The Scottish Government Consolidated Accounts for the year ended 31 March 2023

Laid before the Scottish Parliament
by the Scottish Ministers
16 November 2023

SG/2023/237

Scottish Government
Riaghaltas na h-Alba

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Introduction

About the Scottish Government

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

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

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

Scottish Cabinet Ministers and their responsibilities

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

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

Humza Yousaf MSP
First Minister from 29 March 2023 (previously Cabinet Secretary for Health and Social Care)

Nicola Sturgeon MSP
First Minister until 28 March 2023

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

The Cabinet Team members serving during 2022-23 are as follows:

Shona Robison MSP
Deputy First Minister and Cabinet Secretary for Finance (from 30 March 2023, previously Cabinet Secretary for Social Justice, Housing and Local Government)

Shirley-Anne Somerville MSP
Cabinet Secretary for Social Justice (from 30 March 2023, previously Cabinet Secretary for Education and Skills)

Michael Matheson MSP
Cabinet Secretary for NHS Recovery, Health and Social Care (from 30 March 2023, previously Cabinet Secretary for Net Zero, Energy and Transport)

Mairi Gougeon MSP
Cabinet Secretary for Rural Affairs, Land Reform and Islands

Angus Robertson MSP
Cabinet Secretary for Constitution, External Affairs and Culture

Jenny Gilruth MSP
Cabinet Secretary for Education and Skills (from 30 March 2023)

Màiri McAllan MSP
Cabinet Secretary for Net Zero and Just Transition (from 30 March 2023)

Neil Gray MSP
Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (from 30 March 2023)

Angela Constance MSP
Cabinet Secretary for Justice and Home Affairs (from 30 March 2023)

John Swinney MSP
Deputy First Minister and Cabinet Secretary for Covid Recovery (until 29 March 2023)

Kate Forbes MSP
Cabinet Secretary for Finance and the Economy (until 28 March 2023)

Keith Brown MSP
Cabinet Secretary for Justice and Veterans (until 29 March 2023)

The Cabinet is supported by the following ministerial team:

Angela Constance MSP	Minister for Drugs Policy (until 29 March 2023)
George Adam MSP	Minister for Cabinet and Parliamentary Business (from 30 March 2023, previously Minister for Parliamentary Business)
Richard Lochhead MSP	Minister for Small Business, Innovation and Trade (from 30 March 2023, previously Minister for Just Transition, Employment and Fair Work)
Ivan McKee MSP	Minister for Business, Trade, Tourism and Enterprise (until 29 March 2023)
Tom Arthur MSP	Minister for Community Wealth and Public Finance (from 30 March 2023, previously Minister for Public Finance, Planning and Community Wealth)
Maree Todd MSP	Minister for Social Care, Mental Wellbeing and Sport (from 30 March 2023, previously Minister for Public Health, Women's Health and Sport)
Kevin Stewart MSP	Minister for Transport (from 30 March 2023, previously Minister for Mental Wellbeing and Social Care
Clare Haughey MSP	Minister for Children and Young People (until 29 March 2023)
Jamie Hepburn MSP	Minister for Independence (from 30 March 2023, previously Minister for Higher Education and Further Education, Youth Employment and Training)
Màiri McAllan MSP	Minister for Environment and Land Reform (until 29 March 2023)
Jenny Gilruth MSP	Minister for Transport (until 29 March 2023)

Ash Regan (formerly Denham) MSP	Minister for Community Safety (until 29 March 2023)
Christina McKelvie MSP	Minister for Culture, Europe and International Development (from 30 March 2023, previously Minister for Equalities and Older People)
Ben Macpherson MSP	Minister for Social Security and Local Government (until 29 March 2023)
Neil Gray MSP	Minister for Culture, Europe and International Development and Minister with special responsibility for Refugees from Ukraine (until 29 March 2023)
Patrick Harvie MSP	Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights
Lorna Slater MSP	Minister for Green Skills, Circular Economy and Biodiversity
Elena Whitham MSP	Minister for Drugs and Alcohol Policy (from 30 March 2023)
Joe FitzPatrick MSP	Minister for Local Government Empowerment and Planning (from 30 March 2023)
Jenni Minto MSP	Minister for Public Health and Women's Health (from 30 March 2023)
Natalie Don MSP	Minister for Children, Young People and Keeping the Promise (from 30 March 2023)
Graeme Dey MSP	Minister for Higher and Further Education; and Minister for Veterans (from 30 March 2023)
Gillian Martin MSP	Minister for Energy (from 30 March 2023)
Christina McKelvie MSP	Minister for Culture, Europe and International Development (from March 2023)
Emma Roddick MSP	Minister for Equalities, Migration and Refugees (from 30 March 2023)
Paul McLennan MSP	Minister for Housing (from 30 March 2023)
Siobhian Brown MSP	Minister for Victims and Community Safety (from 30 March 2023)

Law Officers during 2022-23

Dorothy Bain KC	Lord Advocate
Ruth Charteris KC	Solicitor General

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

The Civil Service and Government Officials

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

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

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

Scottish Government Senior Management Team (Corporate Board)

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

Permanent Secretary in post during 2022-23 was:

John-Paul Marks	Permanent Secretary

Directors General in 2022-23 were:

Lesley Fraser	DG Corporate
Elinor Mitchell	DG Economy (until 2 May 2022)
Gregor Irwin	DG Economy (from 20 March 2023)
Louise Macdonald OBE	DG Communities (from 20 March 2023, previously DG Economy from 2 May 2022)
Caroline Lamb	DG Health & Social Care
Paul Johnston	DG Communities (until 17 March 2023)
Joe Griffin	DG Education and Justice
Alyson Stafford CBE	DG Scottish Exchequer
Ken Thomson	DG Constitution & External Affairs
Roy Brannen	DG Net Zero

Directors serving as members of the Corporate Board during 2022-23 were:

Nicky Richards	Director of People
Jackie McAllister	Chief Financial Officer
Ruaraidh Macniven	Solicitor to the Scottish Government
Andy Bruce	Director of Communications and Ministerial Support

Non-executive members of the Corporate Board during 2022-23 were:

Annie Gunner Logan (stepped down from the Corporate Board on 6 December 2022)
Ronnie Hinds (until 5 June 2023)
Linda McKay (stepped down from the Corporate Board on 6 December 2022)
Belinda Oldfield (joined the Corporate Board on 21 March 2023)
Jim Robertson (joined the Corporate Board on 21 March 2023)
Jayne Scott (joined the Corporate Board on 21 March 2023)

Other non-executive directors who were invited to attend the Corporate Board:

Nichola Clyde (until 24 June 2022)
Ben McKendrick (until 16 June 2023)
David Martin (joined Corporate Board on 20 June 2023)
Neil Richardson
Fiona Ross
Jenny Stewart
Belinda Oldfield (between 5 September 2022 and 21 March 2023)
Jim Robertson (until 21 March 2023)
Jayne Scott (until 21 March 2023)
Annie Gunner Logan (from 7 December 2022)
Linda McKay (between 7 December 2022 and 31 December 2022)

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

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

Ronnie Hinds, Non-Executive Director, stepped down from his role as Chair of SGAAC as of June 2022.

Jim Robertson, Non-Executive Director, stepped up from Deputy Chair of SGAAC to Chair from September 2022 and for the remainder of the 2022-23 period covered by the Accounts.

Jayne Scott, Non-Executive Director, then became Deputy Chair of SGAAC from September 2022 and for the remainder of the 2022-23 period covered by the Accounts.

Both Annie Gunner Logan and Linda McKay stepped down from the Corporate Board on 6 December 2022. Linda McKay concluded her term as a Non-Executive Director during the 2022-23 period covered by the Accounts.

Register of Interests

Any member of the Corporate Board who held company directorships and other significant interests during 2022-23 were:

Staff:

Lesley Fraser: Director General Corporate: Shares with RBS.

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

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

Roy Brannen: Director General Net Zero: Fellow of the Institution of Civil Engineers and Institution of Highways & Transportation; Honorary Member of World Road Association; and shares held with Standard Life and Royal Mail.

Gregor Irwin: Shares held with Baillie Gifford, Barclays Wealth, Fidelity, Fundsmith, BlackRock, Brown Advisory Global Leaders, Loomis Sayles US Equity Leaders, and Stewart Investors.

Non-Executive Directors:

Annie Gunner Logan: Chief Executive and Company Secretary at Coalition of Care and Support Providers in Scotland (until 29 April 2022); Board member of NHS Education for Scotland; Member of Advisory Board of IPPR Scotland; Member of Advisory Board of IPPO; and Board member of Crown Office and Procurator Fiscal Service (from 1 February 2022).

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

Belinda Oldfield: Water Industry Commission for Scotland consultant to the New Zealand Government's Department of Internal Affairs (from September 2022); Non-Executive Director and Chair of the Risk Committee of Northern Ireland Water; Member of the Audit & Risk Committee of Strathclyde University; Non-Executive Director and Member of the Risk & Assurance Committee of Highlands & Islands Enterprise.

Jim Robertson: Senior Fellow of the International Tax & Investment Center (ITIC); Director of JR Oil & Gas Limited, consultancy company registered in Scotland; Member of the Environmental Tax Sub-Committee, Chair of the Energy Transition workstream (from January 2023) and Extractives Tax Sub-Committee in the United Nations; Member of the Governing Council, the Qualifications Board, the Devolved Taxes Committee and the Equality, Diversity & Inclusion Committee of the Institute of Chartered Accountants of Scotland; Chair of the Advanced Diploma in International Taxation Academic Board, Member of the Climate Change Working Group and the Equality, Diversity & Inclusion Committee of the Chartered Institute of Taxation; Partner at the G100 Global Women Leaders; Member of the Policy Dialogue on Natural Resource Based Taxation of the OECD Development Centre; and Member of the GlobalScot Network of Scottish Enterprise.

Jayne Scott: Partner at Scott Ross Partnership Management Consultants; Chair of the Private Healthcare Information Network; Board member of the Coal Authority; Board member of NHS Counter Fraud Authority; External Audit Committee member of the Information Commissioner's Office; Chair of the Joint Audit Panel for the Metropolitan Police Service and the Mayor's Office for Policing and Crime (from April 2023); and Consumer Engagement Group member of the Electricity North West Ltd (until December 2022).

Neil Richardson: Chief Executive of Turning Point Scotland; Board Member of Coalition of Care Providers Scotland and Richar Property Ltd.

Fiona Ross: Chair of CIE Dublin, National Paediatric Hospital Development Board (Ireland), and Natural Capital Ireland; Non-Executive Director of JK Funds Dublin, Evelyn Partners Europe Dublin, NetworkRail, SphereInvest, Northern Ireland Office, and Seamus Heaney Estate; Advisor to Mayor of Bristol.

Jenny Stewart: Chair, Non-Executive Director and Trustee of Dunedin Concert Trusts Ltd; Non-executive Member of the Court and Trustee of University of St Andrews; Member of Institute for Fiscal Studies and Institute of Directors; Fellow of the Royal Society of Arts and Manufacturing.

Nichola Clyde: Director of Business HR of Sky (until June 2022).

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

Performance Overview

Financial Performance: Outturn against Budget

These accounts report actual outturn compared to the budget authorised by the Scottish Parliament. The annual budget authorised by the Scottish Parliament is the budget for the wider Scottish Administration and includes the funding of activities which are not within the Scottish Government, and therefore outside the required accounting boundary of these accounts. There are also differences between the HMT required budgeting rules, which drive in-year financial reporting and the government financial reporting accounting requirements, which the accounts are required to comply with. These accounts therefore compare the actual outturn to the budget, both stated on the same accounting basis. Note 24 sets out the reconciliation and explanation of the budget reflected in the accounts with that shown in the annual budget documents.

Spending plans for financial year 2022-23 were set out in the Scottish Budget 2022-23 published on 9th December 2021. These plans were presented alongside the introduction of the Budget Bill. After consideration by the Scottish Parliament Finance and Constitution Committee and other Committees, the Bill received Royal Assent as the Budget (Scotland) Act 2022 on 23rd March 2022. Parliamentary approval for the in-year revisions to the plans set out in the Budget (Scotland) Act was granted in the Autumn Budget Revision made on 1st November 2022, and the Spring Budget Revision, made on 2nd February 2023.

The budget of £50,276 million reported in these accounts is net of adjustments to reflect those activities not included in the accounting boundary as described below. This is made up of an operating budget of £47,895 million and a capital budget of £2,381 million.

The financial results for the year are reported in the attached accounts, based on the budget at Spring Budget Revision and in compliance with the government financial reporting accounting requirements. They record a Net Resource Outturn of £47,707 million against a budget of £47,895 million, resulting in an underspend of £188 million. The Net Capital Outturn for the year was £2,060 million against a budget of £2,381 million, representing an underspend of £321 million. The total outturn was £49,767 million, resulting in an underspend of £509 million which represents 1% of the total budget. Explanations are provided for the major variances in each of the Portfolio Outturn Statements, on pages 121 to 132.

There was a small number of funding adjustments, totalling £187 million, that reduced Scottish Government HM Treasury Budget limits which were taken forward following the completion of the Spring Budget Revision in the following areas:

- A £103 million reduction in funding due to the decision to reduce our borrowing levels as part of managing the year-end budget monitoring position, with final borrowing decisions always taken in the last month of the financial year;
- £165 million of negative consequentials that were confirmed as part of UK Government Supplementary Estimates, after the Spring Budget Revision had been finalised;
- Negative consequentials were partly offset by the £44 million of unallocated funding held at the Spring Budget Revision. The unallocated funding had been retained to mitigate negative movements at Supplementary Estimates; and
- £37 million of additional funding was received from devolved tax receipts and other sources.

The financial results presented in the accounts, therefore show an underspend that is higher than would be the case against the final, post Spring Budget Revision funding position.

The Total Outturn underspend of £509 million does not represent a loss of spending power to the Scottish Government. Under the current devolution settlement, the Scottish Government must manage spending within fixed limits. It is not allowed to overspend its budget and has limited powers to carry forward funding through the Scotland Reserve. As a consequence, the Scottish Government has consistently adopted a position of controlling public expenditure to ensure we live within the budget limits that apply, whilst remaining able to carry forward any fiscal underspends for use in a future year within the current Scotland Reserve Limits.

An underspend of £244 million was set out as part of the provisional outturn announcement made by the Minister for Community Wealth and Public Finance in June 2023, with spend of £46.9 billion against a total fiscal budget of £47.1 billion. The remaining funding of £244 million (which represented just 0.5% of the total budget) has been carried forward within the Scotland Reserve and utilised in full in 2023-24. This underspend varies from that set out within the accounts as a result of the provisional outturn:

- being scored against the budget incorporating final funding changes post Spring Budget Revision (£187 million variance).
- covering all bodies within the Scottish Government budgeting boundary, which is wider than the areas incorporated within the accounts, as well as being prepared in accordance with HM Treasury Consolidated Budgeting Guidance rather than the Government's Financial Reporting Manual (FReM) (£78 million).

The figures reported at the time of the Provisional Outturn were indicative and these will be updated and reported to Parliament in a Final Outturn report. As is always the case, the final outturn position is reported after the annual accounts, allowing for adjustments made through the acounts preparation process. Final outturn will be reported to Parliament once all accounts are finalised within the budgetary boundaries.

How the Scottish Budget is funded

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

The Scottish Consolidated Fund was established by the Scotland Act 1998 and operates in accordance with the Public Finance and Accountability (Scotland) Act 2000. The Scottish Consolidated Fund receives, from the Office of the Secretary of State for Scotland, sums which have been voted by the UK Parliament for the purpose of "grant payable to the Fund". Funding is drawn down by the Scottish Government from the Scottish Consolidated Fund to support the spending plans laid out in the draft budget.

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

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

The Scotland Act 2016 empowered the Scottish Parliament to set Scottish Income Tax rates and bands. During 2022-23, £13.8 billion in income tax revenues derived from Scottish Income Tax were assigned to the Scottish Administration and paid to the Scottish Consolidated Fund. Identification of Scottish taxpayers and administering the tax are matters for the UK Government and HMRC.

Under devolved powers from the 2012 Scotland Act, devolved taxes in respect of LBTT and SLfT are collected and managed in Scotland by Revenue Scotland. A total of £957 million has been reported in respect of LBTT (£848 million) and SLfT (£109 million), £107 million above the Budget 2022-23 forecast of £850 million. The forecast errors for both taxes arose for a number of different reasons and these are outlined in the Scottish Fiscal Commission's Forecast Evaluation Report, August 2023. The largest single source of forecast error across the two taxes related to residential LBTT and this was due to underestimation of house price growth in Scotland in 2022-23 which had been forecast to be 2.7 per cent at the time of the forecast in December 2021 but ultimately turned out to be 7.1 per cent. Higher than anticipated house prices therefore accounted for around two-thirds of the entire £106 million total forecast error across both taxes.

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

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

As further powers have been devolved to Scotland, and the ability to use the existing fiscal levers to influence the funds available has increased, the impact of accurate tax forecasting has become greater. The Scottish Fiscal Commission was established in June 2014 as a non-statutory body to provide independent scrutiny of Scottish Government forecasts of receipts from taxes devolved to Scotland. By March 2016 the Scotland Act 2016[1] devolving more fiscal powers to Scotland was passed, and the associated Fiscal Framework[2] was agreed between the Scottish Government and UK Government. The Fiscal Framework changed the remit of the Scottish Fiscal Commission as reflected in the Scottish Fiscal Commission Act 2016[3] which received Royal Assent on 14 April 2016.

Further information about the Scottish Budget setting and authorisation process can be found within Scottish Budget 2022 to 2023[4] and in the Government Finance section of the Scottish Government website[5], which includes the financial reports and accounts.

The total budget approved by the Scottish Parliament includes activities not included in these accounts. Note 24 to these accounts provides a reconciliation to the total budget.

The fiscal activity of the Scottish Government is described in a suite of accounts information: the Scottish Consolidated Fund account, incorporating additional reporting on the use of borrowing powers and the related Devolved Taxes Account report on the funding available to

[1] http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted
[2] https://www.gov.scot/publications/fiscal-framework-agreement-between-scottish-uk-governments/
[3] http://www.legislation.gov.uk/asp/2016/17/contents/enacted
[4] https://www.gov.scot/publications/scottish-budget-2022-23/
[5] https://www.gov.scot/policies/government-finance/setting-the-scottish-budget/

the Scottish Government in the financial year; the Scottish Government Consolidated Accounts, the annual accounts of the other bodies within the Scottish Administration and of the bodies funded directly from the Scottish Budget together report on the use of resources authorised by the Scottish Parliament for the financial year.

Accounting Boundary

These accounts reflect the consolidated assets and liabilities and the results of all entities within the Scottish Government consolidation accounting boundary as required by and defined in the Government Financial Reporting Manual (FReM). 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 19 May 2021.

The consolidation boundary includes the following:

Finance and Economy Portfolio

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

Health and Social Care Portfolio

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

Education and Skills Portfolio

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

Justice and Veterans Portfolio

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

Social Justice, Housing and Local Government Portfolio

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

Net Zero, Environment and Transport Portfolio

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

Rural Affairs and Islands Portfolio

Constitution, External Affairs and Culture Portfolio

Deputy First Minister and Covid Recovery

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

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

The Scottish Government is also the sole shareholder of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Limited, Scottish Futures Trust, Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Ltd, and sponsor of a number of executive, advisory and tribunal Non-Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year, but do not fall within the Scottish Government consolidation accounting boundary. Further details of Scottish Public Bodies are available on our website[6]. The financial statements of NHS Boards include NHS Endowment Funds. These Endowment Funds are Registered Charities with the Office of the Scottish Charity Regulator (OSCR) and they are also required by OSCR to prepare audited financial statements. NHS Endowment Funds are not part of the Scottish Government accounting boundary, and therefore they have not been included in the Scottish Government consolidated accounts.

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

Statement of Financial Position

The primary purpose of these accounts is to reflect the use of resources. The Performance Overview section (page 10) sets out the financial performance in terms of the outturn compared to budget authorised by the Scottish Parliament. The Statement of Financial Position reflects the assets held and liabilities arising from the spending plans which support policy choices. Assets are held not for their income generation capability or their inherent value but for their service potential or as a direct consequence of particular policies, for example providing healthcare in hospitals and the provision of funding to students in the form of loans. Similarly, liabilities arise as a consequence of the timing of commitments relating to spending and policy choices.

The Consolidated Statement of Financial Position (page 136) 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.

[6] https://www.gov.scot/policies/public-bodies/

The Statement of Financial Position includes:

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

Assets and liabilities

Physical assets are the highest value group of assets in the consolidated accounts with a value of £38,294 million at 31 March 2023 of which £27,147 million (71 per cent) relates specifically to the road network. There were additions of £792 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' (£8 million) will release resources previously invested for future use.

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

Where Scottish Ministers decide to make investments directly through the Scottish Government, Accountable Officers must ensure that appropriate diligence and consideration is carried out before any commitment is made to invest in accordance with the detailed guidance in the Scottish Public Finance Manual[7], support specific economic objectives and are in line with the outcomes set out in the National Performance Framework.

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

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

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

Burntisland Fabrications Limited (BiFab)

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

The delays to the Neart na Gaolthe turbine jacket generator contract award, the decision to award the Seagreen contract to overseas competitors, compounded by the majority shareholder's continued lack of financial support for the business greatly weakened Bifab's cashflow and balance sheet. In light of this, the company was placed into administration on 14 December 2020.

Scottish Ministers remain committed to a sustainable future for the sites at Arnish, Burntisland and Methil. In support of this, the Scottish Government provided funding to the Administrators of BiFab to allow a sales process to be conducted and support the pursuit of a financial return to Scottish Government, as a high-ranking creditor, through the administration process. This process resulted in a sale of the business to InfraStrata PLC, trading as Harland & Wolff, in February 2021.

The BiFab administration is ongoing and is due to end on 13 December 2023, however joint administrators, Teneo, advise that a further extension may be necessary due to the ongoing pursuit of a BiFab debtor. The Scottish Government holds a second-ranking security in the Administration of BiFab, and is pursuing a return on its investment, however, the value of the return is not known at this stage. In 2020-21, loan funding of £600,000 was agreed for the administrators of BiFab, Teneo, to pursue a commercial claim against a pre-administration customer. To date Teneo have drawn less than £300,000 of the £600,000 loan facility, and negotiations with the BiFab debtor are ongoing. As a secured creditor, Scottish Government's primary interest in BiFab itself is now pursuing a return through the administration process.

Ferguson Marine (Port Glasgow) Limited (FPMG)

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

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

The contracts for the completion of vessels 801 and 802 by Ferguson Marine were restructured to implement a contractual relationship which reflected the commitment from Scottish Ministers to fund the completion and delivery of the two ferry vessels. The Scottish Government entered into new contracts with Ferguson Marine in 2021 which replaced the original contracts between CMAL and the shipyard. This reorganisation resulted in the vessels being transferred onto the Scottish Government's balance sheet as Assets Under Construction in partial repayment of the outstanding voted loans and resulted in a write-off of the residual voted loan balance.

A new CEO was appointed in February 2022. Following the FMPG Board meeting on 22 September 2022, the CEO wrote to the Scottish Government setting out his proposals relating to the increased cost estimates and timetable for delivering both vessels, with an update provided to the Net Zero, Energy and Transport Committee. This update indicated that the cost to complete 801 (MV Glen Sannox) was £97.5 million and for 802 (MV Glen Rosa) it was £105.1 million, with contingencies of £2.7 million and £3.5 million respectively.

This prompted a process of due diligence by the Scottish Government which concluded that whilst the proposed investment in MV Glen Sannox met all necessary Accountable Officer tests, the proposals in respect of MV Glen Rosa, whilst meeting the propriety and regularity tests, did not meet the value for money assessment. As a result, under section 15(8)(a) of the PFA Act, the Portfolio Accountable Officer sought and subsequently obtained written authority to proceed from Cabinet Secretary for Wellbeing Economy, Fair Work and Energy. This written authority acknowledged the concerns over the value for money case, but provided the authority to proceed on the basis of a wider set of considerations around the policy objectives of Scottish Government and the importance of completing vessel 802 to employment, the local community and national resilience.

In his letter to the NZET committee of 29 September 2023, the CEO stated the total forecast cost to complete both vessels as £240 million, excluding post-handover warranty costs. He also reported worst case contingency costs in the range of £5 million to £30 million and forecast handover dates of 31 March 2024 for Glen Sannox and 31 May 2025 for MV Glen Rosa. These forecasts are subject to due diligence by the Scottish Government and have not yet been formally agreed by Scottish Ministers.

Ferguson Marine is included within the Significant Issues section of the Governance Statement; for more details, see page 88.

Lochaber Aluminium Smelter

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

Reinforced Autoclaved Aerated Concrete (RAAC)

Surveys continue to take place at pace with regards reinforced autoclaved aerated concrete (RAAC) within buildings utilising guidance from the Institute of Structural Engineers. A number of instances of RAAC have been identified in the wider public sector, with mitigations in place in accordance with guidance. Further repairs may need to take place in the event that issues are identified. This information is also included as a contingent liability on page 187 of these accounts for Scottish Government owned assets.

Pensions

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

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

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

Borrowing

Capital Borrowing

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

The first exercise of the Capital borrowing powers took place in 2017-18 where £450 million (the maximum available) was drawn down to the Scottish Consolidated Fund from the National Loans Fund. This was followed by borrowing of £250 million in 2018-19, £405 million in 2019-20, £200 million in 2020-21, £150 million in 2021-22 and £300 million in 2022-23.

The repayment of borrowing outstanding as at 31 March 2023 is scheduled as follows:

	Principal £m	Interest £m	Total £m
<1 year	78.9	23.9	102.8
1 – 5 years	359.8	88.9	448.7
>5 years	1,104.0	136.9	1,240.9
Total	**1,542.7**	**249.7**	**1,792.4**

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

Resource Borrowing

The first exercise of the Resource borrowing powers took place in 2020-21 where £207 million was drawn down to the Scottish Consolidated Fund from the National Loans Fund. This was within the final limit for Resource borrowing for the financial year 2020-21 of £300m. £319 million was then drawn down in 2021-22 and £47 million in 2022-23 all within the revised annual limit of £600 million. This limit was expanded following the Scottish Specific Economic shock powers being triggered and will apply until 2023-24. Further detail on the specific, annual and cumulative limits for Resource borrowing are available in the

Fiscal Framework Outturn Report for 2022-23.[8] The changes to the Fiscal Framework agreement announced on 2 August 2023 did not impact 2022-23 borrowing powers.

The repayment of borrowing outstanding as at 31 March 2023 is scheduled as follows:

	Principal £m	Interest £m	Total £m
<1 year	108.1	5.9	114.0
1 – 5 years	367.2	11.1	378.3
>5 years	5.1	0.1	5.2
Total	**480.4**	**17.1**	**497.5**

Payment Policy

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

The Scottish Government has a 10-day target for paying bills to businesses in Scotland. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business.

For financial year 2022-23, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 97.3% of all payments within 10 days (2021-22: 97.1%). The specific payment performance of the individual bodies consolidated here are reported separately within their individual accounts. The core Scottish Government made 98.0% of payments within 10 days (2021-22: 97.7%). The NHS bodies in Scotland made 79% of all payments within 10 days (2021-22: 81%).

The payment performance of the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service for 2022-23 was 99.3% (restated 2021-22: 99.2%) of all transactions settled within the terms of its contractual 30 day payment policy. The specific payment performance of the individual bodies consolidated here are reported separately within their individual accounts. The core Scottish Government made 99.4% (restated 2021-22: 99.2%) of all payments within the terms of its contractual 30 day payment policy. The NHS bodies in Scotland made 91% (2021-22: 92%) of all payments within the terms of their contractual 30 day payment policy.

The Budget Framework

The Scottish Government set out its spending plans for 2022-23 in December 2021 in The Draft Budget[9]. Approval for a detailed budget for 2022-23 was given by the Parliament in March 2022 in the Budget (Scotland) Act 2022. The annual Budget is refined through in-year budget revisions, parliamentary approval for which is given by statutory instrument. There are usually two revisions, Autumn and Spring.

[8] Fiscal framework outturn report: 2023 - gov.scot (www.gov.scot)
[9] https://www.gov.scot/publications/scottish-budget-2022-23/

The Scottish Government's Purpose

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

The Programme for Government

Through the Programme for Government[10] the plans for the year are set out, including the Bills to be introduced to the Scottish Parliament. On 6 September 2022, the First Minister set out a new Programme for Government for 2022-23 *A Stronger & More Resilient Scotland* which focused on the immediate priorities to be driven forward in the face of the challenges presented by the Cost Crisis.

Managing risks

The Governance Statement, within the Accountability Report of these accounts provides detailed information on the management of the organisation's key risks. See page 84 for further details.

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

Our organisational vision, 'In the Service of Scotland', contains three main elements: our mission, our vision and our values. Our mission, 'We work together to improve the lives of the people of Scotland' is the core purpose for everyone in the organisation. Our vision will enable us to support the government of the day and improve the lives of the people of Scotland: 'We put the people we serve at the heart of everything we do. We use digital thinking and approaches to strengthen our work and provide a better service for everyone. We are driven by our values, always searching for new ways to learn and improve. All in the service of Scotland'.

Our five value principles guide how we act, the decisions we take and how we work together, across all parts of government, to improve the lives of the people of Scotland:

We act with integrity – Our actions reflect the values of the Civil Service.
• We are impartial, demonstrate high ethical standards, respect, protect and fulfil human rights and uphold the rule of law.
• We speak up for what is right, even when it feels difficult.
• We are evidence based, open, transparent and honest.
• We build relationships based on trust.

We are inclusive - We have a respectful work environment which includes everyone.
• We listen to the voices of everyone and respect uniqueness.
• We value equity and create a sense of belonging.
• We continually strive to build a more diverse workforce, representative of the communities we serve.

We are collaborative - We work with others to realise Scotland's full potential.
• We work with others to improve our effectiveness and make things happen.
• We share connections, ideas and knowledge across boundaries.
• We actively listen and respond to the needs of our people, partners, Ministers and colleagues to co-produce a healthier, safer and more prosperous country.

[10] https://www.gov.scot/publications/stronger-more-resilient-scotland-programme-government-2022-23/

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

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

Scottish Government Performance against Outcomes

National Performance Framework

The National Performance Framework (NPF) is Scotland's wellbeing framework. It sets out the type of Scotland we want to see and, through the indicators, combines measurement of how well Scotland is doing in economic terms with a broader range of wellbeing measures to determine progress towards our National Outcomes. Through the NPF, the Government aims to create a more successful country, give opportunities to all people living in Scotland, increase people's wellbeing and create sustainable and inclusive growth.

The NPF is underpinned by three core values:

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

National Outcomes

To help achieve its purpose, the NPF sets out and measures progress towards eleven National Outcomes which reflect the values and aspirations of the people of Scotland. The National Outcomes are aligned with the United Nations Sustainable Development Goals. The current National Outcomes are set out in Table 1 below.

The Scottish Government is currently undertaking a review of the National Outcomes, which is a legal requirement under the Community Empowerment Act (2015), to ensure that the NPF reflects what matters most to communities in Scotland. It is scheduled to report to Parliament in 2024.

Table 1: National Performance Framework: National Outcomes

Children and young people	We grow up loved, safe and respected so that we realise our full potential
Communities	We live in communities that are inclusive, empowered, resilient and safe
Culture	We are creative and our vibrant and diverse cultures are expressed and enjoyed widely
Economy	We have a globally competitive, entrepreneurial, inclusive and sustainable economy
Education	We are well educated, skilled and able to contribute to society

Environment	We value, enjoy, protect and enhance our environment
Fair work and business	We have thriving and innovative businesses, with quality jobs and fair work for everyone
Health	We are healthy and active
Human rights	We respect, protect and fulfil human rights and live free from discrimination
International	We are open, connected and make a positive contribution internationally
Poverty	We tackle poverty by sharing opportunities, wealth and power more equally

Performance against the National Outcomes

Progress towards the National Outcomes is measured using National Indicators, which are a range of economic, social and environmental indicators, providing an overall measure of national wellbeing. Performance is assessed as ‘improving’, ‘maintaining’ or ‘worsening’ for each indicator, based on the change between the last two data points. This assessment of performance is made objectively and impartially by senior analysts in the Scottish Government and independently of Scottish Government Ministers.

Table 2 below shows the most recent performance of the 81 National Indicators as of July 2023.[11] More information can be found on the National Performance framework website.[12]

As of July 2023:

- 18 indicators were assessed as improving;
- 30 indicators were assessed as maintaining; and
- 13 indicators were assessed as worsening.[13]

In addition, six indicators were still in development, and it was not possible to report performance for 14 indicators. This is due to changes in data collection methodology during COVID-19 which means that in some cases the current data is not comparable to previous years and thus no performance assessment can be made. We are working with the lead analysts and the Chief Statistician to keep users informed of this on the NPF website and to look ahead to reporting performance again for these indicators as soon as possible. The viability of the six National Indicators that are still in development will be considered as part of the national indicator set development in 2024.

[11] The NPF data is lagged by at least a year, sometimes more, due to the data used for the National Indicators. Progress is assessed for each indicator as a change from the previous data point (often a year – but sometimes more or less frequent depending on the indicator) using specific change criteria for each indicator. This means that the progress reported here does not reflect the 2022-23 financial year, but is instead a snapshot based on the most up-to-date data from the indicators, and reflects progress ranging from 2017-2023. We are currently reviewing options for improving the way we report progress on the National Outcomes.
[12] National Indicator Performance
[13] More detail is available on: National Indicator Performance | National Performance Framework

Table 2: National Indicators performance as at July 2023

National Outcome	Table 2 - National Indicators performance as at July 2023			
	Improving	**Maintaining**	**Worsening**	**Performance data unavailable**
Children & Young People	• Children's voices	• Child wellbeing and happiness • Children have positive relationships • Child social and physical development • Healthy start	• Quality of children's services[14]	• Child Material Deprivation
Communities	• Community ownership	• Crime victimisation • Perceptions of local crime rate	• Social capital	• Access to green and blue space • Loneliness • Places to interact
Culture		• Growth in the arts, culture and creative economy • People working in arts, culture and creative industries		• Participation in a cultural activity • Attendance at cultural events or places of culture
Economy	• Entrepreneurial activity • Economic growth • Income Inequality • Access to superfast broadband • International exporting	• Spend on research and development • Carbon footprint • Productivity • Natural Capital	• Greenhouse gas emissions	
Education	• Skill profile of the population • Skill shortage vacancies • Skills under-utilisation	• Young people's participation	• Workplace learning	• Educational attainment[15] • Engagement in extra-curricular activities • Confidence of children and young people • Resilience of children and young people
Environment	• Sustainability of fish stocks • Energy from renewable sources	• Biodiversity • State of historic sites • Clean seas (Marine Environment)	• Waste generated • Condition of protected nature sites	• Visits to the outdoors

[14] This is based on 2021 data for children's services.

[15] We are unable to assess performance compared to the previous data point because the methodology for the data collections that make up the indicator was changed in the prior two years due to Covid-19.

National Outcome	Table 2 - National Indicators performance as at July 2023			
	Improving	**Maintaining**	**Worsening**	**Performance data unavailable**
Fair work & Business	• Gender balance in organisations • Innovative businesses	• Pay gap • Employees on the living wage • Economic participation • Contractually secure work	• Employee voice • High growth businesses • The number of businesses	
Health	• Physical activity • Journeys by active travel	• Healthy life expectancy • Healthy weight • Health risk behaviours • Work related ill health	• Mental wellbeing • Premature mortality • Quality of healthcare experience	
Human Rights		• Access to justice		• Influence over local decisions • Quality of public services • Public services treat people with dignity and respect
International	• Scotland's reputation • Scotland's population	• A positive experience for people coming to Scotland		• Contribution of development support to other nations • International networks • Trust in public organisations
Poverty		• Persistent poverty • Relative poverty after housing costs • Cost of living • Unmanageable debt	• Wealth inequality	• Food insecurity • Satisfaction with housing

Scottish Government performance against strategic priorities

Over the course of 2022-23, the Scottish Government has continued to develop its approach to performance reporting, building on our response to COVID-19; multiple seasonal events and major delivery programmes like COP26; and our ongoing support for Ukraine. In doing so, we are continuing to develop a more strategic, co-ordinated and focused approach to delivering outcomes. This drives improvement to the rhythm and discipline of our governance and assurance arrangements and provides a line of sight to our performance for Ministers.

From October 2022, our central performance reporting[16] has taken the form of a monthly performance dashboard, which brings together 'hot topics' and issues, as well as outcomes, delivery confidence, delivery plans, milestones and risks for the government's key priorities. This new approach provides a monthly stocktake and ensures focus on the key priorities and a more strategic view of progress. Since March 2022, we have also monitored and reported on performance relating to commitments in the Bute House Agreement on a quarterly basis, and in the Programme for Government on a six-monthly basis.

The key areas of focus for monthly performance reporting in 2022-23 are aligned to the Scottish Government's strategic priorities as set out in the 2022 Resource Spending Review and the Programme for Government 2022-23[17]:

- reducing child poverty;
- addressing the climate crisis;
- building a strong and resilient economy;
- helping our public services recover strongly from the pandemic; and
- providing help to those struggling with the increased cost of living.

In April 2023, the First Minister published a Policy Prospectus[18], setting out how the Government will deliver for Scotland over the next three years. The Prospectus sets out three missions:

- Equality: Tackling poverty and protecting people from harm
- Opportunity: A fair, green and growing economy
- Community: Prioritising our public services

These missions will be underpinned by the refreshed National Outcomes. A programme is underway to align our central performance reporting to these three missions and annual updates will be published on our delivery against these missions. The three missions align with the three shared priorities between local and national government within the Verity House Agreement signed by the First Minister and the COSLA President on 30 June 2023. This Agreement sets out how local and national government will work together toward shared priorities to achieve better outcomes for communities across Scotland.

Overview of performance in 2022-23

Over 2022-23, the Scottish Government with its partners across Local Government, the wider public sector, the third sector and business, has made progress towards many of our shared priorities, but has also faced a range of challenges, including the cost of living crisis triggered by Russia's invasion of Ukraine, the impact of high inflation and the continued impact of the COVID-19 pandemic on public services. To respond to these challenges,

[16] This is in addition to individual programme and DG level reporting of performance.
[17] A stronger and more resilient Scotland: the Programme for Government 2022 to 2023 - gov.scot (www.gov.scot)
[18] Equality, opportunity, community: New leadership - A fresh start (www.gov.scot)

Scottish Government has focused resources on immediate priorities and, at times, allocated funds to different areas than those set out in the 2022-23 Scottish Government Budget publication.

The financial situation facing the Scottish Government in 2022-23 was by far the most challenging since devolution. As a result of inflation, in November 2022 the 2022-23 budget was worth less than when it was introduced to Parliament in December 2021. In addition, we saw demands for pay increases that reflected the increased cost of living, and we had to deal with the unforeseen costs of resettling displaced people fleeing the war in Ukraine. Meeting these demands required a difficult process of re-prioritisation.

The Emergency Budget Review[19] in November 2022 was necessary to ensure a path for the Scottish Government to balance the Budget, and to identify additional resources that could be made available to support those hardest hit by the cost of living crisis. The changes meant supporting public sector workers in Scotland with enhanced pay offers, plus additional resource for a range of initiatives to support people with the increased cost of living, including doubling the Fuel Insecurity Fund, doubling the December Scottish Child Bridging Payment, and a new Island Cost Crisis Emergency Fund to help island households manage higher energy costs.

A headline summary of progress made towards Scottish Government's strategic priorities during 2022-23 is set out below. More detailed information is then set out on a portfolio-by-portfolio basis in the subsequent Performance Analysis section.

Supporting children and young people and reducing child poverty

Children & Young People

Poverty

Across 2022-23 we have faced challenging economic conditions with high inflation and falling real earnings creating significant pressures on household budgets. The increased cost of essentials, including energy and food, has impacted on households, and has had a disproportionate impact on those on the lowest incomes. We have allocated almost £3 billion to support policies which tackle poverty and to protect people as far as possible during the cost of living crisis.

Increased the value of Scottish Child Payment by 150% in November 2022 and extended it to under 16s - forecast to lift 50,000 children out of poverty in 2023-24

- We delivered the expansion and increase in value of the Scottish Child Payment, raising the incomes of families and strengthening protections for the lowest income households in the face of the cost of living crisis.
- Updated modelling, published recently[20], estimates that relative poverty is predicted to be around 9% lower than it would have been in 2023-24 in the absence of Scottish Government policies.

[19] Emergency Budget Review: 2022 to 2023 - gov.scot (www.gov.scot)

[20] Tackling child poverty delivery plan - annual progress report: annex b - cumulative impact assessment update - gov.scot (www.gov.scot)

1,800 fewer children in care in 2022, compared to 2020

- As of 31 July 2022 (the latest data available), 12,596 children were being looked after – down 5% on 31 July 2021; and there were 2,031 children on the Child Protection Register – down 4% on 31 July 2021.

Affordable homes

Communities

Poverty

Built more affordable homes in 2022-23

- 10,458 affordable homes were delivered over the 12 months to end March 2023 - the highest annual figure since the start of the statistical series in 2000. The latest data (June 2023) shows that 79% of the homes delivered since March 2022 are for social rent - in line with our target for 70% of the 110,000 homes to be built by 2032 to be available for social rent.

Tackling the twin challenges of biodiversity loss and climate change

Environment

Economy

While the longer-term trend shows Scottish emissions are down from the 1990 baseline by 49.9%, we are only halfway on our journey to net zero.

Official statistics published in June 2022[21] showed that Scotland's statutory interim emissions reduction target for 2020 was met, although emissions during 2020 were significantly influenced by the impacts of the COVID-19 pandemic, in particular in the transport sector. The latest emissions data for 2021[22] confirmed an anticipated increase in transport emissions as a result of pandemic restrictions easing and an increase in domestic heating emissions due to relatively colder weather in the early part of 2021. As a consequence, Scotland's 2021 greenhouse gas emissions reduction target of 51.1% was narrowly missed.

The recent data does not yet capture the next steps in our updated Climate Change Plan, which was finalised in March 2021.

38% increase in peatland restoration between 2021-22 and 2022-23

- 7,468 hectares of degraded peatland was restored across 2022-23 - a 38% increase on the 5,373 hectares restored in 2021-22.
- We have a target of 10,700 hectares of peatland restoration in 2023-24 - a 43% increase over the output for 2022-23, and a budget of £30 million has been made available to Peatland Action by the Scottish Government to achieve this.

£41 million invested in woodland creation, creating 8,190 hectares of new woodland in 2022-23

- £41 million, including EU co-finance, was invested in 2022-23 to support increased woodland creation in Scotland to 18,000 hectares per year by 2024-25. A total of 8,190 hectares of new woodland were created in the year ending 31 March 2023.

[21] Scottish Greenhouse Gas Statistics 2020 - gov.scot (www.gov.scot)
[22] Scottish Greenhouse Gas Statistics 2021 - gov.scot (www.gov.scot)

Free bus travel

Children and Young People

Poverty **Environment**

More people eligible to travel for free on Scotland's buses than ever before

- In January 2022, we launched the Young Persons' Free Bus Travel Scheme, providing free bus travel to those under 22 years of age. To March 2023, more than two thirds of young people had joined the scheme, making over 56 million journeys.
- Through the concessionary travel schemes for disabled and older people, and for young people and children, up to 2.3 million people in Scotland now have access to free bus travel.

Building a strong and resilient economy

Economy **International**

Fair work & Business

Across 2022-23 we have faced challenging economic conditions. Inflation peaked at 11.1% in October 2022, its highest level since the 1970s, causing falling real earnings and creating significant pressures on household budgets. Although it has gradually fallen back, inflation is still higher than forecast and wider inflationary pressures remain.

Scotland maintained its position as the top performing region or nation of the UK, outside of London, for Foreign Direct Investment (FDI) projects

- Scotland's FDI projects outpaced growth in both Europe and the rest of the UK for the second year in a row – Scottish projects were up by 3.3% in 2022, compared to a 6.4% fall in UK and 1.4% increase in Europe. Scotland secured a record number of foreign direct investment projects; 126 projects in 2022, up from 122 in 2021.

Scotland's international goods exports continue to grow

- Scotland's international goods exports value increased by 17.7% compared to the previous financial year (when oil and gas are excluded), larger than the 13.5% increase experienced by the UK.
- Over 2022-23 there was growth in the value of exports to the EU compared to the previous year across multiple sectors, including oil and gas (up £3.5 billion or 38.1%), machinery and transport equipment (up £566 million or 23.3%), and drinks (up £155 million or 10.2%).

In the first quarter of 2023, the employment rate was 75.3%

- Performance of the Scottish labour market remains robust - the employment rate for 16 to 64 year olds was 75.3% in the first quarter of 2023.[23] The employment rate for 16-24 year olds was 56.9% in April 2022 to March 2023, 0.6 percentage points (pp) higher than the previous year but 1.4pp lower than in April 2018 to March 2019 (pre-pandemic period).[24]
- However, the number of vacancies within the economy is still estimated to be significantly higher than pre-pandemic levels, with ongoing recruitment difficulties

[23] Labour Market Trends: May 2023
[24] Labour Market Statistics for 16 to 24 year olds: Scotland and the United Kingdom - April 2022 to March 2023

in key sectors, and the number of people economically inactive due to long-term sickness has also risen relative to before the pandemic.

The first year of the National Strategy for Economic Transformation saw the successful establishment of the Techscaler Network and successful implementation of No One Left Behind Phase 2 - moving towards an employability system which is flexible, joined up and responsive

- Over 2022-23 we successfully established the Techscaler Network, which supports tech founders to scale up their businesses by accessing advice and mentorship from industry experts. To date, around 400 founders and businesses have joined the network.
- In partnership with Local Government and a range of private, public and third sector partners, the number of people starting to receive support through the No One Left Behind employability approach continued to increase in 2023, including the number of parents who started to receive support – which reached a high in the quarter between January and March 2023, aligning with our ambition to tackle child poverty through helping parents into fair, sustainable jobs.[25]

Public service recovery: Health and social care

Health

2022-23 has been an extremely challenging year for health and social care against the continued impact of the COVID-19 pandemic on health and care related services, and a challenging financial environment due to the ongoing cost crisis, the impact of inflation and the ending of specific COVID-19 consequentials from the UK Government.

Continued reduction in long waits for new outpatient appointments and in-patient/ day-case treatments

- In July 2022 we introduced a series of ambitious targets for planned care to reduce long waits over two years, 18 months and one year in most specialities.
- As of 31 March 2023, 33 out of 41 (80%) outpatient specialities and 18 of 30 (60%) inpatient/day-case specialities had fewer than ten patients waiting more than two years, and 24 out of 41 (59%) outpatient specialities had fewer than ten patients waiting more than 18 months.
- However, just 41% of outpatient specialities had fewer than 10 patients waiting over 52 weeks. Therefore, the target to clear waits of over 12 months in most specialities was not met by the target date.

The number of new outpatients waiting longer than two years for an appointment was reduced by 68% between July 2022 and the end of March 2023, by 48.5% for those waiting over 18 months and by 11.4% for those waiting over 12 months. The number of patients waiting longer than two years for inpatient or day-case treatment was reduced by 27% over the same period.

Increased capacity to support reduction in waiting times through opening of NHS Fife's National Treatment Centre in March 2023

- The opening of our second National Treatment Centre (NTC) in Fife in March 2023 provides additional capacity for almost 500 orthopaedic procedures this year, rising to more than 700 by 2025-2026. NHS Highland NTC opened shortly afterwards in April 2023.

[25] A link to further data on the No One Left Behind programme is provided in the Finance and Economy portfolio section on page 53.

21% reduction in suspected drug related deaths in 2022, compared to the previous year

- Official statistics show that during 2022 (Jan-Dec), there were 1,051 drug misuse deaths, a reduction of 279 (21%) on the previous year.

Public service recovery: Education

Education

Poverty

Poverty-related attainment gap down for primary school pupils

- Between 2020-21 and 2021-22[26] there was a 3.4 percentage point reduction in the primary school literacy attainment gap and a 3.7 percentage point reduction in the numeracy attainment gap.
- Data for S3 pupils was not collected in 2020-21 and so similar comparisons cannot be made. However, at secondary level[27]:
    - the attainment gap in Higher pass rates between the least and most deprived areas was down to 16 percentage points in 2023 (from 16.9 percentage points in 2019)
    - the gap among those obtaining SCQF Level 5 or better was 19.1 percentage points - wider than in 2020-21 but narrower than all other years back to 2009-10
    - At SCQF Level 6 or better, the gap was 37 percentage points in 2021-22, again wider than in recent years although narrower than in 2017-18 and all earlier years.

Highest number of school leavers in positive destinations at 3 and 9 month follow-up in 2021-22 since comparable records began

- 95.7% of 2021-22 school leavers were in a positive destination three months after the end of the school year, higher than in 2020-21 (95.5%), and 93.5% were in a positive destination at the 9 month follow-up, higher than in 2020-21 (93.2%). Both measures were at the highest level since comparable data was first gathered in 2009-10.
- The poverty related gap in positive destinations 9 months after the end of the school year was also at a record low of 7 percentage points amongst 2021-22 school leavers, lower than in 2020-21 (7.5 percentage points), and narrowing from 18.7 percentage points in 2009-10.

41% increase in the most deprived students entering university since we accepted the recommendations of the Commission on Widening Access in 2016

- In 2021-22, 16.5% of Scottish resident full-time first-degree entrants were from the 20% most deprived areas in Scotland – a slight decrease from 16.7% in 2020-21, albeit partly due to a large increase in entrants from those in the 20-40% most deprived areas. We have seen a 41% increase in the most deprived students entering university since we accepted the recommendations of the Commission on Widening Access in 2016.

[26] The most recent data available.
[27] Care should be taken when comparing the attainment of school leavers in 2021-22 with that of earlier years due to the different approaches taken to determining grades in National Qualifications in 2020, 2021 and 2022.

Public service recovery: Justice	**Human Rights**

Court backlog down over 15,000 on pandemic peak

- Since January 2022, the number of scheduled court trials had fallen by over 15,000 (36%) by May 2023.
- The reduction has been driven by reductions in summary cases (cases that are heard at Sherriff and Justice of the Peace Courts without a jury), and the backlog in summary cases is on track to be resolved by March 2024. This reflects in part the impact of the court recovery programme, which supports additional court capacity through Scottish Government funding.
- The backlog of solemn cases (cases that are heard at either the Sherriff Court or the High Court with a jury), however, continued to rise. Recovery funding has been redirected to tackle this backlog, introducing two additional High Courts and six additional Sheriff Solemn courts.

