Expenditure Limit (DEL) | 29,801 |
| Annually Managed Expenditure (AME) | 7,508 |
| | 37,309 |

22. Cash Authorisation

| | 2015-16 | 2014-15 |
|---|----------------|----------------|
| | £m | £m |
| Cash authorisation for the Scottish Administration: | | |
| Budget (Scotland) Act 2015 | 33,345 | 32,874 |
| Amended by: | | |
| Scotland's Autumn Budget Revisions - Scottish Statutory Instrument 2015 No. 434 | 93 | (398) |
| Scotland's Spring Budget Revisions - Scottish Statutory Instrument 2016 No. 158 | 653 | 169 |
| Total Approved Cash Authorisation for the Scottish Administration | 34,091 | 32,645 |
| Less non core activities not included in these accounts: | | |
| National Records of Scotland | (20) | (17) |
| NHS and Teachers' Pension Schemes | (475) | (404) |
| Office of the Scottish Charity Regulator | (3) | (3) |
| Scottish Housing Regulator | (4) | (4) |
| Forestry Commission (EU Funding) | 5 | 1 |
| Scottish Courts and Tribunals Service | (80) | (74) |
| Revenue Scotland | (5) | - |
| Food Standards Scotland | (15) | - |
| Available Cash Authorisation for Consolidated Bodies | 33,494 | 32,144 |
| Funding Drawn down from the Scottish Consolidated Fund (SOCTE) | 32,537 | 32,076 |

23. Restatements

Student Loan Repayments

The Scottish Government receives student loan repayments from HMRC and records these as income in the Scottish Government Consolidated Accounts. Due to timing differences, the amounts reported separately by the Student Loan Company do not reflect the full HMRC transfer. Following a review of the Scottish Government Consolidated Accounts, this difference is now presented in the Financial Assets note to the accounts; it was previously recorded as deferred income as part of the Payables and Other Liabilities note to the accounts.

Restated Notes to the Accounts - Prior Year Balances

| | Note 11 | Note 11 | Note 8 | Note 8 |
|---|------------------------------|---------------------------|---------------------------------------|--|
| | Deferred income and accruals | Total current liabilities | Student Loans Balance at 1 April 2014 | Student Loans Balance at 31 March 2015 |
| | £m | £m | £m | £m |
| 2014/15 Scottish Government Consolidated Accounts | 1,381 | 2,439 | 2,214 | 2,685 |
| Adjustment for unallocated receipts | (104) | (104) | (104) | (104) |
| Restated Prior Year (2014/15) Balance | 1,277 | 2,335 | 2,110 | 2,581 |

Restated Statement of Financial Position - Prior Year Balances

| | Other Financial Assets Including Investments Due in More | Total Non-Current Assets | Payables and Other Current Liabilities | Total Current Liabilities |
|---|--|--------------------------|--|---------------------------|
| | £m | £m | £m | £m |
| 2014/15 Scottish Government Consolidated Accounts | 6,336 | 32,946 | 2,422 | 2,806 |
| Adjustment for unallocated receipts | (104) | (104) | (104) | (104) |
| Restated Prior Year (2014/15) Balance | 6,232 | 32,842 | 2,318 | 2,702 |



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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 (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.

A handwritten signature in black ink, which appears to read 'Alysia Stalford'.

Signed by the authority of the Scottish Ministers

Dated 4 August 2014

Glossary

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



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