The prison population is growing

- The overall daily prison population has increased since the beginning of 2023 and is now approaching pre-pandemic levels. On the 1st August 2023 it stood at 7,887, an increase of 399 people since 1st April 2022.
- This increase is driven by a long-term increase in those serving longer sentences of 4+ years, as well as shorter term growth in the population serving sentences of 1 to 4 years.
- The remand population remains elevated, and has also increased somewhat in recent months standing at 2,275 (29%) on the 1st August 2023.

Support for Ukrainians	**International**

- Support for 24,000 displaced people from Ukraine.
- As of 18 April 2023, 24,263 displaced people from Ukraine had arrived in the UK on a visa with a Scottish sponsor – either via our super sponsor scheme or through individual sponsorship by Scottish households.
- We launched the Ukraine Longer Term Resettlement Fund to bring vacant homes back into use and a national campaign for volunteer hosts. The national response has been unprecedented, and the Scottish Government has worked closely with partners, local authorities and community groups to offer Ukrainians a 'Warm Scottish Welcome'.
- The number of people in temporary accommodation has been on a decreasing trend since November 2022 and the number continues to reduce during 2023-24. As of March 2023, 3,500 of the Ukrainians who had arrived in Scotland were in employment.

Performance Analysis

Performance Analysis by Portfolio

The following sections set out performance by portfolio. For each portfolio, we set out portfolio aims, key priorities and deliverables for 2022-23 and progress against them, and a summary overview of performance over the year. Financial results are reported for each portfolio, which tie into the Portfolio Outturn Statements on pages 121 to 132. Financial information is also provided on key areas within portfolios. A summary of the Financial Performance: Outturn against Budget is provided on page 10 in the Performance Overview.

We also include information on performance against outcomes for those areas where outcome performance is reported on centrally within Scottish Government. As discussed above, this reporting currently focuses on the Scottish Government's strategic priorities, as set out in the 2022 Resource Spending Review:

- reducing child poverty;
- addressing the climate crisis;
- building a strong and resilient economy;
- helping our public services recover strongly from the pandemic;
- providing help to those struggling with the increased cost of living.

In future years, the performance analysis report in the consolidated accounts will report against the outcomes set out in the Policy Prospectus[28].

Social Justice, Housing and Local Government

During 2022-23 the Social Justice, Housing and Local Government (SJHLG) portfolio was responsible for work on tackling inequalities; embedding equality, inclusion and human rights into our policy-making and public service delivery; delivering the national mission to reduce child poverty; creating a fairer Scotland; and providing accessible and affordable housing.[29] Together, these ambitions enhance the wellbeing, financial capabilities and participation of people in Scottish life.

Key Priorities and Deliverables

Action to tackle child poverty, including doubling Scottish Child Payment for eligible children under six years from April 2022 and extending it to under 16s from November 2022; investing in Discretionary Housing Payments to provide direct financial support to those struggling with housing costs; and supporting our continued major expansion of affordable and social housing.

- In 2022-23, we delivered the planned expansion and further increase in the value of the Scottish Child Payment. Between April 2022 and March 2023, a total of £190 million was made in payments, supporting around 303,000 children under the age of 16 across all local authorities in Scotland. In 2023-24, around 370,000 children will be eligible for this benefit, which is unique to Scotland.
- We raised the incomes of thousands of families impacted by UK Government welfare changes. Working with local authorities, we made 136,800 awards and invested around

[28] Equality, opportunity, community: New leadership - A fresh start - gov.scot (www.gov.scot)
[29] Within the 2022-23 financial year, the SJHLG Portfolio did not contain responsibility for migration. Local Government now sits within the Finance portfolio as part of the First Minister's new Cabinet, announced in March 2023.

£84 million in Discretionary Housing Payments in 2022-23, to support people with housing costs.
- Since March 2022, 11,570 homes have been delivered towards our target of 110,000 affordable homes by 2032. 9,121 (79%) of these homes are for social rent, in line with our target for 70% of the 110,000 homes to be available for social rent.
- We strengthened the protections for the lowest income households in the face of the cost of living crisis, allocating almost £3 billion to support policies which tackle poverty and protect people as far as possible.

Supporting vital day to day Local Government services with £10.6 billion in 2022-23

- We allocated £10.6 billion for Local Government to support essential services, such as schools, housing, social work, street lighting, road maintenance, refuse collection, elections and planning.
- In 2022-23 we commenced work with local government on a new partnership agreement, which culminated in the signing of the Verity House Agreement in June 2023. In the year ahead, we will work with our local authority partners to develop a 'Fiscal Framework with Local Government' in order to support the sustainability of local services.

Providing wider social justice support to those impacted by the cost of living crisis though our financial wellbeing programmes

- We allocated £12.5 million to support income maximisation, welfare and debt advice. This included the Money Talk Team which supported over 30,000 clients, 7,000 of whom achieved financial gains totalling £20.7 million. In addition, the funding supported over 60,000 people to manage over £380 million in debt, with over £16 million in debt written off.
- We invested nearly £1.8 million in food insecurity responses over the winter months, helping people access emergency cash in their local communities so they could buy the food they needed. Interim reporting suggests that over 20,000 people directly benefitted, and that the funds supported many more people through a further 570 organisations.

Investing over £4 billion in social security and welfare payments, providing vital support for low income families, carers and disabled people

- Following a successful phased rollout, Adult Disability Payment was available across Scotland from 29 August 2022. As of 31 March 2023, 45,810 people were in receipt of Adult Disability Payment. Of those, 20,545 (45%) were new applicants and 25,260 (55%) had their award transferred from the Department for Work and Pensions (DWP). The total value of Adult Disability Payments issued in the financial year 2022-23 was £79.4 million.
- Between April 2022 and March 2023, the total value of Child Disability Payments issued was £201.6 million. As of 31 March 2023, it is estimated that 62,325 children and young people were in receipt of Child Disability Payment. Of these, 45,535 were people who had their award transferred from DWP's Disability Living Allowance for children.
- We also made £190 million payments during this period as part of the expansion and increase of the Scottish Child Payment.
- In further response to the cost of living crisis and our winter preparedness, following the Emergency Budget Review, the Scottish Government doubled the Fuel Insecurity Fund to £20 million across 2022-23, supporting people who are struggling with their energy costs and households who are at risk of self-rationing or self-disconnecting their energy.
- In February 2023, we launched our new Winter Heating Payment, which provides a stable, reliable annual payment to help low-income individuals with their heating expenses each winter, replacing the DWP's Cold Weather Payment. As of 31 March

2023, we paid out over £19.6 million to nearly 400,000 people on low incomes to help them with winter heating costs.

Continue investment to ensure our existing homes offer everyone a warm, safe home that meets their needs; invest to prevent and end homelessness; support households struggling to sustain tenancies; mitigate the bedroom tax and benefit cap through discretionary housing payments; and deliver rented sector reform for more affordable, high-quality homes, rented on a fair basis.

- In 2022-23, we spent almost £10 million from the Ending Homelessness Together Fund. Of this, £8 million was distributed across local authorities to support the implementation of their Rapid Rehousing Transition Plans, which play a key role in reducing the need for temporary accommodation.
- The remainder of the budget resourced a range of projects, including the Change Team, Housing First, and Rapid Rehousing Welcome Centres. It also provided £485,000 to the Homelessness Prevention Fund.
- £1.2 million was provided for the Third Sector Homelessness Fund, supporting third sector organisations to collaborate with local authorities and other statutory services as part of the transition to a rapid rehousing model.
- In February 2023, we provided £8.6 million via local authorities to directly support people affected by the UK Government benefit cap, £2.6 million of which was for the 2022-23 financial year. This is on top of our existing investment to mitigate the UK Government's bedroom tax and the on-going freeze to Local Housing Allowance rates. Our funding to mitigate the bedroom tax has helped around 91,000 households to maintain their tenancies each year.
- We introduced legislation to initially freeze rents in the private and social rented sector and increased protections for tenants in response to the cost of living crisis.

Provide support to over 24,000 displaced Ukrainians

- As of 18 April 2023, a total of 24,263 displaced people from Ukraine had arrived in the UK on a visa with a Scottish sponsor, either via our super sponsor scheme or through individual sponsorship by Scottish households. This has been supported by resource spending of £231 million in 2022-23, £197 million of which has been spent on temporary accommodation across a network of hotels and two passenger ships. Additionally, we provided £19 million of dedicated funding to local authorities to support Ukrainian resettlement in 2022-23.
- The number of people in temporary Welcome Accommodation has been on a decreasing trend since November 2022, when more than 7,000 guests had been residing in hotels and ships. Published statistics show, as of 28 March 2023, the number of people in Welcome Accommodation was 5,051. This number continues to reduce during 2023-24.
- In September 2022, we launched the Ukraine Longer Term Resettlement Fund, a £50 million capital fund to enable local authorities to bring vacant homes back into use. Between launch and the end of March 2023, £10 million of the fund had been allocated. On 28 November, a national campaign for volunteer hosts was also launched, including a new online application portal and improved guidance on what to expect.
- As of March 2023, 3,500 of the Ukrainians who had arrived in Scotland were in employment.

Outcomes: Performance against Key Targets and Indicators

- The latest data on progress towards the child poverty targets shows that in 2021-22, 23% of children in Scottish households were living in relative poverty, 19% were living in absolute poverty, 9% were living in low income and material deprivation and 18% were living in persistent poverty. Further information on trends over time is provided in the most recent *Tackling child poverty delivery plan: progress report 2022-23*[30].

- Progress towards the child poverty targets needs to be considered in the context of the current socio-economic and political climate, such as the impact of inflation, EU exit and COVID-19 which continue to have a disproportionate impact on low-income families.
- Updated modelling[31], published alongside our most recent progress report, with up-to-date policies included, estimates relative poverty to be around 9 percentage points lower in 2023-24 than it would have been in the absence of Scottish Government policies. The relative child poverty rate is estimated to fall to around 19% by 2023-24 (compared to the interim 2023-24 target of 18%) and the absolute child poverty rate to around 16% (compared to the interim target of 14%).

Performance overview – Key Successes, Challenges and Forward Look

Over 2022-23 we continued to drive our national missions to reduce child poverty, create a fairer Scotland, and provide accessible and affordable housing, set against considerable economic challenges.

'Best Start, Bright Futures', our second Tackling Child Poverty Delivery Plan, sets out a range of cross government actions towards achieving our statutory child poverty targets. Its first progress report[32] showed that 40 of the 101 actions in the plan are complete or delivery is ongoing, 39 are in progress and 19 are in the early stages of development. We estimate that over 2022-23, £3 billion was invested across a range of programmes targeted at low income households, with £1.25 billion directly benefitting children.

We have also continued to support people through social security and welfare benefits, investing over £4 billion in benefits expenditure in 2022-23, directly supporting over 1 million people.

Our Ending Homelessness Action Plan focuses on preventing homelessness, responding quickly when homelessness happens and prioritising settled housing for all. In response to a report[33] published by the Temporary Accommodation Task and Finish Group, we set out the actions we will take to reduce the number of households in temporary accommodation by the year 2026.

We set up the Ukraine 'super sponsor' scheme so that Ukrainians displaced by war could select the Scottish Government as a sponsor and travel immediately. Scotland is reporting the highest number of total applications, visas issued and arrivals per head of population of any of the UK nations. We worked with our local authority partners to set up a network of short-term accommodation across a large number of hotels, as well as two passenger ships. All guests have since disembarked the two ships ahead of their respective contract end dates and were supported into onward accommodation. Overall numbers in short term accommodation have been consistently reducing since January 2023.

We will continue to use the powers we have to tackle poverty and inequality, in partnership with Local Government, communities, businesses, social enterprises and third sector organisations. Our work will continue to maximise household incomes and deliver improved employment outcomes, saving money for people who need it most through provision of

[30] Tackling child poverty delivery plan: progress report 2022 to 2023 - gov.scot (www.gov.scot)
[31] Tackling child poverty delivery plan - annual progress report: annex b - cumulative impact assessment update - gov.scot (www.gov.scot)
[32] Tackling child poverty delivery plan: progress report 2022 to 2023 - gov.scot (www.gov.scot)
[33] Temporary Accommodation Task and Finish Group: final report and recommendations - gov.scot (www.gov.scot)

services such as childcare, transport and free school meals, and providing support to disabled people and carers.

Financial Results

Social Justice, Housing and Local Government reported an overspend of £5 million for the year ended 31 March 2023 (Budget: £18,002 million, Outturn: £18,007 million). More details are included in the Portfolio Outturn Statement at page 122.

Other Relevant Portfolio Performance Information

Tackling child poverty delivery plan: fourth year progress report 2021 to 2022 (www.gov.scot)
Tackling Child Poverty Delivery Plan: progress report 2022-2023 (www.gov.scot)
Social Security Scotland - Adult Disability Payment: high level statistics to 30 April 2023
Social Security Scotland - Child Disability Payment: high level statistics to 31 March 2023
Social Security Scotland - Scottish Child Payment: high level statistics to 31 March 2023
Social Security Scotland - Winter Heating Payment Statistics: Winter 2022/2023
Ukraine Sponsorship Scheme in Scotland: statistics - June 2023 (www.gov.scot)

Health and Social Care

The Health and Social Care portfolio is responsible for improving the health and wellbeing of the population, ensuring that care and support is delivered when, how and where people need it.

Key Priorities and Deliverables

Recover and redesign services to increase capacity and deliver a financially, environmentally and socially sustainable health service, providing additional funding of £550 million for NHS Boards and funding of £232 million for addressing waiting times and supporting our National Treatment Centres in 2022-23.

Primary and Community Care

- We have increased the number of professionals to support GPs and general practice teams by 518 since March 2022. There are now more than 4,730 professionals working in multi-disciplinary teams, meaning that the average practice now has access to more than 5 additional professionals. We will continue to support implementation of the GP contract to deliver more appointments for people through the use of wider healthcare professionals, underpinning the evolution of the GP role and enhanced multi-disciplinary teams, alongside investment of at least £170 million per annum.
- We are providing £1 million of inclusion funding to general practices in the most disadvantaged areas of Glasgow to help them tackle health inequalities, and by the end of 2023-24, we will use the lessons learned from this for sustained or increased investment and expansion to other areas to better assist people with complex needs.
- Throughout 2022-23 we have worked with stakeholders to significantly reform and revise the payment structures for NHS dentistry with the aim of sustaining population access to oral healthcare. The revised payment model is intended to reduce the administrative workload on dental teams, as well as facilitating a move towards greater clinical discretion and focus on patient-centred care. Shortly following the year-end, the revised model was shared with the wider sector and general public, ahead of implementation on 1 November 2023.
- Our Community Glaucoma Service is now live in the Glasgow City, East Renfrewshire and East Dunbartonshire areas of NHS Greater Glasgow and Clyde. A third cohort of optometrists have commenced training and are scheduled to qualify in March 2024,

supporting the move to community care and away from hospital-based services. We will continue to roll out the Community Glaucoma Service across NHS Boards in 2023-24, ahead of anticipated full implementation across Scotland by 2025-26. At full implementation, the service will reduce hospital ophthalmology waiting pressures by discharging an estimated 20,000 lower risk glaucoma and treated ocular hypertension patients into the management of accredited community optometrists.

Urgent Care

- We have continued the Redesign of Urgent Care, which aims to:
  - support people to access the right care, delivered at the right time and in the right place;
  - reduce unnecessary Emergency Department (ED) attendances by directing people to more appropriate urgent care settings;
  - provide 24/7 Flow Navigation Centres with immediate access to a senior clinical decision-maker;
  - improve patient safety by scheduling urgent appointments to ED/ Minor Injury Units and avoiding unnecessary waits;
  - strengthen the interface between professionals through the Flow Navigation Centres (for example, development of ‘call before you convey’, reducing ambulance conveyance levels to hospital);
  - expand the use of technology to support timely assessment of patients.
- This combination of services has contributed to reduced attendance at ED, with self-presentations in the year to June 2023 down by approximately 84,000 (10%) compared to the year to June 2019.
- We are continuing to manage ongoing pressures on acute care by expanding our ‘Hospital at Home’ capacity across the country. Hospital at Home is growing to be the fifth biggest hospital for older people emergency inpatients.

Planned Care

- High levels of occupancy, delayed discharges, an increase in the complexity of cases, and challenges with workforce availability have seen NHS Boards reporting pressures impacting on the delivery of planned care targets.
- Working closely with NHS boards, we have continued to maximise capacity wherever possible, including:
  - Four National Treatment Centres (NTCs) are opening in 2023, including NTC Fife which opened in March 2023. These centres will deliver around 25,000 additional planned care procedures by 2024-25.
  - Good progress has been made with recruitment for the NTCs due to go live by the end of 2023. As of 31 March 2023, 502 people were employed in an NTC (excluding those staff delivering pre-existing NHS services which have been relocated to NTC sites). 130 (26%) of these are new entrants to NHS Scotland.
  - In 2022, we funded a mobile operating theatre to enable almost 350 planned care surgeries to go ahead for patients in Orkney and Shetland. This closed as planned in October 2022, when the backlog had been addressed.
  - We opened a urology hub at Forth Valley Royal Hospital, providing a one-stop diagnostic and treatment service for patients.
  - In 2022-23, we funded seven mobile MRI and five mobile CT scanners to help people get the diagnostic tests they needed, and supported additional activity throughout the week, including weekends, to help reduce diagnostic waits.
- Recent data shows new outpatient activity has continued to rise since July 2022, with the first quarter of 2023 seeing the highest new outpatient activity since the start of the pandemic. Inpatient/day-case activity has also continued to increase since October 2021,

with the first quarter of 2023 also seeing the highest activity since the start of the pandemic.

Centre for Sustainable Delivery (CfSD)

- The Centre for Sustainable Delivery continued to work with our NHS Boards to introduce new ways of delivering care that creates additional capacity. Its Modernising Patient Pathways and Scottish Access Collaborative programmes have developed strong clinically-led Specialty Delivery Groups, which promote multidisciplinary team working and local adoption of service improvement programmes. These groups are now well established and have supported several new and innovative developments, many of which are now being successfully scaled up across Scotland, including Cytosponge and Colon Capsule Endoscopy (CCE).

Investment in social care, including a transfer for 2022-23 of £846.6 million to Local Government

- Within the £846.6 million transfer to Local Government, the Scottish Government provided funding of £200 million in 2022-23 to ensure the minimum hourly rate for workers providing direct adult social care increased to £10.50 per hour from April 2022. This was in addition to a recurring investment of £144 million to ensure that all Adult Social Care workers are paid at least the Real Living Wage.

Begin the legislative phase of establishing the National Care Service, to bring social care into parity of esteem with health care and transforming the provision of this essential service

- The National Care Service Bill has been drafted and introduced to Parliament in June 2022, setting out a framework for change and giving us the time to work through the detail with those who either receive or deliver community healthcare and social work and care services in Scotland.

Continue work to reduce health inequalities, including investing an additional £50 million annually in the National Mission to reduce drug deaths and improve lives

- We have continued the expansion of residential rehabilitation, with over 800 publicly funded referrals supported in 2022-23. We invested an additional £14 million in new facilities and bed capacity projects, adding much needed capacity to previously underserved areas.
- Over £15 million funding has been provided to community and grassroots organisations, supporting over 200 projects across Scotland.
- Since the launch of the National Mission and the national Naloxone Campaign, over 60,000 Naloxone kits have been distributed. Police Scotland Naloxone roll out is near completion, with more than 12,000 police officers carrying kits.
- Since 2021, we have implemented Medication Assisted Treatment Standards to improve access, choice and support for people impacted by drugs and to reduce drug-related deaths. In 2022-23, local areas fully implemented 66% of standards 1-5, which focus on improving treatment services (compared to 17% in 2021-22). For standards 6-10, which have a more holistic focus, local areas achieved 88% of the target to partially implement these. Full implementation of standards 1-10 is expected by April 2025.

Deliver quality community care to reduce pressures on frontline hospital services, including over £1.6 billion in health and social care integration

- In addition to what was included in the 2022-23 published budget, and the £846.6 million transfer to Local Government, a further investment of £8 million was made available to Health and Social Care Partnerships in January 2023 to make use of additional interim care home beds to alleviate pressures on acute services caused by delayed discharges. Around 500 people benefited from this additional funding.

Direct investment of £290 million to improve access to mental health services and to improve early intervention and preventative support

£38 million of this was reprioritised in the Emergency Budget Review, reducing the available budget to £252.4 million

- In 2022-23 we supported:
    - improvements in child and adolescent mental health and psychological services, addressing waiting list backlogs and introducing national standards;
    - rapid expansion in perinatal mental health services;
    - expansion in community-based support for children, young people and adults, focused on prevention and early intervention;
    - increases in the mental health workforce;
    - development of new suicide prevention services; and
    - the establishment of a cross-sector National Trauma Training Programme and improved support for survivors of sexual abuse.
- Year 2 of the Communities Mental Health and Wellbeing Fund for adults launched in October 2022, with funding of £15 million being awarded to over 1,400 community projects, many of which focused on supporting low income groups and responding to the cost of living crisis.
- The commitment to fund 1,000 additional staff to help community mental health resilience and social prescribing is paused for the remainder of 2022-23.

Outcomes: Performance against Key Targets and Indicators

Progress against the new targets set out in July 2022 to address the impact of the pandemic on long waiting times for planned care are set out in Table 3 below.

Table 3: Progress against targets to reduce waiting times for NHS treatment introduced in 2022

Key targets	Performance indicators and progress
Clear over two years' waits in most specialities by the end of August 2022 for new outpatients, and by the end of September 2022 for inpatients/day-cases	• Published Public Health Scotland data shows the number of new outpatients waiting over two years has reduced by 68% since the targets were introduced (from 2,721 at 30 June 2022 to 864 at 31 March 2023). • At 31 March 2023, 33 out of 41 new outpatient specialties (80%) had fewer than 10 waits over two years, and of those, 20 had none. • The numbers waiting longer than 2 years for inpatient or day-case treatment has reduced by 27% since targets were announced (from 9,572 at 30 June 2022 to 6,985 at 31 March 2023).

Key targets	Performance indicators and progress
	• At 31 March 2023, 18 of 30 inpatient / day-case specialities had fewer than ten patients waiting more than two years, and 13 had no-one waiting more than 2 years.
Clear over 18 months' waits in most specialities by December 2022 for new outpatients, and by September 2023 for inpatients / day-cases	• The number of new outpatients waiting over 18 months had reduced by 48.5% as of 31 March 2023 compared to 30 June 2022, from 8,804 to 4,534. • At 31 March 2023, 24 out of 41 new outpatient specialties (59%) had fewer than 10 waits over 18 months, and of those 10 had none.
Clear over one year waits in most specialities by 31 March 2023 for new outpatients, and by September 2024 for inpatients / day-cases	• Since the target was introduced in early July 2022, the number of new outpatients who waited over a year has reduced by 11.4.% (from 35,540 on 30 June 2022 to 31,498 on 31 March 2023). • In the three quarters preceding the target announcement (31 December 2021 to 30 June 2022), the numbers waiting longer than one year for new outpatient treatments increased by 6,833. In the following three quarters (30 September 2021 to 31 March 2023) the number waiting over one year decreased by 5,767. • At 31 March 2023, 41% of new outpatient specialties had fewer than 10 patients waiting over 52 weeks. • In the three quarters preceding the target announcement (31 December 2021 to 30 June 2022), the numbers waiting longer than one year for inpatient or day-case treatment increased by 8,676. In the following three quarters (30 September 2021 to 31 March 2023), the number waiting over one year increased by 2,439, a slower rate.

Drug deaths

Official statistics show that during 2022 (Jan-Dec) there were 1,051 drug misuse deaths, a reduction of 279 (21%) on the previous year (Figure 1). Quarterly data from Police Scotland on suspected drug deaths suggests that after following a downward trend since early 2021, the rolling 12-month total number of suspected drug deaths has increased slightly over recent quarters, as can be seen in Figure 2.

Figure 1: Drug Misuse Deaths in 2022, (Source: National Records of Scotland)

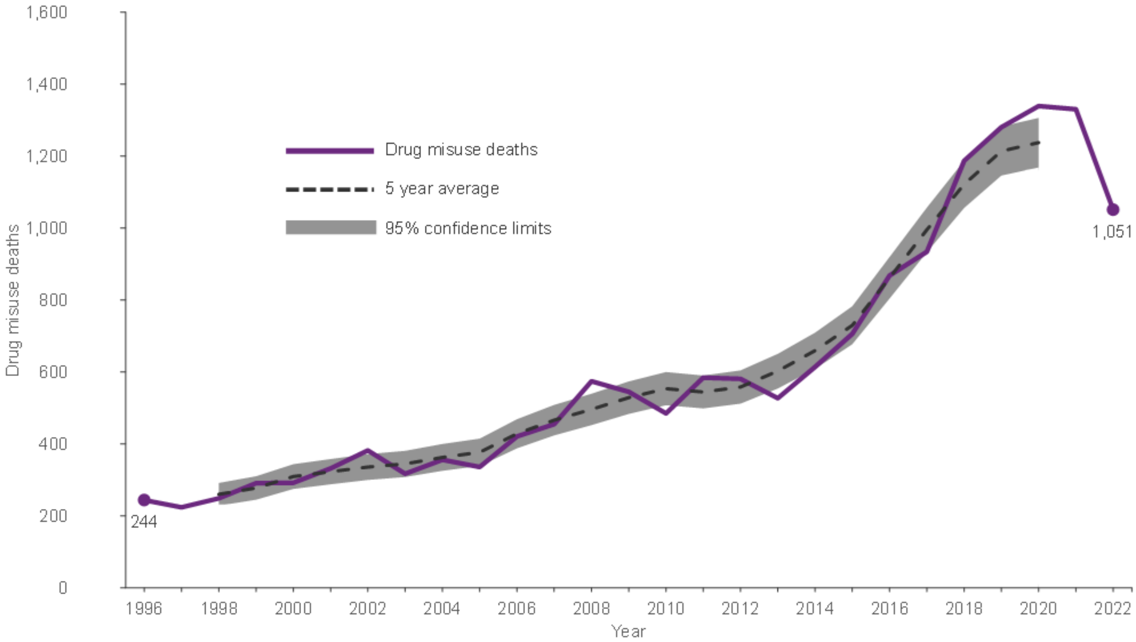
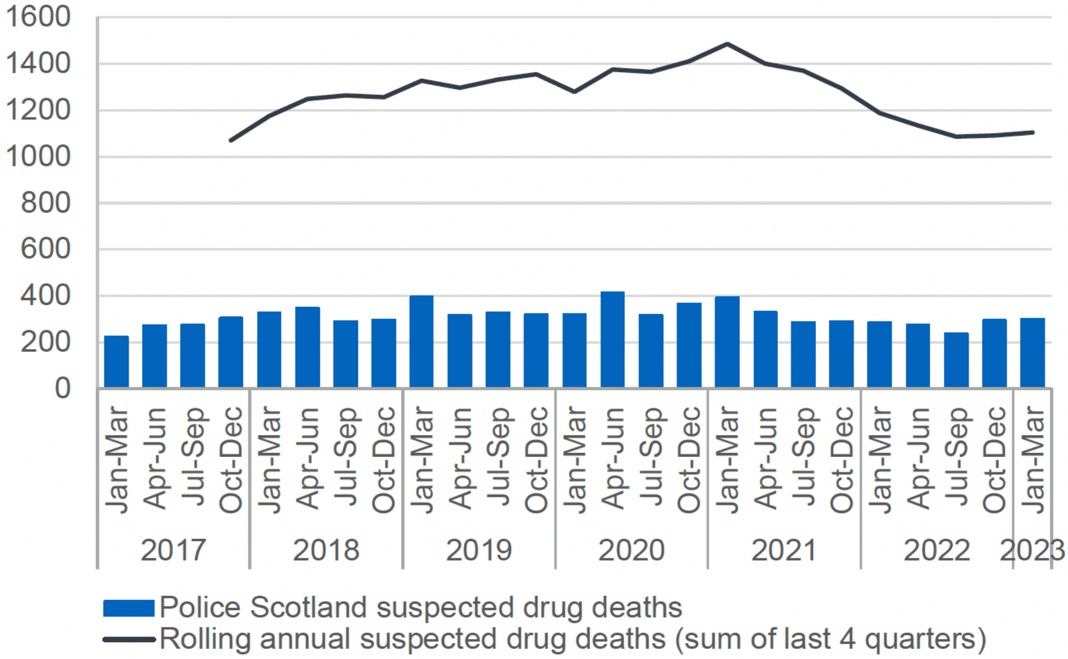


Figure 2: Number of suspected drug deaths by calendar quarter and year, January 2017 to March 2023[34]



34 Original data tables are here [Supporting documents - Suspected drug deaths in Scotland: January to March 2023 - gov.scot (www.gov.scot)]

Performance overview – Key Successes, Challenges and Forward Look

We have continued to implement our £1 billion NHS Recovery Plan, which drives the ongoing recovery from the COVID-19 pandemic. This was accompanied by £600 million to support resilience over a very challenging winter season for both staff and patients.

High levels of occupancy, delayed discharges, an increase in the complexity of cases, and challenges with workforce availability have seen NHS Boards reporting pressures impacting on the delivery of planned care targets. We have continued to take action on long waits, working closely with NHS boards to maximise capacity and reduce the length of time people are waiting for appointments and treatment. NHS Fife's National Treatment Centre opened in March 2023 and will provide capacity for almost 500 orthopaedic procedures in 2023-24, increasing to over 700 by 2025-26. In addition, we invested a further £3.6 million in Hospital at Home to support more than 150 extra virtual beds, and invested £1.8 million in a new national digital dermatology programme to help speed up treatment.

This has yielded improvements in terms of reducing long waits. As of 31 March 2023, 33 out of 41 (80%) new outpatient specialties and 18 of 30 (60%) inpatient / day-case specialities have fewer than ten patients waiting more than two years, and 24 out of 41 (59%) new outpatient specialities have fewer than ten patients waiting more than 18 months. Our health service, however, has continued to experience significant challenges over the last year, including pandemic backlogs and the most difficult winter the NHS has ever faced. Therefore, the target to clear waits of over 12 months in most new outpatient specialities was not met by the 31 March 2023 target.

The NHS is also continuing to experience significant workforce issues, including demand for workforce, workforce supply, levels of absence, recruitment and retention. To strengthen the health and social care workforce, we took action to hire an additional 800 nurses, midwives and allied health professionals from overseas, with £8 million of funding. In our constant efforts to not only recruit and build our future NHS workforce, but also retain expertise, our staff remain the best paid in the UK – with an average pay increase of 10.5% over the past two years (2021-2023). Over the last 12 months, Nursing and Midwifery vacancies have reduced by 10.3%, Consultant vacancies have reduced by 8.2% and Allied Health Professionals vacancies have reduced by 10.6%. Our long term investment in NHS staffing has accelerated since the outset of the pandemic and staffing numbers have increased by 9.6% since December 2019. These achievements took place against a background of the continued impact of the COVID-19 pandemic on health and social care services, and a challenging financial environment due to the ongoing cost crisis and impact of inflation.

In 2023-24, we will continue to embed the recovery and redesign of our key NHS and social care services. Included in this work will be an invitation to people across Scotland to have their say on how the new National Care Service should work, and an international recruitment pilot in summer 2023 to support expansion of our social care workforce. To continue to reduce waiting times, NTC Highland was opened in April 2023, creating capacity for over 1,500 orthopaedic procedures this year, and two further NTCs will open later this year, including Forth Valley and the second phase of NHS Golden Jubilee in Glasgow.

Financial Results

Health and Social Care reported an underspend of £261 million for the year ended 31 March 2023 (Budget: £17,895 million, Outturn: £17,634 million). More details are included in the Portfolio Outturn Statement at page 121.

Other Relevant Portfolio Performance Information

Suspected drug deaths in Scotland: January to March 2023 - gov.scot (www.gov.scot)
Suspected drug deaths in Scotland: April to June 2023 - gov.scot (www.gov.scot)
Drug-related Deaths in Scotland in 2022 - Report (nrscotland.gov.uk)
National Naloxone programme Scotland - Quarterly Monitoring Bulletin October to December (Q3)
Stage of treatment waiting times - Inpatients, day cases and new outpatients 30 May 2023 - NHS waiting times - stage of treatment - Publications - Public Health Scotland
Public Health Scotland Stage of Treatment report
NHS Recovery Plan 2021-2026

Justice and Veterans

The purpose of the Justice portfolio is to keep our communities safe and support the administration of justice. We aim to improve the wellbeing and life chances of all who engage with the justice system by enabling our communities to be safe and resilient, reducing crime and offending and supporting victims and witnesses. In doing this, the portfolio plays its part in tackling inequalities, protecting and promoting human rights and contributing to a sustainable, inclusive and prosperous economy.

Key Priorities and Deliverables

Provide over £50 million in annual funding for both recovery and reform, to support justice partners to address the unavoidable backlog of cases built up during the pandemic, and to deliver system-wide transformation, including shifting the balance between custody and community-based interventions

- During 2022-23, over £50 million of annual demand-led funding was set aside through the Justice Recover, Renew and Transform (RRT) Fund for post-COVID-19 recovery and reform. £29 million of this was allocated towards court recovery, including for remote jury centres and on-going COVID-19-related costs, reducing the backlog of criminal cases built up during the pandemic and reducing associated end-to-end delays.
- The RRT fund also provided:
  - £15 million (on top of existing baseline funding) to support the recovery and enhanced availability of community justice services. This included £3.2 million in funding to support the expansion of bail support and supervision services across local authority areas.
  - Funding for legal aid trainee solicitors and for additional COVID-19 related costs for the Scottish Prison Service.
- During 2022, the Scottish Government introduced the Bail and Release from Custody (Scotland) Bill to Parliament, including provisions to re-focus the use of remand on those who pose a risk to public and victim safety and, in certain circumstances, delivery of justice. The Bill (which became an Act on 1 August 2023) also aims, once implemented, to improve support for people leaving prison to reduce the risk of reoffending and to help people resettle positively into their communities.

Improve front-line victim support services, with an investment of £48 million over three years through the newly created Victim Centred Approach Fund, which also supports the overall vision for Justice - to embed person-centred, trauma-informed practices throughout our services

- More than 20 organisations received awards from the Victim Centred Approach Fund during 2022-23, totalling £16.3 million.

Continued investment in the modernisation and efficiency of the justice system, including the new Digital Evidence Sharing Capability (DESC), which will allow users such as police officers, prosecutors, court staff and defence agents to digitally access evidence in a more efficient and user-friendly way

- DESC represents an investment by the Scottish Government of £33 million over 10 years and will deliver significant savings of time and cost in the way that evidence is managed and used. DESC launched its pilot phase in January 2023 in Dundee.

Provide support for the Armed Forces community, ensuring no disadvantage in accessing public services and support, thus promoting Scotland as a destination of choice for Service leavers

- In 2022-23, 26 projects supporting veterans and their families across Scotland were funded through the Scottish Veterans Fund.
- We continued to fund the Unforgotten Forces Consortium to coordinate activity amongst their 19 member organisations who provide support to veterans aged over 60 in Scotland, directly supporting over 1,800 veterans in the first six months of 2022-23.
- We provided funding to continue the National Education Officer role, which supports and advocates for service children.
- The Veterans' Employment campaign was launched, focused on reaching employers across Scotland to communicate the benefits that employing veterans can bring to their businesses.

Outcomes: Performance against Key Targets and Indicators

Progress against key indicators of Covid recovery in the justice system are set out below.

Community and custody disposals[35]

- The proportion of custody disposals, as measured by management information at a charge level, fell from 12.5% to 10.0% of all disposals between 2018-19 Q4 and 2022-23 Q4. The proportion of community disposals over the same period dropped very slightly from 17.1% to 15.9%.

Prison and remand population

- The overall daily prison population has increased since the beginning of 2023 and is now approaching pre-pandemic levels. On the 1st August 2023 it stood at 7,887, an increase of 399 people since 1st April 2022[36] (see Figure 3 below). This increase is driven by a long-term increase in those serving longer sentences of 4+ years, as well as shorter term growth in the population serving sentences of 1 to 4 years.
- The remand population remains elevated, and has also increased somewhat in recent months, standing at 2,275 (29%) on the 1st August 2023, compared to 1,114 on 24th April 2020.
- Among the 2,275 people on remand as of the morning of Tuesday 1st August 2023, the median continuous time spent with this status to date was 70 days.

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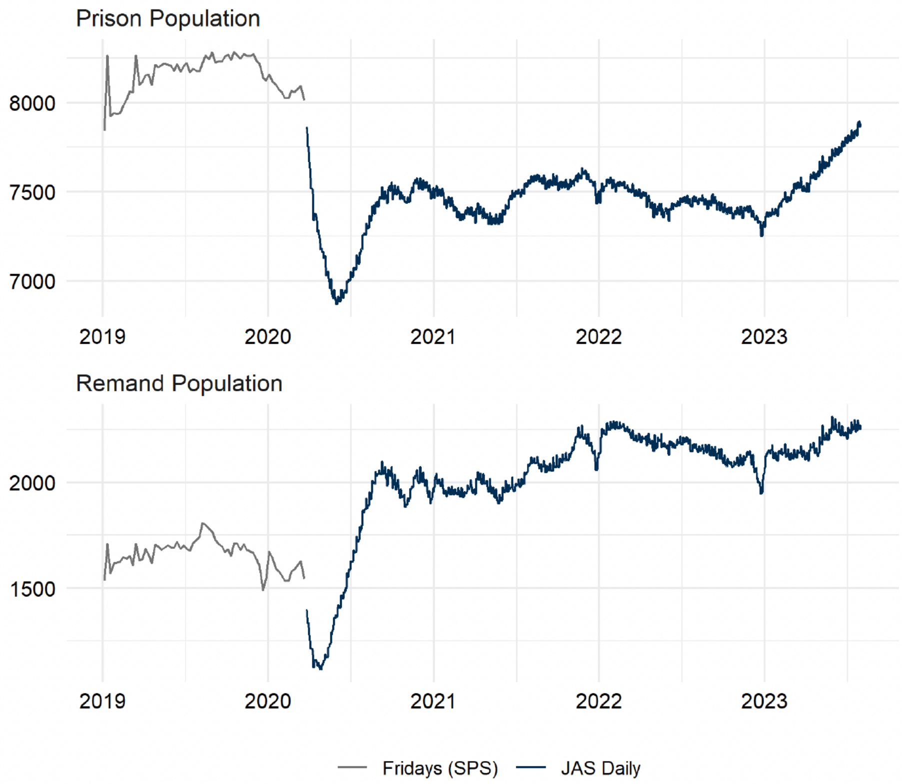
[35] Disposals of convicted people who have a community or a custodial sentence

[36] Justice Analytical Services (JAS) Safer Communities and Justice Statistics Monthly Data Report: August 2023 edition

Figure 3: Prison populations (total and remand), January 2019 to 1st August 2023



Courts backlog

- Between January 2022 and March 2023, the national total of scheduled trials (a proxy for the court backlog) fell by over 16,000 (or 37%), from 43,606 to 27,406[37]. This reflects the impact of the court recovery programme, with additional court capacity supported by Scottish Government funding.
- The overall reduction was driven largely by reductions in summary cases in the Sheriff Courts and Justice of the Peace (JP) Courts. The Scottish Courts and Tribunals Service (SCTS) assess that the summary backlog is on track to be resolved during 2024.
- The backlog, however, in solemn cases in the High Court and Sheriff solemn court is continuing to grow, in part reflecting an upward trend in the overall number of indictments compared with pre-COVID-19 levels, including more sexual offences cases. Following agreement among Justice partners to shift recovery funding from summary business to prioritise solemn business, SCTS have introduced two additional High Courts and six additional Sheriff Solemn courts to help reduce this backlog.

Performance overview – Key Successes, Challenges and Forward Look

During 2022-23, recorded crime remained at historically low levels. Scottish Government invested in recovering justice services from the impacts of the COVID-19 pandemic and in wider reform and transformation. This included launching and allocating funds as part of the new Victim-Centred Approach Fund; providing practical and emotional support to victims, survivors and witnesses of crime; and funding two new Restorative Justice Hubs which will have a strategic role in the development and delivery of restorative justice in Scotland. Work will continue in financial year 2023-24 to address the court backlogs and overall waiting

[37] Scottish Courts and Tribunals Service (SCTS) monthly management information (SCTS Official Published Statistics (scotcourts.gov.uk))

times for justice, aided by the publication of new experimental statistics on journey times through the system.

Capital investment in the prison estate in 2022-23 saw two innovative Community Custody Units being opened in Dundee and Glasgow, and HMP & YOI Stirling opening in June 2023. These are new national facilities for women prisoners, specifically designed to take account of the trauma and adversities experienced by many women in custody. This investment will continue, ensuring modern facilities that promote rehabilitation.

Over 2022-23, community-based interventions, such as the CashBack for Communities scheme, delivered 31 projects working with young people who experience multiple risk factors, including adverse childhood experiences, to improve relationships, behaviour, education and employment outcomes. To further reduce harm in our communities, two provisions of the Fireworks and Pyrotechnic Articles Scotland Act 2022 were implemented: introducing a proxy purchase and supply offence prohibiting fireworks or other pyrotechnic articles being provided to children, and introducing a statutory aggravation for offences involving pyrotechnic articles and emergency workers.

Financial Results

Justice and Veterans reported an underspend of £31 million for the year ended 31st March 2023 (Budget: £3,329 million, Outturn: £3,298 million). More details are included in the Portfolio Outturn Statement at page 126.

Other Relevant Portfolio Performance Information

Scottish Courts and Tribunals Service Annual Reports and Accounts Reports and Data (scotcourts.gov.uk)
Justice Analytical Services (JAS) Safer Communities and Justice Statistics Monthly Data Report: August 2023 edition
Financial Reports and Key Strategies - Scottish Police Authority (spa.police.uk)
Scottish Fire & Rescue Service: SFRS Annual Performance Review 2022-23 (firescotland.gov.uk)
Annual Report and Accounts - Scottish Legal Aid Board (slab.org.uk)
Scottish Prison Service Annual Report and Accounts Publications (sps.gov.uk)
Reports & Statistics - Community Justice Scotland
HMICS | Annual Reports
Publications | HM Inspectorate of Prosecution in Scotland (prosecutioninspectorate.scot)
Publications | HMIPS (prisonsinspectoratescotland.gov.uk)
Publications | HM Fire Service Inspectorate in Scotland (hmfsi.scot)

Education and Skills

Improving the life chances of our children, young people and learners of all ages through excellence and equity in education continues to be a key priority for the Scottish Government. The Education and Skills portfolio invests in changing lives for the better and underpins key cross-cutting government priorities, in particular promoting population wellbeing, tackling child poverty and encouraging sustainable and inclusive economic growth.

Key Priorities and Deliverables

Continue to provide funding to support the recruitment of 3,500 teachers and 500 support staff over this parliament

- We have recruited 40% of our target, with the 2022 school census showing a total of 54,193 teachers, 1,946 higher than the 2019 baseline of 52,247 (representing the annual teacher census figure for the number of teachers employed in all settings).

Continue to tackle the poverty related attainment gap and support education recovery through an investment of £1 billion in the Scottish Attainment Challenge over the course of this parliament

- We have dedicated £200 million annually to the Scottish Attainment Challenge. In 2022-23 this included:
    - £130 million in Pupil Equity Funding to schools (for head teachers to direct)
    - £44.7 million to local authorities through Strategic Equity Funding
    - £11.5 million to support care-experienced children and young people
    - £13 million for national programmes
- We published the Scottish Attainment Challenge Framework for Recovery and Accelerating Progress,[38] which introduced a requirement for local authorities to set ambitious aims for progress in closing the poverty related attainment gap. These aims were published in December 2022.[39]

Deliver 1,140 hours of high quality, funded early learning and childcare to all three and four year olds and eligible two year olds, as well as 5 year olds who defer their school start

- 1,140 hours of early learning and childcare is now available for all three and four year olds and eligible two year olds in Scotland, supported by a programme budget and specific and general revenue grants to local authorities, totalling around £1 billion each year.
- As of April 2023, 119,108 children were in funded early learning and childcare (ELC) places, 84% of these taking advantage of the full offer of 1,140 hours of funded ELC per year.[40]
- We are committed to developing a funded early learning and childcare offer for one and two year olds by 2026, focusing on those who need it most.

Progress work to build a system of school age childcare that is free to those on the lowest incomes, and consider how we can most effectively invest in early years support for the families who need it most

- Between 2020 and 2022, individual service level ‘tests of change’ were implemented through 15 Access to Childcare Fund projects, supporting 1,500 children from 1,000 families. In 2022-23 we continued supporting eight of those projects to deliver childcare for 650 children from 526 families, as well as supporting pilot projects with the Scottish Childminding Association and Ayr United Football Academy, who supported 228 children from 165 families.
- Community ‘tests of change’ have also been implemented in four local authorities to co-design and establish local systems of school age childcare that can support families on the lowest incomes. Over 300 children have been supported across these communities,

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[38] Scottish Attainment Challenge Framework for Recovery and Accelerating Progress
[39] Scottish Attainment Challenge - local stretch aims: 2022 to 2023
[40] Source: ELC Delivery Progress Reports | Improvement Service

in Clackmannanshire, Dundee, Glasgow and Inverclyde, allowing the Scottish Government and local authority colleagues to learn how best to build meaningful local systems of school age childcare.
- Around 158,000 children and young people were supported by the summer programme in 2022, providing targeted holiday childcare, activities and food in the summer holidays. The majority of these children were from the six priority family types at greatest risk of poverty.

Implementation of measures to reduce the cost of the school day, including providing over £40 million to deliver free school lunches to all children in Primary 4 and 5 and in special schools, and £30 million capital allocation for initial investment in school kitchens ahead of expanding free school meal provision to all primary school children later in the parliamentary term; continuing to provide funding for the school clothing grant; investing £15 million in the roll-out of digital devices and connectivity to Scotland's school pupils; and providing a curriculum free of core charges and free music tuition

- All pupils in Primary 1 - 5 and in special schools are now provided with free school lunches, with a 68.4% uptake in Primary 1 - 5, supported by funding of £42.2 million in revenue and £30 million in capital during 2022-23.
- To support the commitment to provide a digital device for every school-aged child by 2026, discovery work has been undertaken on the existing state of schools' digital infrastructure. This was concluded in December 2022 and the remainder of the work to deliver this commitment is in the scoping stage. Capital funding for 2023-24 was reduced as a result of the Emergency Budget Review in December 2022.
- We continue to engage with the UK Government on the commitment to increase and automate the school clothing grant for children from low-income households. We are in the process of seeking an amendment to the UK Digital Economy Act to provide a legal gateway for data sharing.
- We continued to support the removal of core curriculum costs for all primary and secondary pupils. Responding to feedback from local authorities, we provided £6 million for academic year 2021-22 and increased funding to £8 million for academic year 2022-23 and we have committed a further £8 million for financial year 2023-24.
- The Scottish Government and COSLA have agreed funding of £12 million for instrumental music tuition in the financial year 2023-24, meaning that where music tuition is offered in schools, parents and carers will not be required to pay fees, further removing barriers to participation. This represents an increase on the £8 million funding provided for the 2021-22 academic year.

Implement the recommendations of the Independent Care Review and meet the Scottish Government's commitment to keep The Promise by 2030

- In March 2022, the Scottish Government set out in a comprehensive Promise Implementation Plan a number of key commitments and actions that we are taking forward to Keep The Promise that care experienced children and young people will grow up loved, safe and respected.
- We progressed work on the Children's Care and Justice Bill, which aims to improve experiences and outcomes for children in Scotland who interact with the children's hearing and criminal justice systems. It will ensure that children who come into contact with care and justice services are treated with trauma-informed and age-appropriate support and will put an end to placing under 18s in Young Offenders' Institutions.
- As part of the Whole Family Wellbeing Programme in 2022-23, £32 million was allocated to local children's service planning partnerships, to build local service capacity and transform family support services to wrap around the holistic needs of families, and shift

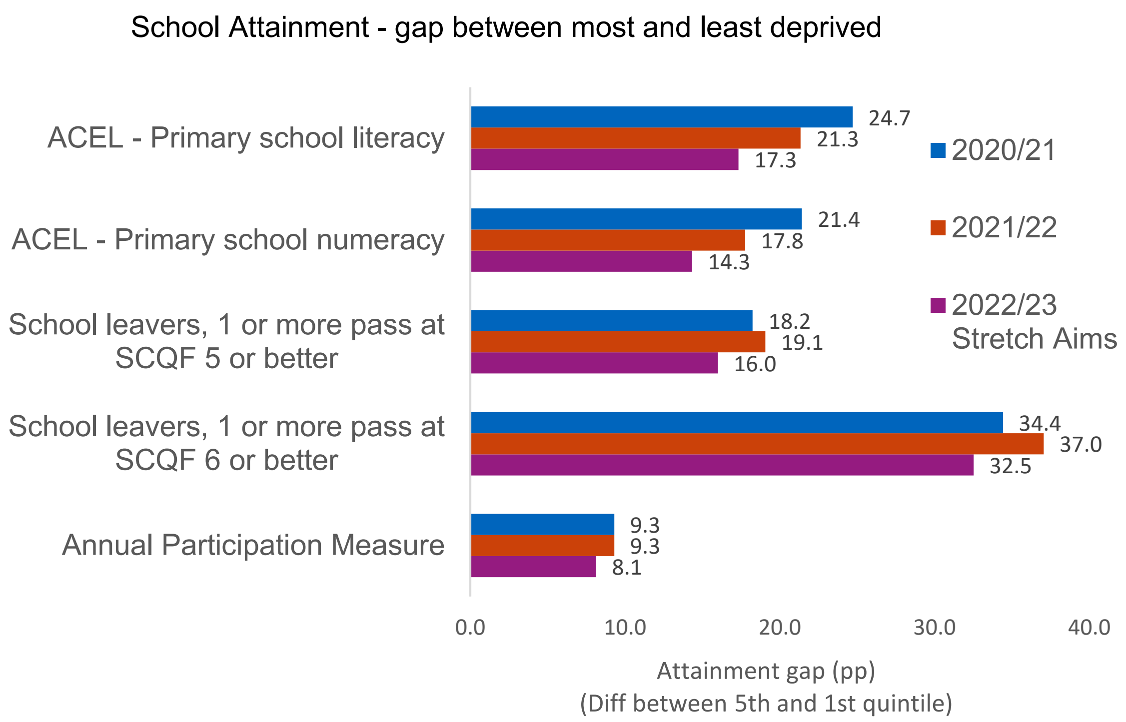
investment towards early intervention and prevention. This is a critical part of how we will keep The Promise, by ensuring families can access the support they need, where and when they need it.
- We have committed £4 million per year to the Promise Partnership Fund until 2024-25, to help organisations with early intervention and to deliver changes to better support children, young people and families in or on the edges of care. During 2022-23, this supported delivery of two funding rounds: A Good Childhood and Keep the Promise Round 1. A total of 69 applications were funded, from 58 different organisations.

Outcomes: Performance against Key Targets and Indicators

Attainment gap

- Between 2020-21 and 2021-22, there was a 3.4 percentage point reduction in the ACEL (Achievement of Curriculum for Excellence Levels) attainment gap among primary school pupils in literacy and a 3.7 percentage point reduction in numeracy. Data for S3 pupils was not collected in 2020-21 and so similar comparisons cannot be made.
- The gap in Higher pass rates has also narrowed from the pre-pandemic level, reducing from 16.9 percentage points in 2019 to 16 percentage points in 2023 between the least and most deprived areas.
- Among school leavers at SCQF Level 5 or better, the gap was 19.1 percentage points in 2021-22. This is wider than in 2020-21 (18.2 percentage points) but narrower than all other years back to 2009-10. At SCQF Level 6 or better, the gap was 37 percentage points in 2021-22. Again, this was wider than in recent years although it remains narrower than in 2017-18 and all earlier years.

Figure 4: School attainment gap[41]



National stretch aims are an aggregation of local authority ambition to reduce the attainment gap in their areas.
Comparison of school leaver attainment between 2020-21 and 2021-22 may be of limited value due to different models of certification in place.

Positive destinations for school leavers

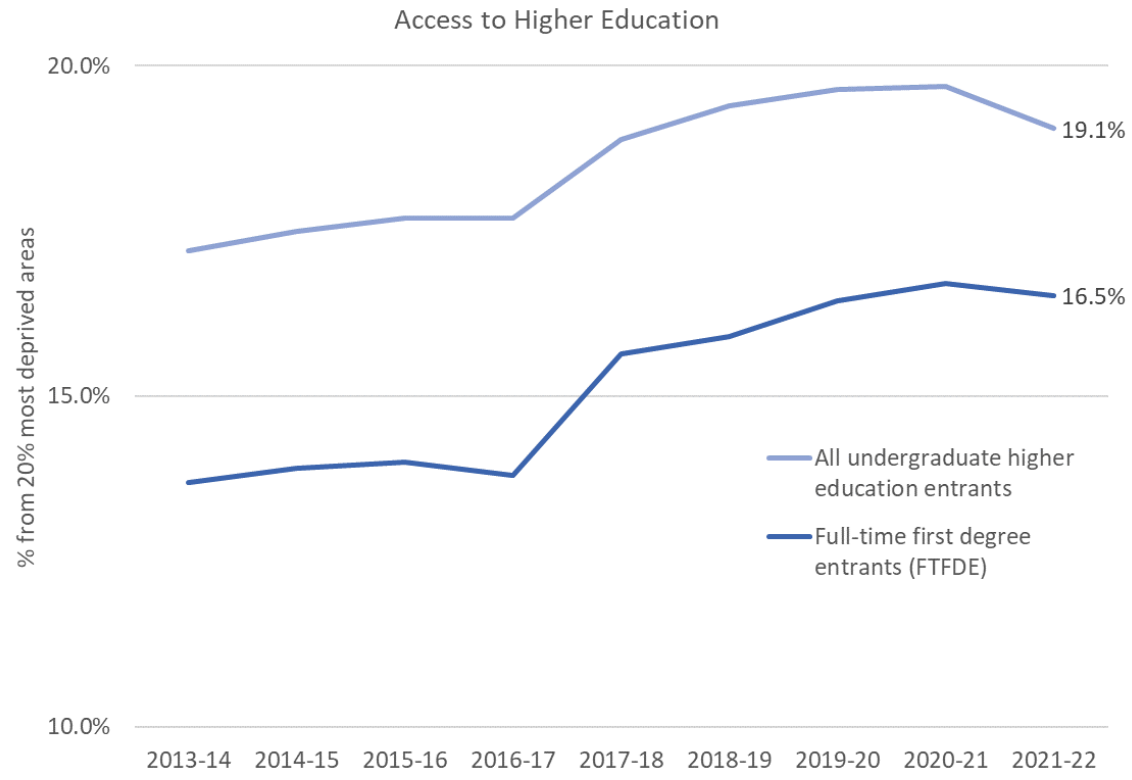
- 95.7% of 2021-22 school leavers were in a positive destination three months after the end of the school year, higher than the previous year (95.5%).[42] Nine months after the end of the school year, 93.5% were in a positive destination, again higher than the previous year (93.2%).[43]
- The poverty related gap in positive destinations 9 months after the end of the school year was also at a record low of 7 percentage points among 2021-22 school leavers, lower than the previous year (7.5 percentage points). This gap has narrowed from 18.7 percentage points in 2009-10.[44]

[41] Stretch aims for Local Authorities can be found at: Framework for Recovery and Accelerating Progress – stretch aims - Scottish Attainment Challenge - local stretch aims: 2022 to 2023 - gov.scot (www.gov.scot)
[42] Source: Summary Statistics for Attainment and Initial Leaver Destinations, No. 5: 2023 Edition (www.gov.scot)
[43] Source: Chapter 2: School leaver follow-up destinations - Summary statistics for follow-up leaver destinations, no. 5: 2023 edition - gov.scot (www.gov.scot)
[44] Source: Chapter 2: School leaver follow-up destinations - Summary statistics for follow-up leaver destinations, no. 5: 2023 edition - gov.scot (www.gov.scot)

Access to higher education

- Overall, we have seen a 41% increase in the most deprived students entering university since we accepted the recommendations of the Commission on Widening Access in 2016.
- In the most recent year for which we have data, 2021-22, 16.5% of Scottish domiciled full-time first-degree entrants were from the 20% most deprived areas in Scotland. This is a slight decrease from 16.7% in 2020-21, but does represent a small increase in numbers (of 80), to 5,595 students from deprived areas.
- The small decrease in proportion of entrants from the most deprived areas in 2021-22 is partly due to a large increase in entrants from those in SIMD 20-40 (i.e. the 20-40% most deprived areas). Therefore, combined, in 2021-22 we had record numbers and proportions of higher education entrants from the most deprived 40% of Scotland.
- When looking at entrants to both college and university, 19.1% of all Scottish domiciled undergraduate Higher Education entrants were from the most deprived areas in 2021-22.
- More timely UCAS data covering 2022 entrants, shows that the number of 18-year-olds securing places at university through UCAS from the most deprived areas had increased by 31% between the 2019 cycle and the 2022 cycle, to a record high. All-age acceptances from the most deprived areas increased by 4% over the same timescale.

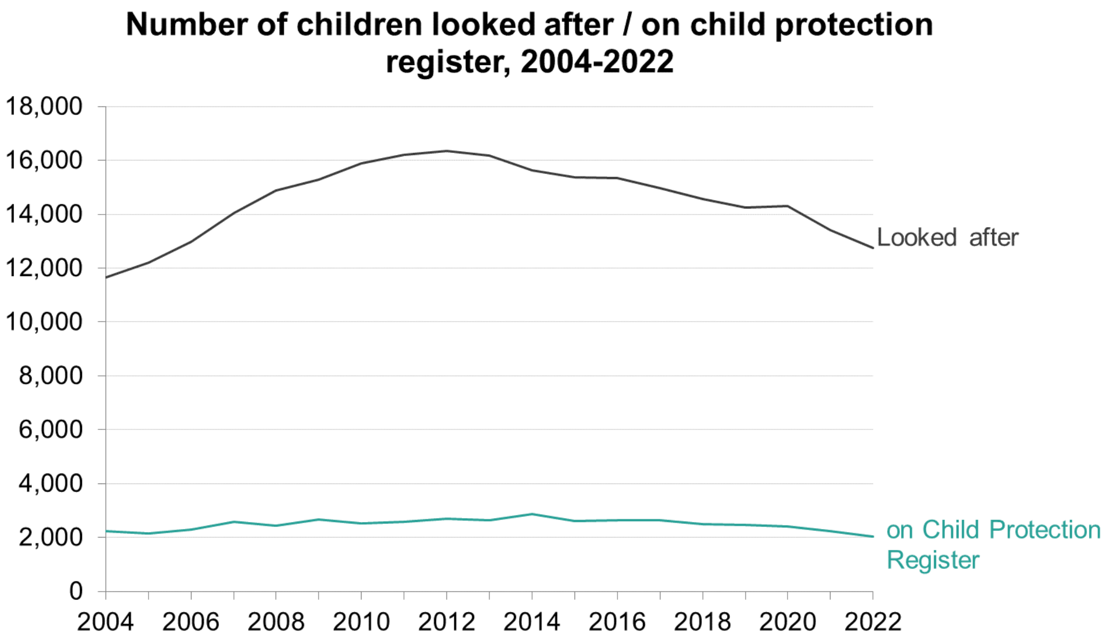
Figure 5 The proportion of Scottish-domiciled undergraduate HE entrants from SIMD 0-20 areas, 2013-14 to 2021- 22[45].



45 Report on Widening Access 2021-22 (sfc.ac.uk)

Children in care and on the child protection register

On 31 July 2022, 12,596 children were looked after – down 5% on 31 July 2021, and 2,031 children were on the Child Protection Register – down 4% on 31 July 2021.[46]



Performance overview – Key Successes, Challenges and Forward Look

As of April 2023, almost 120,000 three and four year olds and eligible two year olds were accessing funded early learning and childcare (ELC), of which 84% were accessing the full 1,140 hours, supported by annual investment of around £1 billion. We are working to build a future system of school age childcare and developing a new ELC offer for one- and two-year-olds, starting in this Parliament with those who need it most.

We have progressed work to Keep the Promise and transform how Scotland cares for children, young people and families, delivering on our commitments in the Promise Implementation Plan, including investment through our Whole Family Wellbeing Funding, to ensure families get the right support, in the right place, at the right time.

There is strong evidence that progress on reducing the poverty related attainment gap is being made, and there are signs of recovery from the pandemic, with 2021-22 Achievement of Curriculum for Excellence Levels data showing the biggest single year decrease in the attainment gap in primary numeracy and literacy levels since records began (in 2016-17), with the gaps now more similar to those seen before the pandemic.

The 2022 exam pass rates for National 5s, Highers and Advanced Highers increased to record levels for any exam year since current qualifications were introduced, and the latest figures for 2021-22 show that more school leavers in Scotland are in employment, training or further study 3 months and 9 months after the end of the school year than in the previous year and at any time since the current time series began in 2009-10.

Our education reform programme gathered pace, driven by a National Discussion held over the last year to develop a compelling and consensual vision for Scottish education. This

[46] Source: [Children's Social Work Statistics Scotland: 2021 to 2022 - gov.scot (www.gov.scot)](https://www.gov.scot)

reached 38,000 people and attracted more than 5,400 responses, making it the biggest listening exercise in Scottish education.

We have continued to invest in our colleges and universities and their students to support the development of well-educated, highly skilled people and to secure world-class research and cutting-edge innovation. Scotland has three universities in the latest top 200 according to the Times Higher Education World University Rankings (2023).

The Education and Skills Portfolio has experienced ongoing budget and resource challenges due to the Scottish Government facing wider fiscal constraints. This has led to difficult decisions being made with some portfolio activity being re-prioritised or paused to allow a focus on critical provision, such as universal early learning and childcare, raising educational attainment and free university tuition.

Financial Results

Education and Skills reported an underspend of £56 million for the year ended 31 March 2023 (Budget: £4,004 million, Outturn: £3,948 million). More details are included in the Portfolio Outturn Statement at page 125.

Other Relevant Portfolio Performance Information

Education Scotland Scottish Attainment Challenge: National Summary report December 2022 to March 2023
Education Scotland Scottish Attainment Challenge: National Summary report September 2022 to November 2022
Attainment Scotland Fund - improvement in attainment and health and wellbeing: evaluation report - gov.scot (www.gov.scot)
Evaluation Strategy for the Attainment Scotland Fund 2022 – 2026
Children's Social Work Statistics Scotland: 2021 to 2022 - gov.scot (www.gov.scot)

Finance and Economy

The Finance and Economy portfolio leads on the management of sustainable public finances and is at the heart of the Scottish Government’s determination to build a net zero wellbeing economy. It helps drive and shape our response to, and recovery from, the COVID-19 pandemic by ensuring that we protect and create good quality, green jobs in every region of Scotland and support workers to upskill and reskill so that they can prosper in the economy of the future.

The Finance and Economy portfolio and its funding directly supports delivery of the National Strategy for Economic Transformation’s (NSET) six transformational programmes, alongside funding and support from other portfolios and partners.

Key Priorities and Deliverables

Managing sustainable public finances

- In May 2022, we delivered a Resource Spending Review setting out high level resource spending plans over five years from 2023-24, providing a basis for the Scottish Government and partners to plan with more certainty. Alongside this, we delivered the Targeted Review of the Capital Spending Review, updating the spending allocations for 2023-24 to 2025-26 in response to a challenging funding and economic outlook, and confirming an increased commitment to tackle the global climate and nature emergencies.

- To respond to the ongoing cost crisis and support those who need most help, whilst also managing the nation's budget, we delivered an Emergency Budget Review of the 2022-23 Scottish Budget in October 2022. The 2023-24 Scottish Budget was delivered in December 2022, and in March 2023 we also set the 2023-24 Public Sector Pay Strategy.
- The Scottish Government's strategy for managing the public finances and the medium term economic and fiscal outlook was laid out in the Medium Term Financial Strategy in May 2022.
- We delivered tax policy commitments set out in the Scottish Budget 2022-23, continuing to deliver a more progressive tax system and raising revenue to fund Scotland's essential public services. Both Land and Buildings Transaction Tax and Scottish Landfill Tax outturn in 2022-23 exceeded forecasts, with Revenue Scotland reporting total provisional outturn revenues for the two fully devolved taxes at £956 million (excluding penalties), compared to the £850 million forecast by the Scottish Fiscal Commission in December 2021.[47]

Continue to drive forward a programme of targeted export support and promotion, implement our Sector Export Plans and attract high quality inward investment; work with public and private sector partners to raise levels of investment across the economy and implement the recommendations from the Investor Panel to attract global capital investment and support delivery of our net zero ambitions.

- The First Minister's Investor Panel is finalising a set of recommendations around how we attract mobile capital investment to the infrastructure needed to support a just transition. The panel has looked at market intelligence, investor environment and priority growth sectors.
- In a little over two years since it was established, the Scottish National Investment Bank has committed over £445 million of long-term strategic investment. A further £703 million has been attracted in from other sources, ensuring the Scottish economy has benefitted from over £1.1 billion of support. All investments help achieve the Bank's missions of supporting Scotland's transition to net zero, improving places and communities or harnessing innovation. Over the course of the 2022-23 financial year its portfolio has: expanded from 14 to 27 investments; secured the completion of 481 mid-market rental homes; helped support 43 patents; and placed 30% of the total value of investments into 20% of the most deprived communities in Scotland.
- Throughout the year we have worked with Scottish Development International to target export support and to deliver our Sector Export Plans for life sciences, technology and renewables. We have also supported the Scottish Chambers of Commerce International Trade Programme. We have also worked with SDI to attract high quality inward investment to Scotland – in 2022-23 more than 8500 jobs were created through inward investment.
- A £25 million Low Carbon Manufacturing Challenge Fund (LCMCF) was launched in May 2022 to help Scottish manufacturing companies develop low carbon products, processes or services. This LCMCF is facilitated by Scottish Enterprise as part of the Scottish Government's initiative, 'Making Scotland's Future', to promote low carbon alternatives in manufacturing.

Digital transformation, supported by the development of common platforms and adoption of cloud-based technology, will support modern, citizen-focused public services, as well as better outcomes for Scotland's citizens through programmes such as: enabling access to gigabit and superfast broadband via the R100

[47] Scottish Income Tax outturn for 2022-23 will become available in the summer of 2024.

connectivity programme; helping close the mobile coverage gap through the Scottish 4G Infill Programme; and delivering on NSET objectives via the expansion of CivTech

- In August 2022, we announced a £36 million expansion of the Reaching 100% (R100) North and South contracts, which will extend full fibre, gigabit capable broadband to a further 2,637 rural and island properties. Sixteen subsea cables connecting 15 Scottish islands to superfast broadband were delivered in 2022-23 as part of the R100 North contract. As of 30 April 2023, 22,421 premises were connected through the R100 contracts and a further 5,779 were delivered as a result of contractual overspill at no extra cost to the Scottish Government. Over 3,000 properties have also been connected to faster broadband thanks to the R100 Scottish Broadband Voucher Scheme.
- Through the Scottish 4G Infill (S4GI) programme, we are investing £28.75 million to deliver future-proofed, 4G mobile infrastructure at 5 mobile "notspots", providing connectivity in rural and island areas. By 31 March 2023, the programme was nearing completion with 48 of the 55 masts built and activated for 4G, 21 of which were delivered during 2022-23.

Ensuring Fair Work, and investment to strengthen our employability offer to parents, as set out in the Tackling Child Poverty Delivery plan, through actions taken over the remainder of the parliament, aiming to support up to 12,000 parents to access and sustain employment and support up to 3,000 parents already in work to increase their earnings

- Under the No One Left Behind approach, a total of 17,667 people started to receive support between April 2022 and March 2023; of those, 4,201 (24%) were parents. 11,247 parents started on Fair Start Scotland over the same period. For more information, see Scotland's Devolved Employment Services, Statistical Summary July 2023[48].
- In December 2022, we published the Fair Work Action Plan and Ethnicity Pay Gap Strategy.
- We announced Fair Work conditionality on grants, which came into effect in July 2023 as the default position, so that all grant recipients will be required to pay at least the real Living Wage and provide appropriate channels for effective workers' voice.
- We now have a strengthened approach to conditionality through Fair Work First, which we have already applied to some £4 billion of public funds since 2019 and we have published updated Fair Work First guidance for this new requirement.

Continuing to deliver Ministers' statutory responsibilities and policies for the operation of the planning system, a package of reforms to transform Scotland's planning system, and continued investment in our communities and places

- Scotland's fourth National Planning Framework (NPF4) was adopted and published on 13 February 2023. It sets the context for development planning in Scotland, providing a framework for the spatial development of Scotland as a whole, and identifies 18 national developments.

Stimulating entrepreneurship, including embedding entrepreneurship in our education system to help young people realise their ambitions and to give them the opportunity to start and grow businesses in Scotland.

- Through a £42 million investment, the Scottish Government established the Techscaler Network, which supports tech founders scale up their businesses by accessing advice and mentorship from industry experts. To date, around 400 founders and businesses have joined the network.

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[48] Scotland's Devolved Employment Services: Statistical Summary July 2023 - gov.scot (www.gov.scot)

- A redesigned online platform and resource pack has been launched to promote enterprise opportunities, and 'starting your own business' is now positioned as a positive destination in the Young Persons Guarantee for 16–24 year olds across Scotland.
- An independent review into women in entrepreneurship in Scotland: *Pathways: A new approach for women in entrepreneurship*, was launched in February 2023, making recommendations to address the root causes of female under-participation.

Outcomes: Performance against Key Targets and Indicators

- The National Strategy for Economic Transformation (NSET) sets out three broad outcomes for the type of economy we want Scotland to have in ten years' time:
    - **Wealthier**: with an internationally competitive economy that is founded on entrepreneurship and innovation
    - **Greener**: through delivery of a just transition to a net zero, nature positive economy and rebuilding our natural capital
    - **Fairer**: where work pays for everyone through better wages and fairer work, reducing poverty and improving life chances
- The strategy comprises six programmes which will help to deliver this transformation – each tracking their own measures of success. The latest Annual performance against these success measures was set out in the National Strategy for Economic Transformation progress report published in June 2023. Data from that report is set out below.

Table 4: Progress Against NSET Programmes and measures of success

Programme 1 Entrepreneurial people & culture	Latest	Previous data point
Early-stage entrepreneurial activity	8.0% (2021)	6.9% (2020)
3-year survival rates of newly born businesses	59% (2018)	58.5% (2017)
Number of high growth registered businesses	1,530 (2022)	2,050 (2021)
Despite a challenging global business environment, the latest data shows an increase in early-stage entrepreneurial activity and modest growth in the three-year business survival rate. While the number of high growth registered businesses has decreased between the latest two data points, it is important to note that there are lags associated with the turnover data used to measure high growth, for example the 2022 data will largely be from 2020 when turnover would have been much lower due to the COVID-19 national lockdowns and other restrictions that impacted trading conditions.		
Programme 2 New market opportunities	**Latest**	**Previous data point**
Level of capital investment (Gross Fixed Capital Formation, GFCF)	£34.4 billion (2022)	£31.4 billion (2021)
Exports (as a share of GDP)	21.0% (2021)	21.1% (2020)
Number of planned inward investment jobs	8,533 (2022-23)	7,781 (2021-22)
Capital investment within the Scottish economy rose by 8.7% in 2022 despite the increase in the cost of borrowing from higher interest rates and uncertain economic conditions. The value of annual goods and services exported overseas increased by around 20% in 2022 compared to the previous year, but overall exports as a share of GDP remained at around 21%. Latest data from the Purchasing Managers Index (PMI) survey indicates supply chain disruption has moderated over the year with supplier delivery times continuing to improve. The latest HMRC statistics show that compared to the previous year, Scotland's international goods exports continue to grow, outperforming the UK when oil and gas are excluded - the value of Scotland's international goods exports increased by 17.7% in the		

year ending in March 2023 compared to the previous year, which is greater in percentage terms than the 13.5% increase experienced by the UK.
Scottish Enterprise, on behalf of the enterprise agencies (including Highland and Islands Enterprise and South Of Scotland Enterprise) publishes Scottish Development International's annual inward investment results. The number of planned inward investment jobs reported above are both new and safeguarded jobs that were supported by the enterprise agencies.

Programme 3 Productive businesses and regions	Latest data	Previous data point
Productivity (GVA per hour worked)	£37.92 (Q4 2021)	£36.73 (Q4 2020)
Business R&D spend (£ million)	£3,121 million (2021)	£2,927 million (2020)
Proportion of businesses that are innovation active	39.0% (2018-2020)	32.2% (2016-2018)
Digital skills in businesses	21.0% (2021)	26.0% (2017)

Business confidence weakened slightly in March 2023, however, it remained notably higher than in the second half of 2022, reflecting that while conditions are challenging, there is a greater degree of resilience than previously forecast.
The latest data reports a marked improvement in the proportion of businesses that were innovation active in Scotland between 2018-2020. However, Scotland still lags behind the UK, where 44.9% of businesses were innovation active.
Business R&D spend increased by 6.6% in 2021, and revisions in the methodology indicate that Scotland performs significantly better than previously estimated. However, further work is underway to test the robustness of these new estimates.

Programme 4 Skilled workforce	Latest data	Previous data point
Skill shortage vacancy rate	3% (2020)	6% (2017)
Percentage of young people (16-19) participating in education, training or employment	92.4% (2022)	92.2% (2021)
Percentage of adults (16-64) with low/no qualifications (SCQF Level 4 qualifications or below)	9.1% (2021)	9.7% (2020)
Proportion of establishments reporting at least one employee whose skills are under-utilised	33% (2020)	35% (2017)
Percentage of people in employment aged 16-64 (excluding full-time students) receiving job related training	25.5% (2022)	23.5% (2021)

In some respects, performance of the Scottish labour market remains robust, with near-record low unemployment rates. However, the number of vacancies within the economy are still estimated to be significantly higher than pre-pandemic levels, and recruiters face recruitment difficulties in key sectors of the economy. There is also evidence that the number of people economically inactive due to long-term sickness has risen relative to before the pandemic.

Programme 5 A fairer and more equal society	Latest data	Previous data point
Percentage of employees aged 18 or over earning the real living wage or higher	91.0% (2022)	85.5% (2021)
Employment rate (16-64)	75.3% (Jan 23 – Mar 23)	75.5% (Jan 22 – Mar 22)
Gender pay gap for full-time employees	3.7% (2022)	3.0% (2021)
Employee voice	35.4% (2022)	36.4% (2020)

Proportion of employees in contractually secure employment	94.1% (2022)	95.0% (2021)
Average pay growth continues to lag behind inflation, reducing the real purchasing power of households. Although inflation has begun to fall, prices are expected to be around 20% higher by the end of 2023 than they were in 2020, meaning that household finances will continue to face significant pressures. In 2022, 91.0 per cent of employees in Scotland were paid at least the real living wage, increasing over the year and continuing the longer-term upward trend seen since 2018 (when it stood at 80.6 per cent). The employment rate remains close to a record high, although the young people's (16-24) employment rate dropped to 55.8% between July 2022 and June 2023, 2.5 percentage point (pp) lower than the previous year and 3.3 pp lower than pre-pandemic. In 2022, the median gender pay gap for full time employees increased slightly to 3.7 per cent, but it has remained below the gap in the UK (8.3 per cent).		

Performance overview – Key Successes, Challenges and Forward Look

In March 2022 we published our National Strategy for Economic Transformation (NSET), setting out bold and ambitious actions to deliver fairer, greener prosperity for all of Scotland's people and places, and to make our economy more sustainable and resilient in the longer term.

We published the first NSET Annual Progress Report in June 2023[49], which outlines the significant progress that has been made, including the establishment of our national Techscaler network and progressing the opportunities from our transition to a net zero economy. In addition, we have completed a review setting out a new approach to increase the participation of women in entrepreneurship, announced over £50 million funding through the £500 million Just Transition Fund to support the transition of the North East and Moray towards a low carbon economy, and expanded Productivity Clubs and piloted Digital Productivity Labs.

The first Annual Progress Report also provides a fresh focus on the new actions the Scottish Government will progress to deliver a growing economy that increases wellbeing. This includes the New Deal for Business Group, which will deepen public sector links with business and work towards creating the best environment for business to succeed. Transforming the economy, however, is a long-term endeavour. Over the coming months, work will take place to examine what more can be done to accelerate economic growth. This will build on the priorities set out in the Policy Prospectus and be reflected in updated delivery plans for NSET.

The cost of living crisis and wider economic challenges have had a detrimental effect on several of NSET's measures of success. Economic indicators such as GDP growth, business activity, consumer sentiment, and the UK public finances have all been weak over the last year, and living standards are expected to have fallen by over 4% between 2021-22 and 2023-24. Although unemployment has remained low, with continued shortages in the labour market, the outlook for the economy remains uncertain, with the risk of inflation becoming more persistent and the full impact of increases in interest rates yet to feed through to household finances.

Fiscal constraints have also led to ongoing budget and resource challenges, resulting in delays in the delivery of a number of NSET actions. To address these challenges, we have identified and prioritised critical actions that are most likely to make an impact on transforming the Scottish economy.

[49] Progress Update by NSET Programme - National Strategy for Economic Transformation: annual progress report June 2023 - gov.scot (www.gov.scot)

Businesses have also expressed concern with high inflation, supply chain issues, labour shortages and the impact of regulations. In light of these concerns, the First Minister has committed to agreeing a ‘New Deal’ with the private sector. Announcements on the delay of the Deposit Return Scheme (also see page 88) and on alcohol marketing have been well received by business, and a Regulatory Joint Taskforce has been established to consider improvements to Scottish Government regulations.

Financial Results

Finance and Economy reported an underspend of £40 million for the year ended 31 March 2023 (Budget: £1,496 million, Outturn: £1,456 million). More details are included in the Portfolio Outturn Statement at page 123.

Other Relevant Portfolio Performance Information

Scotland's National Strategy for Economic Transformation: Annual Progress Report (www.gov.scot)
The Wellbeing Economy Monitor - December 2022 update (www.gov.scot)
Scotland's Devolved Employment Services: Statistical Summary July 2023 - gov.scot (www.gov.scot)
Labour Market Statistics for 16 to 24 year olds: Scotland and the United Kingdom - July 2022 to June 2023 - gov.scot (www.gov.scot)

Net Zero, Energy and Transport

During 2022-23, the Net Zero, Energy and Transport (NZET) portfolio was charged with achieving a just transition to a net zero carbon emission Scottish economy, in line with the Scottish Government’s updated Climate Change Plan, and for enhancing climate resilience through the Scottish Climate Change Adaptation Programme. The portfolio was also charged with tackling the biodiversity crisis by protecting and enhancing our natural environment and resources, and had responsibility for physical connectivity (transport) and infrastructure. The portfolio aimed to capitalise on significant opportunities to diversify our economy, create good, green jobs, and to be a world leader in a just transition to a net zero, nature-positive Scotland.

Key Priorities and Deliverables

Implementation of the updated Climate Change Plan (CCP) and the Scottish Climate Change Adaptation Programme (SCCAP)

- The annual monitoring reports for the CCP and SCCAP were laid in Parliament in May 2022, alongside publication of our response to the Climate Change Committee’s annual progress report. The latest official statistics on greenhouse gas emissions in Scotland were published in June 2022 and showed that Scotland’s statutory annual target for 2020 was met. The Climate Change Plan Advisory Group was established with representation from all political parties, as well as academia, industry and trade unions, to contribute to the development of the next Climate Change Plan, a draft of which is planned to be laid in parliament in 2023-24.
- In February 2023, the Scottish Government published the Coastal Change Adaptation Guidance to support the long-term adaptation and resilience of our coastal communities. During 2022-23, £1.6 million was given to coastal local authorities through the general capital grant to allow them to prepare and implement coastal change adaptation plans.
- We invested £243.5 million between April 2021 and the end of March 2023 in the Heat in Buildings Strategy, resulting in 8,878 fuel poor households being warmer with easier to heat homes due to the Warmer Homes Scotland programme and Area-Based Schemes. 7,570 homeowners applied for a grant or loan to undertake energy efficiency works, and funds were paid out supporting around 500 installations of energy efficiency measures, 1,250 heating measures, and 1,200 solar installations. 4,400 domestic Zero Direct

Emissions Heat (ZDEH) installations were funded this year through our schemes and 652 homes will be connected to the ZDEH heat network because of funding approved in 2023-24.

Continue to support the energy sector in the North East of Scotland via the Energy Transition Fund; invest alongside energy-intensive manufacturing industries to reduce energy costs and emissions via the Scottish Industrial Energy Transformation Fund; and launch our Hydrogen Innovation Scheme – the first tranche of the Emerging Energy Technologies Fund

- The Scottish Government has accelerated the energy transition through the Just Transition Fund, spending £10.9 million on projects in the North East and Moray in 2022-23, supporting skills interventions, innovation and emerging technologies, and empowering local communities. A total of £50 million was awarded in 2022-23 supporting the delivery of 24 projects within a multi-year programme. Grants worth over £7 million from the Hydrogen Innovation Scheme, part of the Emerging Energy Technologies Fund, have been allocated to 32 projects to support research and innovation in hydrogen production, storage and distribution.
- Our Scottish Industrial Energy Transformation Fund continues to receive a significant number of applications from a wide range of industrial manufacturing sectors across the country. Over 20 projects have been offered grants totalling £12 million.
- Through the Energy Transition Fund, the Energy Transition Zone (ETZ), the Global Underwater Hub (GUH), the Aberdeen Hydrogen Hub (AHH) and the Net Zero Technology Transition Programme (NZTPP) together received £16.25 million in 2022-23, supporting delivery of energy transition innovation and development. Key outcomes this year included:
    - ETZ completing the purchase and refurbishment of their floating offshore wind centre;
    - GUH engaging with an increased number of international delegations;
    - AHH moving towards delivering, ahead of schedule, hydrogen conversion equipment for buses, public sector vehicles and waste trucks;
    - NZTTP showcasing a gas turbine run on e-methanol, a world first.

Action to tackle the twin challenges of biodiversity loss and climate change, including scaling-up of activity to meet our annual target of 18,000 hectares of woodland creation by 2024-25; supporting actions to drive Scotland's circular economy; and delivery of our ambitious programme of nature-based solutions, such as peatland restoration

- We have continued to invest in our natural environment:
    - £41 million, including EU co-finance, was invested in 2022-23 to support increased woodland creation in Scotland to 18,000 hectares per year by 2024-25. A total of 8,190 hectares of new woodland were created in the year ending 31 March 2023.
    - A total of £17.9 million was invested across Peatland Action, restoring 7,468 hectares of degraded peatland, a 38% increase on the 5,373 hectares restored in 2021-22.
- A total of £13.5 million was invested in addressing biodiversity loss at scale in 2022-23 through the Nature Restoration Fund (NRF), including direct allocation of £6.5 million to fund 44 projects in local authorities and 31 projects in the National Parks, through the NRF Helping Nature[50] and NRF Transforming Nature[51] funding streams. A further investment of £2.9 million was spent on conservation, research and connecting people with nature, which included £1.3 million on restoring the Atlantic Rainforest.
- There has been continued investment in driving Scotland's circular economy, including through the Recycling Improvement Fund, which provides capital funding grants for local

[50] Nature Restoration Fund (NRF) 2022 - £25,000 to £250,000 round - Helping nature successful projects
[51] Nature Restoration Fund (NRF) 2022 - Transforming Nature successful projects

authorities to improve recycling infrastructure and services across Scotland. In total, 16 local authorities received grant funding in 2022-23, with a value of £9.79 million.

Develop a new National Marine Plan (NMP2)

- Our updated National Marine Plan (NMP2) will seek to deliver a streamlined decision-making framework to better address increasing competition for Scotland's marine space and resources. NMP2 will be a key mechanism through which to address the twin climate and nature crises and ensure progress towards achieving the outcomes of Scotland's Blue Economy Vision.

Invest in Scotland's transport network, including over £4.2 billion across the Resource Spending Review period (to 2026-27) on our bus, rail and ferry services, as well as investing up to £150 million in resource to support capital expenditure on active travel, as part of a shift of transport funding to walking, wheeling and cycling – supporting our commitment to cut car kilometres by 20 per cent by 2030, and enabling Active Travel funding to reach a combined annual budget of £320 million by 2024-25, in line with the Bute House Agreement

Active Travel

- In 2022-23, £150 million was provided for the Active Travel budget, including the Cycling, Walking, Safer Routes grant of £35 million that goes directly to local authorities on a pro rata basis.
- Over £52 million of the capital budget was allocated to the Sustrans Places for Everyone infrastructure programme, which has approximately 200 active travel projects in train nationally.

Decarbonisation

- £485,000 in grant funding for Scottish businesses was allocated through the Can Do Innovation Challenge on Zero Emissions Heavy Duty Vehicles, delivered in partnership with Scottish Enterprise.
- Twelve feasibility studies are ongoing, covering full vehicle development of battery electric, hydrogen and retrofit, as well as subsystem developments for hydrogen, energy storage and battery control systems.

Electric Vehicles

- In 2022-23, we launched the Electric Vehicle Infrastructure Fund, aiming to leverage £60 million of public and private funding to double the size of the public charging network to 6,000 charge points by 2026[52]. In November 2022, the building regulations were updated to ensure that new residential buildings with a parking space have at least one EV charge point. The updated regulations came into effect from June 2023.
- We commissioned options appraisal for car demand management as part of our commitment to reduce car kilometres by 20% by 2030, alongside our work to shift to sustainable alternatives. A route map setting out our approach to achieving the 20% reduction in car kilometres will be published later in 2023.

[52] Published data from the UKG Department for Transport shows that Scotland had 3,919 public chargers at the end of March 23, and continues to have the most electric vehicle charge points by head of population of any region in the UK outside of London. DfT Release - Electric vehicle charging device statistics: April 2023 - GOV.UK (www.gov.uk) and Tables showing public charger numbers - Electric vehicle charging device statistics: April 2023 - GOV.UK (www.gov.uk).

Rail

- In the current five year railway funding period (2019-2024), the Scottish Government has allocated £4.85 billion to maintain and enhance Scotland's railway, including ongoing electrification and decarbonisation through our Rail Services Decarbonisation Plan. In 2022-23 a total of £980 million Capital funding was provided for Operations, Maintenance, Renewals, Enhancements projects and Fixed Track Access Charges. There was a total of £412 million Resource funding provided, £382 million subsidy to Scottish Rail Holdings and £30m to Serco Caledonian Sleeper Ltd and Cross Border Services.
- We brought ScotRail into public control and ownership on 1 April 2022. In the last Transport Focus survey results, published in March 2023, overall satisfaction with ScotRail was at 90%[53]. This is 5% above the Great Britain average. During 2022-23, ScotRail has successfully settled pay deals with the rail trade unions, which include a revenue share scheme for staff.
- We have also made further improvements to our network, with the opening of Inverness Airport station in February 2023 and invested in the electrification of the Barrhead route to continue the decarbonisation of the rail network in Scotland. In 2022-23, around 13,000 trains moved over four million tonnes of goods, saving millions of lorry miles in Scotland. 50% of these trains were electrically hauled.

Ferries

- £283 million was spent on providing support to ferry services in the financial year 2022-23.
- We froze fares on the Northern Isles and Clyde & Hebrides networks.
- We invested in the ferry system through our deployment of the MV Loch Frisa and by chartering the MV Arrow and the MV Alfred.
- We continued to work on planning, assurance, and reporting around the delivery of the delayed hulls 801 and 802, currently under construction at Ferguson Marine (Port Glasgow) Ltd; for more information see Governance Statement, page 93.

Buses

- In 2022-23, we spent over £270 million to provide up to 2.3 million eligible people in Scotland with access to free bus travel.
- On 31 January 2022, we launched the Young Persons' Free Bus Travel Scheme, which provides national free bus travel to those aged under 22. In the scheme's first year we saw almost 50 million journeys made that were free at the point of access. To 31 March 2023, more than two-thirds of young people had joined and over 56 million journeys had been made.

Roads

- In 2022-23, Transport Scotland invested over £828 million in motorways and trunk roads, on both infrastructure projects and maintaining and operating the trunk road network.
- Work progressed on the A83 Access to Argyll and Bute to develop safe and sustainable medium and long-term solutions. The preferred route for the medium-term solution was announced in December 2022.
- A number of transport infrastructure projects were completed, including the A92/A96 Haudagain improvement project in Aberdeen, which officially opened on 16 May 2022.
- The Scottish Government remains committed to dualling the A9 from Perth to Inverness, and during 2022-23 investment in a range of interim road safety measures took place on the route.

[53] Rail User Survey – edition 7 - Transport Focus

- Work continued to introduce and implement Low Emission Zones (LEZs) across Glasgow, Edinburgh, Dundee and Aberdeen. LEZs are a huge public health moment for Scotland, improving air quality by preventing entry of the highest polluting vehicles into city centres.

Outcomes: Performance against Key Targets and Indicators

The monitoring framework for Scotland's emissions reduction goals includes a high-level measure of progress at a national level, using greenhouse gas emissions statistics to track performance against targets, and a suite of sector-lever indicators reported against annually in our monitoring and evaluation report. The most recent performance against these measures is set out below.

1. Performance against Greenhouse Gas Emissions targets

The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 implements the Climate Change Committee (CCC)'s recommended method of reporting emissions for the purposes of assessing progress against targets. This method acts to remove the impact of technical data revisions to the historical time-series and is known as the Greenhouse Gas (GHG) Account. Further detail can be found in the latest statistics release[54]. On this adjusted basis, the GHG Account reduced by 49.9 per cent between the baseline period[55] and 2021. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 specifies a target reduction of 51.1 per cent over this period. Therefore, the interim target for 2021 was not met.

2. Sector-level Indicators

The Climate Change Plan includes key policy outcomes for each sector, defined as a measurable change on the ground resulting from a policy or combination of related policies. A set of indicators has been developed to monitor long-term progress towards these outcomes, and specific milestones (or targets) are set, where appropriate, for the level to be achieved at a given time. A summary of the indicators is provided below, and more detail can be found in the latest report[56].

Table 5: Progress Against Climate Change Plan Policy Outcome Indicators

Progress against outcome indicators			
	On Track	**Too Early to Say**	**Off Track**
Electricity			
Electricity grid intensity (CO2e per kilowatt hour)	X		
Installed capacity of renewable generation (GW)	X		
Renewable capacity at planning stages (GW: 3 categories)	X		
Loss of Load Expectation (hours per year)	X		
Buildings			
% new homes built with a calculated space heating demand of not more than 20 kWh/m2/year	X		
Number of existing domestic properties using low and zero direct emissions heating (LZDEH) systems		X	
Services sector fossil fuel heat consumption		X	
% of non-electrical heat consumption met from renewable sources		X	

54 Scottish Greenhouse Gas Statistics 2021 - gov.scot (www.gov.scot)
55 Emissions reduction is based on a Baseline Period. For the greenhouse gases CO2, CH4 and N2O, 1990 was specified as the baseline. 1995 is the baseline for emissions of the F-gases.
56 Climate change monitoring report 2023 - gov.scot (www.gov.scot)

% of homes with an Energy Performance Certificate (Energy Efficiency Rating, or equivalent) of at least C		X	
% of households in fuel poverty[57]		X	
Energy intensity of residential buildings (MWh per household)[58]			X
Emissions intensity of non-domestic buildings (tCO2e per £ million Gross Value Added)[59]			X
Transport			
% reduction in car kms	X		
% of new bus registrations that are ULEV (Ultra Low Emission Vehicles)	X		
% of new car registrations that are ULEV	X		
% of new van registrations that are ULEV	X		
% of single track kms electrified	X		
% of ferries that are low emissions	X		
% of new HGV registrations that are ULEV		X	
% of train kms powered by alternative traction		X	
% reduction in emissions from scheduled flights		X	
Industry			
% of Scottish gas demand accounted for by biomethane and hydrogen blended into the gas network		X	
Industrial energy productivity (£GVAm per GWh)[60]			X
Industrial emissions intensity (tCO2e per £GVAm)[61]			X
Waste and the Circular Economy			
Total waste generated (tonnes)	X		
Total amount of biodegradable landfilled waste (tonnes)	X		
Number of closed landfill sites with exploratory landfill gas capture/ flaring[62]			X
Household and non-household food waste reduced (tonnes)[63]			X
Landfilled waste[64]			X
The Waste Route Map seeks to address the reduction of landfilled waste			
Land Use, Land-Use Change and Forestry			
Woodland Carbon Code	X		
Peatland Carbon Code	X		
Woodland ecological condition		X	
Area of peatland restored[65]			X

[57] Key data was not published due to COVID-19.
[58] Digest of UK Energy Statistics (DUKES) suggested the average energy increase for a Scottish home in 2020 is likely driven by a rise in home working during 2020.
[59] Current progress primarily reflects a sharp decline in Services GVA resulting from the COVID-19 pandemic.
[60] There is a high level of uncertainty with this assessment rating. The most recent data for 2020 will reflect the significant disruption to GVA across the Scottish economy during the COVID-19. pandemic.
[61] There is a high level of uncertainty with this assessment rating. The most recent data for 2020 will reflect the significant disruption to GVA across the Scottish economy during the COVID-19. pandemic.
[62] Due to resource implications, including COVID-19 contingency work, progress on this policy outcome has been paused, but roll out of the programme will begin from 2023.
[63] Scotland does not currently collect waste data at the granular level necessary to report annually or by supply chain sector, but a Circular Economy and Waste Route Map will be published later in 2023.
[64] The percentage of total waste sent to landfill in 2019 and 2020 cannot be calculated due to the absence of total waste figures for those years.
[65] Area of peatland restored is a proxy measure which doesn't directly represent the reduction in emissions, an emissions reduction indicator may be adopted in the future.

Hectares of woodland created per year as part of Climate Change Plan[66]			X
Peatland restoration is a relatively new industry and there are a number of complex challenges - work is being progressed to build capacity at pace. Woodland creation levels have been consistently just over 10,000 hectares a year between 2019-2022, but recently dipped. The sector is facing constraints on pushing higher to achieve the 18,000 per year target.			
Agriculture			
Increased engagement with Farm Advisory Services on environmental issues and climate change	X		
Use of nitrogen fertilisers	X		
Spreading precision for nitrogen fertilisers	X		
Time taken from birth to slaughter and increased efficiency through improved health and reduced losses	X		
Improvement in covered slurry storage	X		
Area of woodland on agricultural land	X		
Nitrogen use efficiency for crop production		X	
Precision application of manure and slurry		X	

Performance overview – Key Successes, Challenges and Forward Look

In 2022-23 we have continued to address the climate and biodiversity crises by delivering funding to projects protecting Scotland's natural environment so that the people of Scotland continue to benefit from access to nature. There has also been significant work taken forward to continue the transition from using fossil fuels for heating and transport in order to reduce greenhouse gas emissions, while encouraging active travel for its climate and health benefits. We have continued to provide significant support for transport operations, including bringing ScotRail services into public control and ownership.

Our new Climate Change Plan will extend Scotland's emissions reduction pathway, identifying the costs and benefits of the policies required to achieve this and how they will build resilience to the impacts of climate change. A significant step will be our consultation on the Heat in Buildings Bill, which will enable regulations designed to support the transition of heating in Scotland's homes and other properties to zero direct emissions by 2045.

Our biodiversity strategy and delivery plan will identify the steps we will take to halt biodiversity loss and reverse species declines, as well as protecting 30% of our land and seas for nature by 2030.

Substantial progress was made in detailed planning and practical preparation for a Deposit Return Scheme (DRS) in Scotland, the first such scheme in the UK. Rollout of the scheme was subsequently delayed due to the UK Government granting only a temporary, partial exclusion from the UK internal market which terminally compromised the planned scheme to be delivered by Circularity Scotland Ltd on behalf of drinks producers. The Scottish Government is now working with other governments across the UK to explore how a consensus can be built for interoperable schemes that could be rolled out in 2025 at the earliest.

We will continue to make public transport more accessible, available and affordable through our Fair Fares review and piloting the removal of peak time rail fares in October 2023. We have published our vision for Scotland's public EV Charging Network and will consider the

[66] Current levels of woodland creation applications are consistent with a pipeline of projects at historically high levels. Delivery is dependent upon land managers implementing their projects once approved by Scottish Forestry.

potential introduction of a zero-emission mandate for cars and vans. We will continue to progress the delivery of six major ferry vessels, the dualling of the A9, and the phased improvements to the A83 and the 'Rest and Be Thankful Old Military Road'.

Looking ahead, the key challenges facing Scotland are achieving our ambitious climate change targets and continuing to tackle biodiversity loss. While the longer-term trend shows Scottish emissions are down dramatically from the 1990 baseline by 49.9%, we are only halfway on our journey to net zero, with emissions needing to halve again by 2030. Scotland's 2021 greenhouse gas emissions reduction target of 51.1% was narrowly missed – although the recent data does not yet capture the next steps in our updated Climate Change Plan, finalised in March 2021. In 2023-24 the focus will continue to be on managing the heat transition across Scotland's buildings and addressing the future of public transport to ensure it is an attractive and affordable alternative to car use.

Financial Results

Net Zero, Energy and Transport reported an underspend of £110 million for the year ended 31 March 2023 (Budget: £4,141 million, Outturn: £4,031 million). More details are included in the Portfolio Outturn Statement at page 127.

Other Relevant Portfolio Performance Information

Scottish Greenhouse Gas Statistics 2021 - gov.scot (www.gov.scot)
Climate change monitoring report 2023 - gov.scot (www.gov.scot)

Rural Affairs and Islands

Rural Affairs and Islands is a diverse portfolio which includes farming and food production, animal health and welfare, rural and island communities, food and drink, crofting, fisheries and aquaculture. The reach of the portfolio is broad, and it is vital to supporting the Scottish Government's overarching ambition to tackle the twin crises of climate change and biodiversity loss.

Key Priorities and Deliverables

Investing in the transformation of agriculture and farming, to ensure we support and prepare a thriving sector that will fully contribute to our net zero and environmental ambitions

- In 2022-23, we consulted on a Bill, which has now been introduced in September 2023 to replace the current EU Common Agricultural Policy framework for agriculture and land use support. In February 2023 we published the Agricultural Reform Route Map, which sets out what changes recipients of current farm payments will be expected to make from 2025, as well as setting out the process for changing to a new agricultural support framework from 2026.

Delivering economic recovery and resilience in our rural, coastal and island communities, including rural businesses, the third sector and food and drink industries, alongside fisheries, farming and crofting

- The Islands Programme invested £4.45 million of capital funding to support all six island local authorities to fund the improvement, creation or safeguarding of locally developed infrastructure projects that align with the strategic objectives of the National Islands Plan. This funding was spread across 31 islands, and included projects directly supporting population retention and growth; new facilities to deliver services helping to alleviate child poverty; innovative circular economy solutions; measures to address climate change impacts; development of digital and community hubs; management of tourism impacts; iconic heritage projects; and support for key local services.

- The Carbon Neutral Islands project provided £820,000 to six islands to carry out carbon audits and develop Community Climate Change Action Plans. We also provided £11.6 million through the Community Led Local Development Fund in 2022-23 to support over 400 community led projects, strengthening the resilience and sustainability of grassroots rural community groups and businesses. This included over 120 projects directly or indirectly addressing child and fuel poverty.

Delivery of a strategic approach to the management of our marine resource which supports ecosystem health, improved livelihoods, economic prosperity, social inclusion and wellbeing

- The Blue Economy Vision was published in March 2022, aiming to support ecosystem health, improved livelihoods, economic prosperity, social inclusion and wellbeing.
- In November 2022 we published Delivering Scotland's Blue Economy Approach,[67] setting out the first phase of delivery towards the Blue Economy Vision and providing a clear picture of where we are now in relation to blue economy outcomes. One of the early priorities of this approach will be to deliver blue economy outcomes through the development of the National Marine Plan (NMP2).

Performance overview – Key Successes, Challenges and Forward Look

In 2022-23, farmers faced a range of increasing costs, including animal feed, fertiliser, and general increased costs facing all businesses. In response, we accelerated our annual payments of around £420 million, making them in September 2022.

Our Agricultural Reform Programme will ensure future support payments are linked to the contribution farmers and crofters make in delivering our climate and nature objectives. Our Agricultural Reform Route Map, published in February 2023 and updated in June, sets out key dates, expectations and support that will be available for farmers and crofters to prepare for implementing change.

We successfully negotiated fishing opportunities for the Scottish fleet, working closely with coastal state partners across six key multi and bilateral forums to deliver opportunities worth more than £400 million to Scotland in 2022. We achieved bilateral agreements with the EU, and new arrangements with Norway and the Faroe Islands, giving Scottish fishermen access to those fishing grounds.

We have launched the Joint Fisheries Statement, which sets out how fish stocks can be sustainably managed whilst respecting the devolution settlement. We also published the Implementation Plan for our Wild Salmon Strategy to restore Scotland's iconic wild salmon populations and support the rural economy depending on it. This establishes the role and remit of the Delivery Group which will oversee delivery of the actions.

In 2023-24, we will continue to be a responsible custodian of the land and sea, respecting and nurturing the ecosystem that forms our foundation – protecting it for future generations. We will do this through job creation, tackling rural inequalities, strengthening food production and food security, and supporting repopulation and green skills development in our rural communities – building on our Vision for Agriculture and Vision for Sustainable Aquaculture. We will continue to focus on addressing the key challenge of climate change mitigation and adaptation – strengthening our resilience to extreme weather patterns.

[67] Delivering Scotland's Blue Economy approach - gov.scot (www.gov.scot)

Financial Results

Rural Affairs and Islands reported an underspend of £3 million for the year ended 31 March 2023 (Budget: £898 million, Outturn: £895 million). More details are included in the Portfolio Outturn Statement at page 129.

Constitution, External Affairs and Culture

This portfolio engages at home and internationally to enhance Scotland's reputation and increase its economic success, prosperity, culture and wellbeing. It is also responsible for promoting Scotland as a great place to live, visit, work, study and do business, and to protect and develop the responsibilities and powers of the Scottish Parliament and Government.

Key Outcomes and Deliverables

Give the people of Scotland the information they need to make an informed choice on Scotland's constitutional future

- A series of papers, titled 'Building a New Scotland', has been published that together form a prospectus for an independent Scotland, so that the people of Scotland have the information they need to make an informed choice about Scotland's future. These include:
    - *Independence in the modern world. Wealthier, happier, fairer: why not Scotland?* (June 22)
    - *Renewing democracy through independence* (July 22)
    - *Building a New Scotland: A stronger economy with independence* (October 22)

Increase our International Development Fund, to make a real difference to some of the world's poorest people

- We have increased our International Development Fund from £10 million to £11.5 million from April 2022, in line with our commitment to increase our International Development Fund to £15 million. That fund supports development work in our partner countries – Malawi, Zambia, Rwanda and Pakistan, in pursuit of the UN Global Goals. Through that fund, during 2022-23 we provided:
    - £4.5 million in support of partner-led programmes in our African partner countries on health, education, renewable energy, civic governance and sustainable economic development through our Malawi, Zambia and Rwanda Development Programmes; and on women's leadership through Sport for Development, our match-funded collaboration with Comic Relief.
    - £1.4 million to support equitable access to vaccines and therapeutics in our three African partner countries, in line with our commitments on vaccine equity.
    - £900,000 for our Scotland Pakistan Scholarships through the Young Women and Girls Programme.
    - £898,724 to support global citizenship in Scotland, primarily through our core funding to international development networking organisations, such as Scotland's International Development Alliance, the Scotland Malawi Partnership and the Scottish Fair Trade Forum, as well as contributing to support for Scotland's Development Education Centres.
- Through our £1 million per annum Humanitarian Emergency Fund, during 2022-23, we provided:
    - £375,000 to the British Red Cross for the purchase and repair of diesel generators to support families and essential facilities.
    - £375,000 to the Scottish Catholic International Aid Fund to deliver support including fuel for households, heaters and blankets and home repairs.

- £250,000 to Christian Aid to focus on damaged housing repairs, improving food and nutrition, and reconstruction or repair of water wells.
- £160,724 to The HALO Trust, a Scottish-based charity specialising in removing landmines and other dangerous explosive devices, helping build capability to continue this work. As of 28 February 2023, 169,531 square meters of land were assessed, and clearance and survey teams identified 60 explosive items and handed them over to state authorities for disposal. The manual clearance team funded through the project released 8,497 square meters of land, directly benefitting 372 and indirectly benefiting 13,636 individuals.

Support the establishment of a Scottish Council for Global Affairs which will coordinate Scottish expertise and research on global issues and their impact on Scotland

- As a result of an investment of £120,295 the Scottish Council on Global Affairs was successfully established and developed a wide range of activities to meet its ultimate goal of being an independent, non-partisan research institute that fosters public debate in Scotland on international affairs and harnesses relevant expertise across a range of Scottish universities.

Expand our network of international offices, increasing opportunities for policy exchange and enhancing Scotland's economic and cultural visibility

- We have expanded our network of international offices by opening a Scottish Government Office in Copenhagen in summer 2022, which has established itself as an effective promoter of Scotland’s interests in the Nordic countries.

Support Scotland's culture and historic environment

- We have invested £277 million in Scotland’s culture and historic environment to ensure our diverse and world-class cultural scene and rich heritage continue to thrive against the backdrop of the impacts of the COVID-19 pandemic and public spending constraints.
- As part of this investment, Historic Environment Scotland are continuing to protect and care for our heritage and communities through a £13.7 million uplift in funding.

Invest in Creative Scotland and our world class museums, collections and national performing companies

- Free access to the permanent collections of the National Galleries of Scotland, National Libraries of Scotland and National Museums Scotland has been maintained through £90 million invested in cultural collections. The creative industries and creative economy are being supported through £64.4 million of investment.
- Our unique culture is continuing to reach a wide audience, both digitally and through live performances, with a £22.7 million investment in the five National Performing Companies. We have also continued to support Scotland’s Regularly Funded Organisations, including providing £6.6 million funding in 2022-23 to enable Creative Scotland to maintain support for the Regular Funding programme in the face of decline in National Lottery receipts.

Invest in major events, recognising the economic and broader policy benefits they can bring

- We have invested over £16 million in Major Events and Themed Years. This included £9 million to enable Scotland to host the first ever Cycling World Championships in 2023, the biggest cycling event ever, which welcomed almost 8,000 elite and amateur cyclists from over 130 countries. The preliminary estimated spectator numbers reached 1 million, and 4,000 volunteers supported in key roles across every venue.

Performance overview – Key Successes, Challenges and Forward Look

Promoting Scotland internationally is important in realising our commitment to be a good global citizen and play our part in tackling global challenges. The Scottish Government Office in Copenhagen is a new base connecting Scotland's interests with the Nordic countries and supporting our international and European relationships. We have made good progress under our Arctic Connections strategy, including by implementing a further round of funding under our Arctic Connections fund, encouraging links between Scottish stakeholders and Arctic partners.

The Scottish Council on Global Affairs has successfully contributed to a range of important international affairs debates through in-depth research on issues such as security in the high north, the war in Ukraine and feminist foreign policy. We have taken steps to ensure that we remain closely aligned to the laws and standards of the European Union, an objective made increasingly challenging as a result of the UK's Retained EU Law Bill. We have also increased our International Development Fund to continue to support development work in our partner countries – Malawi, Zambia, Rwanda and Pakistan – in pursuit of the UN Global Goals and to support some of the world's poorest people.

We are working to ensure Scotland is able to attract the right talent to support our communities, economy and environment. Our Talent Attraction and Migration service is supporting both people and employers to navigate the complex UK immigration system. We have designed Scotland's Rural Visa Pilot proposal, with support from a wide range of local authority, community and business sector stakeholders, though challenges remain around securing UK Government agreement to proceed with delivering the scheme. In the interim, we continue to scope options available to us around rural attraction schemes, within devolved competency.

We have continued to deliver the aims of the Culture Strategy to nurture, value and protect culture across Scotland and ensure that its transformative potential can be experienced by everyone. One challenge is the continued impacts from COVID-19 and public spending constraints in the culture sector. Despite this, we have continued to provide investment to protect Scotland's culture and historic environment to ensure our diverse and world-class cultural scene and rich heritage continued to thrive. The principles of the Culture Strategy remain relevant, but we understand the significant continued impacts of the COVID-19 pandemic, EU Exit and the ongoing cost of living crisis on the culture sector. Therefore, we are refreshing the Action Plan which supports the Culture Strategy and will publish this later in 2023.

This year, Scottish Government also supported those wishing to pay respects to Her Late Majesty Queen Elizabeth through the ceremonial events programme in Scotland known as Operation Unicorn. The cost to the Scottish Government to deliver Operation Unicorn in Scotland was £1.655 million, which was recovered in full from HM Treasury. Around 33,000 people filed past Her Late Majesty Queen Elizabeth's coffin, lying at rest in St Giles' Cathedral in Edinburgh, to pay their respects.

Financial Results

Constitution, External Affairs and Culture reported an underspend of £4 million for the year ended 31 March 2023 (Budget: £271 million, Outturn: £267 million). More details are included in the Portfolio Outturn Statement at page 131.

Deputy First Minister (DFM) & Covid Recovery

This portfolio supports the delivery of the Covid Recovery Strategy and contributes to strategic oversight and co-ordination of Covid recovery activity across the Scottish Government. It co-ordinates the development and implementation of Scottish Government's policy on Freedom of Information; relations with the other three governments in the UK; Scottish Parliament and local government elections; Cabinet business; and the government's legislative programme. The portfolio supports more resilient communities and works to build resilience by improving Scotland's understanding and preparedness against a range of hazards and threats. It also includes work on winter preparedness, assessment and co-ordination of concurrent risk across the Scottish Government and integrated monitoring and reporting arrangements for delivery of key government priorities. It also supports the delivery of Scotland's National Performance Framework, and promotes public sector reform and leadership development.

Key Priorities and Deliverables

Transformation of public services, including those delivered by Scottish Government, through the Christie Commission Principles

- During this period, we continued to promote the collective ambitions of the Covid Recovery Strategy to deliver ongoing and ambitious public service reform and to ensure public services are outcome-focused and person-centred in design and delivery. The Covid Recovery Strategy Programme Board[68] met from December 2021 to June 2023 and was co-chaired by the DFM and COSLA President.
- This commitment to partnership working has been further strengthened through the Verity House Agreement, signed in June 2023. Work was also progressed alongside partners to identify and reduce barriers to progress (such as data sharing and funding flexibility).
- A ten-year programme of public service reform was initiated, focused on ensuring Scotland's public services are sustainable and continue to improve outcomes and reduce inequalities. We are working closely with public bodies to consider all opportunities to reduce cost and direct collective resources towards shared priorities. We are also working to review and reform structures that support local governance and community planning.
- We collaborated with partners in Glasgow to deliver a pathfinder project focused on integrating child poverty interventions and bringing services together. Over 1,500 people have been supported directly as a result. Work is underway to evaluate the pathfinder and identify opportunities to scale the approach.

Move to further transparency through the Open Government Action Plan

- The third Scottish Open Government Action plan will progress transparency through commitments on fiscal transparency and open data.
- In 2022, the 'Your Scotland Your Finances' publication was reviewed to update and improve its accessibility. The publication has been transformed to a plain text web page, produced alongside the Scottish Budget and updated on conclusion of the Budget Bill.

Support for public service leaders to drive innovation and focus on outcomes

- The Scottish Government supported and promoted a common purpose and focus on outcomes amongst public sector leaders through the Scottish Leaders Forum (SLF) and delivered an annual SLF conference in October 2022.

[68] Coronavirus (COVID-19): Covid Recovery Strategy Programme Board

- We delivered two initial cohorts of the pilot Scottish Leadership Academy which tested a new approach to collaborative and values-based leadership, as well as four Action Learning Sets facilitated by external partners.

The establishment and operation of, and preparation for, public inquiries into the handling of the COVID-19 pandemic

- We supported the establishment and operation of the Scottish COVID-19 Inquiry and also undertook work to provide information from the Scottish Government to allow the Scottish inquiry, and the parallel UK public inquiry, to take forward their investigations, provide scrutiny and answers to the questions people have about the handling of the pandemic, and deliver lessons for the future.
- Expenditure for this work in 2022-23 includes £3.6 million for staff costs associated with the establishment of and preparation for the Scottish inquiry, as well as preparation for the UK inquiry, and £1.9 million provision for the operational costs of the Scottish inquiry.

Delivery of Scottish Parliament and Local Government elections, ensuring that elections in Scotland are held safely and securely with a high level of public confidence in the process and outcome

- The eCounting Project was successfully delivered with partners for the Local Government elections held in May 2022, which saw counts in all 32 local authorities completed within target timescales.
- During these Local Government elections, we also conducted candidate diversity surveys in conjunction with a number of electoral stakeholders, including the Electoral Commission, the Electoral Management Board for Scotland, COSLA and the Improvement Service.
- A prototype of a tactile ballot paper aimed at helping people with sight loss to vote unaided was developed and underwent initial usability tests with service users.

Ensuring more resilient communities and building Scotland's resilience by improving understanding of, and preparedness for, a range of hazards and threats, through multi-agency planning, strengthening national work on risk and prevention, and working with partners to build and deliver capacity

- We have contributed to the development of the UK Government's National Security Risk Assessment that details the most serious civil contingencies risks facing the UK, and subsequent briefing across SG and external resilience partners to support resilience planning.
- During this period, development work was also underway for the third iteration of the Scottish Risk Assessment (released in May 2023) which supplements the UK Government's National Security Risk Assessment by providing Scotland-focused context for risks which would affect Scotland differently to other parts of the UK were they to occur.

Deliver a statutory financial redress scheme for survivors of historic child abuse in care

- Scotland's Redress Scheme was successfully launched in December 2021. During 2022-23, we received 1,239 applications in total to the scheme and made redress payments of over £23 million. An additional 11 case workers were in place during this period, to provide support for survivors in applying and preparing applications for the redress scheme.

Performance overview – Key Successes, Challenges and Forward Look

Successful collaboration between the Scottish Government, Local Government and other partners has supported effective delivery of the shared ambitions of the Covid Recovery Strategy. This approach to partnership working has been further strengthened through the

Verity House Agreement. Over 2023-24, we will continue to work closely with partners as we develop and deliver an ambitious ten-year programme of public service reform, which will ensure that Scotland's public services are sustainable and that people and communities can get the holistic support they need, where and when they need it.

In 2022-23 we continued our work on Scotland's Redress Scheme, encouraging ongoing feedback from individual survivors and survivor groups, and increased engagement and activity through our Survivor Forum. We will continue to build on the progress made during the scheme's first year of operation and strive to raise awareness of the scheme so that those who are eligible to apply are able to do so should they wish. Looking forward, the main challenges for the scheme are to ensure that it is adequately resourced and managed effectively and efficiently in accordance with legislation and guidance.

32 electronic counts of the votes at Local Government elections were successfully delivered in partnership with the Electoral Management Board and Returning Officers responsible for the counts. Work has already begun on the eCounting Project for the Local Government elections which will be held in May 2027, drawing on lessons learned. We are continuing to work to improve the accessibility of elections with the ongoing testing of tactile ballot papers, particularly focusing on voters with sight loss. Other innovations are also under consideration to assist voters wherever they encounter barriers.

Financial Results

Deputy First Minister and Covid Recovery reported an underspend of £5 million for the year ended 31 March 2023 (Budget: £45 million, Outturn: £40 million). More details are included in the Portfolio Outturn Statement at page 130.

Other Relevant Portfolio Performance Information

[Freedom of Information (FOI) reporting - gov.scot (www.gov.scot)]

Crown Office and Procurator Fiscal Service

The Crown Office and Procurator Fiscal Service (COPFS) is the public prosecution authority in Scotland, prosecuting cases independently, fairly, and effectively in the public interest. It is also responsible for investigating sudden, unexplained and suspicious deaths, and allegations of criminal conduct by police officers. Its purpose is to secure justice for the people of Scotland in respect of the investigation and prosecution of crime and the investigation of deaths, ensuring that those responsible are identified and held accountable and that appropriate lessons are learned with a view to reducing the incidence of avoidable deaths. The Lord Advocate has Ministerial responsibility for the work of the COPFS. Her position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act 1998 and she exercises that responsibility independently of any other person.

Key Priorities and Deliverables

Delivering the Scottish Government's Strategy for Justice in Scotland, in particular its priorities of reducing crime, particularly violent and serious organised crime, tackling hate crime and sectarianism, supporting victims and witnesses, and increasing public confidence and reducing fear of crime

- Throughout 2022-23, we worked with our justice partners to outline and implement plans to reduce the backlog in the justice system and trial delay periods as a result of the COVID-19 pandemic.
- Additional summary trial courts established during 2022-23, as part of the post pandemic recovery programme, saw a 34% reduction in the number of outstanding scheduled

summary trials in the sheriff courts. Outstanding trials in the Justice of the Peace courts are now close to pre-pandemic levels.
- In 2022-23, COPFS received 14,147 death reports, a slight decrease from the 15,377 received in 2021-22, but still a significant increase (almost 50%) over pre-pandemic levels. As of April 2023, 5,985 COVID-19 deaths have been reported to COPFS for investigation since the pandemic started.[69] We set up a dedicated COVID-19 Deaths Investigation Team during the year to develop expertise and focus on COVID-19 death investigations. It is anticipated that it will take a further two years to complete these investigations.
- Improvements to our operations during 2022-23 include:
    - improvements to our Digital Workplace solutions to further equip our people to work productively and collaboratively from the office, home or from any secure connected location, supporting our Future Ways of Working;
    - working with our partners to launch the Digital Evidence Sharing Capability (DESC) pilot in Dundee in January 2023;
    - implementing a new Human Resources digital system and further corporate applications to replace manual and paper-based processes; and
    - completing a new Strategic Plan to be implemented in April 2023.

Performance overview – Key Successes, Challenges and Forward Look

The public interest is at the heart of everything COPFS does, and COPFS promotes this through the independence and rigour of decision making, investigations and conduct of cases in court.

The complexity and profile of casework which the service deals with has changed significantly in recent years. While overall criminal reports received are falling over time, the number of serious and complex crimes being reported is continuing to increase, a trend which was evident before the pandemic. Complex cases require longer investigations and court hearings. Gathering and analysis of digital evidence is more time-consuming and the service increasingly relies on the evidence of expert witnesses to interpret technical, scientific and medical issues. The impact of the pandemic and associated restrictions, including court closures, has also resulted in a backlog of cases across the criminal justice system which has had significant impacts on workload, including extended support to victims and witnesses throughout their wait for a delayed trial. Over the last 24 months, there has also been a 50% increase in the number of death reports received.

The key achievements for COPFS over 2022-23 were:

- delivering casework reform and improvement programmes, resolving more cases at an earlier stage by providing advanced disclosure of key evidence where possible;
- expanding Case Management in Court applications to enable digital case files in court for Sherriff and Jury cases;
- enhancing digital systems resiliency and support capabilities;
- undertaking a comprehensive review of victim information and advice services to deliver improved services to victims, witnesses and nearest relatives;
- implementing new working arrangements for staff to make COPFS more effective and bring wellbeing, organisational efficiency and carbon reduction benefits; and
- implementing a new COPFS website to improve access to information and services online and further digital applications to improve business efficiency by replacing manual and paper-based processes.

[69] The increase in the number of overall deaths reported to COPFS to investigate is not solely attributable to COVID-19 deaths.

The new Strategic Plan for 2023-27, developed in consultation with stakeholders and staff in 2022-23, provides more detail and context on the work of COPFS.

Financial Results

The Crown Office and Procurator Fiscal Service reported an underspend of £4 million for the year ended 31 March 2023 (Budget: £195 million, Outturn: £191 million). More details are included in the Portfolio Outturn Statement at page 132.

Other Relevant Portfolio Performance Information

Strategic Plan 2023-27 | COPFS
Annual Accounts Publications | COPFS

Sustainability and Environmental Reporting

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

The Scottish Government has developed guidance for central government and the wider public sector on the preparation of sustainability reports to complement Annual Reports and Accounts. The guidance is intended to form a key element of a sustainability reporting framework for the Scottish public sector (referred to as the Scottish Sustainability Reporting Framework). The Framework aims 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[70] intended to complement Annual Reports and Accounts and expected to be consistent with the reporting requirements flowing from the Climate Change (Scotland) Act 2009 and the principles for sustainability reporting contained in HM Treasury guidance.

John-Paul Marks

John-Paul Marks
Principal Accountable Officer

31 October 2023

[70] https://www.gov.scot/policies/sustainable-performance/sustainable-performance-reports/

Accountability Report

Corporate Governance Report

The Directors' Report

Information about the Scottish Government, the Scottish Cabinet Ministers and their responsibilities and the Scottish Government Senior Management Team, including the Permanent Secretary is provided within the Introduction to these accounts, along with The Register of Interests of the members of the Corporate Board of company directorships and other significant interests held.

The governance structure as presented in Figure 1 (below) is reflective of the current structure.

Statement of Principal Accountable Officer's Responsibilities

In accordance with the accounts direction (reproduced on page 192) 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[71].

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

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

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

Governance Statement

Scope of Responsibility

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

As the Permanent Secretary, I am responsible for ensuring that robust governance arrangements are in place to ensure that we deliver our Purpose and National Outcomes in an open and transparent way for the year 2022-23 and up to the date of the approval of the Annual Accounts. I am also the Principal Accountable Officer (PAO) for the Scottish Administration (under the terms of the Public Finance & Accountability (Scotland) Act 2000) and responsible for ensuring the propriety and regularity of finances and the economic, efficient, and effective use of resources. In discharging these overall responsibilities, I am supported by the designated Portfolio Accountable Officers within the core Scottish Government; the Crown Office and Procurator Fiscal Service (COPFS); Scottish Government Executive Agencies and Health Bodies.

Detailed information on the role and responsibilities of Accountable Officers is set out in the Accountability chapter[72] of the Scottish Public Finance Manual (SPFM) and further detail on the context and purpose of the Governance Statement can be found in the Governance Statement chapter[73] of the SPFM. Figure 1 sets out the approach I have put in place to achieve this.

Corporate Governance System

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

The Scottish Government's corporate governance system provides for clear lines of accountability, effective reporting, and appropriate escalation routes. It enables scrutiny and oversight of the Scottish Government's activities and provides me with a source of assurance on the effectiveness of the corporate governance arrangements in place. In addition, it complies with all governance-related guidance in the SPFM, the Civil Service Code[74] and relevant elements of the Good Governance Standard for Public Services[75] produced by the Independent Commission on Good Governance in Public Services.

In 2021-22 a review of core elements of the corporate governance system was undertaken. This resulted in a number of sub-boards being removed from the governance framework and realigned within DG assurance arrangements. In 2022-23 further recommendations from that review were implemented with the addition of the Strategic Design Authority and Executive Team Investment Assurance.

A diagram of the corporate governance structure as of June 2023 is included below at Figure 1. The Accountability and Assurance Framework is also provided at Figure 2 describing the assurance structures operating within Scottish Government.

[72] http://www.gov.scot/Topics/Government/Finance/spfm/Accountability
[73] https://www.gov.scot/publications/scottish-public-finance-manual/governance-statements/governance-statements/
[74] https://www.gov.scot/publications/civil-service-code/
[75] https://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services

FIGURE 1: CORPORATE GOVERNANCE STRUCTURE, AS AT JUNE 2023

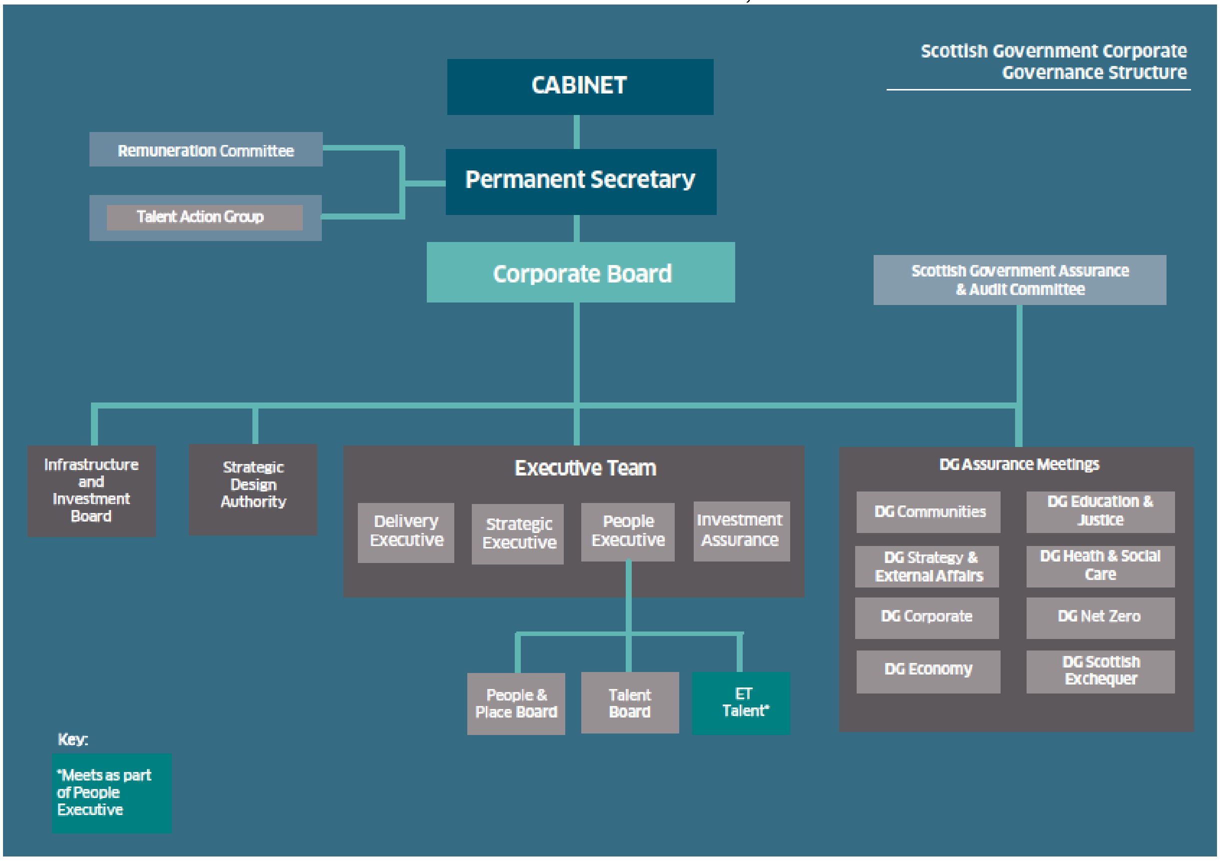
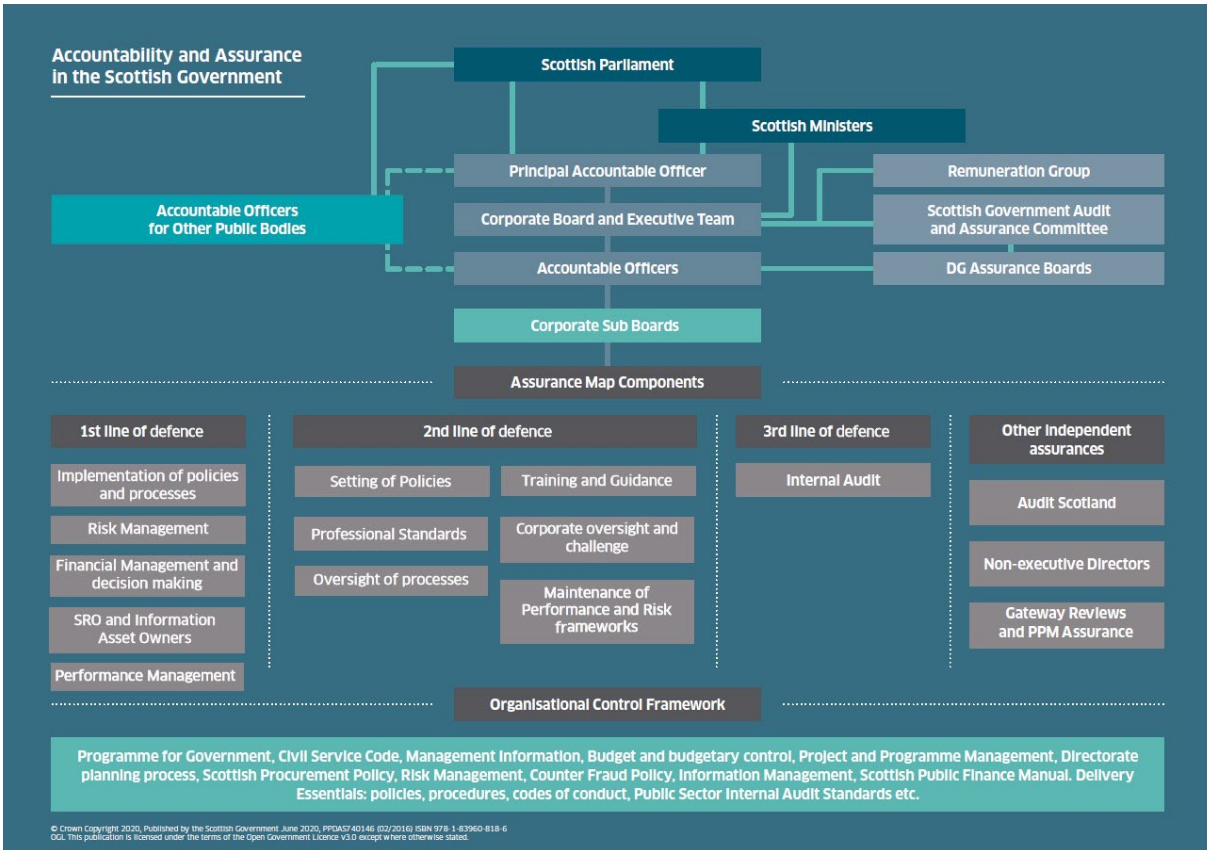


FIGURE 2: OVERALL GOVERNANCE & ACCOUNTABILITY FRAMEWORK



Governance arrangements for separate accounting entities

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

Corporate Board

Corporate Board's purpose is to provide me, as Principal Accountable Officer, with objective strategic oversight, guidance, and advice in relation to the Scottish Government's vision and strategy; performance; organisational health; and effective governance. Membership of Corporate Board includes myself, Directors General as my Portfolio Accountable Officers and at least three Non-Executive Directors. As of June 2023, the Non-Executive Director members are David Martin, Belinda Oldfield, Jim Robertson, and Jayne Scott. There are also a number of standing attendees including the Chief Financial Officer, the Director of People Directorate, and the Board Secretary. All non-executives are invited to attend the Corporate Board meetings.

Corporate Board has met quarterly over the course of the reporting period and its minutes are published. Alongside core areas of business, it has considered the following specific issues over the reporting period: workforce planning; identifying and addressing emerging risks; performance and delivery reporting; performance monitoring on FOIs, PQs, and correspondence; Resource Spending Review; management of public assets; fiscal sustainability; public service reform; the Annual Accounts and Governance Statement (relating to the period 2021-22); Health strategy.

The Executive Team

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

The Executive Team meets in distinct 'modes': Strategic, People, Delivery and Investment Assurance mode which facilitates enhanced focus on key priorities and issues. The strands of business which are considered in each mode support delivery of shared objectives that I and my Executive Team have put in place for 2023-24: prioritise, collaborate, design, deliver and perform, develop, and lead.

Meeting in Strategic mode, the Executive Team has provided leadership and direction to ensure that the Scottish Government achieves its goals, considering issues of a cross-cutting nature, including: the implementation of our corporate vision In the Service of Scotland; the Resource Spending Review; the National Care Service; strategic sponsorship of public bodies; and the response to the crisis in the Ukraine.

Meeting as the People Executive, the Executive Team has focused on issues relating to workforce strategy and planning; hybrid working arrangements; succession and talent management, diversity and inclusion.

The weekly Delivery mode of Executive Team is responsible for providing challenge, leadership, and direction on key delivery priorities across the organisation. The Delivery Executive considers corporate risk and finance monthly and provides a space for constructive mutual challenge and partnership to support improved delivery and outcomes. It continues to provide increased focus and enhanced assurance to me as Principal Accountable Officer on monitoring the performance and delivery of key Ministerial priorities including tackling poverty and protecting people from harm, growing a fair and green economy, and prioritising our public services.

In Investment Assurance mode the Executive Team will consider Business Cases for endorsement, with a focus on those that are novel and contentious or with significant recurrent spend, to ensure improved investment decision making and fiscal planning and prioritisation.

Scottish Government Audit and Assurance Committee

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

Following completion of Ronnie Hinds' tenure as SGAAC Chair in June 2022, Jim Robertson was appointed as Chair of the Committee with Jayne Scott, in the role of Deputy Chair for the core reporting period (2022-23), and a further Non-Executive Director appointment for Belinda Oldfield, was also made in 2022-23. I attend along with Directors General; the Chief Financial Officer; the Director for Internal Audit & Assurance and the Board Secretary. Audit Scotland attend SGAAC and have an open invite to attend Director General Assurance meetings as do the Scottish Government's External Auditors. The Auditor General attends SGAAC annually when the Committee considers the Scottish Government's Annual Accounts and the Governance Statement.

Relevant issues discussed at Director General Assurance meetings are escalated for awareness and discussion to SGAAC or elsewhere in the governance system (e.g., Corporate Board or the Executive Team) as appropriate based on clear escalation criteria. Issues which have been considered for assurance purposes at SGAAC in this reporting period have included, the process for the 2023-24 budget flightpath and medium and longer term improvement activity relating to fiscal sustainability, Corporate Transformation, the Covid Inquiry, European Structural Investment Funds, Strategic Sponsorship, ongoing development of the Counter Fraud activity across the SG, and a new approach to monitoring Audit Scotland recommendations. In addition to findings from key Directorate for Internal Audit & Assurance activity, and key findings from Audit Scotland reviews, SGAAC also considered reflections from the departing Director of Internal Audit & Assurance at its meeting in March, and more recently an outline of the approach and early development of Risk Appetite Statements.

The issues raised throughout this year, alongside the Director General Certificates of Assurance which underpin this Statement, have been discussed by SGAAC in the period up to my signature of the Statement and the Scottish Government's Annual Accounts. SGAAC subsequently considered the Statement and the draft Annual Accounts on 30th October 2023 and no significant control weaknesses were raised other than those disclosed in the significant control issues section of this Statement.

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

Director General Assurance meetings

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

Assurance meetings are attended by each Director from the Director General family; the Non-Executive Directors that are aligned with the particular DG portfolio in their pairing relationship; Non-Executive Directors; Audit Scotland; Internal Audit & Assurance; the Board Secretary and relevant officials as appropriate and they provide me with support as the Principal Accountable Officer in the preparation of this Governance Statement and the Scottish Government's Annual Accounts. The Chair and Deputy Chair of SGAAC have open invitations to attend DG Assurance meetings and have done so frequently over the reporting period, primarily with a view to calibrating risks, and their management, across Directorates.

Improvements to the Scottish Government's assurance arrangements continue. Robust risk management will continue to be an area of focus across the organisation and through various strands of the governance system in 2023-24. Further detail on improvements in this area undertaken in 2022-23, is included later in this statement. Throughout 2022-23 the increased focus on performance and delivery across the organisation continued to be reflected in Director General assurance meetings. In addition to the production of a Scottish Government monthly performance dashboard, many of the DG families established performance dashboards aligned to the delivery of key Ministerial priorities. The arrangements for monitoring and reporting on delivery through Director General assurance will continue to develop in 2023-24 and will focus on alignment with the missions set out in the recently published Policy Prospectus and Programme for Government. More detail on performance can be found in the Performance Report.

Other Corporate Governance Boards

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

People & Place Board

The People & Place Board provides advice on the creation of the culture and conditions for individuals to be successful in the Scottish Government. It has an information flow into the Executive Team's People Executive. The Board met in April 2022, July 2022, October 2022, and January 2023. In the reporting period the Board has discussed key issues including In the Service of Scotland; Corporate Transformation; workforce planning; Estates Strategy; hybrid working; capacity and capability; and Technology Strategy.

Performance Board

Following the creation of the Delivery Executive in January 2022 and as a product of the corporate governance review and refresh, the Performance Board was re-aligned in the governance system as a 'mode' of the Executive Team's Delivery Executive which I chair. It met in this configuration in April 2022, May 2022, August 2022, November 2022, February 2023. Its membership included myself, Directors General, and two Non-Executive Directors. Its core role and remit remained largely unchanged. In this reporting period the Board discussed key issues including statutory review of the National Outcomes; Impact Assessments; 2022-23 Programme for Government; and Preventative Action, Care and Wellbeing. The Board agreed that February 2023 would be the last meeting of Performance Board, with its role of giving focus to the delivery of outcomes and strategic performance to be reflected in the remit of Delivery Executive.

Infrastructure Investment Board

The Infrastructure Investment Board (IIB) is chaired by DG Scottish Exchequer, and it strengthens strategic direction, prioritisation, and oversight to ensure coherent advice and aligned delivery of an effective, fiscally sustainable programme which maximises our ambitions for infrastructure investment. It is concerned with the impact of overall investment on the economy, how best and by whom major and critical infrastructure is financed and ensuring that all infrastructure investment supports the National Outcomes.

The Board met in May 2022, August 2022, November 2022, and February 2023. In the reporting period it considered items including: the Capital Spending Review which will be monitored until 2025; the National Infrastructure Mission; the Infrastructure Investment Plan; the National Planning Framework; and 2023-24 capital budget planning.

Internal Audit and Assurance

The Directorate of Internal Audit and Assurance (DIAA) brings together three independent assurance teams (Internal Audit, Digital Assurance Office and Portfolio, Programme and Project Assurance) the Head of Counter Fraud Profession, and the role of the Data Protection Officer. While the services provided by each of the teams continue independently, an integrated approach to assurance is taken to support the Scottish Government through the provision of proportionate assurance activities throughout the policy to delivery lifecycle.

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

Audit Scotland

Audit Scotland attend Director General Assurance meetings and SGAAC, providing updates in relation to current and future work plans. Periodic meetings take place between the Executive Team, the Auditor General and Audit Scotland as part of the Scottish Government's wider commitment to working together, with the most recent taking place in May 2023.

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

Non-Executive Directors (NXDs)

There are currently nine Non-Executive Directors providing support, guidance, and constructive challenge to the Scottish Government through the governance structures set out above, and through individual pairing arrangements with Directors General. I am thankful to the Non-Executive Directors as the Scottish Government's 'critical friends,' undertaking and supporting a wide range of work which has assisted me in identifying the issues I have raised in this Governance Statement.

COVID-19 Inquiries

Considerable work continues to support the SG's response to the COVID-19 public inquiries. There are two public inquiries that have been established to investigate matters relating to the COVID-19 response between 2020 and 2022. The first being the Scottish COVID-19 Inquiry (chaired by Lord Brailsford), which is investigating the devolved strategic response to the pandemic in Scotland between 1 January 2020 and 31 December 2022. The aim of this inquiry is to provide scrutiny on the handling of the pandemic in Scotland, and to learn lessons. The second, being the UK Inquiry (UKI) (chaired by Baroness Heather Hallett). This inquiry will examine, consider, and report on preparations and responses to the pandemic in England, Wales, Scotland and Northern Ireland and the impact of the COVID-19 pandemic, up to and including the Inquiry's formal set up date of 28 June 2022.

National Performance Framework

The National Performance Framework (NPF) has been the foundation for a transformative shift in how policy is developed and delivered in Scotland. It is Scotland's wellbeing framework, which highlights 11 key National Outcomes. It combines measurement of how well Scotland is doing in economic terms with a broader range of wellbeing measures. These indicators incorporate a range of different types of data – from social attitudes and perceptions to economic and environmental statistics – to paint a broad picture of Scotland's performance.

A statutory review of the National Outcomes is underway and will fulfil the requirement of the Community Empowerment Act (2015) to review the National Outcomes within 5 years, in consultation with communities in Scotland. This review is scheduled to conclude in 2024.

The statutory responsibility of Scottish Ministers to "prepare and publish reports about the extent to which the national outcomes have been achieved" is discharged through the NPF website[76], where data and performance assessment are published as and when new data on the NPF National Indicators becomes available. In 2020 the Scottish Government published the analytical report, "Scotland's Wellbeing: The impact of Covid-19."[77] The publication aims to illustrate the profound effect that Covid-19 has had on Scotland's wellbeing as a nation, and how it has disrupted progress towards Scotland's National Outcomes.

The Scottish Government's planning and performance framework sets the priorities, plans the activity and monitors the progress and performance across the organisation. This framework continues to develop to reflect the Government's approach to accountability and support the Government's aim for transparency. The internal Performance and Delivery process provides the Cabinet, Ministers and the Executive Team with routine, regular and transparent reporting, and assurance on the performance of the Government's key priority areas, as set out in its Programme for Government. The framework seeks to align across programme, budget and resourcing, bringing more visibility, support and challenge to delivering outcomes and developing key performance indicators.

Social Security Scotland – Next phase

The annual accounts of Social Security Scotland have had an audit qualification each year since 2018-19 in respect of the regularity of an estimated level of overpayments attributable to fraud and error in benefits administered by the Department of Works and Pensions (DWP).The estimated level of overpayments attributable to fraud and error in the benefits, delivered by the Department of Works and Pensions (DWP) on the Agency's behalf, is not deemed material for the Scottish Government consolidated accounts.

Social Security Scotland continue to develop their methodology for production of fraud and error estimates in the benefits they administer directly; with initial focus on understanding levels of official error before further development of capability to estimate levels of client induced error and potential fraud. The first estimates of official error in the Scottish Child Payment caseload are being prepared and are being made available to Audit Scotland. We aim to publish these estimates along with our Annual Report and Accounts 2022-23.
The Scottish Government has specifically recognised the risk to the budget of Social Security Scotland expenditure being materially different from forecasts. The Scottish Fiscal Commission (SFC) has formal responsibility for producing forecasts, and so explaining variations, however the expenditure is significant within the overall budget and highlights the

[76] National Performance Framework | National Performance Framework
[77] Scotland's Wellbeing: The Impact of COVID-19 - Summary | National Performance Framework

need to ensure forecasts are accurate. Actual benefit expenditure was broadly in line with forecasts for 2022-23. Social Security Scotland has its own counter-fraud response measures in place and continues to develop both its data driven approach to proactive identification of fraud risk, and its investigative capability.

The Accountable Officer of Social Security Scotland has overall responsibility for delivery of the functions of the Executive Agency, which would include delivering any targets set out in legislation or our business plan and taking decisions on remedial action where required and is directly accountable to the Scottish Ministers for the standards of its work. The Chief Executive is therefore directly accountable to the Permanent Secretary as Principal Accountable Officer for the Scottish Administration and the Scottish Ministers for delivery.

Scottish Government's Assurance Framework

Annual assurance on the adequacy and effectiveness of the core Scottish Government's governance, risk management and internal control systems is provided by the Scottish Government's Director of Internal Audit and Assurance. In the annual assurance report submitted to SGAAC at its meeting on 5 June 2023, the Director of Internal Audit and Assurance confirmed that a reasonable assurance opinion had been provided on the systems for risk management, control, and governance within the Scottish Government.

Risk Management Arrangements

Effective risk management continues to be at the heart of the Scottish Government's Assurance Framework. The Scottish Government's approach is published on the Scottish Government website[78] within the Scottish Public Finance Manual which was reviewed January 2023 and its internal guidance updated most recently in February 2023. The review of the Scottish Government's Risk Management Strategy and Policy was completed in June 2023 alongside a full review of internal guidance. All guidance is also consistent with the UK Government's Orange Book[79] and best practice.

The Scottish Government is committed to continuous improvement of its risk management arrangements and capability. In 2022-23, there has been considerable focus developing organisation maturity through completion of an organisation-wide maturity exercise to test compliance with the Scottish Government's guidance and the effectiveness of arrangements at a local Directorate level. The exercise recognised areas of good practice and identified areas where improvement was required. This activity is supported by the Scottish Government's Risk Champion community and a dedicated Risk Management Policy Team, who provide bespoke and targeted training, support, and guidance. Mandatory eLearning was introduced in February 2022 to ensure that all staff had an understanding of the fundamentals of risk management and a consistent knowledge of the Scottish Government's processes for identifying and managing risk. On 31 March 2023, 85% of the organisation had completed this learning, increasing to 92% on 31 May 2023.

The ongoing Risk Improvement agenda has enhanced the arrangements for risk management and reporting. The Risk function has also developed its reporting and analytic capabilities over the period, providing enhanced risk reporting to the Delivery Executive, in alignment with enhanced performance reporting, ensuring direct links are made between risks, priorities and outcomes. To ensure that the Executive Team is fully appraised of the wider risk eco-system, a revised quarterly 'risk landscape' report has been developed to provide a multiple-horizon view of risk; encompassing short-term issues, medium term delivery risk, civil contingency emergency risk and longer-term horizon risks stretching into the next 10 to 20 years.

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

The risk management arrangements within the Scottish Government have become significantly more dynamic over the course of Financial Year 2022-23, with considerable focus provided to the discussion of risk at Executive Team. The corporate risk register has become more dynamic in nature, responding to changes in the external environment to ensure risks are quickly identified, recorded and managed through the risk register. This was deployed in response to the war in Ukraine, where risks related to the Scottish Government's strategic response were identified at the outset and then pivoted to consideration of the operational risks associated with delivery of the Scottish Super Sponsorship Scheme for Displaced Persons from Ukraine.

Scottish Government Key Risks

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

Over the last year a number of policy-specific risks have been identified, managed, and monitored through the assurance processes and included in the Scottish Government's Corporate Risk Register. The Register is a living document and is updated on an ongoing basis. A short summary of the risk focus at the end of the period covered in this Statement (March 2023) is included below:

- **Fiscal Sustainability**: i) reducing exposure to Budget volatility through analysis of fiscal performance and risk reporting; ii) securing more proportionate medium-term budget management levers through Medium Term Financial Strategy (MTFS); and iii) setting parameters for multi-year funding to enable Portfolios to manage spending over multiple years and strengthen medium-term financial planning and spending discipline across the organisation.
- **Climate Change Mitigation:** the delivery of policies that will reduce Greenhouse Gas emissions in response to the climate emergency and deliver a just transition to Net Zero.
- **Climate Change Adaptation:** strengthening approaches to adapting to the 'locked in' impact of climate change on Scotland and its people, ensuring adequate preparedness and resiliency to the risks posed by a changing climate.
- **Economic Performance and Cost of Living:** ensuring appropriate levers and responses are in place to mitigate the impact of high inflation, the war in Ukraine and residual impacts of COVID-19 on businesses, third sector organisations, household incomes and standards of living, to mitigate against inequalities, increased demand on third sector and the cost of public services.
- **Child Poverty:** taking significant action, in tandem with delivery partners across Scotland, to address child poverty ahead of interim targets in 2023 and statutory targets in 2030.
- **Short and Long Term Sustainability of Health & Social Care Services:** due to ongoing and legacy impacts of Covid 19 (including the need to manage it as a new endemic virus) alongside long term systemic challenges arising from demographic change, workforce pressures and financial challenges (including pressure on pay costs and capital investment), to meet our National Performance Framework ambitions around world class health outcomes, including reducing health inequalities and improving population health.
- **National Care Service development:** developing and delivering of a person-centred, national care system in collaboration and partnership with stakeholders to ensure a sustainable service that meets the needs of citizens.
- **Public Service Reform:** delivering suitable arrangements to test the coherence and penetration of our public service reform programmes.

- **Cyber Resilience:** ensuring awareness of, and preparation for, the growing cyber threat to the public sector in alignment with Framework for a Cyber Resilient Scotland.

The Scottish Government's risk management arrangements have also surfaced several cross-cutting risks and themes, which are reflected in the current iteration of the Corporate Risk Register and have been highlighted via DG assurance or through the Certificates of Assurance provided to me by my Directors General. These risks and themes are also addressed specifically within other sections of the statement as appropriate, including:

- **Performance Management:** The increased focus on Performance was a key step change across the Assurance Agenda. Overarching priorities were identified, including Child Poverty, Climate Change, Constitution and Covid-19 Recovery; with a number of significant transformation programmes established across DG families setting the direction of travel for Scottish Government.
- **Resourcing: Capability, Capacity and Wellbeing** of the Scottish Government's staff; ensuring a collective approach to effective prioritisation of delivery and subsequent direction and management of resources
- **The challenges surrounding the annual financial outturn** amidst a backdrop of the resource spending review, the emergency budget review in late 2022 and historic commitments.
- **The importance of ensuring appropriate information management;** following the review of corporate processes for the storage, retrieval, and deployment of corporate information a number of areas were identified for improvement of which work to address this is progressing well.
- **Public Body Sponsorship:** ensuring appropriate governance and accountability within the Scottish Government to support public bodies in the delivery of their services.
- **Public Asset Management**: ensuring the organisation has the capability and capacity to manage opportunities for the development of commercial assets currently owned by the Scottish Government.

Sponsorship of Public Bodies

In December 2022, the Scottish Government successfully implemented Strategic Sponsorship. This centred around the 14 recommendations contained within the review of the Scottish Government's relationship with Public Bodies which reported to Executive team in Autumn 2021. On 28 February 2022, the report was published alongside the Scottish Government response.

Throughout the course of 2022, the Scottish Government focused on implementing the recommendations and rolled out a range of support and guidance to both sponsorship practitioners and Public Bodies. The support focuses on areas such as governance and accountability, escalation of risk, and building and maintaining strategic relationships between sponsors and Public Bodies. The focus of 2023 is embedding Strategic Sponsorship as best practice.

Significant Issues

The process for the provision of annual assurances by senior staff within the core Scottish Government (and the other constituent parts of the Scottish Administration) is set out in the Scottish Public Finance Manual[80]. The culmination of this process is the provision of Certificates of Assurance from Directors General that reflect any issues raised by Directors, as well as any other issues raised throughout the course of the year in either the Director General Assurance process; by SGAAC; by Non-Executive Directors; the annual assurances by

[80] Certificates of assurance - Scottish Public Finance Manual - gov.scot (www.gov.scot)

Internal Audit and consideration of information on control issues received in respect of any associated executive agencies, non-ministerial departments and sponsored bodies.

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

People: Capability, Capacity and Wellbeing (Cross-cutting)

It is essential we continually align business priorities, budgets, and our workforce to deliver on Ministerial priorities. The past year has seen significant focus on improved workforce planning across the wider organisation, following the enhancement of recruitment controls to manage the workforce size and distribution, in accordance with financial management actions (such as the Path to Balance exercise) and delivery monitoring.

A high level multi-year workforce plan for the organisation, in line with the Resource Spending Review (RSR) profile, has been established and will improve strategic decision making on the workforce size, capability and diversity. The enhanced controls provide weekly reporting to the Permanent Secretary, there is improved reporting to support senior leaders and there are routine updates to Ministers. DG Corporate continue to invest in improving its operating model both for the Scottish Government itself and those Executive Agencies that also receive corporate services from the Scottish Government.

Financial Management (Cross-cutting)

Managing the annual financial outturn continued to be a challenge, as expected, throughout 2022-23. There were a number of savings exercises culminating in an Emergency Budget Review in November and the Resource Spending Review was published in May 2022. This provided a critical opportunity for clarity and certainty on what will be delivered in the next five years, and to agree measures to balance the financial context with ministerial priorities. Other challenges to managing the annual financial outturn throughout 2022-23 were the impacts of the significant inflation shock on public sector pay deals and the costs of goods and services.

There is continuous scrutiny of budgets to drive efficiencies and ensure we are following processes consistent with the SPFM (Scottish Public Finance Manual). Accountable Officer Spending Control templates were utilised as a key part of financial governance across all areas as directed by the Chief Financial Officer. Improvements in forecasting and enhanced variance analysis improved in-year budget management. There has also been a focus on systematically maturing the management of the corporate Fiscal Sustainability risk so that it is more data driven, controls confidence is improved, and there is a more robust articulation of the impact that mitigating actions are both expected to make in practice.

Corporate Transformation

In the context of significant resourcing issues and financial challenges, the Scottish Government is reviewing its corporate operating model to align with the new Enterprise Resource Planning system, driving continuous improvement in financial management practices across the organisation, and maximising the benefits of wider corporate transformation. In March 2022, it was agreed with the Scottish Cabinet that “Corporate Transformation: In the Service of Scotland”; a set of priorities to deliver improvement across our culture, organisational design and process and service innovation would be progressed.

Work started across all five priorities in 2022-23 under the direction of DG Corporate, governed by the Corporate Transformation Steering Committee, with a focus on planning system design and classifications, alongside strong engagement building capability around the new system. In 2023-24 the five key priorities have included, enabling a culture of continuous improvement, the People Strategy, the HR and Finance Transformation, the Technology Roadmap, and the Hybrid Estates Strategy. Work continues to manage resource and capacity challenges to underpin the new systems. In particular, due to the complexity and scale of the Shared Services Programme, timelines for the implementation of the new HR and Finance platform have shifted and are still subject to final decision. There are tight governance controls in place to ensure the programme team continues to actively manage timeline planning.

European Structural Fund (ESF)

The long-term financial risks at the close of the European Structural Fund Programmes in 2025 include the ability to claim re-imbursements from the EC for the full amount paid out to our partners, and the level of any penalties applied by the EC to the reimbursements. These risks are being managed via the implementation of a staff retention and resilience programme, prioritising the high value/high-risk claims, and maximising the value of all reimbursement claims, while ensuring compliance with the European regulations and cycle of audits.

Strategic Commercial Assets

The Scottish Government manages a portfolio of strategic commercial assets which includes Ferguson Marine (Port Glasgow) Ltd, Glasgow Prestwick Airport and our interests in the Lochaber smelter and hydro. Management responsibility has been concentrated in a single team to provide greater consistency, assurance, and expertise. The team has developed a whole life cycle model and is working to address comments from Audit Scotland about the Scottish Government's approach to investment and asset management. The Strategic Assets Review Group provides advice on this approach, and this is enabling the development of a centre of expertise that can offer advice and support across Scottish Government. More information on the developments surrounding Ferguson Marine can be found below in the Written Authority update.

Deposit Return Scheme (DRS)

The Scottish Government is committed to creating a more circular economy, preventing litter, and addressing climate change. The Deposit Return Scheme Governance Framework was renewed in April to encompass system wide delivery. As part of this, sector specific working groups were put in place to resolve operational issues, including considering the output from the latest Gateway review. Together with the Ministerial Strategic Assurance Group they provide governance which allows for close working with businesses to allow us to consider how to effectively deliver the DRS in Scotland. While onus for delivering DRS now rests with the UK Government, these governance groups will support work towards the delayed launch in October 2025 at the earliest.

Recovery of the NHS

The impact of the pandemic continued to affect a number of delivery partners, particularly creating long-term pressures across health, social care, and social work sectors. The Covid Recovery Strategy[81], published by Scottish Government in October 2021, prioritises key outcomes for the people of Scotland, bringing together partners to deliver person centred, relational, outcome led services. The Strategy sets out commitments supporting recovery to 2026, through the implementation of improvements and new models of care. There remains

[81] Covid Recovery Strategy: for a fairer future - gov.scot (www.gov.scot)

persistent workforce capacity challenges across acute, primary and community care services, with delivery of the National Health and Social Care Workforce Strategy an escalated risk. Over 2022-23, NHS services have faced increasing challenges, not least the demand for unscheduled care due to the combined high incidence of flu, Covid-19, and other respiratory infections. This placed exceptional pressure on an already stretched system recovering from the pandemic, while striving to address the 'backlog' and meet high levels of demand for planned care.

These pressures operate in a context of extraordinary efforts to nationally support recovery and reduce the significant elective backlog. The level of delayed discharge is higher than pre-Covid levels and the multi-dimensional nature of the pressures, makes for an extremely challenging situation which has resulted in many hospitals being at or near capacity levels. To assist, the Operational Performance and Delivery Board (OPDB) was established in July 2022, along with the National Planning and Performance Oversight Group (NPPOG) to provide assurance in relation to risks, issues, and dependencies within Health Boards.

Several commitments to build new or replacement health facilities are being considered in the context of the current projected health capital budget over the course of this parliament. To develop a more balanced and co-ordinated approach to NHS capital investment, we are working with Health Boards on a whole system planning model, with a focus on the long-term trajectory for health capital funding. As part of the whole system planning model, Health Boards will be asked to plan for different long-term capital funding scenarios. More detail on the sustainability of the NHS can be found in the Performance Report.

Healthcare Improvement Scotland's (HIS) Safe Delivery of Care inspection process has provided assurance on patient safety and the safe delivery of care throughout periods of service pressures, and targeted the improvement support to be provided by HIS. The vaccination programme remains our most effective tool against Covid and the successful roll out of the Covid vaccination programme alongside a range of anti-viral drugs and other treatments means that we are now able to live alongside Covid. Over 15 million doses of the vaccine have been administered in Scotland since December 2020 and in line with Joint Committee on Vaccination and Immunisation (JCVI) advice the programme is now focussed on those most at risk. Plans are in place for NHS Boards to deliver a surge vaccination programme in the event of a new, more transmissible, or virulent Covid variant. During 2022-23 there has been a continued focus on the government's ongoing response to COVID-19 alongside supporting the Scottish and UK Covid Inquiries which both started to request information from the Scottish Government as part of their initial work during this period.

Drug Deaths

The reporting year 2022-23 was the second full year of the National Mission to reduce drug related deaths and improve lives. The mission is set up to deliver against a clear outcomes framework and have a maturing framework of data for public health surveillance, local performance, change management and local and national evaluation. There are appropriate financial and risk management controls in place, as well as an overarching governance structure. Besides the National Oversight Group, which includes regular management reporting and quarterly financial and Project and Programme Management reports to the Minister for Alcohol and Drugs and quarterly updates to the First Minister. Suspected drug deaths for 2022 show a 21% decrease on previous year. More detail on Drugs Deaths can be found in the Performance Report.

NHS Board Financial Position, Controls and Governance

In the 2022-23 provisional outturn the Portfolio has reported a break-even resource position, and minor underspends in ring-fenced capital (£35 million) and financial transactions (£2 million). The Scottish Government has made available additional funding of £82 million to 6 NHS Boards to ensure that all Boards can deliver a balanced financial position in 2022-23. This additional funding will be repayable in future years on Board return to financial balance. The financial trajectories of all Boards over the period 2023 to 2026 are being assessed as part of our work to support delivery of recurring savings and to improve the underlying financial health of the Boards. The pandemic had a major impact on the boards' ability to make financial savings when coupled with significant inflationary pressures on their cost base. As a result of this, the reported NHS Boards' underlying financial deficit has increased to an unprecedented level. NHS Board have been developing financial recovery plans setting out medium to longer term plans to deliver financial recovery and sustainability. However, currently the financial performance still remains a high-risk situation for most of the NHS Boards. NHS Boards are subject to the NHS Board Performance Escalation Framework which has a five-stage escalation process. In 2022-23, 6 territorial Health Boards were escalated to Stage 3 or above on the framework. These Boards included NHS Ayrshire and Arran, NHS Borders. NHS Forth Valley, NHS Highland, NHS Tayside, and NHS Lothian.

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

In September 2019, the then Cabinet Secretary for Health and Sport set out that there would be an independent public inquiry to investigate the issues identified at the Royal Hospital for Children and Young People and Department of Clinical Neuroscience (RHCYP/DCN), in Edinburgh, and the Queen Elizabeth University Hospital for Children (QEUH) in Glasgow. Lord Brodie KC was appointed as Chair to the Inquiry in December 2019. The Scottish Hospitals Inquiry commenced in August 2020. It is considering the planning, design, construction, commissioning, and maintenance of both hospitals and will recommend how issues can be avoided in future capital projects. The inquiry will consider organisational culture, including whether staff concerns were appropriately considered and escalated. A set of hearings took place in May 2022 looking into the construction of the RHCYP/DCN, to understand what went wrong with the construction of these buildings, followed later in 2022 with some additional evidence gathering on technical details surrounding ventilation and its impact on infection prevention and control. Further inquiry hearings in relation to RHCYP/DCN took place in April 2023, with more planned in June 2023 in relation to matters relating to the QEUH. The inquiry is expected to run over a number of years, and witnesses are expected to be called once initial evidence has been reviewed.

Counter Fraud Activity

Guidance on the prevention, detection, reporting and handling of fraud is included in the SPFM[82]. The Integrity Group is responsible for improving fraud prevention measures across the Scottish Government as well as monitoring relevant cases of suspected external and internal wrongdoing made through formal reporting lines. This includes supporting and reporting on the concerns that are raised under the Public Interest Disclosure Act 1998. The Group is also available to provide advice on the handling of specific allegations of external and internal wrongdoing where required. The Group meet quarterly, and report work annually to SGAAC as part of the Annual Fraud Report. The membership of the Group is represented by Counter Fraud, Governance and Risk, Propriety and Ethics Group, Finance, Human Resources, Information Security, Scottish Government Legal Directorate, and Internal Audit.

An annual report on fraud within the Scottish Government's consolidation boundary is prepared annually for SGAAC and includes all types of fraud, error, and other acts of dishonesty such as theft which have been reported to the Scottish Government during the 2022-23 financial year excluding the NHS which is reported by NHS National Services Scotland Counter Fraud Services (NHS NSS CFS). Within the 2022-23 financial year a total

[82] http://www.gov.scot/Topics/Government/Finance/spfm/fraud

of 51 cases of fraud or suspected fraud, 1 case of error, 4 cases of theft and 4 cases of wrongdoing were reported. This number excludes those cases where subsequent investigations confirmed that no actual error, wrongdoing, or attempted fraud had taken place.

The Scottish Government also continues to participate in the biennial National Fraud Initiative (NFI) exercise led by Audit Scotland to help public bodies minimise fraud and error in their organisations. Audit Scotland published 'National Fraud Initiative in Scotland 2022[83]' which covered the data from the 2020-21 exercise aiming to prevent and detect fraud across 132 public bodies in Scotland. To date, the 2022-23 NFI exercise identified a total of 4,283 matches for the Scottish Government, ranging over 19 reports. As in prior years, the investigations are split between payables (creditors), payroll and procurement. The total number of matches processed so far has been 4255, of that number; 504 were closed due to already being known and 757 were closed after finding no frauds or errors were detected. A further 2,994 matches were closed as they were not selected for investigation due to their being assessed as low risk.

The Head of Counter Fraud Profession has established the 2022-2025 Counter Fraud Plan, setting out the strategic objectives for Scottish Government over the next three years and high-level strategic fraud risk profiling for Scottish Government was progressed within all DG areas leading to in-depth Fraud Risk Assessments in areas of highest fraud risk. Some of the areas to be targeted included developing a Counter Fraud and Corruption Strategy and Policy for Scottish Government, analysis and evaluation of the Counter Fraud Maturity across SG, SG Risk Profiling, promoting a robust Fraud Risk Control Environment, and support arrangements for further reporting and measurement of Fraud and error loss.

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

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

The Scottish Government undertook a range of unique measures from 2021 through to 2022 to mitigate the risk of fraud within business support schemes. Lessons learned from responding to this risk led to the general introduction of a dedicated grants fraud risk assessment tool to assess and respond to fraud risk at the design phase of grants, and a more mature fraud risk management environment for grants moving forward. Estimated fraud within Covid business support grants in 2021 was found to be low at 1-2% (£16 million - £32 million), and through 2022 the Scottish Government sought to improve its estimate in response to Audit Scotland's recommendations to establish better mechanisms for capturing and assessing fraud losses. Whilst gathering further broad-spectrum data on fraud within business support concluded in 2022, the Scottish Government is now seeking to set up a data matching exercise with HM Revenue and Customs for business support grants, through use of the powers within the Digital Economy Act. Whilst in the early stages, this work will seek to establish until now, undetected fraud within business support grants and provide more robust evidence to support fraud estimates, improving the Scottish Government's overall understanding of money lost to fraud within business support schemes.

[83] The National Fraud Initiative in Scotland 2022 (audit-scotland.gov.uk)

Evaluation

The Office of the Chief Economic Adviser has undertaken evaluation of COVID-19 business support schemes available to businesses in Scotland, including a report[84] published on 1 June 2022 which assessed the outputs and indicative outcomes of the COVID-19 business support measures in Scotland up to summer 2021. The report drew on scheme management information data, survey data, business intelligence, secondary sources, and modelling work to understand how many businesses have been supported and the extent to which the measures have helped businesses survive through the immediate crisis.

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

Cyber Security

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

As demonstrated very visibly by the cyber-attack on the Scottish Environment Protection Agency at the end of 2020, the cyber threat is very real, growing and potentially devastating. In May 2021, Audit Scotland published a blog[85] which highlighted the risk and potential impact of cybercrime in the public sector in Scotland. Phishing continues to be the most common form of attack as a springboard for more sophisticated ransomware attacks. The Scottish Government reviews public sector cyber resilience annually and is improving its strategic capability and capacity to respond to the escalating level of threat. Cyber security and resilience will require attention and focus in 2023-24.

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

Data Protection

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

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[84] Coronavirus (COVID-19) business support measures: evaluation - gov.scot (www.gov.scot)
[85] Cyber crime: A serious risk to Scotland's public sector | Audit Scotland (audit-scotland.gov.uk)

Ninety-nine data security incidents were recorded internally and reported in the DG Assurance reports covering the 2022-23 period for the Core Departments. One advisory report was made to the Information Commissioner's Office (ICO) in this period and no enforcement action was taken by the Commissioner. All internally reported incidents were assessed, and actions taken where necessary to minimise impact and recurrence. The number of incidents is similar to that recorded last year with most being minor (misdirected e-mails or redaction errors).

The ICO undertook a consensual audit of Scottish Government in 2022-23 and provided a high / reasonable assurance opinion. Data protection controls are in place and audit improvements are being tracked by the Information Governance Board.

A dedicated Data Protection Officer has been in place since the introduction of the GDPR in May 2018 and registration with the ICO is up to date. Staff are trained in data protection and engagement with ICO is frequent and cooperative.

Written Authority

The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary) and Accountable Officers designated by them for parts of the Scottish Administration are under a statutory duty to obtain written authority from the relevant Minister where they consider that any action, they are required to take would be inconsistent with their responsibilities. These responsibilities include ensuring financial propriety and regularity and ensuring that relevant resources are used economically, efficiently, and effectively (i.e., value for money). A value for money written authority need only be sought in relation to the implementation of policy. Accountable Officers are not answerable to the Parliament in respect of policy decisions. Policy is the responsibility of Ministers.

A written authority was sought by the Portfolio Accountable Officer for DG Economy under section 15(8) of Public Finance and Accountability (Scotland) Act 2000 in relation to the contract for the delivery of vessels 801 and 802 awarded by CMAL (Caledonian Maritime Assets Ltd) to Ferguson Marine Engineering Ltd (FMEL) in August 2015, and later brought into public ownership in August 2019 as Ferguson Marine Port Glasgow Limited (FMPG).

During 2022-23 the projected increase in costs for the delivery of the two ferries was subject to extensive due diligence supported by external commercial advisors. This concluded that the Accountable Officer tests in relation to vessel 801 had been met. However, it also concluded that although the principles of regularity and propriety of completing vessel 802 in line with the existing contract were met, the value for money case, confirming resources are used economically, efficiently, and effectively, was not. As a result, under section 15(8)(a) of the PFA Act, the Portfolio Accountable Officer sought to obtain written authority from Cabinet Secretary for Wellbeing Economy, Fair Work and Energy. This written authority was provided on the 14th May 2023 acknowledging the concerns over the value for money case, but also recognising a wider set of considerations relating to policy objectives, impacting on people, communities and national resilience. The provision of the authority also stipulated the need for continuing engagement with FMPG to challenge and reduce costs wherever possible. Risks relating to both the future of the yard and the delivery of the ferries are monitored as part of the Scottish Government risk management process with additional oversight being provided by the Strategic Assets Review Group. Further, the Scottish Government has instituted a series of regular meetings with the Chief Executive Officer (CEO) of FMPG and a new Chair was appointed during the year, which strengthened non-executive input.

Remuneration and Staff Report

The information in the Remuneration and Staff Report relating to the remuneration and pension benefits of ministers, law officers, senior management and Non-Executive Directors, fair pay disclosures, staff numbers, staff costs, analysis by pay bands and the number of exit packages have been audited by external auditors.

Appointments

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

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

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

The Civil Service Commissioners website[86] provides further information about their work.

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

Ronnie Hinds attended his final Corporate Board in March 2023 and ended his second and final term of appointment as a Non-Executive Director in June 2023. David Martin, who was appointed as a Non-Executive Director in March 2022, joined the Corporate Board for the first time in June 2023 and took over the Lead Non-Executive Director role from Ronnie Hinds. Neil Wooding joined as a Non-Executive Director in April 2023 for an initial term of three years.

Annie Gunner Logan accepted an extension to her appointment for a period of 23 months in February 2022. She stepped down as member of the Corporate Board in December 2022, although will remain a Non-Executive Director until the end of December 2023. Linda McKay stepped down as a member of the Corporate Board on 6 December 2022 and concluded her

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

appointment as a Non-Executive Director on 31 December 2022. Ben McKendrick ended his first term of appointment in June 2023 to take up a full-time role with the Scottish Parliament.

The Terms and Conditions of Non-Executive Directors set out that the appointments may be terminated at any time by agreement, or with three months' notice, provided by either party.

Remuneration Policy

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code[87] and with independent advice from the Review Body on Senior Salaries (SSRB).

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

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

Further information about the work of the SSRB can be found via the Office of Manpower Economics[88].

SCS pay is reserved to the UK Government and decisions regarding pay levels and pay awards are in line with the UK SCS pay and performance framework and rules. Scottish Ministers provide governance oversight to support alignment with the Scottish Public Sector Pay Policy.

The SCS pay ranges with effect from 1 April 2022:

SCS Pay Steps	Deputy Director 1	Deputy Director 1A	Director	Director General
Target Rate-4			£97,849	£125,057
Target Rate-3			£99,806	£127,558
Target Rate-2	£81,893	£81,893	£101,802	£130,109
Target Rate-1	£83,531	£83,531	£103,838	£132,711
Target Rate	£85,201	£85,201	£105,915	£135,366
Target Rate +1 (DD1A)		£86,400		

Six members of the Corporate Board received non-consolidated payments in 2022-23 as part of the 2022 SCS pay award.

87 http://www.civilservice.gov.uk/
88 http://www.ome.uk.com

The Permanent Secretary's salary and performance-related pay are set as part of a UK Cabinet Office framework and agreed by the Prime Minister.

Non-Executive Directors receive fees on a quarterly basis. Non-executive directors are also reimbursed for expenses incurred in the course of their duties.

Remuneration

The remuneration of the Cabinet Ministers who served over the year to 31 March 2023 and members of the Scottish Government Corporate Board is noted below.

Ministers (audited)

The remuneration of the First Minister and the Cabinet Ministers during the year to 31 March 2023 is shown in the table below. Ministerial salaries included in the table below are additional to the salaries (2022-23: £66,662, 2021-22: £64,470) and entitlements as MSPs which are borne by the Scottish Parliament. The full year salary rate for the First Minister is £96,567 (2021-22: £93,391) and for all other Cabinet Ministers is £50,097 (2021-22: £48,449).

	Salary 2022-23 £	**Salary 2021-22 £**	**Pension Benefits *2022-23 £**	**Pension Benefits *2021-22 £**	**Total Remuneration 2022-23 £**	**Total Remuneration 2021-22 £**
Humza Yousaf, MSP (1)	50,676	48,449	20,121	18,561	70,797	67,010
Nicola Sturgeon, MSP (2)	97,666	94,056	38,272	34,930	135,938	128,986
John Swinney, MSP (3)	49,828	48,449	20,311	17,270	70,139	65,719
Michael Matheson, MSP	50,097	48,449	20,075	17,858	70,172	66,307
Shirley-Anne Somerville, MSP	50,097	48,449	19,812	18,561	69,879	67,010
Kate Forbes, MSP (4)	49,693	48,449	19,585	18,760	69,278	67,209
Keith Brown, MSP (5)	49,828	42,067	19,410	16,346	69,238	58,413
Mairi Gougeon, MSP (6)	50,097	42,067	19,601	16,346	69,698	58,413
Angus Robertson, MSP (6)	50,097	42,067	19,601	16,346	69,698	58,413
Shona Robison, MSP (6)	50,097	42,067	19,601	16,346	69,698	58,413
Roseanna Cunningham, MSP (7)	-	6,512	-	1,928	-	8,440
Fiona Hyslop, MSP (7)	-	6,512	-	912	-	7,424
Fergus Ewing, MSP (7)	-	6,512	-	1,947	-	8,459
Michael Russell, MSP (7)	-	6,512	-	2,201	-	8,713
Jeane Freeman, MSP (7)	-	6,512	-	2,594	-	9,106
Aileen Campbell, MSP (8)	-	5,340	-	2,330	-	7,670
Neil Gray, MSP (9)	404	-	181	-	585	-
Angela Constance, MSP (9)	404	-	140	-	544	-

	Salary 2022-23 £	Salary 2021-22 £	Pension Benefits *2022-23 £	Pension Benefits *2021-22 £	Total Remuneration 2022-23 £	Total Remuneration 2021-22 £
Jenny Gilruth, MSP (9)	404	-	161	-	565	-
Mairi McAllan, MSP (9)	404	-	161	-	565	-

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

(1) Humza Yousaf was appointed as First Minister on 29th March 2023. The salary and total remuneration for 2022-23 includes a benefit-in-kind of £79 arising from the provision of accommodation at Bute House (2021-22: £0).

(2) Nicola Sturgeon stepped down as First Minister on 28th March 2023. The salary and total remuneration for 2022-23 includes a benefit-in-kind of £1,878 arising from the provision of accommodation at Bute House (2021-22: £665). Pension figures for 2021-22 have been revised due to previous incorrect aggregation of Cabinet and First Minister salaries on which the pension figures were based. As there is a significant difference in salary between these roles, pension is now calculated separately according to policy.

(3) John Swinney stepped down as Cabinet Minister as of 29th March 2023.

(4) Kate Forbes stepped down as Cabinet Minister on 28th March 2023.

(5) Keith Brown was appointed as Cabinet Minister on 20th May 2021 and stepped down on 29th March 2023.

(6) Mairi Gougeon, Angus Robertson and Shona Robison were appointed as Cabinet Ministers on 20th May 2021.

(7) Roseanna Cunningham, Fiona Hyslop, Fergus Ewing, Michael Russell and Jeane Freeman stepped down as Cabinet Ministers as of 19th May 2021.

(8) Aileen Campbell stepped down as Cabinet Minister as of 11th May 2021.

(9) Neil Gray, Angela Constance, Jenny Gilruth and Mairi McAllen were appointed as Cabinet Ministers on 29th March 2023.

Scottish Government Ministers' Pay Freeze Commitment

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

Scottish Government Ministers and the Law Officers have previously agreed to freeze pay as at their April 2009 pay level. The Salaries Scheme does not give the power to withhold an annual increase. To achieve the required reduction, pay increases are deducted from the Ministers' and the Law Officers' net salaries and repurposed for use by the Scottish

Government. The disclosure reflects the salary awarded under the Scottish Parliamentary Salaries Scheme.

Law Officers (audited)

The remuneration, comprising of salary and pension benefits, of the serving Law Officers for the year to 31 March 2023 is shown below:

	Salary 2022-23 £'000	Salary 2021-22 £'000	Pension Benefits *2022-23 £'000	Pension Benefits *2021-22 £'000	Total Remun-eration 2022-23 £'000	Total Remun-eration 2021-22 £'000
Dorothy Bain KC (1)	132	90	52	39	184	129
Ruth Charteris KC (1)	114	77	50	38	164	115
James Wolffe KC (2)	-	60	-	30	-	90
Alison Di Rollo KC (2)	-	51	-	8	-	59

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

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

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

No Law Officers received benefits-in-kind.

Senior Management Team (audited)

The remuneration of the Permanent Secretary and members of the Scottish Government Corporate Board for the year to 31 March 2023 were as follows:

	Salary 2022-23 £'000	Salary 2021-22 £'000	Pension Benefits *2022-23 £'000	Pension Benefits *2021-22 £'000	Total Remun-eration 2022-23 £'000	Total Remun-eration 2021-22 £'000
Leslie Evans (1)	-	225-230	-	0	-	225-230
Lesley Fraser (2)	130-135	125-130	0	29	130-135	150-155
Liz Ditchburn (3)	-	110-115	-	4	-	115-120
Paul Johnston (4)	140-145	130-135	8	34	150-155	165-170
Ken Thomson	135-140	130-135	0	9	135-140	140-145
Alyson Stafford CBE	150-155	145-150	-	-	150-155	145-150
Nicky Richards	105-110	100-105	3	30	110-115	130-135
Ruaraidh Macniven	100-105	95-100	8	30	105-110	125-130
Katrina Williams (5)	-	15-20	-	-	-	15-20
Elinor Mitchell (6)	30-35	45-50	17	7	50-55	50-55
Caroline Lamb	195-200	185-190	74	73	270-275	260-265
Joe Griffin	125-130	120-125	10	142	135-140	260-265
Jackie McAllister	100-105	95-100	0	119	100-105	215-220
Madhu Malhotra (7)	-	75-80	-	-	-	75-80
John-Paul Marks (8)	170-175	40-45	87	23	260-265	65-70
Andy Bruce	95-100	95-100	15	79	110-115	170-175

	Salary 2022-23 £'000	Salary 2021-22 £'000	Pension Benefits *2022-23 £'000	Pension Benefits *2021-22 £'000	Total Remun-eration 2022-23 £'000	Total Remun-eration 2021-22 £'000
Roy Brannen (9)	125-130	45-50	65	58	190-195	100-105
Louise Macdonald OBE (10)	115-200	-	46	-	160-165	-
Gregor Irwin (11)	0-5	-	2	-	5-10	-

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce from one year to the next. Where pension benefit would be a negative value, it is instead expressed as zero.

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

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

(2) Lesley Fraser's pension benefit for 2021-22 has been restated to correct an error in the published figure.

(3) Liz Ditchburn was on annual leave from November 2021 and formally retired on 31 January 2022. The full year salary band in 2021-22 was £130-135k.

(4) Paul Johnston stepped down from the Corporate Board on 17 March 2023. The full year salary band in 2022-23 was £135-140k. His salary and total remuneration for 2022-23 includes untaken annual leave and backdated salary payment as part of the 2022 pay award across the Scottish Government.

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

(6) Elinor Mitchell was the interim Director General of Economy between 16 November 2021 and 2 May 2022. The full year salary band was £120-125k in both 2021-22 and 2022-23. Her salary and total remuneration for 2022-23 includes untaken annual leave and backdated salary payment as part of the 2022 pay award across the Scottish Government.

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

(8) John-Paul Marks was appointed as the new Permanent Secretary and joined the Corporate Board on 1 January 2022. The full year salary band in 2021-22 was £165-170k.

(9) Roy Brannen joined the Corporate Board on 16 November 2021 as Director General of Net Zero. The full year salary band in 2021-22 was £120-125k.

(10) Louise Macdonald joined the Corporate Board as the interim DG Economy on 2 May 2022 and was appointed as DG Communities on 20 March 2023. The full year salary band in 2022-23 was £125-130k.

(11) Gregor Irwin was appointed as DG Economy as of 20 March 2023. The full year salary band in 2022-23 was £135-140k.

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

Fair pay disclosures (audited)

In accordance with the Government Financial Reporting Manual (FReM), reporting bodies are required to disclose the relationship between the mid-point of the remuneration of the highest-paid member of the Senior Management Team in their organisation and the median, 25th and 75th percentile remuneration of the organisation's workforce. The median and percentile calculations include directly employed staff paid through the Scottish Government Core payroll.

It covers both permanent staff and those on fixed term contracts. Although the FReM requires agency and other temporary employees covering staff vacancies to be included in the below disclosures, annualised salaries to be determined for calculations are currently not set against Scottish Government grades or are paid on a daily rate basis. Work will be taken forward in 2024 with regards this additional reporting.

The ratios are calculated as the mid-point of the highest band divided by the total remunerations.

The pay system within Scottish Government is such that there are a large number of staff on relatively few pay steps with significant gaps between some of them, resulting in a median, 25th and 75th percentile pay figure occasionally changing markedly from one year to the next. The pay ratios are consistent with the pay, reward and progression policies for the Scottish Government's employees taken as a whole.

	2022-23 £'000	2021-22 £'000
Minimum Total Remuneration	22	21
Maximum Total Remuneration	196	190
Band of Highest Paid member of the Corporate Board Total Remuneration	195-200	185-190

The total remuneration of the highest paid member of the Corporate Board increased by 5.3% between 2021-22 and 2022-23, while the total remuneration of Scottish Government employees taken as a whole increased by 2.9% in the same period. The difference is due to recruitment into lower grades and/or staff being recruited internally or joining a grade at the minimum pay step.

The total pay and benefits and pay ratios to the highest paid Director are shown in the table below.

	2022-23	**2021-22**	**Movement**
25th percentile remuneration	£33,120	£31,542	5.0%
Ratio to highest paid Director	6.0:1	5.9:1	
Median remuneration	£42,855	£39,659	8.1%
Ratio to highest paid Director	4.6:1	4.7:1	
75th Percentile remuneration	£57,355	£53,476	7.3%
Ratio to highest paid Director	3.4:1	3.5:1	

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

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

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

Non-Executive Directors (audited)

Remuneration

Fees are paid on a quarterly basis for their position as Scottish Government Non-Executive Director. The Scottish Government is treated as a Tier 1 organisation with reference to the Public Sector Pay Policy which describes pay arrangements for Chairs, Board Members and Public Appointments in terms of a daily fee, in a tiered system. Tier 1 reflects the importance, size and responsibilities of the Scottish Government within the Scottish public sector.

There is a differentiation in remuneration levels between:

- The Chair of SGAAC, who undertakes additional responsibilities compared with members of the Committee and
- The Lead Non-Executive Director, who undertakes additional supporting functions for the Principal Accountable Officer.

Benefit-in-Kind

The monetary value of benefits-in-kind covers any benefits provided by the Scottish Government and treated by HM Revenue and Customs as a taxable emolument. No Non-Executive Director of the Scottish Government Corporate Board received benefits-in-kind. The non-executive members do not participate in the Civil Service Pension Scheme.

The fees for the Non-Executive Directors who were members of the Scottish Government Corporate Board or attended the Corporate Board in 2022-23 were as follows:

	2022-23 Fees £'000	**2021-22 Fees £'000**
Linda McKay (1)	10-15	10-15
Ronnie Hinds	15-20	15-20
Hugh McKay (2)	-	10-15
Annie Gunner Logan	10-15	10-15
Jim Robertson	15-20	10-15
Jayne Scott	10-15	10-15
Belinda Oldfield (3)	5-10	-
Nichola Clyde (4)	0-5	10-15
Ben McKendrick	10-15	10-15
Neil Richardson	10-15	10-15
Fiona Ross	10-15	10-15
David Martin (5)	10-15	0-5
Jenny Stewart (5)	10-15	0-5

(1) Linda McKay concluded her Non-Executive Director appointment on 31 December 2022. The full year fee was £10-15k.

(2) Hugh Mackay concluded his Non-Executive Director appointment on 31 January 2022. The full year fee in 2021-22 was £15-20k.

(3) Belinda Oldfield was appointed as Non-Executive Director on 5 September 2022. The full year fee was £10-15k.

(4) Nichola Clyde sadly passed away in June 2022. The full year fee was £10-15k.

(5) David Martin and Jenny Stewart were appointed as Non-Executive Directors on 28 March 2022. The full year fee for both was £10-15k.

Nichola Clyde, Ben McKendrick, Neil Richardson, Fiona Ross, David Martin and Jenny Stewart were not members of the Corporate Board, but they were invited to attend Corporate Board meetings in 2022-23.

Pension Benefits

Ministers (audited)

The pension entitlements of the Cabinet Team for the year to 31 March 2023 are shown below:

	Accrued pension at age 65 as at 31-Mar-23 £'000	Real increase in pension at age 65 £'000	CETV at 31-Mar-23 £'000	CETV at 31-Mar-22 £'000	Real Increase in CETV £'000
Humza Yousaf, MSP/FM	5-10	0-2.5	64	48	9
Nicola Sturgeon, FM (1)	25-30	0-2.5	434	377	35
John Swinney, MSP	15-20	0-2.5	332	294	24
Michael Matheson, MSP	10-15	0-2.5	157	131	17
Shirley-Anne Somerville, MSP	5-10	0-2.5	80	60	13
Kate Forbes, MSP	0-5	0-2.5	38	24	7
Keith Brown, MSP	0-5	0-2.5	43	19	18
Mairi Gougeon, MSP	0-5	0-2.5	25	11	8
Angus Robertson, MSP	0-5	0-2.5	36	16	14
Shona Robison, MSP	0-5	0-2.5	38	17	16
Neil Gray, MSP	0-5	0-2.5	0	0	0
Angela Constance, MSP	0-5	0-2.5	0	0	0
Jenny Gilruth, MSP	0-5	0-2.5	0	0	0
Mairi McAllan, MSP	0-5	0-2.5	0	0	0

(1) Nicola Sturgeon's Cash Equivalent Transfer Value (CETV) at 31 March 2022 has been revised due to previous incorrect aggregation of Cabinet and First Minister salaries on which the pension figures were based. As there is a significant difference in salary between these roles, pension is now calculated separately according to policy.

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

The Cash Equivalent Transfer Value

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

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister.

The Ministers are members of the Scottish Parliamentary Pension Scheme. Full details are available on the scheme website.[89]

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

Law Officers (audited)

The pension entitlements of the Law Officers are shown below:

	Accrued pension at pension age as at 31-Mar-23 £'000	Real increase in pension at pension age £'000	CETV at 31-Mar-23 £'000	CETV at 31-Mar-22 £'000	Real Increase in CETV £'000
Dorothy Bain KC	5-10	2.5-5	104	43	45
Ruth Charteris KC	5-10	2.5-5	72	30	34

Senior Management Team (audited)

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

	Accrued pension at pension age and related lump sum as at 31-Mar-23 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31-Mar-23 £'000	CETV at 31-Mar-22 £'000	Real Increase in CETV £'000	Employer contribution to partnership pension account £'000
Paul Johnston	45-50 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	729	664	-9	-
Alyson Stafford CBE (1)	-	-	-	-	-	22
Ken Thomson	75-80	0	1,570	1,477	-63	-
Nicky Richards	45-50 plus a lump sum of 15-20	0-2.5 plus a lump sum of 0	735	670	-11	-
Lesley Fraser	55-60 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0	1,215	1,100	-25	-
Ruaraidh Macniven	40-45 plus a lump sum of 65-70	0-2.5 plus a lump sum of 0	653	590	-6	-
Elinor Mitchell	55-60 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0-2.5	1,169	1,144	15	-
Caroline Lamb	10-15	2.5-5	150	79	52	-

[89] https://pensions.gov.scot/other-schemes/scottish-parliamentary-pension-scheme

	Accrued pension at pension age and related lump sum as at 31-Mar-23 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31-Mar-23 £'000	CETV at 31-Mar-22 £'000	Real Increase in CETV £'000	Employer contribution to partnership pension account £'000
Joe Griffin	45-50 plus a lump sum of 85-90	0-2.5 plus a lump sum 0	803	724	-7	-
Jackie McAllister	50-55	0-2.5	745	676	-13	-
John-Paul Marks (2)	55-60	5-7.5	683	571	40	-
Andy Bruce	30-35 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0	480	429	-1	-
Roy Brannen	55-60 plus a lump sum of 115-120	2.5-5 plus a lump sum of 0-2.5	1,175	1,006	47	-
Louise MacDonald OBE	0-5	2.5-5	36	0	28	-
Gregor Irwin	0-5	0-2.5	1	0	1	-

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

(2) John-Paul Marks' CETV at 31 March 2022 has been restated due to a miscalculation in the pension for 2021-22.

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

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

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

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

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

For 2022-23 Scottish Government employers' contributions of £169m (2021:22: £131m) were payable to PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2022-23 the value of Scottish Government employers' contributions relating to the partnership pension account was £869k (2021-22: £795k). There were no contributions due to the partnership pension or prepaid at the balance sheet date.

Further details regarding the Civil Service pension arrangements are available on the scheme website[90].

Cash Equivalent Transfer Values for Civil Service pensions

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

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

Real increase in CETV

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

Court of Appeal judgement on public sector pension reforms

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

Following consultation, the UK Government announced '2015 Remedy' on 4 February 2021 according to which all members of civil service pensions who continued in service from 1 April

90 www.civilservicepensionscheme.org.uk

2022 onwards do so as members of alpha. Classic, classic plus, premium and nuvos were closed in relation to service after 31 March 2022.

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

A public consultation ran from 6 March 2023 to 14 May 2023 for the detailed changes needed to carry out the McCloud remedy for affected Civil Service Pension Scheme members. These changes will be made in the proposed scheme regulations which will allow the scheme manager to put right any unlawful treatment that happened, whilst providing members with a choice about their pension benefits for the remedy period.

Further information regarding this discrimination, the latest update on the legislative process and scheme valuations can be found on the Civil Service Pensions website[91].

[91] https://www.civilservicepensionscheme.org.uk/your-pension/2015-remedy/

People and Culture

Staff numbers and related costs (audited)

Staff numbers (Full time equivalent)	No. of Special Advisers	Perman-ent Staff	Other	2022-23 Total	Restated 2021-22 Total
Administration	18	1,727	125	1,870	1,565
Constitution, External Affairs & Culture		160	25	185	163
Deputy First Minister & Covid Recovery		312	27	339	269
Education & Skills		1,477	190	1,667	1,581
Finance & Economy		1,576	159	1,735	1,846
Health & Social Care		156,330	7,375	163,705	161,789
Justice & Veterans		4,548	19	4,567	4,597
Net Zero, Energy & Transport		1,191	115	1,306	1,154*
Rural Affairs & Islands		1,687	72	1,759	1,724
Social Justice, Housing & Local Government		4,743	247	4,990	3,278
Crown Office and Procurator Fiscal Service		2,249	77	2,326	2,254
Scottish Government Corporate Board		13	0	13	14
Total	**18**	**176,013**	**8,431**	**184,462**	**180,234**

Staff costs	2022-23 £'m	2021-22 £'m
Wages and Salaries (Permanent staff)	7,951	7,467
Social security costs (Permanent staff)	889	779
Other pension costs (Permanent staff)	1,519	1,396
Sub-total	**10,359**	**9,642**
Non-Permanent Staff (including Agency, temporary, contract staff and inward secondments)	746	592
Total	**11,105**	**10,234**
Less recoveries in respect of outward secondments	(180)	(173)
Total net costs	**10,925**	**10,061**

Number and cost of exit packages

Exit Packages Cost Band	No of compulsory redundancies agreed 2022-23	No of other departures agreed 2022-23	Cost of exit packages 2022-23 £000	No of departures agreed 2021-22	Cost of exit packages 2021-22 £000
<£10,000	15	235	1,038	14	66
£10,000 to £25,000	-	16	300	9	132
£25,000 to £50,000	-	23	817	18	650
£50,000 to £100,000	-	63	4,636	44	3,071
£100,000 to £150,000	-	1	131	2	226
£150,000 to £200,000	-	1	158	3	489
£200,000 to £250,000	-	-	-	-	-
£250,000+	-	-	-	-	-
Total number / cost of exit packages	**15**	**339**	**7,080**	**90**	**4,634**

There were 15 compulsory redundancies in 2022-23 (2021-22: 0)

* Total staff number for Net Zero, Energy and Transport has been restated for 2021-22.

Diversity and Inclusion

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

During 2022- 2023 we continued to deliver on our two equality outcomes as an employer: to increase our workforce diversity and to foster an inclusive workforce culture. We have focused on embedding equality into our hybrid working arrangements and our practices and policies for employees. We are taking a person-centred approach and adapting our practices to support the needs of our increasingly diverse workforce. At 85.6% positive, our inclusion and fair treatment score in our 2022 People Survey is still one of our highest on record. And it puts the Scottish Government among the highest performing departments across the UK Civil Service.

The Scottish Government published its Recruitment and Retention Action Plans for Disability (2019), Race (2021), and Socio-Economic Diversity (2023). Our Race and Disability Plans were reviewed in 2022 to identify game changer actions within each plan to improve diversity and inclusion. Gamechanger actions were those we anticipated making the greatest positive impact. From the original 100+ actions across both plans, we identified 26 gamechanger actions for Disability and 22 for Race. Our Socio-Economic Diversity Action Plan, published this year, was developed with gamechanger actions in mind from the offset and includes 23 game changer actions. Ongoing delivery of these game changer actions across all three plans, and monitoring their impact, is overseen by a Diversity and Inclusion Governance Group. Its members include our Executive Team Allies, Senior Civil Service (SCS) Champions, Senior Corporate Colleagues and representatives from our Diversity Staff Network Committees, external bodies and our Unions. It is chaired by the Executive Team Champion for Diversity and Inclusion. As we were on schedule to complete all our gamechanger actions across our Race and Disability Plans, we spent time looking even more closely at the impact they had. Across the two plans for Race and Disability there were eight separate outcomes or priorities which could be summarised under four themes: Recruitment, retention and progression; Culture; Systems, policies and practices; and Leadership. We found that across these four different themes we had delivered high numbers of actions. However, this was not having the degree of positive impact we expected. Our review, which included engaging with staff diversity network representatives and action owners in the plan, also highlighted that the actions which had made the biggest impact were ones which were delivered to a broader range of employees. These actions include our Employee Passport, our Mutual Mentoring scheme and our Developing Diverse Leaders scheme.

Learning lessons from what has and has not worked, we are now evolving our approach to Diversity and Inclusion. Our approach will concentrate our collective effort on a smaller number of topics at one time. We will take a broader, multi equality strand approach to our actions and we will supplement these with specific actions for particular groups where we know it is needed. This will be delivered through a single Diversity and Inclusion Strategy which we plan to publish in Winter 2023. The strategy will be impact focussed, data driven, and intersectional.

Our Equality Impact Assessment for the Diversity and Inclusion strategy maps the entire employee journey from application to retirement. We have combined qualitative and quantitative data sources in assessing any difference in experience by protected characteristics. This includes our new Employee Insights Series which is qualitative research undertaken with over 100 staff from different backgrounds in focus groups, surveys and interviews. Working in partnership with our staff networks the research brought together groups of staff by protected characteristic and asked them to describe their experiences of working in Scottish Government in their own way. From this we then broke those experiences into topics across the employee journey and created a qualitative data bank.

Opportunities for learning for staff, to build understanding of valuing diversity and what it means in practice, and how to take action to build an inclusive culture, is at the heart of our Diversity and Inclusion work. We have a distinct Diversity and Inclusion curriculum. This has been developed in two phases. The first phase provides mandatory learning to provide foundational understanding and is supplemented with a digital curriculum with access to over 100 e-learning resources covering the full range of protected characteristics. The second phase focuses on tailored learning for staff in specific roles. It also includes live learning on topics where there was greatest staff self-assessment need. Over the past 12 months this has included live Anti Racism training, Disability Equality and the Social Model of Disability Training and Trans Awareness and LGBTI+ Allyship. We have recently released the first of our animated story telling series. This aims to give a greater voice to the lived experience of staff without them having to constantly retell their story. Our Diversity and Inclusion curriculum operates as an agile project, meaning we can adapt quickly to concentrate on developing resource where it is needed most.

We continue to build on improvements to mainstream and embed Diversity and Inclusion. Following a successful project to improve workplace adjustments using the Social Model of Disability, we established a dedicated workplace adjustments service. We also created an Employee Passport in co-production with staff networks. This provides a framework to enable staff to discuss any circumstances which may be impacting them at work and seeks to remove any barriers that are stopping them perform at their best. The Employee Passport is our most popular inclusion initiative. It is used to cover a whole range of circumstances such as religious observance, disability, caring responsibility or volunteering. It is the first of its kind in the UK Civil Service and believed to be the first of its kind in Scotland.

See our Equality Outcomes and Mainstreaming Report[92] which was published in April 2023, which contains a section on The Scottish Government As An Employer. This provides a comprehensive assessment of our progress towards mainstreaming equality and delivering on our two employer equality outcomes.

Staff Relations and Equality

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of working in government departments. Every year, a Civil Service benchmark report is published along with a summary of department and agency scores. The Scottish Government staff response rate for 2022 was 73% (2021: 75%). Further information, including in regard to the consolidated agencies, can be found via our People Survey[93].

Staff turnover based on permanent staff average headcount in the Core Scottish Government for 2022-23 was 4.44% (2021-22: 3.86%).

In 2022-23, an average of 8.05 working days (2021-22: 7.31) 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 2023 was 6.20% of total contracted hours (2021-22: 5.69% of total contracted hours).

[92] https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2023/
[93] https://www.gov.scot/collections/scottish-government-people-survey/

Sickness absence rates for agencies and other consolidated bodies can be found in their individually published annual accounts.

During 2022-23 there were 56,448 male staff, 181,599 female staff and 127 who prefer not to say employed by the Scottish Government (2021-22: 57,182 male, 172,750 female and 152 prefer not to say staff). Within these totals were 4,338 male and 3,781 female Senior Civil Servants or equivalent (2021-22: 2,526 male and 2,154 female Senior Civil Servants). These staff numbers are measured as head count numbers and not full time equivalents as used in the staff numbers table. Further information on staff composition can be found in our Equality Outcomes and Mainstreaming Report[94].

Number of Senior Civil Servants and equivalent by pay band (audited):

Pay band	**2022-23 headcount**	**2021-22 headcount**
Deputy director or equivalent	3,973	3,336
Director or equivalent	2,152	2,073
Director General or equivalent	4,792	4,270
Permanent Secretary	1	2*
Total	10,918**	9,681**

* As noted in the section on the Senior Management team above, there was a change in Permanent Secretary during the year 2021-22.

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

Facility time used by recognised trade union representatives of the Scottish Government and its non-consolidated entities has been reported[95] for the period between 1 April 2022 and 31 March 2023 as follows:

Number of employees who were trade union officials during the relevant period	131
Full time equivalent employee number	129
Total cost of facility time	£622,523
Total pay bill spent on paying employees who were relevant trade union officials for facility time	£847,472,632
Facility time as a percentage of total pay bill*	0.07%
Time spent on paid Trade Union activities as a percentage of total paid facility time**	34.91%

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

94 https://www.gov.scot/publications/equality-outcomes-mainstreaming-report-2023/
95 https://www.gov.scot/publications/scottish-government-trade-union-facility-time-2023-data/

Percentage of working hours spent on facility time by trade union representatives	Number of trade union representatives
0%	15
1 – 50%	110
51 – 99%	1
100%	5

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 2023 was 4,536 (2021-22: 3,779).

Losses, Gifts and Special Payments

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

Losses

Portfolio	2022-23 No of Cases	2022-23 £m	Restated 2021-22 £m
Education & Skills (1)	5	0.20	0.31
Finance & Economy	430	1.85	2.51
Health & Social Care (2)	4,059	20.36	3.42
Justice & Veterans	455	0.13	0.31
Net Zero, Energy & Transport	32	0.58	0.35
Rural Affairs & Islands	-	-	0.06
Social Justice, Housing & Local Government (3)	5,006	0.80	0.32
Administration	18	1.00	0.49

(1) Losses reported for Education & Skills portfolio in 2021-22 has been restated from £0.30 million to £0.31 million due to student loan write-offs previously not included. The number of student loans written off is not accessible for either of the years reported above.

(2) 50 cases amounting to £0.035 million irrecoverable student nursing bursaries have been included (2021-22: £0.027 million, case number was not accessible)

(3) Losses reported for Social Justice, Housing & Local Government has been restated from £0m to £0.32m.

Details of cases over £0.30m:

Portfolio	Details	2022-23 £m
Health & Social Care: NHS Boards: NHS National Services Scotland	Expired flu and COVID vaccines	6.43
	Expired PPE and testing kits	5.75
	National Distribution Centre stock loss	0.41
	Surplus PPE pandemic stock donated to KickOR charity	2.40
Administration	Discontinuation of corporate system upgrade	0.63
Finance & Economy	Scottish Growth Scheme write off	0.61

There were two cases over £0.30 million in 2021-22.

Special Payments

Portfolio	2022-23 No of Cases	2022-23 £m	2021-22 £m
Education & Skills	1	0.002	0.01
Finance & Economy	11	0.01	0.01
Health & Social Care	1,156	52.62	98.75
Justice & Veterans	401	5.39	4.09
Rural Affairs & Islands	1	0.01	0.03

Portfolio	2022-23 No of Cases	2022-23 £m	2021-22 £m
Social Justice, Housing & Local Government	12	0.003	0.008
Crown Office and Procurator Fiscal Service	20	16.24	11.45
Administration	-	-	0.01

Details of cases over £0.30m:

Portfolio	2022-23 No of Cases	Details	2022-23 £m	2021-22 £m
Health & Social Care: NHS Boards		Clinical Compensation Payments:		
	2	NHS Ayrshire & Arran	1.60	-
	3	NHS Dumfries and Galloway	4.18	3.90
	4	NHS Fife	1.50	2.62
	3	NHS Forth Valley	1.68	-
	2	NHS Grampian	0.66	3.68
	7	NHS Greater Glasgow and Clyde	5.34	22.64
	2	NHS Highland	1.10	0.75
	4	NHS Lanarkshire	2.16	12.77
	4	NHS Lothian	3.36	19.74
	1	NHS Tayside	0.31	1.67
	1	Scottish Ambulance Service	0.44	-
	1	NHS Education for Scotland	0.44	-
Health & Social Care: NHS Boards		Non-clinical compensation payments		
	1	NHS Highland	0.35	-
	1	NHS Lothian	0.75	-
	1	Scottish Ambulance Service	0.33	-
Crown Office and Procurator Fiscal Service	1	Involvement with civil litigation brought against the Lord Advocate by individuals prosecuted in connection with the acquisition and administration of Rangers Football Club	16.23	11.04

There were 38 cases over £0.30 million in 2022-23 (2021-22: 35).

Gifts

The Scottish Government made gifts in the year as follows:

Portfolio	2022-23 No of Cases	2022-23 £m	2021-22 £m
Constitution, External Affairs & Culture	-	-	0.0003
Net Zero, Energy & Transport	1	0.0004	-

There were no cases over £0.30 million in 2022-23 (2021-22: nil).

John-Paul Marks

John-Paul Marks
Principal Accountable Officer

31 October 2023

Report of the Auditor General for Scotland to the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the Scottish Government Consolidated Accounts for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Consolidated Summary of Total Outturn, the Consolidated Summary of Resource Outturn, the Consolidated Summary of Capital Outturn, ten Consolidated Portfolio Outturn Statements, the Explanations of Major Variances in Consolidated Portfolio Outturn Statements, Consolidated Statement of Comprehensive Net Expenditure and Changes in Taxpayer' Equity, Consolidated Statement of Cash Flows, Consolidated Statement of Financial Position, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Government and the consolidation of the entities within the departmental accounting boundary as at 31 March 2023 and of the net resource outturn and resources applied to objectives for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

The most significant assessed risks of material misstatement that have been identified and judgements thereon are reported in a separate Annual Audit Report.

Responsibilities of the Principal Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the Scottish Government;
- inquiring of the Principal Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Scottish Government;
- inquiring of the Principal Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Scottish Government's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Principal Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Other information

The Principal Accountable Officer is responsible for the other information in the Scottish Government Consolidated Accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions.

Opinions on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I report by exception

I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the consolidated accounts, conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in a separate Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Boyle

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

31 October 2023

Consolidated Summary of Total Outturn

For the year ended 31 March 2023

Restated 2021-22 Outturn £m	Programme Total	Resource Outturn £m	Capital Outturn £m	Total Outturn £m	Budget £m	Variance £m
18,462	Health and Social Care	17,118	516	17,634	17,895	(261)
16,290	Social Justice, Housing and Local Government	17,845	162	18,007	18,002	5
2,080	Finance and Economy	1,206	250	1,456	1,496	(40)
3,780	Education and Skills	3,333	615	3,948	4,004	(56)
3,084	Justice and Veterans	3,227	71	3,298	3,329	(31)
4,062	Net Zero, Energy and Transport	3,598	433	4,031	4,141	(110)
877	Rural Affairs and Islands	889	6	895	898	(3)
63	Deputy First Minister and Covid Recovery	40	-	40	45	(5)
355	Constitution, External Affairs and Culture	267	-	267	271	(4)
185	Crown Office and Procurator Fiscal Service	184	7	191	195	(4)
49,238	**TOTAL OUTTURN**	**47,707**	**2,060**	**49,767**	**50,276**	**(509)**

Consolidated Summary of Resource Outturn

For the year ended 31 March 2023

Restated 2021-22 Outturn £m	Programme Resources	Outturn £m	Budget £m	Variance £m
17,926	Health and Social Care	17,118	17,329	(211)
16,180	Social Justice, Housing and Local Government	17,845	17,768	77
1,836	Finance and Economy	1,206	1,195	11
3,229	Education and Skills	3,333	3,295	38
3,033	Justice and Veterans	3,227	3,257	(30)
3,534	Net Zero, Energy and Transport	3,598	3,660	(62)
869	Rural Affairs and Islands	889	890	(1)
63	Deputy First Minister and Covid Recovery	40	45	(5)
356	Constitution, External Affairs and Culture	267	271	(4)
176	Crown Office and Procurator Fiscal Service	184	185	(1)
47,202	**TOTAL RESOURCE OUTTURN**	**47,707**	**47,895**	**(188)**

Consolidated Summary of Capital Outturn

For the year ended 31 March 2023

Restated 2021-22 Outturn £m	Programme Capital	Outturn £m	Budget £m	Variance £m
536	Health and Social Care	516	566	(50)
110	Social Justice, Housing and Local Government	162	234	(72)
244	Finance and Economy	250	301	(51)
551	Education and Skills	615	709	(94)
51	Justice and Veterans	71	72	(1)
528	Net Zero, Energy and Transport	433	481	(48)
8	Rural Affairs and Islands	6	8	(2)
-	Deputy First Minister and Covid Recovery	-	-	-
(1)	Constitution, External Affairs and Culture	-	-	-
9	Crown Office and Procurator Fiscal Service	7	10	(3)
2,036	**TOTAL CAPITAL OUTTURN**	**2,060**	**2,381**	**(321)**

Health and Social Care

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
17,732	Health and Social Care	1	18,294	1,294	17,000	16,984	16
17,732	**Total Expenditure Limit**		**18,294**	**1,294**	**17,000**	**16,984**	**16**
	UK Funded Annually Managed Expenditure						
154	Health	2	75	-	75	285	(210)
154	**Total AME**		**75**	**-**	**75**	**285**	**(210)**
	Other Expenditure						
40	Health	3	47	4	43	60	(17)
40	**Total Other Expenditure**		**47**	**4**	**43**	**60**	**(17)**
17,926	**TOTAL RESOURCES**		**18,416**	**1,298**	**17,118**	**17,329**	**(211)**
538	Capital - Additions	4	524	-	524	562	(38)
(7)	Capital - Disposals	4	-	11	(11)	-	(11)
5	Capital (Other Expenditure) - Additions		4	1	3	4	(1)
536	**TOTAL CAPITAL**		**528**	**12**	**516**	**566**	**(50)**
18,462	**TOTAL OUTTURN**		**18,944**	**1,310**	**17,634**	**17,895**	**(261)**

With effect from 2017-18, gross income and expenditure for the portfolio excludes income received from Integration Authorities on the basis that this presentation better reflects the funding relationship between Integration Authorities and NHS Boards. This adjustment has no impact on the portfolio's net outturn position.
Income of £7,474m was received by Boards in 2022-23 (2021-22: £7,264m) for provision of healthcare services commissioned by Integration Authorities. NHS funding to Integration Authorities for 2022-23 totalled £7,177m (2021-22: £7,751m).

Explanation of Major Variances greater than £3m:

Note 1 The main reason for the reported overspend is due to the difference in budgeting and accounting reporting requirements for Personal Protective Equipment.

Note 2 Lower than anticipated levels of NHS provisions and impairments.

Note 3 Lower than anticipated depreciation and impairments of NHS NPD/PPP/PFI schemes.

Note 4 Lower than anticipated capital budget requirements for NHS Right of Use assets following implementation of the accounting standard IFRS 16 Leases.

Social Justice, Housing and Local Government

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
9,683	Local Government	1	9,671	-	9,671	9,636	35
613	Housing	2	589	11	578	601	(23)
20	Social Justice		25	-	25	27	(2)
38	Third Sector		22	-	22	22	-
100	Central Government Grants to Local Authorities		100	-	100	100	-
298	Social Security	3	389	2	387	408	(21)
3,484	Social Security Assistance	4	4,046	-	4,046	4,039	7
46	Equality, Inclusion and Human Rights		50	1	49	47	2
4	Building Standards		7	-	7	5	2
-	Ukrainian Resettlement	5	231	-	231	212	19
14,286	**Total Expenditure Limit**		**15,130**	**14**	**15,116**	**15,097**	**19**
	UK Funded Annually Managed Expenditure						
2,090	Non-Domestic Rates		2,766	-	2,766	2,766	-
(195)	Housing	6	(29)	**-**	(29)	(97)	68
(1)	Social Security Scotland	7	(8)	-	(8)	2	(10)
1,894	**Total AME**		**2,729**	**-**	**2,729**	**2,671**	**58**
16,180	**TOTAL RESOURCES**		**17,859**	**14**	**17,845**	**17,768**	**77**
13	Capital - Housing	8	167	115	52	127	(75)
83	Capital - Social Security	**9**	98	-	98	93	5
14	Capital - Social Security Scotland		7	-	7	7	-
-	Capital - Other		5	-	5	7	(2)
110	**TOTAL CAPITAL**		**277**	**115**	**162**	**234**	**(72)**
16,290	**TOTAL OUTTURN**		**18,136**	**129**	**18,007**	**18,002**	**5**

Explanation of Major Variances greater than £3m:

Note 1	Additional funding was provided to local authorities after the deadline for the Spring Budget Revision of £33m for the Teachers Pay Award.
Note 2	Lower than expected Discretionary Housing Payments following an overestimation in costs by the Scottish Fiscal Commission, and lower Rented Sector Reform costs following staff resource being diverted to the Cost of Living (Tenant Protection) Act during the year. In addition to the Affordable Housing Supply Programme's slower pace of delivery owing to inflation and the Housing sector's limited capacity.
Note 3	As a result of Programme planning to support delivery timelines, cash-based Resource expenditure was £1.5 million lower than budget. Also, as a result of a review it was agreed that the useful economic life of intangible assets should be extended, resulting in a £19 million reduction for non-cash depreciation expenditure. In addition there were other minor variances across the programme.
Note 4	Benefit expenditure is demand led and cannot be controlled in the same way as other budgets where spending limits can be set. Further information on benefit spend can be found in the Social Security Scotland accounts for 2022-23 at www.socialsecurity.gov.scot/publications/
Note 5	The resource overspend of £19 million represents in the main the higher than anticipated cost of temporary accommodation in 22-23 due to the success of the 'Super Sponsor Scheme' resulting in strong demand. Given the assurances made to displaced Ukrainians, and the risk of homelessness were this support not to be provided, this is broadly a demand-led item of expenditure.
Note 6	Relates to year end fair value adjustments for housing loans, shared equity schemes, and charitable bonds. Loan adjustments are discounted in year 1 (depending on the interest rate charged on loans), and the discount unwound in subsequent years.
Note 7	The budget for impairment for unrecoverable debt was based on prior year experience as we rely on the Department for Work and Pensions for this information. Following a change in methodology and their annual impairment review what materialised was lower.
Note 8	Additional receipts were received in year in relation to house sales which are outside of SG control. Income for this is only received when individual home owners who are part of the shared equity schemes sell their properties.
Note 9	As a result of Programme planning to support delivery timelines, cash-based Capital expenditure was £5million higher than budget.

Finance and Economy

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
22	Scottish Public Pensions Agency		25	-	25	24	1
108	Other Finance		89	3	86	88	(2)
140	Digital	1	151	9	142	138	4
12	Planning		9	-	9	8	1
75	Employability and Training	2	93	-	93	88	5
872	Enterprise, Trade and Investment	3	297	9	288	348	(60)
(3)	European Social Fund - 2014-20 Programmes	4	85	63	22	-	22
1	European Regional Development Fund		28	28	-	-	-
(1)	ESF and ERDF Closed Schemes		-	-	-	-	-
13	Economic Advice		17	1	16	14	2
12	Scottish National Investment Bank	5	(5)	-	(5)	7	(12)
(1)	Accountant in Bankruptcy		9	9	-	1	(1)
331	Cities Investment and Strategy		292	-	292	294	(2)
61	Ferguson Marine	6	67	-	67	7	60
111	Rural Economy Enterprise		104	-	104	104	0
111	Tourism	7	61	-	61	64	(3)
1,864	**Total Expenditure Limit**		**1,322**	**122**	**1,200**	**1,185**	**15**
	Annually Managed Expenditure (AME)						
-	Enterprise, Trade and Investment		-	-	-	-	-
14	ESF 14-20 Programmes	8	(33)	-	(33)	-	(33)
(47)	Enterprise, Trade and Investment		21	-	21	-	21
4	Other Finance		-	-	-	-	-
1	Scottish National Investment Bank	9	18	-	18	10	8
(28)	**Total AME**		**6**	**-**	**6**	**10**	**(4)**
1,836	**TOTAL RESOURCES**		**1,328**	**122**	**1,206**	**1,195**	**11**
64	Capital - Additions/Advances	10	39	-	39	59	(20)
(21)	Capital - Disposals/Repayments	10	-	13	(13)	-	(13)
	Capital - Accountancy in Bankruptcy		4	-	4	1	3
147	Capital - Advances Scottish National Investment Ba	11	156	-	156	180	(24)
54	Capital - Additions Ferguson Marine	12	64	-	64	61	3
244	**TOTAL CAPITAL**		**263**	**13**	**250**	**301**	**(51)**
2,080	**TOTAL OUTTURN**		**1,591**	**135**	**1,456**	**1,496**	**(40)**

Finance and Economy Portfolio Outturn statement (continued)

Explanation of Major Variances greater than £3m:

Note 1	£1m over spend due to contractual milestone payments regarding delivery within the R100 programme, and other minor variances across the programme.
Note 2	Higher than expected employment programme expenditure primarily relating to North East Economic Recovery & Skills Fund, National Transition Training Fund and the Flexible Workforce Development Fund.
Note 3	Scottish Enterprise underspend of £25m as they used additional non-budgeted income prior to drawing down SG funding. £15m European Structural Fund Write Off underspend, as expenditure was recorded against European Social Fund - 2014-20 Programmes. Return of £10m unspent Covid-19 Business Support grants from 21/22. Transfer of Clyde Mission responsibility to Glasgow City (£8m). Overspends for Covid 19 Business Support Grants to Local Authorities that didn't receive any budget this year.
Note 4	European Structural Fund write offs of £21.5m, related exchange losses of £0.2m, and financial penalties of £0.9m (The budget for which sits within Enterprise Trade and Investment).
Note 5	SNIB generated additional income during the year and reduced the amount of cash it held at year end.
Note 6	Ferguson Marine overspend due to impairment of assets under construction following updated valuation of vessels 801 and 802.
Note 7	£3m Visit Scotland underspend from drawdown in 21/22 which was agreed could be carried over and returned in 22/23. In addition to a further underspend for the Dandelion project.
Note 8	Reversal of a provision for the future potential under-recovery of European Social Fund Income.
Note 9	This non-cash variance is due to the final valuation of investments at year-end not being aligned with the estimated budget requested.
Note 10	There is an underspend on capital expenditure partly due to a mixture of projects: the return of unused Covid 19 Business Support Grants, late decision to move responsibility of Clyde Mission to Glasgow City and Region, a slippage in City Deals following increased construction costs and supply chain issues, the reclassification of Digital Strategy capital spend for Asset Under Construction to resource, and lower than expected capitalisation of the Techscaler project costs.
Note 11	The timing of investments at year-end did not result in the full budget being used by 31 March. Two investment deals that were due to complete in March 2023 were delayed until the 23/24 financial year.
Note 12	Overspend for consultancy costs by Ferguson Marine for the construction of vessels 801 and 802.

Education and Skills

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
304	Learning	1	364	2	362	335	27
163	Children and Families	2	206	28	178	203	(25)
15	Early Learning and Childcare Programme		8	-	8	9	(1)
61	Higher Education Student Support	3	442	2	440	67	373
1,976	Scottish Funding Council		2,038	-	2,038	2,038	-
18	Advanced Learning and Science		15	-	15	16	(1)
278	Skills and Training	4	227	-	227	250	(23)
699	Central Government Grants to Local Authorities		666	-	666	666	-
3,514	**Total Expenditure Limit**		**3,966**	**32**	**3,934**	**3,584**	**350**
	UK Funded Annually Managed Expenditure						
-	Learning		-	-	-	-	-
(285)	Higher Education Student Support	5	(390)	211	(601)	(289)	(312)
(285)	**Total AME**		**(390)**	**211**	**(601)**	**(289)**	**(312)**
3,229	**TOTAL RESOURCES**		**3,576**	**243**	**3,333**	**3,295**	**38**
	Of which Operating Costs						
12	Capital - Additions/Advances		12	-	12	13	(1)
691	Capital (AME) - Advances	6	799	-	799	696	103
(152)	Capital (AME) - Repayments	6	-	196	(196)	-	(196)
551	**TOTAL CAPITAL**		**811**	**196**	**615**	**709**	**(94)**
3,780	**TOTAL OUTTURN**		**4,387**	**439**	**3,948**	**4,004**	**(56)**

Explanation of Major Variances greater than £3m:

Note 1 Teacher Training overspend due to the Teachers pay deal agreed in March 2023. Gaelic overspend due to the Cnoc Soillier phase 2 project in South Uist.

Note 2 Children's Services Planning Partnerships was allocated budget of £32m in their first year of a multi-year commitment to drive local transformation of holistic whole family support. £16.5 million was not allocated during the year due to emerging considerations and further development was required to ensure best fit to the Whole Family Wellbeing Programme outcomes fund.

In addition the level of redress payments associated with contributors to the Redress Scheme for survivors of historic abuse in care was higher than anticipated resulting in a cost reduction.

Note 3 The reported overspend in Higher Education Student Support is driven by the cost of Providing Student Loans though the RAB and Stock Charges. A ring-fenced non-cash credit budget of (£323m) was provided based on 2021-22 outturn, however due to the drivers in the Student Loan model (including set interest rates and discount rates) the final charge was a cost of £82 million, a movement of £405m (for more details see the accounting policies note and note 10f.) This is a ring-fenced budget and not available for use elsewhere in the Education portfolio. In addition there was an offsetting £30m Student Support and Tuition Fee underspend due to lower than anticipated student numbers along with a £3m underspend due to fluctuations in debt holder forecasts in terms of write offs.

Note 4 Due to delays in claims of European Social Funding in 2020-21, Skills Development Scotland (SDS) were previously provided with additional cashflow support to continue to pay training providers at the request of Scottish Ministers . In 2022-23 European Social Fund income was received so less grant in aid was therefore required in 2022-23. There was also a Education Maintenance Allowance (EMA) underspend in this demand led programme.

Note 5 This non-cash variance is predominantly due to movement in the fair value calculation in relation to Student Loans - for more details see the accounting policies note and note 10f.

Note 6 Student Loans - applications for loan funding were below expected levels. There were also higher student loan repayments than expected. This was partially offset by higher capitalised interest due to the Bank of England base rate increasing more than anticipated.

Justice and Veterans

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
50	Community Justice Services		61	-	61	61	-
5	Judiciary		2	-	2	3	(1)
16	Criminal Injuries Compensation	1	19	-	19	16	3
133	Legal Aid		147	-	147	147	-
73	Police Central Government		73	2	71	71	-
12	Safer and Stronger Communities		21	7	14	13	1
515	Police and Fire Pensions	2	621	-	621	661	(40)
324	Scottish Prison Service		351	7	344	344	-
53	Miscellaneous		59	1	58	58	-
1,381	Scottish Police Authority		1,379	-	1,379	1,379	-
311	Scottish Fire and Rescue Service	3	336	-	336	329	7
86	Central Government Grants to Local Authorities		86	-	86	86	-
2,959	**Total Expenditure Limit**		**3,155**	**17**	**3,138**	**3,168**	**(30)**
	UK Funded Annually Managed Expenditure						
(1)	Scottish Prison Service		-	-	-	-	-
(1)	**Total AME**		**-**	**-**	**-**	**-**	**-**
	Other Expenditure						
71	Scottish Prison Service		84	-	84	84	-
4	Scottish Police Authority Loan Charges		5	-	5	5	-
75	**Total Other Expenditure**		**89**	**-**	**89**	**89**	**-**
3,033	**TOTAL RESOURCES**		**3,244**	**17**	**3,227**	**3,257**	**(30)**
51	Capital - Scottish Prison Service		71	-	71	72	(1)
51	**TOTAL CAPITAL**		**71**	**-**	**71**	**72**	**(1)**
3,084	**TOTAL OUTTURN**		**3,315**	**17**	**3,298**	**3,329**	**(31)**

Explanation of Major Variances greater than £3m:

Note 1 Overspend due to increased case volume in a demand led, rights based compensation scheme.

Note 2 Police and Fire pensions are demand led. Due to changes in the pensions schemes including the HM Treasury remedy to age discrimination, many police officers and firefighters chose to retire early in 2022-23. The budget was increased to cover the additional cost but unexpectedly the early retirements slowed towards the end of the financial year, leading to an underspend.

Note 3 Additional funding was provided for the Firefighter pay award and working capital requirements.

Net Zero, Energy and Transport

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
1,520	Rail Services	1	1,397	4	1,393	1,425	(32)
385	Concessionary Fares and Bus Services	2	414	-	414	398	16
255	Active Travel, Low Carbon and Other Transport	3	218	2	216	305	(89)
511	Motorways and Trunk Roads	4	559	1	558	461	97
230	Ferry Services		288	5	283	284	(1)
89	Air Services		77	-	77	78	(1)
57	Scottish Forestry	5	70	10	60	82	(22)
77	Energy		203	15	188	190	(2)
44	Forestry and Land Scotland		30	-	30	30	-
76	Research, Analysis and Other Services		79	-	79	81	(2)
168	Environmental Services	6	179	-	179	186	(7)
10	Land Reform	7	11	-	11	14	(3)
15	Climate Change and Land Managers Renewable Fund	8	24	-	24	33	(9)
(102)	Scottish Water	9	5	108	(103)	(99)	(4)
55	Central Government Grants to Local Authorities		82	-	82	83	(1)
3,390	**Total Expenditure Limit**		**3,636**	**145**	**3,491**	**3,551**	**(60)**
	UK Funded Annually Managed Expenditure						
15	Active Travel, Low Carbon and Other Transport		(4)	-	(4)	-	(4)
15	**Total AME**		**(4)**	**-**	**(4)**	**-**	**(4)**
	Other Expenditure						
129	Motorways and Trunk Roads PPP/PFI		111		111	109	2
129	**Total Other Expenditure**		**111**	**-**	**111**	**109**	**2**
3,534	**TOTAL RESOURCES**		**3,743**	**145**	**3,598**	**3,660**	**(62)**
239	Capital - Scottish Water		248	85	163	163	-
53	Capital - Other	10	17	(7)	24	16	8
238	Capital - Transport Scotland	11	249	12	237	302	(65)
(2)	Capital (AME) - Capital Provision	12	9	-	9	-	9
528	**TOTAL CAPITAL**		**523**	**90**	**433**	**481**	**(48)**
4,062	**TOTAL OUTTURN**		**4,266**	**235**	**4,031**	**4,141**	**(110)**

Net Zero, Energy and Transport Portfolio Outturn statement (continued)

Explanation of Major Variances greater than £3m:

Note 1 Underspends mainly due to final outturn for Network Rail Compensation for strikes being less than budget.

Note 2 There was an overspend due to extensions to the Network Support Grant Plus scheme until 31 March 2023. However this was offset by savings against budget in both main National Concessionary Travel Schemes due to demand being less than intially forecast.

Note 3 There was a underspend within Other Transport across the Future Transport Fund. This is due to several schemes including: the deferral of the second phase of the ScotZEB programme and other budgeted but non-committed spend to 2023-24 financial year; lower-than-expected third-party demand and ability to deliver on some grant funding for example within the Bus Partnership Fund and Low Carbon Programmes; and general savings across the programmed driven through improved controls in grant awards and accounting adjustments.

Transport Scotland also received £20m of income late in the year from the sale of a Joint Venture in one of their NDPBs.

Note 4 Overspend in Motorway and Trunk Roads mainly due to accounting adjustments in relation to the final output of the Road Asset Valuation System and calculation of the PFI year-end creditor adjustment.

Note 5 There was also an underspend of £21m on woodland planting targets. Reduced levels of woodland creation were approved for planting during 2022-23. In addition, around 30% of nearly 11,000ha of approved projects have been delayed due to the range of factors including operational issues, forestry contractor availability and land ownership changes.

Note 6 £5m underspend on demand led waste and noise and air quality activities. £2m lower than anticipated drawdown of funding by local authorities related to the Zero Waste Recycling Improvement Fund.

Note 7 £1m staff cost savings due to enhanced recruitment controls during the financial year. £2m delays in asset transfer request decisions by the outside public bodies who owned the assets leading to delayed spend.

Note 8 £5m underspend in Climate Action and Just Transition Fund mainly relates to slippage in community grants and Ministerial prioritisation. £3m underspend in Community Climate Action Programme due to spending controls and other minor variances.

Note 9 £1m Hydro Nation business support grants rephased until 2023-24 due to spending controls. £1m higher than anticipated Interest receivable on Voted Loans. £2m underspend in demand led private Water grants.

Note 10 Additional provisions for Land and for Capital Grants for Motorway and Trunk Roads.

Note 11 Underspend on capital in year within Transport Scotland is due to the impact of changes to assumptions of lease terms for Rolling Stock which transferred to Scotrail Trains on 1 April 2022. This is an IFRS 16 Accounting Adjustment, and the budget is ring fenced specifically for technical adjustments only.

Note 12 The Capital Provision spend relates to Transport Scotland and additional provisions for Land and for Capital Grants.

Further information on the Budget Programme lines relating to Transport Scotland can be found in their accounts available at www.transport.gov.scot/publications/

Rural Affairs and Islands

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
701	Agricultural Support and Related Services		728	23	705	707	(2)
51	Rural Services	1	61	-	61	54	7
14	Fisheries and Aquaculture Grants	2	14	1	13	17	(4)
92	Marine Scotland		110	9	101	103	(2)
9	Islands Plan		8	-	8	8	-
867	**Total Expenditure Limit**		**921**	**33**	**888**	**889**	**(1)**
	UK Funded Annually Managed Expenditure						
1	Agricultural Support and Related Services		-	-	-	-	-
1	Marine Scotland		1	-	1	1	-
2	**Total AME**		**1**	**-**	**1**	**1**	**-**
	Other Expenditure						
-	Animal License Fees		-	-	-	-	-
-	**Total Other Expenditure**		**-**	**-**	**-**	**-**	**-**
869	**TOTAL RESOURCES**		**922**	**33**	**889**	**890**	**(1)**
351	Capital - Additions/Advances		16	-	16	18	(2)
(343)	Capital - Disposals/Repayments		-	10	(10)	(10)	-
8	**TOTAL CAPITAL**		**16**	**10**	**6**	**8**	**(2)**
877	**TOTAL OUTTURN**		**938**	**43**	**895**	**898**	**(3)**

Explanation of Major Variances greater than £3m:

Note 1 Unfunded compensation payments relating to Avian Influenza and Tuberculosis outbreaks.

Note 2 Submitted claims lower than anticipated within the demand led Marine Fund Scotland grant schemes (£4m). Fisheries Harbour scheme did not progress as planned (£1m) and other minor variances across the programme.

Deputy First Minister and Covid Recovery

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
56	Government Business and Constitutional Affairs		12	-	12	13	(1)
3	Organisational Readiness	1	25	-	25	29	(4)
4	Governance and Reform		3	-	3	3	-
63	**Total Expenditure Limit**		**40**	**-**	**40**	**45**	**(5)**
63	**TOTAL RESOURCES**		**40**	**-**	**40**	**45**	**(5)**
-	Capital		-	-	-	-	-
					-		-
-	**TOTAL CAPITAL**		**-**	**-**	**-**	**-**	**-**
63	**TOTAL OUTTURN**		**40**	**-**	**40**	**45**	**(5)**

Explanation of Major Variances greater than £3m:

Note 1 Underspend relates to the delay in the setting up of the Scottish COVID-19 Inquiry.

Constitution, External Affairs and Culture

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

Restated 2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
248	Culture and Major Events	1	178	-	178	181	(3)
31	External Affairs		32	1	31	31	-
74	Historic Environment Scotland		62	-	62	62	-
353	**Total Expenditure Limit**		**272**	**1**	**271**	**274**	**(3)**
	UK Funded Annually Managed Expenditure						
3	Culture and Major Events		**(4)**	**-**	**(4)**	**(3)**	(1)
3	**Total AME**		**(4)**	**-**	**(4)**	**(3)**	**(1)**
356	**TOTAL RESOURCES**		**268**	**1**	**267**	**271**	**(4)**
-	Capital DEL - Additions / Advances		-	-	-	-	-
(1)	Capital DEL - Disposals/Repayments		-	-	-	-	-
(1)	**TOTAL CAPITAL**		**-**	**-**	**-**	**-**	**-**
355	**TOTAL OUTTURN**		**268**	**1**	**267**	**271**	**(4)**

Explanation of Variances:

Note 1 Variance is partly from cultural capital underspends due to planned works not proceeding, partly due to leases being lower than anticipated, and partly due to additional grants received in public bodies.

The Crown Office and Procurator Fiscal Service

Consolidated Portfolio Outturn Statement for the Year Ended 31 March 2023

2021-22 Outturn £m	PROGRAMME	Variance Note	Gross Expenditure £m	Income Applied £m	Outturn £m	Budget £m	Variance £m
	Expenditure Limit						
	Staff Costs						
114	The Crown Office and Procurator Fiscal Service		139	-	139	139	-
	Administration Expenditure						
9	Accommodation		7	-	7	6	1
-	Travel/Transport		1	-	1	-	1
31	Legal		35	-	35	34	1
5	Supplies and Services	1	7	2	5	8	(3)
6	Capital Charges		5	-	5	6	(1)
-	IFRS 16 Depreciation		3	-	3	3	-
3	Other Office Costs		2	-	2	4	(2)
168	**Total Expenditure Limit**		**199**	**2**	**197**	**200**	**(3)**
	UK Funded Annually Managed Expenditure						
1	Impairment		2	-	2	2	-
7	Provisions		(15)	-	(15)	(17)	2
8	**Total AME**		**(13)**	**-**	**(13)**	**(15)**	**2**
176	**TOTAL RESOURCES**		**186**	**2**	**184**	**185**	**(1)**
9	Capital - Additions	2	7	-	7	10	(3)
9	**TOTAL CAPITAL**		**7**	**-**	**7**	**10**	**(3)**
185	**TOTAL OUTTURN**		**193**	**2**	**191**	**195**	**(4)**

Explanation of Variances:

Note 1 The variance on supplies and services is made up of various differences across the range of expenditure.

Note 2 The variance on capital is in relation to the implementation of IFRS16 Leases.

Consolidated Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity

For the year ended 31 March 2023

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2022		**24,669**	**12,905**	**37,574**
Social Security prior year adjustments		105	-	**105**
Health Prior year adjustments		35	-	**35**
Revised Balance at 1 April 2022		**24,809**	**12,905**	**37,714**
Net operating cost for the year		(47,707)	-	**(47,707)**
Net gain/(loss) on revaluation/indexation of property, plant and equipment		1	4,587	**4,588**
Total Comprehensive Expenditure for the year ended 31 March		**(47,706)**	**4,587**	**(43,119)**
Non Cash Charges				
Non cash charges - auditor's remuneration	3	2	-	**2**
Non cash charges - NHS Adjustment		55	-	**55**
Non cash charges - Roads adjustment	6	(28)	(31)	**(59)**
Total Non Cash charges		**29**	**(31)**	**(2)**
Other Reserve movements				
NHS Adjustment		50	-	**50**
Other Adjustment		3	(3)	**-**
Transfer between reserves		131	(131)	**-**
Total other reserve movements/adjustments		**184**	**(134)**	**50**
Funding				
Parliamentary Funding		49,640	-	**49,640**
Less funding to pensions schemes		(105)	-	**(105)**
Net parliamentary funding drawn down	25	**49,535**	**-**	**49,535**
Movement of balance with the SCF		642	-	**642**
Net funding position		**50,177**	**-**	**50,177**
Net increase/(decrease) in year		**2,684**	**4,422**	**7,106**
Balance as at 31 March 2023		**27,493**	**17,327**	**44,820**

Explanation of Reserves:

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

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

Consolidated Statement of Comprehensive Net Expenditure and Changes in Taxpayers' Equity

For the year ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Total £m
Balance at 1 April 2021		**23,041**	**10,509**	**33,550**
Net operating cost for the year		**(47,201)**	-	**(47,201)**
Net gain/(loss) on revaluation/indexation of property, plant and equipment		-	2,743	**2,743**
Total Comprehensive Expenditure for the year ended 31 March 2021		**(47,201)**	**2,743**	**(44,458)**
Non Cash Charges				
Non cash charges - auditor's remuneration	5e	5	-	5
Non cash charges - NHS adjustment		4	-	4
Non cash charges - Roads adjustment		13	-	13
Total Non Cash charges		**22**	**-**	**22**
Other Reserve movements				
Transfer of non-current assets		-	-	-
Other Adjustment		-	-	-
NHS Adjustment		16	-	16
Transfer between reserves		347	(347)	-
		363	(347)	16
Total other reserve movements/adjustments				
Funding		**48,776**	**-**	**48,776**
Parliamentary Funding		0	-	-
NHS Adjustment		136	-	136
Less funding to pensions schemes		(112)	-	(112)
Net parliamentary funding drawn down	25	**48,800**	**-**	**48,800**
Movement of balance with the SCF		(356)		(356)
Net funding position		**48,444**	**-**	**48,444**
Net increase/(decrease) in year		1,628	2,396	4,024
Balance as at 31 March 2022		**24,669**	**12,905**	**37,574**

Consolidated Statement of Cash Flows
For the year ended 31 March 2023

2021-22 £m		Note	2022-23 £m
895	Net cash outflow from operating activities	(A)	(48,211)
(1,755)	Net cash outflow from investment activities	(B)	(1,829)
(140)	Payments (from)/to the SCF	(D)	117
48,545	Cash flows from financing activities	(C)	49,245
47,545	**Increase / (Decrease) in cash in the period**	2	**(678)**
	(A) Reconciliation of operating costs to operating cash flows		
(48,856)	Net Operating Cost	SoCTE	(47,707)
6	Income not applied	5b	12
52	Adjustments for non-cash transactions	3	455
149	Add back: interest payable for financing		220
37	Increase / (decrease) in inventories		(4)
27	(Increase) / decrease in receivables and other current assets	4	(246)
748	Increase / (decrease) in trade and other payables	4	(848)
37	Increase / (decrease) in provisions	4	14
(31)	Interest receivable		(107)
(47,831)	**Net cash outflow from operating activities**		**(48,211)**
	(B) Analysis of cash flows from investing activities		
(800)	Purchase of property, plant and equipment		(863)
(252)	Purchase of intangible assets		(162)
5	Proceeds of disposal of property, plant and equipment		-
20	Proceeds of disposal of intangible assets		6
4	Proceeds of assets held for sale		-
(1,584)	Advances of Investments		(1,108)
(130)	Acquisition of Shares		(151)
802	Repayments of Investments		417
50	NLF Loans	10	32
(1,885)	**Net Cash outflow from investment activities**		**(1,829)**
	(C) Analysis of cash flows from financing activities		
48,800	From Scottish Consolidated Fund	SOCTE	49,535
(50)	Loan transactions with the National Loans Fund		(32)
(87)	Capital element of payments in respect of finance leases		(146)
109	Interest received		109
(226)	Interest element of finance leases and NPD/PPP/PFI contracts included in SoFP		(221)
(1)	Interest paid		-
48,545	**Cash flows from financing activities**		**49,245**
262	**Decrease/(Increase) in cash equivalents**	2	**678**
48,807	**Net cash and cash equivalents requirement**		**49,923**

(D) Payments to the Scottish Consolidated Fund (SCF) represent the increase in the balance receivable from the SCF of £117m.

Consolidated Statement of Financial Position

As at 31 March 2023

2021-22 Restated £m		Note	2022-23 £m
	Non-Current Assets		
33,746	Property, Plant and Equipment	6	38,294
342	Intangible Assets	7	443
-	Right of Use Assets	8	539
11,524	Other Financial Assets including Investments due in more than one yea	11	12,932
87	Receivables and Other Assets due in more than one year	13	113
45,699	**Total Non-Current Assets**		**52,321**
	Current Assets		
206	Inventories	10	211
1,204	Receivables and Other Current Assets	13	1,147
1,052	Cash and Cash Equivalents	2	374
392	Other Financial Assets including Investments due within one year	11	322
14	Non-Current Assets Classified as Held for Sale	9	8
2,868	**Total Current Assets**		**2,062**
48,567	**Total Assets**		**54,383**
	Current Liabilities		
(6,033)	Payables and Other Current Liabilities	14	(4,512)
(35)	Other Financial Liabilities due within one year	14	(100)
(334)	Provisions for Liabilities and Charges due within one year	15	(366)
(6,402)	**Total Current Liabilities**		**(4,978)**
42,165	**Total Assets less Current Liabilities**		**49,405**
	Non-Current Liabilities		
(2,934)	Payables and Other Liabilities	14	(3,178)
(499)	Other Financial Liabilities due in more than one year	14	(410)
(1,015)	Provisions for Liabilities and Charges due in more than one year	15	(997)
(4,448)	**Total Non-Current Liabilities**		**(4,585)**
37,717	**Assets less Liabilities**		**44,820**
	Taxpayers' Equity		
24,812	General Fund	SOCTE	27,493
12,905	Revaluation Reserve	SOCTE	17,327
37,717	**Total Taxpayers' Equity**		**44,820**

The notes on pages 137 to 191 form part of these accounts.

John-Paul Marks

John-Paul Marks
Principal Accountable Officer

31 October 2023

Notes to the Accounts

For the year ended 31 March 2023

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 2022-23 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Accounting Convention and basis of consolidation

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

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

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

1.2 Critical accounting judgements and key sources of estimation

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

Student Loan Valuations

The value of Student Loans is calculated using forecasting models which use data on the demographics of higher education and further education students to predict their likely lifetime earnings, and from this their loan repayments. The models depend on a complex set of assumptions, in particular about the trajectory of borrowers' earnings. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and the estimate of graduate earnings as well as a number of other assumptions. The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at the year end.

For other areas where judgement and estimation affect the reporting of assets, liabilities, income and expenditure, details are provided within the relevant accounting policy notes below.

1.3 Change of Accounting Policies

IFRS 16 "Leases" has been implemented from 1 April 2022. This standard removes the distinction between operating and finance leases and introduces a single lessee accounting model that requires a lessee to recognise ('right of use') assets representing its right to use the underlying leased asset and lease liabilities representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Implementation and Assumptions

The impact of IFRS 16 is to remove distinction between finance and operating leases and all assets embedded within leases are capitalised and recorded on the Statement of Financial Position. The FReM interprets and adapts IFRS 16 for the public sector context in several ways and these assets are included on the statement of financial position from 1 April 2022, in accordance with the transition arrangements set out in IFRS 16 application guidance issued by HM Treasury in December 2020.

In determining whether a contract is, or contains, a lease at the date of initial application, the practical expedient detailed in IFRS 16 (C3) and as mandated in the FReM has been used.

Previous treatment

In the comparative period, within these accounts leases that transfer substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the start of the lease term at the fair value of the leased asset, or if lower, the present value of future lease payments was used as a proxy for the purposes of the value of the asset and the associated financial liability. Property, plant and equipment and financial liabilities associated with finance leases were recognised and valued on the same basis as other property, plant and equipment and financial liabilities as set out in the relevant accounting policies.

Leases where most of the risks and rewards of ownership of the asset remained with the lessor were classified as operating leases. Rentals payable in respect of operating leases were charged to the Statement of Comprehensive Net Expenditure (SOCNE) on a straight-line basis over the term of the lease. Assets previously held as operating leases were not recognised in the SoFP.

The updated Accounting Policy for Leases can be found in section 1.5 below.

1.4 Property, Plant and Equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see note 1.4 below), and will be accounted for under IAS 16 Property, Plant and Equipment.

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

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

Capitalisation

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

Valuation

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

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

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

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

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published quarterly by the Department of Business, Innovation and Skills
Communications	Traffic Scotland provide new gross and calculated depreciated values each year
Land	Land indices produced by the Valuation Office Agency (VOA)
Buildings	Property indices are provided by or advised by the professionally qualified Valuers used by bodies across the consolidation.

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

The trunking or detrunkings of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. Any associated profit or loss is processed through the general fund.

Subsequent Cost

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

1.5 Right of Use Assets

Scope

In accordance with IFRS 16, contracts, or parts of a contract that convey the right to use an asset in exchange for consideration are accounted for as leases, including peppercorn leases. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard also applies to arrangements with other public sector organisations which share accommodation, often through MOTO (Memorandum Of Terms of Occupation) agreements.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated across the consolidation boundary, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed and other bodies will generally be using the capitalisation thresholds noted above in section 1.4.

Initial Recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year.

The HM Treasury rates are applicable for calendar years and for 2022, the rate used for leases transitioning under IFRS16 at 1 April 2022 was 0.95%.

The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

1.6 Assets Held for Sale

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

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

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

1.7 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.

1.8 Intangible Assets
In accordance with the FReM, Intangible assets are accounted for in line with the requirements of IAS 38 Intangible Assets, and are valued at depreciated replacement cost. Revaluations are carried out according to IAS 38 for assets over a valuation threshold. Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 Intangible Assets for assets that do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

Intangible assets other than assets under development are amortised on a straight line basis over their estimated useful lives. Impairment reviews are carried out if there are any indicators that impairment should be considered. Intangible assets under development are not amortised.

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

Assets under construction are not depreciated.

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

Dwellings and other buildings	5 to 50 years (as per valuation)
Vehicles	3 to 10 years
Vessels	25 to 30 years
Aircraft	5 to 20 years
Equipment	3 to 15 years
ICT Systems	3 to 10 years
Internally developed software	3 to 10 years
Leasehold improvements	Over the shorter of asset life and lease term

1.10 Financial Instruments
The Scottish Government measures and presents financial instruments in accordance with IAS 32, IFRS 7, IFRS 13 and IFRS 9 as interpreted by the FReM.

IFRS 9 contains three principal classification categories for financial assets:
- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss, which is applied to derivatives and other financial liabilities designated as such at initial recognition
- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognised for the consideration received for the transfer
- Financial guarantee contracts and loan commitments

The Scottish Government has classified its financial instruments as follows:

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

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

Financial Liabilities

- Borrowings, trade payables, accruals, payables, bank overdrafts and financial guarantee contracts are classified as 'Other Liabilities'.
- Financial guarantee contracts are initially recognised at fair value. Under IFRS 9, financial guarantees are subsequently measured at the higher of the initial amount, less any subsequent amortisation where appropriate or of the credit loss allowance.

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

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

Financial instruments subsequent measurement depends on their classification:

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

Impairment of financial assets

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated per the irrevocable election), lease receivables and contract assets, a loss allowance is recognised representing expected credit losses on the financial instruments.

A simplified approach to impairment has been adopted, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. Therefore loss allowances for stage 1 or stage 2 impairments against these bodies are not recognised.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the Consolidated Statement of Comprehensive Net Expenditure as an impairment gain or loss.

Student Loans
Student loans are valued at fair value through profit and loss.

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

• Interest subsidy: This is the difference between the interest paid by students (lower of RPI and Bank of England Base Rate + 1% point) and the cost of capital on loans at the rate provided by HM Treasury. The interest subsidy is estimated to meet the cost of the interest over the life of the loan and is offset by the annual interest capitalised.

• Write off impairment: This is estimated to meet the future cost of loans that are not likely to be recovered mainly due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year, the future cost of bad debt is estimated based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loan Company.

The estimates underpinning these adjustments are based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of student loans. Given the long term nature of both adjustments, the time value of money is significant, and they are discounted using the current HM Treasury discount rate.

There are significant uncertainties in assessing the actual likely costs and the impairment will be affected by the assumptions used. These are formally reviewed by the Scottish Government each year and the amounts impaired reflect the Scottish Government's current best estimate.

Further details of the movements in the loan valuation can be found in note [11a], while disclosures relating to risk, required by IFRS 7, can be found in note [11f].

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

Financial Guarantee Contracts
Financial guarantee contract require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. They are initially recognised at fair value.

Under IFRS 9, financial guarantees are subsequently measured at the higher of the initial amount, less any subsequent amortisation where appropriate or of the credit loss allowance.

The expected credit loss model calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

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

1.11 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.

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

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

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

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

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

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

Any revenue received by the grantor is recognised in line with IFRS 15.

1.13 Revenue

Revenue is accounted for in accordance with IFRS 15, as directed by the FReM. Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

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

Income is analysed in [Note 5] between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit (income applied), and that operating income which is not (income not applied).

1.14 Grants

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

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

1.15 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.

1.16 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.

1.17 Pensions

The Scottish Government as an employer

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

The Scottish Government as a scheme administrator

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

NHS Bodies

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

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

1.18 Provisions

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

Student Loans

The provision is established to reflect the debt sale subsidy.

Early Departure Costs

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

CNORIS

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

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

On consolidation into the Scottish Government accounts, the Scottish Government's CNORIS provision represents the national scheme liability.

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

1.19 Contingent Liabilities

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

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

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

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

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

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

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

New Accounting Standards
All new standards issued and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. The standards that are considered relevant to Scottish Government and the anticipated impact on the consolidated accounts are as follows:

IFRS 17 - Insurance Contracts
IFRS 17 replaces the previous standards on insurance contracts, IFRS 4. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

The Standard will be adapted and interpreted for the public sector context. One major difference from the private sector is that the implementation of IFRS 17 has been delayed from 1 January 2023 (its effective date in the private sector). The Financial Reporting Advisory Board are considering implementation of the standard in the public sector however the earliest date of mandatory adoption of the Standard, as per the FRAB paper 145 (11) would be from financial year 2024-25.

The impact of IFRS 17 has not yet been determined but this will be assessed when further guidance is forthcoming from HM Treasury.

2. Cash and cash equivalents

	2022-23 £m	2021-22 £m
Government Banking Service	341	1,019
Commercial banks and cash in hand	33	33
At 31 March	**374**	**1,052**
At 1 April	1,052	708
Net change in cash and cash equivalent balances	(678)	344
At 31 March	**374**	**1,052**

The balance at 31 March includes:	Note	2022-23 Net £m	2021-22 Net £m
Cash due to be paid to the Scottish Consolidated Fund	14	325	997
Consolidated Fund extra receipts received and due to be paid to the :	14	3	3
At 31 March		**328**	**1,000**

3. Note to the Cash Flow Statement

Adjustment to Operating Activities for Non-cash Transactions

	2022-23 £m	2021-22 £m
Depreciation and Amortisation	766	648
Impairments/Write-backs	88	78
Total Capital Charges	**854**	**726**
Loss/(Profit) on disposal of property, plant and equipment	-	(15)
Capitalised interest - financial assets	(211)	(76)
Student loans fair value adjustment	(303)	(532)
Investment fair value adjustments	(14)	(173)
Income from donated asset additions	-	(5)
Auditor Fees	2	5
Unrealised exchange rate (gain)/loss	1	1
Other non-cash items - Health Boards	40	16
Other non-cash items	(11)	5
NHS Highland - movement in year in LG pension costs	-	(10)
NHS Board consolidation adjustments	97	110
Total	**455**	**52**

4. Note to the Cash Flow Statement - Working Capital

Movement in Working Capital

	Note	Opening Balance	Closing Balance	2022-23 Net Movement	2021-22 Net Movement
		£m	£m	£m	£m
Inventories	10	206	210		
Net Decrease/(Increase)				**(4)**	**37**
Receivables and other assets					
Due within one year	13	1,204	1,147	57	(88)
Due after more than one year	13	87	113	(26)	(11)
Assets Held for Sale	9	14	8	6	3
Less: Capital included in PPE		(25)	(29)	4	1
Less: Capital included in intangibles		-	-	-	-
Less: Capital included in investment		(1)	(5)	4	-
Less: Receivable from SCF	13	(200)	(83)	(117)	140
Less: General Fund receivable included above		(3)	(28)	25	(2)
Other Adjustment		4	15	(11)	(11)
Prior Year Adjustment		-		-	(7)
NHS boards consolidation adjustment		879	1,067	(188)	2
Total		**1,959**	**2,205**		
Net Decrease/(Increase)				**(246)**	**27**
Payables and other liabilities					
Due within one year	14	6,068	4,612	(1,456)	1,079
Due after more than one year	14	3,438	3,588	150	(82)
Less: Capital included in PPE		(158)	(103)	55	83
Less: Capital included in intangibles		(12)	(13)	(1)	(11)
Less: Capital included in Investment		(35)	(33)	2	(21)
Less: SCF corporate payable included in above	14	(995)	(325)	670	(361)
Less: Payable to SCF	14	(3)	(3)	-	12
Less: Bank Overdraft	14	(2)	(5)	(3)	2
Less: NLF payable included in above	14	(480)	(449)	31	50
Less: PFI Imputed Leases	14	(2,782)	(2,803)	(21)	(41)
Less: Financial Guarantees included in above	14	-	-	-	-
IFRS 16 Transition adjustment		-	(442)	(442)	
Other Adjustment		22	133	111	13
Prior Year Adjustment		-	(59)	(59)	(5)
NHS Board Consolidation Adjustment		22	137	115	30
Total		**5,083**	**4,235**		
Net (Decrease)/Increase				**(848)**	**748**
Provisions					
Due within one year	15	334	366	32	(13)
Due after more than one year	15	1,015	997	(18)	51
NHS Board Consolidation Adjustment				-	(1)
Total		**1,349**	**1,363**		
Net (Decrease)/Increase				**14**	**37**
Total Net Movement				**-1,084**	**849**

5. Outturn Income and Expenditure

5a. Operating income analysed by classification and activity, is as follows:

	Total Income £m	Income Not Applied £m	2022-23 Income Applied £m	Restated 2021-22 Income Applied £m
Health and Social Care	1,298	-	1,298	1,012
Social Justice, Housing and Local Government	14	-	14	14
Finance and Economy	122	-	122	102
Education and Skills	243	-	243	97
Justice and Veterans	17	-	17	17
Net Zero, Energy and Transport	145	-	145	141
Rural Affairs and Islands	33	-	33	98
Deputy First Minister and Covid Recovery	-	-	-	-
Constitution, External Affairs and Culture	1	-	1	2
Crown Office and Procurator Fiscal Service	14	12	2	2
TOTAL	**1,887**	**12**	**1,875**	**1,485**

5b. Income not applied

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

The major items of income not applied are:	Cash received £m	Accrued £m	2022-23 £m	2021-22 £m
Repayment of interest	-	-	-	-
Non-designated receipts - Proceeds of Crime and	12	-	12	6
Total Income Not Applied	**12**	**-**	**12**	**6**

5c. Interest Receivable

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

Programme Income:	Capitalised Interest £m	Voted Loans Interest £m	Other Interest £m	2022-23 Total Interest £m	2021-22 Total Interest £m
Social Justice, Housing and Local Government	-	-	4	4	1
Finance and Economy	-	-	4	4	-
Education and Skills	211	-	-	211	75
Net Zero, Energy and Transport	-	112		112	144
Total	**211**	**112**	**8**	**331**	**220**

All capitalised and voted loans interest in the table above is included within the associated portfolio outturn statement as income applied. There is no interest income that meets the definition of income not applied, in accordance with the Designation of Receipts Order. However, both the Voted Loans interest and National Loan Funds interest (£33m Other Interest within the Net Zero, Energy and Transport Portfolio) is due back to the Scottish Consolidated Fund. The Voted Loans interest is specifically excluded from the Designation of Receipts Order, whilst the National Loan Funds interest relates to pre-devolution loans and has a net nil effect on the net outturn of the Net Zero, Energy and Transport portfolio against the Scottish Water line.

5d. Interest Payable

	2022-23 Total £m	2021-22 Total £m
Finance lease charges allocated in the year on balance sheet PFI/PPP contracts	216	225
Finance charges in respect of Right of Use Assets	44	-
Other interest	-	-
Total	**260**	**225**

5e. Audit Fee

The consolidated audit fee for 2022-23 is £6m (Core Portfolios £1m). Part of the audit fee, including that of the Core Portfolios, is a notional charge, as noted in Note 3 - Notes to the Cash Flow. Other entities within the consolidation boundary pay fees.

The consolidated audit fee for 2021-22 was £5m (Core Portfolios £1m). There were no additional charges in relation to non-audit work undertaken by Audit Scotland.

5. Outturn Income and Expenditure (continued)

5f. Operating Costs

Total operating costs for the Scottish Government are aligned with the portfolio budget that they support. The total operating costs for a portfolio are all the core Scottish Government staff and associated operating costs incurred by the portfolio, plus a share of the costs, such as accommodation, IT, legal services and HR, which cannot be readily attributed to a portfolio (corporate running costs).

The method used to calculate net operating costs has been reviewed in year. This has resulted in £35m of income included against Health operating costs being removed (one-off income in relation to Covid expenditure). It has also resulted in additional office costs being disclosed, to ensure the full cost of IT support and the new Shared Service project are disclosed within operating costs.

Analysis of Net Operating Costs by Category	2022-23 £m	Restated 2021-22 £m
Staff Costs	647	567
Accommodation	38	43
Legal Costs	9	5
Travel & Subsistence	5	3
Training	4	3
IT Costs	33	31
Transport	1	1
Audit Fee	1	1
Other Office Costs	45	39
Operating Income	(20)	(14)
Total	**763**	**679**

Analysis of Net Operating Costs by Portfolio	2022-23 £m	Restated 2021-22 £m
Health and Social Care	137	116
Social Justice, Housing and Local Government	113	92
Finance and Economy	129	140
Education and Skills	53	48
Justice and Veterans	49	41
Net Zero, Energy and Transport	42	35
Rural Affairs and Islands	181	161
Deputy First Minister and Covid Recovery	34	26
Constitution, External Affairs and Culture	25	20
Crown Office and Procurator Fiscal Service	-	-
Total	**763**	**679**

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

5g. Analysis of Capital Charges by Portfolio

Analysis of Capital Charges by Portfolio Portfolio	Depreciation/ Amortisation £m	Impairment/ Write back £m	2022-23 Total £m	Restated 2021-22 Total £m
Health and Social Care	423	25	448	355
Social Justice, Housing and Local Government	27	-	27	22
Finance and Economy	23	61	84	72
Education and Skills	11	-	11	8
Justice and Veterans	46	-	46	43
Net Zero, Energy and Transport	207	-	207	176
Rural Affairs and Islands	21	-	21	44
Deputy First Minister and Covid Recovery	-	-	-	-
Constitution, External Affairs and Culture	-	-	-	-
Crown Office and Procurator Fiscal Service	8	2	10	6
Total Capital Charges	**766**	**88**	**854**	**726**

6. Property, Plant and Equipment

Cost or valuation	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets Under Construction £m	Total £m
As at 1 April 2022	**488**	**7,891**	**699**	**28,136**	**255**	**1,532**	**476**	**96**	**1,174**	**40,747**
Transfer between categories	-	3	-	-	-	(3)	-	-	-	**-**
Accountancy in Bankruptcy Prior year restatement	-	(1)	-	-	-	-	-	-	-	**(1)**
Health Prior year restatement	-	(44)	-	-	-	-	-	-	-	**(44)**
Transfer to Right of Use Assets	-	(9)	-	-	-	-	-	-	-	**(9)**
Revised total as at 1 April 2022	**488**	**7,840**	**699**	**28,136**	**255**	**1,529**	**476**	**96**	**1,174**	**40,693**
Additions	2	19	2	48	3	51	23	1	643	**792**
Adjustments	-	3	-	(35)	-	-	1	-	-	**(31)**
Transfers	-	156	16	141	20	93	23	3	(488)	**(36)**
Transfers (to)/from Assets Classified as Held for Sale	(1)	-	-	-	-	1	-	-	(3)	**(3)**
Disposals	(1)	(2)	-	-	(10)	(44)	(28)	-	(2)	**(87)**
Revaluations to Revaluation Reserve	1	185*	(10)	5,109	10	-	-	-	-	**5,295**
Revaluations to Outturn Statement	-	(11)	-	-	-	(1)	-	-	(87)	**(99)**
Balance at 31 March 2023	**489**	**8,190**	**707**	**33,399**	**278**	**1,629**	**495**	**100**	**1,237**	**46,524**
Depreciation										
As at 1 April 2022	**-**	**326**	**34**	**5,085**	**157**	**963**	**360**	**76**	**-**	**7,001**
Accountancy in Bankruptcy Prior year restatement	-	(1)	-	-	-	-	-	-	-	**(1)**
Health Prior year restatement	-	(5)	-	-	-	-	-	-	-	**(5)**
Transfer to Right of Use Assets	-	(4)	-	-	-	-	-	-	-	**(4)**
Revised total as at 1 April 2022	**-**	**316**	**34**	**5,085**	**157**	**963**	**360**	**76**	**-**	**6,991**
Charged in year	-	235	25	205	23	105	38	4	-	**635**
Adjustments	-	(1)	-	(9)	-	-	(1)	(1)	-	**(12)**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Disposal	-	(2)	-	-	(10)	(43)	(28)	-	-	**(83)**
Revaluations to Revaluation Reserve	-	(198)*	(57)	971	7	-	-	-	-	**723**
Revaluations to Outturn Statement	-	(24)	-	-	-	-	-	-	-	**(24)**
Balance at 31 March 2023	**-**	**326**	**2**	**6,252**	**177**	**1,025**	**369**	**79**	**-**	**8,230**
Net book value at 31 March 2023	**489**	**7,864**	**705**	**27,147**	**101**	**604**	**126**	**21**	**1,237**	**38,294**
Net book value at 31 March 2022	488	7,565	665	23,051	98	569	116	20	1,174	33,746

* Increased estimates of remaining useful asset lives is processed as a reduction to the accumulated depreciation. The revaluation of buildings in 2022-23 results in a net upward movement.

6a. Property, Plant and Equipment (continued)

Analysis of asset financing:	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings	Assets Under Construction £m	Total £m
Owned	487	7,778	612	23,149	93	589	126	21	1,236	34,091
On balance sheet PFI	-	3	93	3,998	4	-	-	-	-	4,098
Donated	2	-	-	-	-	15	-	-	1	18
EU Grant	-	83	-	-	4	-	-	-	-	87
Net book value at 31 March 2023	**489**	**7,864**	**705**	**27,147**	**101**	**604**	**126**	**21**	**1,237**	**38,294**

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

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

6a. Property, Plant and Equipment (continued)

Prior Year

Cost or valuation	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets Under Construction £m	Total £m
As at 1 April 2021	**474**	**7,436**	**656**	**25,202**	**240**	**1,427**	**459**	**96**	**1,082**	**37,072**
Additions	8	59	1	62	5	79	15	5	583	**817**
Adjustments	-	-	-	26	-	-	-	-	-	**26**
Transfers	-	159	2	121	10	89	39	1	(421)	**-**
Transfers (to)/from Assets Classified as Held for Sale	-	-	-	-	-	-	-	-	-	**-**
Transfer from loans										**-**
Disposals	(2)	(4)	-	-	(14)	(61)	(35)	(6)	-	**(122)**
Revaluations to Revaluation Reserve	9	256*	40	2,725	15	(2)	(2)	-	-	**3,041**
Revaluations to Outturn Statement	(1)	(15)	-	-	(1)	-	-	-	(70)	**(87)**
Balance at 31 March 2022	**488**	**7,891**	**699**	**28,136**	**255**	**1,532**	**476**	**96**	**1,174**	**40,747**
Depreciation										
As at 1 April 2021	**-**	**296**	**13**	**4,445**	**142**	**930**	**361**	**77**	**-**	**6,264**
Charged in year	-	219	23	175	18	95	34	4	-	**568**
Adjustments	-	-	-	14	-	-	-	-	-	**14**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Transfers outwith core portfolios	-	-	-	-	-	-	-	-	-	**-**
Transfers (to)/from Assets Classified as Held for Sale	-	-	-	-	-	-	-	-	-	**-**
Disposal	-	(3)	-	-	(14)	(61)	(35)	(5)	-	**(118)**
Reclassifications	-	-	-	-	-	-	-	-	-	**-**
Revaluations to Revaluation Reserve	-	(155)*	(2)	451	11	(2)	(1)	-	-	**302**
Revaluations to Outturn Statement	-	(31)	-	-	-	1	1	-	-	**(29)**
Balance at 31 March 2022	**-**	**326**	**34**	**5,085**	**157**	**963**	**360**	**76**	**-**	**7,001**
Net book value at 31 March 2022	**488**	**7,565**	**665**	**23,051**	**98**	**569**	**116**	**20**	**1,174**	**33,746**
Net book value at 31 March 2021	474	7,140	643	20,757	98	497	98	19	1,082	30,808

* Increased estimates of remaining useful asset lives is processed as a reduction to the accumulated depreciation. The revaluation of buildings in 2021-22 results in a net upward movement.

6a. Property, Plant and Equipment (continued)

Analysis of asset financing:	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets Under Construction £m	Total £m
Owned	481	5,073	575	19,770	90	552	116	20	1,170	27,847
Finance Leased	-	45	-	-	4	-	-	-	-	49
On balance sheet PFI	5	2,369	89	3,281	-	1	-	-	1	5,746
Donated	-	-	-	-	-	1	-	-	-	1
EU Grant	2	78	1	-	4	15	-	-	3	103
Net book value at 31 March 2022	**488**	**7,565**	**665**	**23,051**	**98**	**569**	**116**	**20**	**1,174**	**33,746**

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

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

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

Cost or valuation	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
At 1 April 2022	**360**	**7,196**	**25**	**-**	**116**	**1,476**	**384**	**86**	**464**	**10,107**
Transfer between categories	-	-	1	-	-	(3)	-	3	(1)	**-**
Transfer to Right of Use Assets	-	(44)	-	-	-	-	-	-	-	**(44)**
Revised total as at 1 April 2022	**360**	**7,152**	**26**	**-**	**116**	**1,473**	**384**	**89**	**463**	**10,063**
Additions	2	13	-	-	2	49	18	1	395	**480**
Adjustments	-	-	-	-	-	-	-	-	-	**-**
Transfers	-	149	2	-	20	92	20	3	(287)	**(1)**
Transfers (to) assets classified held for sale	(1)	-	-	-	-	-	-	-	-	**(1)**
Disposals	-	-	-	-	(9)	(43)	(11)	-	-	**(63)**
Revaluations to Revaluation Reserve	-	194	1	-	(1)	-	-	-	-	**194**
Revaluations to Outturn Statement	-	(11)	-	-	-	-	-	-	(27)	**(38)**
At 31 March 2023	**361**	**7,497**	**29**	**-**	**128**	**1,571**	**411**	**93**	**544**	**10,634**
Depreciation										
At 1 April 2022	**-**	**259**	**1**	**-**	**60**	**924**	**298**	**69**	**-**	**1,611**
Transfer between categories	-	(3)	-	-	-	-	-	3	-	**-**
Transfer to Right of Use Assets	-	(3)	-	-	-	-	-	-	-	**(3)**
Revised total as at 1 April 2022	**-**	**253**	**1**	**-**	**60**	**924**	**298**	**72**	**-**	**1,608**
Charged in year	-	206	2	-	16	102	26	4	-	**356**
Adjustments	-	3	-	-	1	(1)	-	-	-	**3**
Transfers	-	-	-	-	-	1	(1)	(1)	-	**(1)**
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposal	-	-	-	-	(9)	(42)	(11)	-	-	**(62)**
Revaluations to Revaluation Reserve	-	(159)	(3)	-	-	-	-	-	-	**(162)**
Revaluations to Outturn Statement	-	(24)	-	-	-	-	-	-	-	**(24)**
At 31 March 2023	**-**	**279**	**-**	**-**	**68**	**984**	**312**	**75**	**-**	**1,718**
Net book value at 31 March 2023	**361**	**7,218**	**29**	**-**	**60**	**587**	**99**	**18**	**544**	**8,916**
Net book value at 31 March 2022	360	6,937	24	-	56	552	86	17	464	8,496

Analysis of asset financing:	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
Owned	354	4,655	29	-	60	573	99	18	543	6,331
Finance Leased	-	-	-	-	-	-	-	-	-	-
PFI included in Statement of Financial Position	5	2,483	-	-	-	-	-	-	-	2,488
Donated Asset	2	83	-	-	-	14	-	-	1	100
Net book value at 31 March 2023	**361**	**7,221**	**29**	**-**	**60**	**587**	**99**	**18**	**544**	**8,919**

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

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

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

Prior Year

Cost or valuation	Land [1] £m	Buildings [2] £m	Dwellings £m	Road Network [3] £m	Transport £m	Equipment £m	ICT Systems £m	Fixtures and fittings £m	Assets under Construction £m	Total £m
At 1 April 2021	**349**	**6,794**	**24**	**-**	**117**	**1,375**	**367**	**88**	**410**	**9,524**
Additions	8	41	-	-	3	74	10	3	379	**518**
Adjustments	-	-	-	-	-	-	-	-	-	**-**
Transfers	-	157	1	-	10	88	34	1	(292)	**(1)**
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposals	(2)	(3)	-	-	(13)	(59)	(26)	(6)	-	**(109)**
Revaluations to Revaluation Reserve	6	216	-	-	-	(2)	(1)	-	-	**219**
Revaluations to Outturn Statement	(1)	(9)	-	-	(1)	-	-	-	(33)	**(44)**
At 31 March 2022	**360**	**7,196**	**25**	**-**	**116**	**1,476**	**384**	**86**	**464**	**10,107**
Depreciation										
At 1 April 2021	**-**	**251**	**1**	**-**	**60**	**891**	**302**	**69**	**-**	**1,574**
Charged in year	-	193	1	-	13	93	23	4	-	**327**
Adjustments	-	-	-	-	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Transfers (to) assets classified held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposal	-	(2)	-	-	(13)	(59)	(26)	(5)	-	**(105)**
Reclassifications	-	-	-	-	-	-	-	-	-	**-**
Revaluations to Revaluation Reserve	-	(155)	(1)	-	-	(2)	(1)	-	-	**(159)**
Revaluations to Outturn Statement	-	(28)	-	-	-	1	-	-	-	**(27)**
At 31 March 2022	**-**	**259**	**1**	**-**	**60**	**924**	**298**	**68**	**-**	**1,610**
Net book value at 31 March 2022	**360**	**6,937**	**24**	**-**	**56**	**552**	**86**	**18**	**464**	**8,497**
Net book value at 31 March 2021	349	6,543	23	-	57	484	65	19	410	7,950

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

Prior Year

Analysis of asset financing:	**Land [1] £m**	**Buildings [2] £m**	**Dwellings £m**	**Road Network [3] £m**	**Transport £m**	**Equipment £m**	**ICT Systems £m**	**Fixtures and fittings £m**	**Assets under Construction £m**	**Total £m**
Owned	353	4,495	24	-	56	536	85	18	459	6,026
Finance Leased	-	35	-	-	-	-	-	-	-	35
PFI included in Statement of Financial Position	5	2,329	-	-	-	1	1	-	2	2,338
Donated Asset	2	78	-	-	-	15	-	-	3	98
Net book value at 31 March 2022	**360**	**6,937**	**24**	**-**	**56**	**552**	**86**	**18**	**464**	**8,497**

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

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

6c. Property, Plant and Equipment Disclosures

	2022-23 £m	2021-22 £m
Net book value of Property, Plant and Equipment	**38,294**	**33,746**
Total value of assets held under:		
Finance Leases	-	48
Hire Purchase Contracts	-	-
PFI and PPP Contracts	6,623	5,747
Total	**6,623**	**5,795**
Total depreciation charged in respect of assets held under:		
Finance leases	-	6
PFI and PPP contracts	49	55
Total	**49**	**61**

Valuations and Basis of Valuation

As part of the 5-year rolling programme for Scottish Government assets, 7 properties – (Saughton House, Strathbeg House, Tankerness Lane offices, Thainstone Court, Longman House, Balrobert Farm, Knocknagael Farm including the Bull Stud Farm), underwent a formal desktop revaluation as at 31st March 2023. These valuations were on the basis of Existing Use Value (EUV). The Bull Stud Farm is considered a specialised building, for which no market-based evidence is available to support the use of EUV to arrive at Current Value. Depreciated Replacement Cost (DRC) approach has been used to value the Bull Stud Farm.

Valuations were carried out by the Valuation Office Agency (VOA). These valuations were carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation - Global Standards and RICS UK National Supplement, commonly known together as the Red Book. In particular UK VPGA (Valuation Practice Guidance- Application) 5 addresses the valuation of central government assets for accounting purposes.

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

Individual NHS boards have their own revaluation schemes, details of which are available in the various NHS Board accounts. These schemes operate in accordance with Scottish Government policy on revaluation as set out in Note 1.3 to these accounts.

7. Intangible Assets

Cost or Valuation	Software Licenses £m	Information Technology Software £m	Assets under Development £m	Total £m
As at 1 April 2022	**170**	**521**	**189**	**880**
Additions	4	103	54	161
Adjustment	-	-	(1)	(1)
Disposals	(19)	(181)	(2)	(202)
Transfers	-	124	(124)	-
Revaluations to Outturn Statement	-	-	-	-
Balance at 31 March 2023	**155**	**567**	**116**	**838**
Amortisation				
As at 1 April 2022	**153**	**385**	**-**	**538**
Charged in year	6	50	-	56
Disposals	(19)	(180)	-	(199)
Transfers	-	-	-	**-**
Balance at 31 March 2023	**140**	**255**	**-**	**395**
Net book value at 31 March 2023	**15**	**312**	**116**	**443**
Net book value at 31 March 2022	17	136	189	342

Prior Year

Cost or Valuation	Software Licenses £m	Information Technology Software £m	Assets under Development £m	Total £m
As at 1 April 2021	**165**	**528**	**76**	**769**
Additions	3	5	133	141
Disposals	(2)	(21)	-	(23)
Transfers	4	9	(13)	-
Revaluations	-	-	(7)	(7)
Balance at 31 March 2022	**170**	**521**	**189**	**880**
Amortisation				
As at 1 April 2021	**149**	**330**	**-**	**479**
Charged in year	7	75	-	82
Disposals	(2)	(21)		(23)
Transfers	(1)	1	-	**-**
Balance at 31 March 2022	**153**	**385**	**-**	**538**
Net book value at 31 March 2022	**17**	**136**	**189**	**342**
Net book value at 31 March 2021	16	198	76	290

8. Leases

8a Right-of-Use Lease Assets

	Land £m	Buildings £m	Dwellings £m	Transport £m	Plant & Machinery £m	Total £m
Cost or Valuation						
Balance as at 31 March 2022	-	-	-	-	-	-
Transferred from PPE on 1 April 2022	-	9	-	-	-	**9**
Remeasurement	-	(4)	-	-	-	**(4)**
Initial Recognition	21	438	5	24	52	**540**
Revised total as at 1 April 2022	**21**	**443**	**5**	**24**	**52**	**545**
Additions	-	48	1	9	8	**66**
Disposals	-	-	-	(1)	-	**(1)**
Transfers	-	10	-	-	-	**10**
Remeasurement	-	(2)	-	-	-	**(2)**
Balance at 31 March 2023	**21**	**499**	**6**	**32**	**60**	**618**
Amortisation						
Balance as at 31 March 2022	-	-	-	-	-	-
Transferred from PPE on 1 April 2022	-	4	-	-	-	**4**
Remeasurement	-	(4)	-	-	-	**(4)**
Revised total as at 1 April 2022	-	-	-	-	-	-
Charged in year	-	52	2	13	9	**76**
Disposals	-	-	-	(1)	-	**(1)**
Transfers	-	4	-	-	-	**4**
Remeasurement	-	-	-	-	-	-
Balance at 31 March 2023	-	**56**	**2**	**12**	**9**	**79**
Net book value at 31 March 2023	**21**	**443**	**4**	**20**	**51**	**539**
Net book value at 31 March 2022	-	-	-	-	-	-

In line with the accounting policy update at Note 1.5, IFRS 16 ‘Leases’ has been adopted from 1 April 2022.

Scottish Government and consolidated body lease contracts comprise leases of operational land and buildings, plant and machinery and motor vehicles. Most leases are individually insignificant, there are no individual leases that are materially significant to the consolidated accounts position.

8b Lease Liabilities

	2022-23 £m
Right of Use Assets	
Within one year	100
Between two and five years (inclusive)	270
After five years	342
Less unaccrued interest	(172)
Total	**539**

8c Amounts Recognised in Outturn

	2022-23 £m
Depreciation	75
Interest Expense	5
Non Recoverable VAT on lease payments	9
Low value and short term leases	7
Total Lease Costs through Outturn	96

8d Amounts recognised in the Statement of Cash Flows

	2022-23 £'000
Interest expense	4
Repayments of principal on leases	56

9. Assets Classified as Held for Sale

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

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

	Property Plant and Equipment £m	Intangible Assets £m	Investment Assets £m	Total £m
As at 1 April 2022	**14**	**-**	**-**	**14**
Transfers from Non-Current Assets	1	-	-	**1**
Disposals	(7)	-	-	**(7)**
Fair Value Adjustment	-	-	-	**-**
Balance at 31 March 2023	**8**	**-**	**-**	**8**
Prior year				
As at 1 April 2021	**17**	**-**	**-**	**17**
Transfers from Non-Current Assets	1	-	-	**1**
Disposals	(4)	-		**(4)**
Fair Value Adjustment	-	-	-	**-**
Balance at 31 March 2022	**14**	**-**	**-**	**14**

10. Inventories

	2022-23 £m	2021-22 £m
NHS inventories	206	202
Other inventories	4	4
Total	**210**	**206**

11. Financial Assets

11a. Non-Current Financial Assets

	Interests in Nationalised Industries and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Loans £m	Housing Shared equity Loans £m	Energy Related Loans £m	EU CAP Loans £m	Other Funds £m	Total £m
Balance at 1 April 2022	**178**	**3,960**	**451**	**4,572**	**445**	**1,372**	**261**	**-**	**226**	**11,465**
Add element reported within current assets	-	94	32	230	14	-	-	18	4	392
Prior year Adjustment - Deferred Income	-	-	-	64	-	-	-	-	-	64
Correcting categorisation	-	-	-	-	(48)	15	4	-	29	-
Revised Balance at 1 April 2022	**178**	**4,054**	**483**	**4,866**	**411**	**1,387**	**265**	**18**	**259**	**11,921**
Advances and Acquisitions										
Acquisitions	156	-	-	-	-	-	-	-	-	156
Cash Advances	-	296		588	127	40	27	-	27	1,105
Capitalised interest	-	-	-	211	-	-	-	-	-	211
Repayments and disposals	-	(94)	(32)	(196)	(14)	(93)	7	(9)	(22)	(453)
Other Adjustment	-	-	-	(5)	-	-	-	-	-	(5)
Fair Value Adjustment	(18)	-	-	(62)	(21)	43	-	-	(1)	(59)
Unwinding of discounted cash flow	-	-	-	370	7	-	4	-	-	381
Impairments	-	-	-	-	(1)	-	-	-	(1)	(2)
Write offs and adjustments	-	-	-	-	-	-	-	(1)	(1)	(2)
Balance at 31 March 2023	**316**	**4,256**	**451**	**5,772**	**509**	**1,377**	**303**	**8**	**261**	**13,253**
Loans repayable within 12 months transferred to current assets	-	(51)	(94)	(120)	(10)	-	(6)	(5)	(36)	**(322)**
Balance at 31 March 2023	**316**	**4,205**	**357**	**5,652**	**499**	**1,377**	**297**	**3**	**225**	**12,931**

11a. Non-Current Financial Assets (continued)

	Interests in Nationalised Industries	Housing Shared	Energy

	and Limited Companies £m	Voted Loans £m	NLF Loans £m	Student Loans £m	Housing Loans £m	equity Loans £m	Related Loans £m	EU CAP Loans £m	Other Funds £m	Total £m
Balance at 1 April 2021	**51**	**3,658**	**481**	**3,630**	**365**	**1,227**	**222**	**0**	**211**	**9,845**
Add element reported within current assets	-	80	50	165	18	-	2	25	11	351
Advances and Acquisitions										
Acquisitions	141	-	-	-	-	-	-	-	-	**141**
Cash Advances	-	412	3	617	3	127	51	335	43	1,591
Capitalised interest	1	-	-	75	-	-	-	-	-	76
Transfers	-	-	-	-	-	-	2	-	(2)	-
Repayments and disposals	-	(96)	(51)	(216)	(7)	(97)	-	(342)	(43)	
Fair Value Adjustment*	-	-	-	323	-	115	-	-	2	440
Unwinding of discounted cash flow	-	-	-	208	81	-	(15)	-	8	282
Impairments	(3)	-	-	-	-	-	-	-	-	(3)
Write offs and adjustments	(12)	-	-	-	(1)	-	(1)	-	-	(14)
Balance at 31 March 2022	**178**	**4,054**	**483**	**4,802**	**459**	**1,372**	**261**	**18**	**230**	**11,857**
										-
Loans repayable within 12 months transferred to current assets	-	(94)	(32)	(230)	(14)	-	-	(18)	(4)	(392)
Balance at 31 March 2022	**178**	**3,960**	**451**	**4,572**	**445**	**1,372**	**261**	**-**	**226**	**11,465**

*In line with prior years, a discount rate was applied to assets held at fair value using a discounted cash flow model, using the interest rates published by HM Treasury in their PES Paper dated 13 December 2021. The nominal interest rate used for Financial instruments for 2021-22 was 1.9% (2020-21: 3.7%). This reduction resulted in an increase in the fair value of loan books with a longer repayment profile, as reduced discount rate has resulted in an increased overall value of the loan books. The biggest impact was seen on the Student Loan book - see note 11e for further details.

11b. Interests in Nationalised Industries and Limited Companies

As at 31 March 2023, the Scottish Ministers are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited, Highlands and Islands Airports Limited, TS Prestwick Holdco Limited and Ferguson Marine (Port Glasgow) Holdings Limited. The Scottish Ministers hold the following investments:

Caledonian Maritime Assets Limited	1,500,000 ordinary shares of £10 each
David MacBrayne Limited	5,500,002 ordinary shares of £1 each
Highlands and Islands Airport Limited	50,000 ordinary shares of £1 each
TS Prestwick Holdco Limited	1 ordinary share of £1
Scottish Rail Holdings	1 ordinary share of £1
Ferguson Marine (Port Glasgow) Holdings Limite	1 ordinary share of £1

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

	TS Prestwick Holdco Ltd	Highlands and Islands Airports Ltd	Caledonian Maritime Assets Ltd	David MacBrayne Ltd	Ferguson Marine Ltd
	£m	£m	£m	£m	£m
Net Assets/(Liabilities) as at 31 March 2023	(14)	172	139	41	13
Turnover	58	27	44	221	64
Profit /(Loss) for the financial year	1	(38)	(6)	17	(1)

Results for TS Prestwick Holdco Ltd, Highlands and Islands Airports Ltd, Caledonian Maritime Assets Ltd, David MacBrayne Ltd, and Ferguson Marine Ltd are draft and subject to audit with final accounts yet to be published.

As at 31 March 2022 Scottish Rail Holdings was in effect a dormant company with only £41 of reserves. As noted below from 1 April 2022, the company's wholly owned subsidiary, ScotRail Trains Limited, acquired the ScotRail business operated until then by Abellio Scotrail Limited under a Franchise Agreement with the Scottish Ministers.

Caledonian Maritime Assets Limited

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

David MacBrayne Limited

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

Highlands and Islands Airport Limited (HIAL)

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

TS Prestwick Holdco Limited

In 2013 Transport Scotland purchased the entire share capital of Prestwick Aviation Holdings Limited, the holding company of subsidiaries who own and operate Glasgow Prestwick Airport, through a company set up for this specific purpose – TS Prestwick Holdco Limited. Subsequently Transport Scotland advanced loan funding to the group to cover the cash deficit arising from its operating deficit and capital expenditure. To re-align governance arrangements the loan was transferred to Strategic Commercial Assets Division in SG on 25 January 2023 and is no longer held as an Investment in Transport Scotland accounts.

Scottish Rail Holdings Limited

Two arm's length companies were created during 2021-22 in line with transition of ScotRail services into Scottish Government ownership and control. Scottish Rail Holdings Ltd (SRH) and ScotRail Trains Ltd (SRT). Scottish Ministers are the sole shareholder of SRH, which is the holding company of ScotRail Trains Ltd (SRT) which took over the operation of Scotrail services on 1 April 2022. SRH is responsible for providing oversight and managing the provision of rail passenger services by SRT under the terms of a Grant Agreement.

11b. Interests in Nationalised Industries and Limited Companies (continued)

Ferguson Marine

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

Further information on the background to the company being taken into public ownership can be found on the Scottish Government website at:
https://www.gov.scot/collections/ferguson-marine-documents/

Scottish National Investment Bank

As per the financial memorandum between the Scottish Government and the Scottish National Investment Bank plc, the Scottish Government receives shares in return for capital provided to the Bank for onward investment. The valuation of SNIB’s underlying investments is used as a proxy for valuation of Scottish Government's investment in SNIB In line with this requirement, a share certificate was issued on 14 March 2022 to the value of £126m, reflecting the investment made by the Bank during 2021-22 up to the end of February. Additional share certificates were issued on 31 October 2022 including £3m reflecting the investments made by the bank during March 2022. For 2022-23, a share certificate was issued on 28 March 2023 to the value of £84.5m.

11c. Other Interests

The Scottish Ministers hold an interest in the following organisations:

Student Loan Company (SLC)

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

Scottish Futures Trust Ltd (SFT)

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

Scottish Health Innovations Ltd

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

Burntisland Fabrications

Over recent financial years the Scottish Government advanced loans on a commercial basis to BiFab. As a result of the conversion of these loans to equity the Scottish Government now holds a 32.4% stake in the company. As part of year end processes the Scottish Government valued its equity holding at £nil (2021-22: £nil).

11d. Loans

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

Voted Loans

The Scottish Ministers have provided total loans from voted provision of £2m to crofters for building purposes and £4,048m to Scottish Water for their capital investment programmes and £199m via Transport Scotland to CMAL for the procurement of new shipping and the HIAL to renew and improve commercial airport infrastructure.

In year £247m of advances were provided to Scottish Water (2021-22 £375m of advances) and £49m of advances to CMAL (2021-22: £37m).

National Loans Fund

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

Scottish Water's 2022-23 annual report and accounts can be found at:
www.scottishwater.co.uk/help-and-resources/document-hub/key-publications/annual-reports

11d. Loans (continued)

Student Loans

Loans made under the terms of the student loans scheme are administered by the Student Loans Company Limited, a company owned jointly by the Scottish Ministers and the Department for Education. These loans are accounted for on the basis of the loan balances of students domiciled in Scotland and adjusted for fair value and impairment. Further details on student loan valuation are in note 11f.

The Student Loans Company annual report and accounts can be found at:
https://www.gov.uk/government/collections/slcs-annual-reports-and-accounts

Housing Loans

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

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

The main Housing loan schemes are:

Charitable Bonds

The Charitable Bond model means the Scottish Government can make an ethical investment in affordable housing in the form of loans to social housing providers for up to 15 years, repaid at the end of the term. As at 31 March 2023 a total of £300m (31 March 2022: £211m) was held on Charitable Bond schemes after fair value adjustments. £105m of investments were made by the Scottish Government in Charitable Bonds in 2022-23 (2021-22: £nil).

Mid Market Rented Housing

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

No additional advances have been made in through MMR schemes in the last two years. As at 31 March 2023 a total of £46m (31 March 2022: £45m) was held on MMR schemes after fair value adjustment and £39m (31 March 2022: £38m) was held on LAR schemes.

Housing Infrastructure Funds

As part of the More Homes Scotland approach and linked to the delivery of 50,000 affordable homes by 2021, the Scottish Government launched a five-year Housing Infrastructure Fund (HIF) in February 2016. HIF will support the delivery of housing through financial assistance. While all types and tenures of housing are eligible for HIF support, priority will be given to those projects delivering affordable and private rented housing within the five-year period ending 31 March 2021. As part of the Housing to 2040 strategy Scottish Ministers have approved the continuation of the Housing Infrastructure Fund (HIF) in the current Parliamentary period up to 2026.

£16m was advanced during 2022-23 (2021-22: £0.5m). As at 31 March 2023 a total of £34m (31 March 2022: £21m) was held on HIF funds.

Rent to Buy

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

As at 31 March 2023 a total of £2m (31 March 2022: £4m) was held on RTBS funds.

Deferred Financial Commitment Loans

These schemes were set up to support individuals to purchase council tax houses, they include loans provided from 2004-05 and have been closed to new entrants since 2016. The fair value estimation technique for the loans relates to the underlying property valuations using the Nationwide Pricing Index method.

As at 31 March 2023 £76m was held (31 March 2022: £75m) after fair value adjustments.

11d. Loans (continued)

Shared Equity Housing Loans

Shared Equity Stakes

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

As at 31 March 2023 £210m was held (31 March 2022 restated: £223m) after fair value adjustments.

Shared Equity Schemes

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

£35.5m was advanced in year (2021-22: £44m) and £38m repayments were received (2021-22: £43m). As at 31 March 2023 a total of £374m (31 March 2022: £354m) was held on OMSE and NSSE funds after fair value adjustments.

Help to Buy

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

£0.6m was advanced in year (2021-22: £19m) and £41m repayments were received (2021-22: £49m). As at 31 March 2023 a total of £497m (31 March 2022: £522m) was held on both Help To Buy funds after fair value adjustments.

First Home Fund

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

£0.7m was advanced in year (2021-22: £64m) whilst £13m of repayments were received. As at 31 March 2023 a total of £276m (31 March 2022: £280m) was held after fair value adjustments.

Energy Related Loans

The Scottish Government provides funding to Salix Finance Limited and the Energy Saving Trust (EST) to deliver programmes relating to energy efficiency which include the issue of loans.

Salix provides loans to the public sector to improve their energy efficiency and reduce their carbon emissions. At 31 March 2023 £23m (31 March 2022: £23m) was held as loan funds.

EST administer and manage funds on behalf of the Scottish Government which provide loans to save energy and reduce carbon dioxide emissions. In year £2m (2021-22 £4m) of advances were made. At 31 March 2023 £74m (2021-22 restated: £71m) was held as loan funds.

Through the Home Energy Efficiency Programme (HEEPs) loans are available to help homeowners make energy and money saving improvements to their home. £16m of advances were made in year (2021-22: £6m). At 31 March 2023 £52m (31 March 2022: £36m) was held on HEEPs loans.

The Renewable Energy Investment Fund (REIF) is delivered through Scottish Enterprise and Highlands and Islands Enterprise. REIF provides funding to commercial and community renewable energy projects across Scotland. At 31 March 2023 £24m (31 March 2022: £15m) was held as loan funds.

Transport Scotland provides funding to the Energy Savings Trust to fund energy efficient transport initiatives, including the Electric Vehicle Loan and electric Taxi support, the Low Carbon Transport Business Loan and eBike loan support. In 2022-23 £10m (2021-22 £45m) of advances were made. At 31 March 2023 £121m (2021-22: £141m) was held as loan funds.

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

EU CAP Loans

From 2015-16, a Scottish Government national loans scheme was put in place to provide support to the farming economy. In year no further advances were made (2021-22: £335m). Repayments of £9m (2021-22: £342m) were received.

11d. Loans (continued)

Other Funds

Social Investment Scotland administer and manage the Scottish Investment Fund on behalf of the Scottish Government, the fund was set up to provide loans to build capacity, capability and financial sustainability in the third sector. As at 31 March 2023 £16m (2021-22: £16m) was held as loan funds.

The Scottish Government and the European Regional Development Funds, have established the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund. This fund is a JESSICA (Joint Venture Support for Sustainable Investment in City Areas) Urban Development Fund (£47m; 2021-22: £57m) that helps fund regeneration and energy efficient projects within targeted

Over the past 6 years, the Scottish Government has provided £9.6m to the Scottish Futures Trust for use in their oversight of the Non Profit Distributing (NPD) programme. SFT's pipeline of NPD projects is delivered through two channels – very large projects such as major roads or large hospitals, procured directly by the public sector organisations through the NPD programme, with smaller Design, Build, Finance and Maintain (DBFM) projects delivered via the Scotland-wide hub initiative in partnership with local authorities, health boards and other public bodies.

The Scottish Government has provided £10m, over a 20 to 25 year period, to three of the National Performing Companies (Scottish Ballet, Scottish Opera and the National Theatre of Scotland). These related to capital projects and business support, including the new Rockvilla creation centre and an extension to the Theatre Royal, both in Glasgow. In addition £3m was advanced to Royal Scottish National Opera in 2020-21. As at 31 March 2023 £10m (31 March 2022: £11m) was held as the loan balance.

Scottish Enterprise administer and manage Digital Development Loans on behalf of the Scottish Government. Digital development loans are provided to companies who wish to improve their digital capabilities and capacity. During the year £1m (2021-22: £4m) advances were made. At 31 March 2023 £5.5m (31 March 2022: £7m) was held as loan funds.

The Scottish Growth Scheme is a package of financial support of up to £500 million for Scottish businesses. It is backed by the Scottish Government and aims to help businesses grow. £19m was provided to the fund managers in year for distribution (2021-22: £16m). As at 31 March 2023 £65m (31 March 2022: £51m) was held as loan funds.

Building Scotland Fund (BSF) was a precursor to the Scottish National Investment Bank. It focused on housing, modern industrial and commercial property and business-led research and development projects. The BSF intended to invest £150 million over financial years 2019 to 2021 by making loans and acquiring equity. In year £nil (2021-22: £4m) of advances were made and £5m of repayments were received (2021-22: £16m). As at 31 March 2023 £nil (2021-22: £5m) was held as loan funds.

The Registered Social Landlords (RSL) Fire Safety Loan scheme was introduced to cover the cost of buying and installing smoke, heat and carbon monoxide alarms to meet new standards. The scheme is now closed to applications. In year £3m of repayments were received (2021-22: £nil). As at 31 March 2023 £6m (2021-22: £8m) was held as loan funds.

In 2020-21, the Scottish Government provided Covid support loans totalling £95m. No further advances were provided during 2022-23. The larger loan funds within this were:

Housing – House builders fund - £18 million of advances
Communities – Third Sector Growth Fund - £32.5 million of advances
Sport - Football / Rugby clubs - £30 million of advances
Health - Ayrshire Hospice - £8 million of advances

The fair value balances on these funds at 31 March 2023 is:

Housing – House builders fund - £nil
Communities – Third Sector Growth Fund - £32.5 million
Sport - Football / Rugby clubs - £20 million
Health - Ayrshire Hospice - £5 million

11e. Student Loan Valuation

Student loans are valued in accordance with IFRS 9, and are recognised at fair value through the Statement of Comprehensive Net Expenditure (SOCNE). Their value at any time is dependent upon macroeconomic conditions, forecast over a 30 year repayment profile as well as a number of other complex assumptions.

Estimated value is determined using a discounted cash flow model known as the Stochastic Earnings Path (StEP) model. This model is used across the devolved administrations and is managed by the UK Department for Education (DfE), using various data sources on higher education students to predict the likelihood of loan repayment. There is a standard cycle and process for the production of valuation and modelling information, to encompass financial year-end reporting, and mid-year forecasting, with one-off runs as necessary in response to Scottish and UK Government fiscal events.

Forecasting Model background
The StEP model uses information from two sub-models, an earnings model and a repayments model, to predict outcomes for student borrowers. The earnings model calculates earnings “paths” for individual borrowers after graduation, using input variables such as course level, domicile and subject studied to estimate earnings in future years. The repayments model then uses macroeconomic forecasts such as Retail Price Index (RPI) inflation, interest rates and earnings growth to predict the repayments in line with each earnings “path".

The StEP model uses a regression-based approach with earnings history as a predictor of future earnings, along with age, gender and qualification level to give a more accurate estimate.

The model is long-term in nature and depends on a complex set of assumptions, particularly, the latest Office of Budgetary Responsibility (OBR) long-term and medium-term forecasts for RPI, Bank of England base rate and earnings growth. These forecasts are generally updated twice per year.

Key inputs into the model include:

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

When the model is received by the Scottish devolved administration, further work is required to tailor the content of each model to the circumstances only relevant to the Scottish loan policy.

The information as at 31 March 2023 was prepared using the OBR Economic and Fiscal Outlook (published 15 March 2023). For further information on this economic scenario see the OBR website:
https://obr.uk/efo/economic-and-fiscal-outlook-March-2023/

Forecasting Model updates
Due to the variety of information sources, the complexity of information requirements, and the independence of each variable from one another, it is not feasible to conduct forecasts with significant frequency. For this reason, it is the policy of Scottish Government to only conduct a full impairment review twice per year, in line with the OBR Economic and Fiscal Outlook as detailed above.

Sensitivity Analysis
As described above, there are a number of variables used in the model, and adjusting any of these variables will have an impact on the overall valuation. Each of these variables can be adjusted independently of the others, so the choice of alternative scenarios is extensive. Parameters have been chosen carefully to reflect the most accurate position at the reporting date, but it is recognised that adjusting these variables will have an impact on the valuation.

Additional analysis of the key variables has applied, in-turn, a 1 percentage point increase and decrease to the 2022-23 inflation (RPI), earnings growth, discount rate and interest (Bank of England base) rate parameters set by the OBR in their March 2023 Economic and Fiscal Outlook report. Whilst the effects of these changes have been examined independently of each other, this is highly unlikely in reality; therefore the sensitivity analysis presented is theoretic in nature.

As described above, the StEP model used for loan valuation is managed by the UK Department for Education and the Scottish Government has only limited opportunity to explore the impact of varying the underlying assumptions. Due to the complexities of the underlying assumptions, it is impractical to calculate the impact of more variations to the assumptions. It is possible that changes in the assumptions made could lead to material changes in the student loans valuation.

11e. Student Loan Valuation (continued)

The table below shows the main results of the sensitivity analysis and how each test compared to the April 2023 RAB* charge.

Table 1: Sensitivity analysis results

April 2023	Test	RAB charge for each test*	Change on April 2023 RAB charge (percentage point)	Revised Rab Charge (£)	Change (£)
13.00%	1. RPI +1 percentage point	14.00%	+0.7 percentage points	£82,339,344	£5,881,382
	2. RPI -1 percentage point	13.00%	-0.7 percentage points	£76,457,962	£0
	3. Earnings Growth +1 percentage point	13.00%	-0.5 percentage points	£76,457,962	£0
	4. Earnings Growth -1 percentage point	14.00%	+0.5 percentage points	£82,339,344	£5,881,382
	5. Bank of England rate +1 percentage point	13.00%	-0.2 percentage points	£76,457,962	£0
	6. Bank of England rate -1 percentage point	13.00%	+0.2 percentage point	£76,457,962	£0
	7. Discount rate +0.5 percentage point	16.00%	+2.8 percentage point	£94,102,107	£17,644,145
	8. Discount rate -0.5 percentage point	10.00%	-2.9 percentage point	£58,813,817	-£17,644,145
Note: whole number percentage used for comparison					

* a Resource Accounting and Budgeting (RAB) charge is the estimated cost to government of borrowing to support the current year issues of loans based on future write-off and interest subsidies in net present value terms. These costs are expressed as a proportion of the initial loan outlay for the year in question. The RAB charge is the percentage of any current year issued loans that the Scottish Government do not expect to be paid back.

Impact of Model on Current Student Loans Valuation
Outputs from the StEP model, including the RAB charge, are fundamental to the calculation of the current value of student loans.

Since valuation at 31 March 2022, both RPI and Bank of England base rate have shifted in response to economic conditions; RPI has increased from 9 to 13.5 and the Bank of England base rate has increased from 0.75% to 4.25%.

As inferred by the above sensitivity analysis, these movements have caused sizeable changes to the RAB charge and other outputs therefore resulting in a material adjustment to fair value.

The continued volatility of these rates, and the significance of the impact of such changes, means that year on year, material adjustments to fair value are not unexpected.

For further information on these rate changes, see Office of National Statistics and Bank of England websites:
RPI All Items: Percentage change over 12 months: Jan 1987=100 - Office for National Statistics (ons.gov.uk)
Bank Rate history and data | Bank of England Database

12. Financial Instruments

The Scottish Government measures and presents financial instruments in accordance with International Accounting Standard (IAS) 32, International Financial Reporting Standard (IFRS) 7 and IFRS 9 as interpreted by the Financial Reporting Manual. IFRS 7, *Financial Instruments: Disclosures* , requires disclosure of the role that financial instruments have played during the period in creating or changing the risks that an entity faces in its activities. The Scottish Government is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way that government is financed. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Organisation in undertaking its activities.

Liquidity Risk

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

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

Maturity Profile

Financial Liabilities	<1yr £m	2 - 5 yrs £m	>5yrs £m	2022-23 Total £m	2021-22 Total £m
Trade payables	643	-	-	**643**	987
Accruals	1,642	-	-	**1,642**	2,181
Other payables	808	87	-	**895**	1,162
NLF loans	94	177	178	**449**	480
Accrued Interest due on NLF Loans	6	-	-	**6**	6
Balances Payable to SCF	3	-	-	**3**	3
Corporate balance with SCF	325	-	-	**325**	997
PFI Imputed finance leases	114	555	2,134	**2,803**	2,909
Lease payables	65	186	206	**457**	23
Bank overdraft	5	-	-	**5**	2
Other financial liabilities	1	55	-	**56**	51
Total	**3,706**	**1,060**	**2,518**	**7,284**	**8,801**

Credit risk

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

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

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

Market risks

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

Interest Rate Risk

56% (2021-22: 65%) of the Scottish Government’s financial assets and 100% (2021-22:100%) of its financial liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk. The portion of the Scottish Government's financial assets that carry a floating rate of interest relates in the main to student loans.

12. Financial Instruments (Cont.)

Foreign Currency Risk

Within payables, the Scottish Government has a balance that is subject to exchange rate fluctuations. This relates to advances received from the European Commission (EC) for the 2014-20 European Structural Funds (ESF) programme. The year end balance of £38.2m is the sterling equivalent of €43.5m translated at the accounting date (using the official EU exchange rate as at 31 March 2023). Where there are other transactions denominated in Euros the exchange rate is managed within the programmes. The Scottish Government has no other significant exposure to foreign currency risk.

Housing Market Risk

The Scottish Government engages in a number of shared equity housing schemes, and is exposed to the risk of potential falls in the value of the housing market. The current investment in such schemes is £1,377m (2021-22 restated: £1,387m).

Categories of financial assets and financial liabilities

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

Financial Assets	Note	Fair Value through Profit and Loss Note a	Loans and receivables Note b	Shares held in or loans advanced to the public sector Note c	2022-23 Total	2021-22 Total Restated
		£m	£m	£m	£m	£m
Voted loans	11	-	449	3,807	**4,256**	4,054
NLF loans	11	-	-	451	**451**	483
Housing loans	11	-	509	-	**509**	411
Shared Equity Housing loans	11	1,377	-	-	**1,377**	1,387
Energy related loans	11	-	303	-	**303**	265
EU CAP funds	11	-	8	-	**8**	18
Other Funds	11	-	261	-	**261**	259
Student loans	11	5,772	-	-	**5,772**	4,866
Interests in nationalised industries	11	-	-	316	**316**	178
Trade receivables	13	-	124	-	**124**	67
Accrued income	13	-	298	-	**298**	358
Interest receivable	13	-	27	-	**27**	25
Amounts receivable from the SCF	13	-	83	-	**83**	200
Other receivables	13	-	177	-	**177**	111
Corporate balance with the SCF	13	-	27	-	**27**	2
Cash and cash equivalents	2	-	374	-	**374**	1,052
Total		**7,149**	**2,640**	**4,574**	**14,363**	**13,736**

Note: As not all current assets are financial instruments, the above tables exclude VAT £87m (2021-22: £93m) and prepayments £555m (2021-22: £655m) which are included in the associated asset notes.

Financial Liabilities	Note	Fair Value through Profit and Loss Note a	All other financial liabilities Note d	Shares held in or loans advanced to the public sector Note c	2022-23 Total	2021-22 Total Restated
		£m	£m	£m	£m	£m
Trade payables	14	-	643	-	**643**	809
Accruals		-	1,642	-	**1,642**	2,181
Other payables	14	-	895	-	**895**	1,305
NLF loans	14	-	449	-	**449**	480
Accrued Interest due on NLF Loans	14	-	6	-	**6**	6
Balances payable to the SCF	14	-	3	-	**3**	3
Corporate balance with SCF	14	-	325	-	**325**	997
PFI Imputed finance leases	14	-	2,803	-	**2,803**	2,909
Lease payables	14	-	457	-	**457**	23
Bank overdraft	14	-	5	-	**5**	2
Other financial liabilities	14	-	56	-	**56**	51
Total		**-**	**7,284**	**-**	**7,284**	**8,766**

Note: As not all liabilities are financial instruments, the above tables exclude deferred income £143m (2021-22 restated: £137m), other tax and social security £202m (2021-22: £184m), superannuation payable £166m (2021-22:£157m) and employee benefit accrual £255m (2021-22: £249m) included in the associated liabilities note (note 13). The finance leases are disclosed at the discounted cash flow value.

Note a: Assets and liabilities held at fair value through the profit and loss are measured at fair value with gains or losses being accounted for through the outturn statement.
Note b: Loans and receivables are measured at amortised cost using the effective interest methods, and any impairment losses go through the outturn statement. Disposal may give rise to a gain or loss, which is recognised through the outturn statement.
Note c: Shares in the public sector are held at historic cost less impairment and any impairment losses go to the outturn statement. Loans advanced to the public sector or due to the NLF are measured in the same manner as in note (b)

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

13. Receivables and Other Assets

Amounts falling due within one year:	2022-23 £m	2021-22 restated £m	
Trade receivables	124	67	
VAT	87	93	
Other receivables	135	102	
Prepayments and accrued income	555	594	*
Benefit Overpayments	4	3	
Accrued income relating to EU funding	105	118	
Interest receivable	27	25	
Balances receivable from SCF	83	200	
Corporate balance with the SCF	27	2	
Balance as at 31 March	**1,147**	**1,204**	

*The policy in relation to the calculation for Recovery of Bankruptcy related fees and Agency commission payable has changed in year within Accountancy in Bankruptcy. This has resulted in the accrued income balance reducing by £1m, for further details see the 2022-23 published Accountancy in Bankruptcy Annual Accounts.

Amounts falling due after more than one year:	2022-23 £m	2021-22 £m
Benefit Overpayments	18	18
Other receivables	42	9
Prepayments and accrued income	53	60
Balance as at 31 March	**113**	**87**
Total balance as at 31 March	**1,260**	**1,291**

Trade Receivables are shown net of impairments as follows:	2022-23 £m	2021-22 Restated £m	
Amounts falling due within one year:			
At 1 April	25	23	
Charge for the year	13	9	*
Unused amount released	(1)	(1)	
Utilised during the year	(8)	(6)	*
At 31 March	**29**	**25**	

*The prior impairment of Trade Receivables has been reduced by £21m due to a revision in the prior year calculation.

Other Receivables are shown net of impairments as follows:	2022-23 £m	2021-22 Restated £m
Amounts falling due within one year:		
At 1 April	4	3
Charge for the year	-	1
Unused amount released	-	-
Utilised during the year	(1)	-
At 31 March	**3**	**4**
Amounts falling due after more than one year:		
At 1 April	15	17
Charge for the year	-	-
Unused amount released	(3)	-
Utilised during the year	(3)	(2)
At 31 March	**9**	**15**

The impairment of Other Receivables is mainly driven from Social Security Scotland and relates to the impairment against Benefit Overpayments. Benefit overpayments arise where a change of circumstances has been processed after that change of circumstances took place, or where client error or fraud have been identified.

14. Payables and Other Liabilities

Amounts falling due within one year:	2022-23 £m	Restated 2021-22 £m	
Payables and other current liabilities			
Trade payables	643	809	Note 1
Other taxation and social security	202	183	
Superannuation payable	166	157	
Other payables	808	1,267	Note 2
Deferred income and accruals	2,031	2,386	Note 2, Note 3
Benefits Payable	149	118	
Accrued interest due on NLF loans	6	6	
Finance leases	65	2	
PFI imputed finance leases	114	105	
PFI deferred residual interest	-	-	
Corporate balance with the SCF	325	997	
Balances payable to the SCF	3	3	
	4,512	**6,033**	

Note 1: Trade Payables has been reduced by £105m in relation to the misclassification of a year-end funding drawdown by Social Security Scotland as a year-end trade payables balance. The corresponding entry in relation to this can be seen in the funding note within the Statement of Changes of Tax Payers Equity. For further details see the 2022-23 published Social Security Scotland Annual Accounts.

Note 2: The policy in relation to how NHS Greater Glasgow and Clyde accounts for income and expenditure related to services provided to other boards has changed, resulting in a net reduction of 'Other Payables' and Deferred income and Accruals' of £35m. For further details see the 2022-23 published NHS Greater Glasgow and Clyde Annual Accounts.

Note 3: The policy in relation to the calculation for Recovery of Bankruptcy related fees and Agency commission payable has changed in year within Accountancy in Bankruptcy. This has resulted in the deferred income balance increasing by £1m, for further details see the 2022-23 published Accountancy in Bankruptcy Annual Accounts.

	2022-23 £m	Restated 2021-22 £m
Other financial liabilities		
Current instalments on NLF loans	94	32
Bank overdraft	5	2
Other financial liabilities	1	1
	100	**35**
Total current liabilities	**4,612**	**6,068**

The balance payable to the SCF includes amounts due on income not applied of £nil (2021-22: £1m).

The prior year figures have been restated to ensure the accurate disclosure of Benefits Payable. There is also a small reduction in the Trade Payables balance.

Amounts falling due after more than one year:	2022-23 £m	2021-22 Restated £m	
Payables and other non-current liabilities			
Other payables	87	38	
Deferred income and accruals	11	76	Note 4
Finance leases	391	21	
PFI imputed finance leases	2,689	2,804	
	3,178	**2,939**	
Other financial liabilities			
Instalments due on NLF loans	355	448	
Other financial liabilities	55	51	
	410	**499**	
Total non-current payables and other financial liabilities	**3,588**	**3,438**	

Note 4: There is a restatement in deferred income due in more than one year in relation to Student loans. This is inline with the prior year adjustment revaluation of the student loan book, as per note 11a.

14. Payables and Other Liabilities (continued)

Redress Scotland

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill was passed in Parliament in March 2021 and received Royal Assent on 23 April 2021. The Act provides for the functions of Redress Scotland and for Scottish Ministers to make arrangements for the establishment and operation of the redress scheme. The scheme, opened in December 2021, allows for individuals to submit applications and the new independent body, Redress Scotland, will considers applications and makes determinations, which may include an offer of a redress payment to be made by the Scottish Government.

Organisations that were responsible for the care of children at the time of the abuse have been asked to participate in Scotland's Redress Scheme, and to make fair and meaningful financial contributions to redress payments for survivors. For further information on the contributors to the Redress scheme see https://www.gov.scot/publications/scotlands-redress-scheme-contributor-list/

As at 31 March 2023, the deferred income balance above included the following balances, reflecting the contributions received from organisations that have not yet been utilised:

	2022-23 £000s	2021-22 £000s
Aberlour	(363)	100
Daughter's of Charity	2,116	2,940
Barnardo's	160	150
Sisters of Nazareth	(551)	250
Salesians of Don Bosco	(127)	75
Sight Scotland	30	-
Poor Servants of Mother of God	30	30
Rossie Young People's Trust	71	50
CoSLA	-	60
Save the Children	30	30
East Park School	30	-
NHS Boards	33	-
Scottish Prison Service	(143)	-
Children 1st	100	-
Crossreach, Church of Scotland	136	-
The Harmeny Education Trust	10	-
	1,562	**3,685**

15. Provisions for liabilities and charges

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2022-23 £m	Total 2021-22 £m
Balance as at 1 April	**26**	**132**	**675**	**-**	**182**	**1,015**	**964**
Add: element reported as due within one year	3	12	226	1	92	334	347
Balance as at 1 April	**29**	**144**	**901**	**1**	**274**	**1,349**	**1,311**
Provided for in year	-	(6)	147	1	61	203	165
Provisions not required written back	(18)	(12)	-	-	(26)	(56)	(57)
Provisions utilised in year	(5)	(3)	(59)	-	(52)	(119)	(74)
Discount amortised	3	(16)	-	-	(1)	(14)	4
Balance as at 31 March	**9**	**107**	**989**	**2**	**256**	**1,363**	**1,349**
Payable within one year	(7)	(11)	(268)	(1)	(79)	(366)	(334)
Balance as at 31 March	**2**	**96**	**721**	**1**	**177**	**997**	**1,015**

Analysis of expected timing of any resulting outflows of economic benefits

	Student Loans Sale Subsidy £m	Early Departure Costs £m	NHS Clinical and Medical Negligence £m	SPS Prisoner Compensation £m	Other Provisions £m	Total 2022-23 £m	Total 2021-22 £m
Payable in 1 year	7	11	268	1	79	**366**	**333**
Payable between 2 - 5 yrs	2	30	587	1	65	**685**	**594**
Payable between 6-10 yrs	-	28	51	-	51	**130**	**139**
Thereafter	-	38	83	-	61	**182**	**283**
Total as at 31 March	**9**	**107**	**989**	**2**	**256**	**1,363**	**1,349**

Student loans

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

Early Departure Provisions

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

NHS Clinical and Medical Negligence

Included within provisions is an amount of £989m (2021-22: £901m) which relates to clinical and medical negligence costs.
In 2022-23 £147m (2021-22: £104m) of estimated settlement value of medical and clinical negligence claims were added to the provision.
In 2022-23 £59m (2021-22: £20m) in claims were settled.

SPS Prisoner Compensation

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

Other Provisions

Other provisions include NHS balances of £42m (2021-22: £41m). The NHS balances relate to various Health Boards and Bodies and include: provision for non-medical legal liabilities, employer and third party costs, provision for future development costs, dilapidations, and a variety of other smaller provisions.

Also included within other provisions are Transport Scotland balances of £35m (2021-22: £28m) including £5m relating to land & property acquisition (2021-22: £25m) and £6.5m (2021-22: £3m) relating to road claims.
The land & property acquisition provisions relate primarily to estimates made of the likely compensation payable in respect of planning blight, discretionary and compulsory acquisition of property from owners arising from physical construction of a road or rail scheme. When land is acquired by Compulsory Purchase Order, it is not known when compensation settlements will be made. A provision for the estimated total cost of land acquired is created when it is expected that a general vesting declaration will be published in the near future. It may take several years from the announcement of a scheme to completion and final settlement of all liabilities. The estimates provided by the Valuation Office Agency are reviewed bi-annually.

Included within other provisions are Scottish Prison Service balances of £10m (2021-22: £14m) relating to Injury Benefits. The Injury Benefits provision include estimates of amounts payable to former employees for loss of earnings under the Civil Service Injury Benefit Scheme.

Included within other Provisions are Crown Office balances of £8m (2021-22: £24m) relating to litigation.

As a result of the suspension of the European Social Fund, the Scottish Government moved to a simplified model for recovery in respect of this programme, which is based on a unit cost for employment counselling. EC auditors have agreed that this approach is robust and all claims to date have been accepted on this basis. There is a risk of financial loss in respect of this programme. Current financial forecasts estimate an under-recovery for the Scottish Government with a provision of £12m (2021-22: £43m) for further future financial losses. This estimate is the difference between the total amount approved and paid to Lead Partners within the programme, and the amount currently considered reclaimable from the EC due to the alternative model and methodology agreed with the EC. Work is ongoing throughout the Programme period to assess the value and likelihood of the financial risk as it crystallises.

Historic cases against the Scottish Government for compensation, relating to the contraction of silicosis from former stonemasons employed by the predecessors of Historic Scotland resulted in a provision recognised in the accounts of £nil (2021-22: £4m). This has been unwound in year, with £3m released against spend in year, and £1m released as no longer considered required.

In December 2016, the Scottish Government entered into a 25-year guarantee relating to the hydro plant and aluminium smelter at Lochaber. This involved the Government guaranteeing the power purchase obligations of the smelter if the business does not fulfil its obligations to pay for contracted power. The Government's potential exposure to default payments and review of a provision valuation in line with new accounting standards in 2018-19 resulted in a new provision of £33m. This has been reviewed and revalued at £135m as at 31 March 2023 (2021-22: £114m). The valuation is calculated using the requirements of IFRS 9 for Financial Guarantee Contracts. This includes consideration of the comprehensive security package the Scottish Government received in exchange for the provision of the guarantee, consisting of the Smelter, the Hydro power station, extensive land holdings and a series of other protections. See the accounting policies note for further information on the requirements of IFRS 9.

16. Capital Commitments

Property, plant and equipment	2022-23 £m	Restated 2021-22 £m
Contracted capital commitments for which no provision has been made	573	1,548
Total	**573**	**1,548**

Intangible assets		
Contracted capital commitments for which no provision has been made	30	26
Total	**30**	**26**

Total Commitments	**603**	**1,574**

2022-23 property, plant and equipment commitments includes:

Transport Scotland balances for future payments of £272m (2021-22: £1.1billion) in respect of major road schemes currently under construction. The main works contracts have been awarded and the loans agreed;

A number of capital projects being undertaken by NHS Boards of £211m (2021-22: £359m);

Scottish Prison Services balances for future payments of £33m for upgrades across the prison estate (2021-22 £19m);

£0.5m of capital commitments for Social Security Scotland (2021-22: £6m) including £nil (2021-22: £3m) for Angus Husband House;

£58m (2021-22: £37m) in relation to the building of vessels (800 & 801).

2022-23 intangible asset commitments includes:

£13m (2021-22: £7m) for the development of Social Security Digital Portals;

£4m for Social Security Scotland for IT infrastructure (2021-22: £5m);

£5m (2021-22 £nil) for delivery of Identity Platform software solution. The Digital Identity Service is part of the Scottish Government's Digital Strategy which commits to work with stakeholders, privacy interest groups and members of the public to develop a robust, secure and trustworthy mechanism by which an individual member of the public can prove their identity and/or entitlement to a public sector service or a benefit online. The aim of this programme is to deliver the commitment to develop a common public sector approach to online identity assurance, as part of digital public services.

£2m (2021-22 £nil) for delivery of Payment Platform software solution. The Digital Payments Transformation Project is the development of a common platform and service that standardises the way the Scottish Government and the wider public sector in Scotland makes and (in the future) takes payments to and from citizens and businesses.

£3m (2021-22 £nil) in relation to modernisation and upgrading of Agriculture and Rural Economy legacy IT systems and development of new Agriculture and Rural Economy IT Systems.

The 2021-22 capital commitments has been restated to remove £10m of spend in relation to the Shared Services Programme with regard to transformation of its corporate services to a single, integrated cloud ERP solution. This project is continuing, however due to continued review of accounting standards and Treasury budgetary guidance, this is no longer categorised as capital expenditure.

17. Commitments under Leases

17a. Operating Leases

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

Obligations under operating leases comprise:

Buildings and Land	**2022-23 £m**	**2021-22 £m**
Within one year	2	59
Between two and five years (inclusive)	5	163
After five years	2	208
Total	**9**	**430**

Other Commitments		
Within one year	-	23
Between two and five years (inclusive)	-	28
After five years	-	14
Total	**-**	**65**

The majority of the £9m buildings operating lease commitment is in relation to a lease held by Education Scotland. From 1 April 2022, Education Scotland was committed to making lease payments for Denholm House (Livingston), Endeavour House (Dundee), Optima Building (Glasgow) and Huntly Street (Aberdeen). All office accommodation, apart from Aberdeen, has been classed as Right of use assets. Education Scotland has use of a small number of desks in the Care Inspectorate office in Aberdeen but does not control the office space and therefore this has not been treated as a Right of Use Asset.

Due to the implementation of IFRS 16 as of 1 April 2022, the majority of operating leases in operation and disclosed as operating leases in 2021-22 are now accounted for as Right of Use Assets, and the lease liabilities for these related assets is included in note 8b.

18. Other Financial Commitments

18a. Other Commitments

The payments to which the Scottish Government is committed analysed by the period during which the commitment

	2022-23 £m	**2021-22 £m**
Payable in 1 year	1,741	1,461
Payable between 2 - 5 years	5,426	1,517
Payable in more than 5 years	1,244	4,955
Total	**8,411**	**7,933**

Other financial commitments payable within one year include:

£18m (2021-22: £9m) in relation to hosting the UCI World Cycling Championships;
£26m (2021-22: £nil) in relation to Ukraine Resettlement temporary accommodation contracts;
£4m (2021-22: £4m) for Department of Work and Pensions (DWP) recharges;
£5m (2021-22: £4m) in relation to Advocacy contract.
£nil (2021-22: £6m) for Festival UK 2022;
£nil (2021-22: £10m) for Scottish Land Fund - National Lottery Community Fund (3 month termination period).

18. Other Financial Commitments (continued)

18a. Other Commitments (continued)

Other Financial Commitments payable within 2 to 5 years include:

- £nil (2021-22: £14m) to host the 2023 UCI World Cycling Championships;
- £5m (2021-22: £nil) in relation to Advocacy contract.

Other financial commitments held by Transport Scotland include:

- For Rail Service contracts including the Caledonian Sleeper, £1,345m due in 1 year, £5,159m due in 2-5 years and £1,243 due after 5 years.
- For Ferry Services £273m due in 1 year and £216m due in 2-5 years

For further details on the responsibilities for rail see the Transport Scotland annual report and accounts.

Other Financial commitments held by Scottish Forestry include:

- £36m for the Forestry Grant Scheme - SDRP 2014-2020 (2021-22: £37m) payable in 1 year and £39m (2021-22: £40m) payable in 2-5 years; and
- £2m for Rural Priorities SDRP 2007-2013 (2021-22: £3m) payable in 1 year and £6m (2021-22: £9m) payable in 2-5 years.

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

18b. Guarantees, Indemnities and Letters of Comfort

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

Only guarantees and indemnities above the threshold of £2.5m, which have to be reported and authorised by the Scottish Parliament in accordance with the written agreement between the Finance Committee and the Scottish Government, are included in the consolidated annual accounts.

Guarantees

Guarantee to Lothian Pension Fund in relation to the admission of Scottish Futures Trust Ltd, Scottish Homes Pension Fund, Scottish Legal Complaints Commission, Scottish Agricultural College and Scotland's Learning Partnership.

Guarantees for 10 local government pension schemes, as a result of Visit Scotland taking on the staff from the local
Guarantee to Fife Council in relation to the admission of The Scottish Agricultural College to the LG Pension Fund.
Guarantee to Dumfries and Galloway Council in relation to the admission of The Scottish Agricultural College to the
Guarantee to Highlands and Islands Enterprise in relation to their pension scheme.
Guarantee to Strathclyde Pension Fund in relation to admission of Scottish Canals.
Guarantees to Shetland Council Pension Fund; Orkney Islands Council Pension Scheme and Highland Pension Fund.

Guarantee to trustees of the Highlands and Islands pension scheme in relation to the principal employer, Highlands and Islands Airports Ltd.

Guarantees have been issued under Section 54 of the Railways Act 1993 as part of rail rolling stock procurement process which enables Scottish Ministers to give undertakings regarding the use of rolling stock. These undertakings can specify that Scottish Ministers will require subsequent operators to use the rolling stock. The table below summarises quantifiable contingent liabilities in relation to these guarantees with the amounts disclosed reflecting the highest reasonable estimate of the possible liability.

	£m
Section 54 guarantee for Caledonian Sleeper Class 385 type Rolling Stock until 31 March 2040	138.5
Section 54 guarantee for Eversholt Class 380 type Rolling Stock until 31 December 2040	76.1
Section 54 guarantee for Porterbrook Class 170 type Rolling Stock until 31 March 2035	20.7
	235.3

Note. Scotrail Trains Grant Agreement expires on 31 March 2032 and the liabilities shown above are from that date to the end of the Section 54 guarantee.

Indemnities

At the beginning of the year there was an existing indemnity relating to objects lent under the National Heritage Act 1980 and the National Heritage (Scotland) Act 1985. The year-end balance depends on new acquisitions and the number of exhibitions that these pieces are included in during the financial year, and at 31 March this was £1,839m (2021-22: £1,839m).

Existing indemnity for local museums and galleries dependent on the number of new acquisitions and number of exhibitions that these pieces were included in during the financial year, valued at £22m (2021-22: £22m) at 31 March.

19. Commitments under Service Concession Arrangements

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

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

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the agreement.

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

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

Description of Schemes

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

Health Bodies

NHS Ayrshire

Woodland View shares a site in Irvine with the Ayrshire Central Hospital. The building is financed through a Non-Profit Distributing (NPD) model and reached practical completion and handover on the 1st April 2016. The building provides a Mental Health and Frail Elderly Inpatient facility for Ayrshire. The 25 year contract commenced on the 1st April 2016 and will be completed on the 31st March 2041. At the end of the contract/concession period, the building will revert back to NHS ownership.

East Ayrshire Community Hospital East Ayrshire Community Hospital (EACH) is situated in the town of Cumnock. The facility provides Inpatient Beds, Elderly Mental Ill and GP Acute, there are also day facilities for Frail Elderly Ill and Outpatient Clinics (including AHPs). The 25 year contract commenced in August 2000 and was due to be completed in August 2025. At the end of the contract term, the Board had the option to acquire the building at a market valuation price from the PFI Project Company Special Purpose Vehicle (SPV), Cumnock SPV Holdings Ltd. The unitary charge paid includes hard and soft facilities management. In May 2021 the Board bought the company for £12 million which secures the facility which is a crucial part of our Caring for Ayrshire plans. The contract for hard and soft facilities management for the facility continues through the provider BAM Facilities Management.

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

NHS Dumfries & Galloway

The Board has one contract financed under a Public Finance Initiative (PFI) and one under the Non Profit Distributing (NPD). The NPD funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland.

Dumfries and Galloway Maternity and Day Surgery Unit - The previous maternity and day surgery unit in Dumfries is included on the balance sheet (land and buildings) as a PFI at a valuation of £7m as at 31 March 2023. The contract ends in January 2032 however following the successful migration of these services to the new DGRI, the future planning arrangements for this building are now underway. This building is now referred to as Mountainhall.

Dumfries and Galloway District General Hospital – The Boards new District General Hospital DGRI is funded under NPD. The land and buildings are included on the balance sheet at a valuation of £224m as at 31 March 2023 and the contract ends in September 2042.

NHS Fife

NHS Fife hold 2 PFI contracts, which are both held as non-current assets of NHS Fife Board and the liabilities to pay for the properties are accounted for as finance lease obligations.

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

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

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

NHS Forth Valley

Clackmannanshire Community Healthcare Centre (CCHC) - CCHC is a service concession for the development and right of use of Community Health Facilities(incorporating a Health Centre Building including accommodation for 3 GP Practices, Associated Clinical Services and accommodation for local Health and Social Work Teams, a Mental Health Resource Centre, a Day Therapy Unit and 45 Inpatient Beds) and provision of services, including maintenance of the facility, under a Project Agreement. Certain facilities management services such as cleaning are provided by the Board. Services commencement date was 18th May 2009 and the contract term ends in July 2037. At the end of the agreement the asset will revert to the ownership of the Board. There were no significant changes to the contract in the year.

Forth Valley Royal Hospital (FVRH) - FVRH is a service concession for the NHS Forth Valley development and right of use of an Acute Hospital for Forth Valley (Forth Valley Royal Hospital (FVRH)) and associated provision of services including provision of facilities management services such as patient catering, portering, cleaning and maintenance. Services Commencement (handover of the facility to the Board) was in three phases May 2010, August 2010 and April 2011 and the accounting treatment is on-balance sheet. The duration of the agreement is for 30 years from practical completion to the end of the financial year in which the 30th anniversary occurs. At the end of the agreement the asset will revert to the ownership of the Board. There were no significant changes to the contract in the year.

Stirling Health and Care Village (SCV) - SCV is a service concession for the development and right of use of Community Health and Care facilities which will bring together on one site a range of health, local authority and other partner organisation's services. These services include a 116 bed integrated care hub, accommodation for 3 GP practices, associated clinical services and accommodation for Minor Injuries Unit, Diagnostics, Community Nursing, GP Out of Hours and an ambulance station and workshop. Soft Facilities will be provided by the Board including some hard FM services. The facility will be delivered under the Hub initiative and the contract agreement is for 25 years ending in October 2044.

NHS Grampian

Aberdeen Health and Community Care Village - Service Concession agreement with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 27th November 2013. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

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

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

Inverurie Centres - Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Inverurie Health and Community Care Hub effective 16 January 2018, Fosterhill Health Centre effective 8 May 2018 and the Inverurie Energy Centre effective 23 July 2018. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs.

NHS Greater Glasgow 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 £9m.
- *Southern General Hospital* – The Elderly Bed Facility contract commenced with Carillion Private Finance on 1 April 2001 for a period of 28 years. The estimated capital value at commencement of the contract was £11m.
- *Gartnavel Royal Hospital* – The Mental Health Facility contract commenced with Robertson Capital Projects Ltd on 1 October 2007 for a period of 30 years. The estimated capital value at commencement of the contract was £18m.
- *Stobhill Rowanbank Clinic* – The Mental Health Secure Care Centre contract commenced with Quayle Munro Ltd on 1 May 2007 for a period of 35 years. The estimated capital value at commencement of the contract was £19m.
- *Stobhill Hospital* – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £79m.
- *Stobhill Hospital* – The Ambulatory Care and Diagnostic Treatment Centre 60 bed extension. PFI contract commenced with Glasgow Healthcare Facilities Ltd on 25 February 2011 for a period of 30 years. Estimated capital value at commencement was
- *Victoria Hospital* – The Ambulatory Care and Diagnostic Treatment Centre contract commenced with Glasgow Healthcare Facilities Ltd on 1 April 2009 for a period of 30 years. The estimated capital value at commencement of the contract was £99m.
- *Gorbals Health and Care Centre* - HUB contract commenced with HUB West Scotland Project Co. on 6 November 2018 for a period of 25 years. Estimated capital value at commencement £14m.

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

NHS Greater Glasgow and Clyde (continued)

- *Eastwood Health and Care Centre -* HUB contract commenced with HUB West Scotland Project Co. on 3 June 2016 for a period of 25 years. Estimated capital value at commencement was £9m.
- *Maryhill Health and Care Centre -* HUB contract commenced with HUB West Scotland Project Co. on 15 July 2016 for a period of 25 years. Estimated capital value at commencement was £12m.
- *Inverclyde Orchardview -* HUB contract commenced with HUB West Scotland Project Co. on 17 July 2017 for a period of 25 years. Estimated capital value at commencement was £8m
- *Woodside Health and Care Centre -* HUB contract commenced with HUB West Scotland Project Co. on 15 May 2019 for a period of 25 years. Estimated capital value at commencement £18m.
- *Appin Ward (Stobhill Mental Health Facility) -* HUB contract commenced with HUB West Scotland Project Co. on 28 August 2020 for a period of 25 years. Estimated capital value at commencement £5m.
- *Elgin Ward (Stobhill Mental Health Facility) -* HUB contract commenced with HUB West Scotland Project Co. on 28 August 2020 for a period of 25 years. Estimated capital value at commencement £5m.
- *Greenock Health and Care Centre -* HUB contract commenced with HUB West Scotland Project Co. on 22 January 2021 for a period of 25 years. Estimated capital value at commencement £21m.
- *Clydebank Health and Care Centre -* HUB contract commenced with HUB West Scotland Project Co. on 22 January 2021 for a period of 23 years and 9 months. Estimated capital value at commencement £20m.

NHS Highland

New Craigs - New Craigs start date July 2000 ending June 2025. The Scheme is a replacement for the Craig Dunain Hospital, Inverness and provides In Patients facilities for adults with Mental Health needs or Learning Disability. There is a twenty five year contract with an original estimated capital value of £14m.

Easter Ross - Easter Ross start date February 2005 ending January 2030. This scheme is the redevelopment of County Hospital, Invergordon into a Primary Care Centre and combines a community hospital and a health centre, integrating primary and community care into one community health resource. There is a 25 year contract with an original estimated capital value of £9m and the PFI property will revert to the board at the end of the contract.

Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead. We finance the development of the Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The period of the contract runs from June 2006 to May 2036 at which point the ownership of the asset will be transferred to the Board. The original estimated capital value of the project is £19m.

Tain Health Centre - A service concession agreement with HUB North of Scotland Ltd for occupancy of the Tain Health Centre effective 24th May 2014. Under the terms of the agreement NHS Highland have a legal commitment to occupy the building for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs. The ownership of the asset will transfer to the Board at the end of the 25 year agreement.

NHS Lanarkshire

Hairmyres Hospital - The provision of a large general hospital. The period of contract is 26 March 2001 to 30 June 2031. The estimated capital value is £76m at 31 March 2023. The hospital services are provided under a contract between Lanarkshire Health Board and Prospect Healthcare (Hairmyres) Limited, with hard and soft facilities management services being supplied under a subcontract to ISS Mediclean Limited.

Wishaw Hospital - The provision of a large general hospital. The period of contract is 28 May 2001 to 30 November 2028. The estimated capital value is £160m at 31 March 2023. The hospital and services are provided under a contract between Lanarkshire Health Board and Summit Healthcare (Wishaw) Limited, with hard and soft facilities management services being supplied under a subcontract to SERCO Health Limited.

Stonehouse Hospital - The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034. The estimated capital value is £4m at 31 March 2023. The hospital is provided under a contract between Lanarkshire Health Board and Stonehouse Hospitals Limited, with the service arrangements provided internally by Lanarkshire Health Board.

Lanarkshire Hub Projects - The provision of three community Health Centres in East Kilbride, Kilsyth and Wishaw under the Scottish Future Trust Hubco leased model. These new facilities opened in 2015-16 and are provided by HUB South West Scotland under a 25 year contract. The Hubco provides the centres and is responsible for lifecycle and hard facilities management services which are delivered under a subcontract with Graham Facilities Management ltd. The current estimated capital value of these facilities is £48m at 31 March 2023.

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

NHS Lothian

- *Royal Infirmary of Edinburgh -* An Acute Teaching hospital. The contract started 1 November 2001 and will end 30 May 2053. The estimated capital value is £197m.
- *Ellens Glen* - Service provides a 60 bedded facility for frail elderly and dementia patients. The contract started 1 October 1996 and will end 29 November 2029. The estimated capital value is £1m.
- *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 1 November 1999 and will end 26 June 2033. The estimated capital value is £3m.
- *Tippethill -* Service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn. The contract started 13 June 2003 and will end 5 May 2025. The estimated capital value is £2m.
- *Royal Edinburgh Hospital Phase 1 -* Service provides 185 beds for both mental health services and a national acquired brain injury service. The contract started 5 December 2016 and will end 4 December 2041. The estimated capital value is £52m.
- *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 £20m.
- *Allermuir Health Centre -* An integrated primary care facility, combining General Practice and NHS community health services in the Firhill area of Edinburgh. The contract started on 25 September 2017 and will end on 24 September 2042. The estimated capital value is £7m.

NHS Lothian (continued)

- *Blackburn Partnership Centre -* This facility includes health and social care services as well as community services for local residents. The contract started on 22 September 2017 and will end on 21 September 2042. The estimated capital value is £9m.

- *Pennywell All Care Centre -* A joint development between NHS Lothian and the City of Edinburgh Council, providing health and social care services for the local community. The contract started on 23 October 2017 and will end on 22 October 2042. The estimated capital value is £12m.
- *Royal East Lothian Community Hospital phases 1, 2 and 3-* The project brings together services previously provided in Roodlands and Herdmanflat Hospitals and also supports patients previously in Haddington and Crookston Care Homes and Midlothian Community Hospital. The contract started on 10 February 2017 (Phase 1), 23 February 2018 (Phase 2) and 28 October 2019 (Phase 3) and will end on 30 August 2044. The estimated capital value is £58m.
- *Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences* - This a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build. The contract started 23 February 2019 and will end 31 July 2042. The estimated capital value is £137m.

NHS Orkney

Balfour Hospital - The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2022-23 totalled £2m.

NHS Tayside

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

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

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

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

NHS Scotland Pharmaceuticals 'Specials' Service (NHSSPSS) **-** Facility is located on the Ninewells Hospital site, Dundee, and is an NHS manufacturing facility for the supply of unlicensed medicines. The contract start date was 15 March 2019, and the end date will be 14 December 2043, when NHS Tayside will become owners of the facility.

National Services Scotland

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

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

Transport Scotland

Transport Scotland has entered into the following PFI contracts for the design, build, finance and maintenance of assets reflected on the Statement of Financial Position.

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

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

M80 - The contract covers the design, build and financing of approximately 18 km of motorway and associated roads, junctions, structures and associated works and their on-going maintenance for a period of 30 years. Unitary charge payments commenced in September 2011 and will cease in September 2041.

Transport Scotland also have the following design, build, finance, operate (DBFO) contracts, under the NDB model.

M8, M73, M74 Improvements - Project involves upgrades to the A8 Baillieston to Newhouse, completion of the M8 between Glasgow and Edinburgh, and included improvements to the M74 Raith Interchange and the widening of other key sections of the M8, M73 and M74. The NPD contract also incorporates the management, operation and maintenance of this section of the motorway for the 30 years. The new improvements opened to traffic in April 2017. The unitary charge payments are committed and will cease in 2047.

Aberdeen Western Peripheral Road/Balmedie and Tipperty - The project involves the construction of a new dual carriageway around the City of Aberdeen and upgrades the road between Balmedie and Tipperty to dual carriageway. The NPD contract also incorporates the management, operation and maintenance of these roads for the next 30 years. The unitary charge payments become committed in phases from Autumn 2016 and will cease in 2048. The final phase of the project opened to traffic in February 2019.

Scottish Prison Service

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

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

Court Custody and Prisoner Escort Service - In March 2018, the SPS awarded a contract for Scottish Court Custody and Prisoner Escort services to GEOAmey PECS. The contract was let for an eight-year period with an option to extend for a further four years. The service commenced in January 2019 and expires in January 2027. The vehicles provided with the service are treated as on balance sheet in accordance with IFRIC 12, Service Concession Arrangements.

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

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

Gross Minimum Lease Payments	**NHS Bodies in Scotland**	**Scottish Prison Service**	**Transport Scotland**	**2022-23 Total**	**2021-22 Total Restated**
	£m	**£m**	**£m**	**£m**	**£m**
Rentals due within 1 year	202	74	116	392	383
Due within 2 to 5 years	803	227	439	1,469	1,503
Due after 5 years	2,129	326	1,465	3,920	4,244
Total	**3,134**	**627**	**2,020**	**5,781**	**6,130**

Interest Element	**NHS Bodies in Scotland**	**Scottish Prison Service**	**Transport Scotland**	**2022-23 Total**	**2021-22 Total Restated**
	£m	**£m**	**£m**	**£m**	**£m**
Rentals due within 1 year	134	5	75	214	199
Due within 2 to 5 years	474	17	275	766	741
Due after 5 years	870	11	597	1,478	1,763
Total	**1,478**	**33**	**947**	**2,458**	**2,703**

Service elements due in future periods, included above	**NHS Bodies in Scotland**	**Scottish Prison Service**	**Transport Scotland**	**2022-23 Total**	**2021-22 Total Restated**
	£m	**£m**	**£m**	**£m**	**£m**
Rentals due within 1 year	112	64	30	206	184
Due within 2 to 5 years	458	186	161	805	760
Due after 5 years	1,695	270	1,029	2,994	2,483
Total	**2,265**	**520**	**1,220**	**4,005**	**3,427**

Present Value of Minimum Lease Payments	**NHS Bodies in Scotland**	**Scottish Prison Service**	**Transport Scotland**	**2022-23 Total**	**2021-22 Total Restated**
	£m	**£m**	**£m**	**£m**	**£m**
Rentals due within 1 year	68	69	41	178	172
Due within 2 to 5 years	329	210	165	704	657
Due after 5 years	1,260	315	868	2,443	2,660
Total	**1,657**	**594**	**1,074**	**3,325**	**3,489**

The restatement of the commitments under the Service Concession Arrangement table above is in relation to a restatement of the figures at Scottish Prison Service. The total PFI contracts and Service Concession Arrangement for 2021/22 has been restated due to the revision of the HMP Addiewell and HMP Kilmarnock accounting models. The accounting models were revised to reflect high RPIx inflation and the impact this has had on the current contractual cost of prisoner places, and the forecast consequential impact on future years. The total present value commitment for the remaining term of the contracts as at 31 March 2023 has increased by £61m (+10%) from £595m to £656m.

19c. Contingent rents

IAS 17 *Leases* defines contingent rents as “that portion of lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, and future market rates of interest)".
Contingent rents recognised as an expense in the period were £36m (2021-22: £35m).

20. Contingent Assets/Liabilities disclosed under IAS 37

20a. Contingent Assets disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a contingent Asset under IAS 37: Provisions, Contingent Liabilities and Contingent Assets is a possible asset, arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control.

NHS Employer's Liability estimated at £2.4m (2021-22: £3m).

Grants repayable as a result of sales of Housing Association Properties to tenants or as a result of conditions of grant being breached. Grants become repayable when conditions of grant cease to be met. It is not possible to predict the level of activity in future years.

Repayments of grant from the Open Market Shared Equity Scheme which allows people on low income to buy a share in a property, the balance being owned by a housing association and funded by grant from the Scottish Government. If the property is sold or an increased share is purchased by the owner, the grant becomes repayable. It is not possible to estimate the level of future receipts.

20b. Contingent Liabilities disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

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

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Only contingent liabilities above the threshold of £2.5m, which have to be reported and authorised by the Scottish Parliament in accordance with the Scottish Public Finance Manual, are included in the consolidated annual accounts.

NHS related
Clinical and Medical compensation payments of £548m (2021-22: £457m).

NHS Employer's Liability estimated at £5m (2021-22: £5m).

Housing related
As part of the Winchburgh Housing Development there is a potential liability in relation to loan repayments for the construction of Winchburgh Primary School. The housing development is due to pay the council as houses are sold. The Scottish Government have entered into an arrangement to cover final costs if the developer cannot pay which can be called upon after 31 March 2026. Current value of potential liability is £15m (2021-22: £15m).

Justice related
Claims against former independent Conveyancing and Executory Practitioners in Scotland. This is a contingent liability relating to an agreement to meet any valid claims arising from the acts or omissions of past independent conveyancing and executory practitioners, as defined by the Law Reform (Miscellaneous Provisions) Scotland Act 1990. The amount and timing of any outlay is uncertain.

Claims have been made by former part-time sherrifs to have their salary and pension rights reviewed relating to potential unfavourable treatment on the grounds of their part-time worker status. The amount and timing of any final outlay is uncertain.

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

Rural related
The Supreme Court found that an element of the Agricultural Holdings Act 2003 breached the European Convention of Human Rights - Art 1 P1. Remedial legislation was enacted to resolve this and a small group of tenant farmers have taken SG to Court of Session seeking compensation for breach of their rights arising from the Remedial legislation. The court has issued initial judgement but litigation is still live and more court activity is required to resolve. The amount and timing of any outlay is uncertain.

20b. Contingent Liabilities (continued)

Social Security Scotland

Benefit Underpayments

Social Security Scotland acknowledges that administrative errors by its staff (official error) and that of the Department for Work and Pensions under Agency Agreements will sometimes result in the underpayment of benefit. Where underpayments relating to official error are identified, we pay arrears in full at the earliest opportunity.
Due to limitations in data the liability for benefit underpayments cannot currently be quantified and so a contingent liability exists for underpayments not yet identified and corrected.

Legal cases and appeals

Social Security Scotland is aware of ongoing legal cases and appeals in relation to benefit payments which may lead to possible future obligations. It is not possible to assess the timing, likelihood or amount of any financial settlement of these cases at this time. We will continue to monitor the ongoing developments in this area.

Scottish Administrative Exercises

Social Security Scotland acknowledges that administrative errors may occur when making award decisions that affect a group of clients. When such errors are identified through legal challenge or internal processes, a Scottish Administrative Exercise will arise where all affected cases are reviewed and errors corrected. This is similar the Department for Work and Pensions Legal Entitlement and Administrative Practices process.

Redress Scotland

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill was passed in Parliament in March 2021 and received Royal Assent on 23 April 2021. Scotland's Redress Scheme went live in December 2021. The Act established Redress Scotland as an independent body and made provision for the functions of Redress Scotland and of Scottish Ministers in relation to the redress scheme.

Individuals who apply to the scheme complete and submit an application form, together with supporting information, to Scottish Government who review the application prior to any submission to Redress Scotland. Redress Scotland convene a panel to consider each application. The panel make decisions using the statutory assessment framework and the applicant will choose whether to accept the terms.

In relation to the applications received under Scotland's Redress Scheme up to 31 March 2023, which have not yet concluded, there is a potential maximum liability of £118million. Some of this may be covered by the contributions received from associated organisations (see note 13 Deferred Income). This would not all be payable in the next 12 months due to the time required to process each application, taking into consideration the workload of the Panel at Redress Scotland and because applicant's have a six month period to consider the offer of redress before choosing whether to accept and receive payment. A more accurate liability associated with these applications is not possible to calculate as given the nature of the scheme there is no reason to assume that the level and nature of previous applications will be a reasonable basis for future applications.

The full liability over the course of the scheme is unknown, as the total number of applications is not known and the distribution of the nature and level of individual payments awarded is not possible to predict. However the Scottish Government is committed to giving financial redress to all survivors, regardless of the financial contributions received from contributing organisations.

Decommissioning of offshore renewable energy installations

Functions under the Energy Act 2016 in relation to decommissioning offshore renewable energy installations in Scottish waters transferred to Scottish Ministers on 1st April 2017. This also means that the Scottish Government is now the funder of last resort in cases where the developers/owners cannot meet their decommissioning obligations. As the size of the Scottish portfolio of offshore energy projects grow so does the cumulative value of the decommissioning obligations and contingent liability. The value of the contingent liability to date has been reviewed in line with guidance issued by the Department of Business, Energy and Industrial Strategy entitled 'Decommissioning of offshore renewable energy installations: guidance notes for industry' published in March 2019.

The value of the contingent liability to date relates to constructed and operational projects.
Projects with approved decommissioning programmes and approved financial securities:

- Neart na Gaoithe Offshore Wind Farm (NnG) (Fife) (£98m)
- Moray West Offshore Wind Farm (£239m)
- Moray East Offshore Wind Farm (Aberdeenshire) (c.£239m)

Projects with decommissioning programmes and approved financial securities still to be approved:

- Beatrice Offshore Wind Farm (c. £160m) (constructed);
- Hywind Energy Park (Aberdeenshire) (c. £50m) (constructed);
- Aberdeen Bay Wind Farm, also known as European Offshore Wind Deployment Centre
- Kincardine Offshore Floating Wind Farm (Aberdeenshire) (c. £10m) (constructed)
- Seagreen Offshore Wind Farm (c. £600m) (partially constructed)

20b. Contingent Liabilities (continued)

Reinforced Autoclaved Aerated Concrete (RAAC)

Surveys continue to take place at pace with regards Reinforced autoclaved aerated concrete (RAAC) within Scottish Government buildings utilising guidance from the Institute of Structural Engineers. Repairs may need to take place in the event that issues are identified.

Other

The Scottish Government occupies a number of leased properties which have dilapidations clauses in the leases. These properties are maintained in excellent order, but there is a potential liability to reinstate the internal layout of these buildings to their original floor plans. These costs will be subject to negotiation and the monetary impact is not reliably estimable. This will exclude consideration of new leases that have been entered into since 1 April 2022, where under IFRS 16 Leases a dilapidation liabilities can be reliably estimated, these will instead be included in the value of the corresponding Right of Use Asset.

In certain circumstances (e.g. late termination of contracts) a payment of up to 13m Swiss Francs (£11m at 31 March 2023 exchange rates; £11m at 31 March 2022 exchange rates) would be due to the UCI (the Union Cycliste Internationale) in relation to the UCI Cycling World Championships to be hosted in Scotland in 2023.

As part of Transport Scotland’s normal course of business, the Forestry Commission grants the right to use a forestry track as an emergency diversion route on the A83 Rest and Be Thankful on the understanding that Transport Scotland has the liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5m (£2021-22: £5m) and it is considered unlikely that any liability will occur.

21. Related Party Transactions

The Scottish Government is the sole shareholder and sponsor of Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highland and Islands Airports Ltd, Scottish Futures Trust, Prestwick Airport Holdco Ltd, Scottish Rail Holdings Ltd and Ferguson Marine (Port Glasgow) Holding Ltd; a shareholder in Scottish Health Innovations Ltd and the Student Loans Company; and sponsor of Scottish Water, a number of nonconsolidated Health Bodies, and of a number of executive, advisory and tribunal Non Departmental Public Bodies. These bodies are regarded as related parties with which the Scottish Government has had various transactions during the year. Further details of Scottish Public Bodies are available from the Scottish Government website:
https://www.gov.scot/policies/public-bodies/

Transport Scotland had various material transactions in year with Scottish Rail Holdings. ScotRail Trains Limited and SOLR2 are subsidiaries of Scottish Rail Holdings Limited under the statutory Operator of Last Resort arrangements. SOLR2 subsidiary was re-named after 2 March 2023 when it became Caledonian Sleeper Limited. For the operation of ScotRail train services from April 2022, two of the companies were mobilised, Scottish Rail Holdings Limited and ScotRail Trains Limited. Caledonian Sleeper Limited (previously SOLR2) is on schedule to mobilise after 25 June 2023 when the current Serco Caledonian Sleeper Rail Franchise terminates.

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

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

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

Information is provided in the performance report in the beginning of these accounts of the register of interests members of the Corporate Board.

All Scottish Ministers are required, as Members of the Scottish Parliament, to register information about certain financial interests. The types of financial interest that must be registered are those that might affect any actions, speeches or votes in the Parliament. This register is available for public inspection at the office of the Standards clerks with a further copy available at the main visitor information desk at the Scottish Parliament building. There are no material transactions to report.

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

22. Third Party Assets

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

	2021-22 £m	Gross Inflows £m	Gross Outflows £m	2022-23 £m
Monetary amounts such as bank balances and monies on deposit	20	36	(35)	**21**
Unclaimed dividends and unapplied balances	11	-	(4)	**7**
Total Monetary Assets	**31**	**36**	**(39)**	**28**

Accountant in Bankruptcy holds funds of £17m (2021-22: £20m) 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 £10m (2021-22: £11m). The balance of £7m (2021-22: £9m) relates to money consigned in respect of unclaimed dividends and unapplied balances.

The NHS Bodies hold money on behalf of patients. This totalled £9m in 2022-23 (2021-22: £9m).

The Scottish Prison Service also holds £1m on behalf of prisoners (2021-22: £1m).

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

Description	2021-22 Number held	2022-23 Number held
Residential property	319	339
Motor vehicles, boats and caravans	32	24
Life Policies	24	17
Shares and Investments	13	6
Miscellaneous	141	112

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

23. Events after the Reporting Period

In July 2023, the settlement of a long running legal case was agreed within Transport Scotland. The associated liability has been reflected in Note 15 Provisions.

24. 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.

	2022-23 £m	2021-22 £m
Budget (Scotland) Act 2022	56,179	55,025
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2022/237	806	1,470
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2023/29	713	1,202
Total approved spending	**57,698**	**57,697**
Less activities not included in these accounts:		
National Records of Scotland	(63)	(61)
Office of the Scottish Charity Regulator	(3)	(4)
Scottish Courts and Tribunals Service	(187)	(179)
Scottish Fiscal Commission	(2)	(2)
Revenue Scotland	(8)	(7)
Registers of Scotland	(13)	(21)
Environmental Standards Scotland	(2)	-
Food Standards Scotland	(26)	(22)
Scottish Housing Regulator	(5)	(5)
NHS and Teachers' Pension Schemes	(6,966)	(6,026)
Forestry Commission (Scotland)	-	-
Scottish Parliamentary Corporate Body	(130)	(128)
Audit Scotland	(17)	(17)
Consolidated Accounts approved estimates	**50,276**	**51,225**

Portfolio analysis	Budget Act Approval £m	2022-23 Capital Budget £m	2022-23 Operating Budget £m
Health and Social Care	17,895	566	17,329
Social Justice, Housing and Local Government	18,002	234	17,768
Finance and Economy	1,496	301	1,195
Education and Skills	4,004	709	3,295
Justice and Veterans	3,329	72	3,257
Net Zero, Energy and Transport	4,141	481	3,660
Rural Affairs and Islands	898	8	890
Deputy First Minister and Covid Recovery	45	-	45
Constitution, External Affairs and Culture	271	-	271
Crown Office and Procurator Fiscal Service	195	10	185
Consolidated Accounts approved estimates	**50,276**	**2,381**	**47,895**

25. Cash Authorisation

		2022-23 £m	2021-22 £m
Cash authorisation for the Scottish Administration			
Budget (Scotland) Act 2022		49,010	47,912
Scotland's Autumn Budget Revision - Scottish Statutory Instrument 2022/237		839	1,026
Scotland's Spring Budget Revision - Scottish Statutory Instrument 2023/29		721	1,411
Total Approved Cash Authorisation for the Scottish Administration		**50,570**	**50,349**
Less non core activities not included in the consolidated accounts:			
National Records of Scotland		(59)	(57)
NHS and Teachers' Pensions		(377)	147
Office of the Scottish Charity Regulator		(3)	(4)
Environmental Standards Scotland		(2)	-
Registers of Scotland		(5)	(21)
Scottish Housing Regulator		(5)	(5)
Scottish Courts and Tribunals Service		(156)	(153)
Revenue Scotland		(7)	(7)
Food Standards Scotland		(25)	(22)
Scottish Fiscal Commission		(2)	(2)
Available Cash Authorisation for Consolidated Bodies		**49,929**	**50,225**
Funding drawn down from the Scottish Consolidated Fund	SOCTE	**49,535**	**48,800**

Accounts Direction

SCOTTISH MINISTERS

DIRECTION BY THE SCOTTISH MINISTERS

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

1. The consolidated statement of accounts for the financial year ended 31 March 2014 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

2. The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.

Alyson Stafford

Signed by the authority of the Scottish Ministers

Dated 4 August 2014

Glossary

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

Scottish Government
Riaghaltas na h-Alba

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