

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

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

SG/2016/157



Scottish Government
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Foreword

Scope of the Account

The Scottish Consolidated Fund was set up following devolution in 1999 and received its statutory powers under the Scotland Act 1998.

This account has been prepared under Sections 19 (2) and 19 (4) of the Public Finance and Accountability (Scotland) Act 2000 which require the Scottish Ministers to prepare and lay before Parliament an account showing payments into and out of the Scottish Consolidated Fund.

Receipts

The Scottish Consolidated Fund receives, from the Scotland Office, sums which have been voted by the UK Parliament for the purpose of “grant payable to the Fund”. Receipts from the collection of devolved taxes are also paid into the Scottish Consolidated Fund.

Under devolved powers from the 2012 Scotland Act, 2015-16 was the first year in which devolved taxes in respect of Land and Buildings Transactions Tax and Scottish Landfill Tax have been managed in Scotland. Revenue Scotland was established by the Revenue Scotland and Tax Powers Act 2014 to administer and collect both taxes. The taxes collected by Revenue Scotland are paid to the Scottish Consolidated Fund under Sections 28 to 31 of the Scotland Act 2012.

The Devolved Taxes Account is prepared and published separately and can be accessed at www.gov.scot . The grant payable from the UK Parliament has been adjusted to take account of these locally raised tax receipts.

Section 32 of the Scotland Act 2012 grants Scottish Ministers enhanced borrowing powers, with any sums borrowed and repaid (including interest) to be paid into and out of the Fund respectively.

Receipts not authorised to be used to support expenditure shall also, by virtue of Section 64 (3) of the Scotland Act 1998, be payable into the Fund.

Payments

Funding is drawn down from the Scottish Consolidated Fund to support the spending plans approved by the Scottish Parliament in the annual Budget Act.

In addition, in accordance with the Scotland Act 1998 (Designation of Receipts) Order 2009, certain receipts to the Scottish Consolidated Fund are designated to be paid to the Scotland Office.

Sums are paid from the Fund in accordance with Sections 4 and 6 of the Public Finance and Accountability (Scotland) Act 2000.

Those bodies that draw down funding from the Scottish Consolidated Fund, principally the Scottish Government, provide annual accounts reporting their stewardship of those funds.

Accounts Overview

These accounts can be read in conjunction with the Devolved Taxes Account and the annual accounts of the Scottish Government and other bodies funded from the Scottish Budget to follow the flow of funds into and out of the Scottish Consolidated Fund, funding the use of resources authorised by the Scottish Parliament.

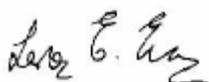
These accounts show the transactions for the services set out above. The receipts paid into the Fund during the year totalled £33,345 million with payments from the Fund of £33,292 million.

Principal Accountable Officer

The Permanent Secretary of the Scottish Government, in her role as the Principal Accountable Officer for the Scottish Administration, is required to sign any account prepared in pursuance of section 19 (2) of the Public Finance and Accountability (Scotland) Act 2000.

Audit

The accounts of the Fund are audited by Audit Scotland, who are appointed by the Auditor General for Scotland as set out in Section 21 of the Public Finance and Accountability (Scotland) Act 2000.



Leslie Evans
Principal Accountable Officer
22 September 2016

STATEMENT OF PRINCIPAL ACCOUNTABLE OFFICER'S RESPONSIBILITY

Section 19 (2) of the Public Finance and Accountability (Scotland) Act 2000 (the Act) requires the Scottish Ministers to prepare and lay before Parliament an account showing the receipts into and payments out of the Fund. The accounts are prepared on a cash basis and, under the terms of the Accounts Direction issued by the Scottish Ministers, must properly present the Fund's transactions for the period 1 April 2015 to 31 March 2016.

I am responsible under section 14(3)(b) of the Act for signing any account prepared by the Scottish Ministers in pursuance of section 19(2) of the Act. I am also responsible for ensuring the propriety and regularity of related transactions.

GOVERNANCE STATEMENT

Strategic governance arrangements in relation to the Scottish Consolidated Fund (the Fund) are covered in this governance statement. Although the Fund itself sits outside the Scottish Government's internal governance arrangements, the operation of the Fund is carried out within Scottish Government Finance, and is subject to the same controls and assurance procedures that apply to the Scottish Government, in particular the certificates of assurance and risk management arrangements, overseen by the Director General Finance. The governance arrangements within which the Fund operates are assessed by the Scottish Government, and the Scottish Government confirms that these arrangements comply with generally accepted best practice and relevant guidelines. Assurance is also provided by the work of internal and external audit and to a more limited extent by the Scottish Government Audit and Risk Committee (SGARC). Although SGARC has no formal role in relation to the Fund, it is informed of any issues pertaining to the Fund, and hence exercises some oversight of the Fund's operations.

The operation of the Fund is governed by the provisions of the Scotland Act 1998, the Public Finance and Accountability (Scotland) Act 2000 and the Revenue Scotland and Tax Powers Act 2014 which set out the conditions for payments to be made out of the Fund and sums to be paid into the Fund. The Fund uses and relies on the financial management systems of the core Scottish Government to carry out associated accounting and payment functions. Specific assurances on the reliability of these central systems have been provided by the Director General Finance and relevant senior members of staff within her command.

The following procedures to identify, evaluate and manage significant risks have already been implemented:

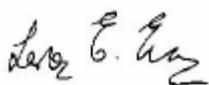
- ❖ The risks associated with the operation of the Fund have been identified and incorporated within the Scottish Government Finance Directorate Risk Register together with the determination of a control strategy for each risk which is kept under constant review.
- ❖ The Scottish Government's internal auditors provide reports on the adequacy and effectiveness of Financial Services Division's systems of internal control together with recommendations for improvement. Such reports include the Division's operation of the Fund where appropriate. Appropriate action is taken to address any weaknesses identified and to ensure the continuous improvement of the system.

In the 2015-16 financial year, Financial Services Division in its operation of the Fund has:

- ❖ Monitored the balance on the account and taken appropriate action to maintain the balance at an appropriate level whilst remaining within the cash limits set by the UK and Scottish Parliaments.
- ❖ Kept its processes and procedures under review, ensuring that they are documented and were amended where appropriate to reflect any changes to the Fund's operation. In particular, processes and procedures were reviewed and updated to implement the provisions of the Scotland Act 2012, some of which came into effect in

2015-16, and others in 2016-17, and which have had a significant impact on the operation of the Fund, and on its accounts.

- ❖ Identified and kept under review any risks arising from the operation of the Fund, and included these where appropriate in the Divisional and Directorate risk registers.
- ❖ Assessed the risk management arrangements in place and confirmed that they are operating effectively.
- ❖ Ensured that during the year staff have received training on any revision to processes and procedures in relation to the operation of the Fund.
- ❖ During 2015-16, accepted and have largely implemented recommendations for improvement of the operation of internal controls in Financial Services Division in relation to the Scottish Consolidated Fund as a result of a review of payments from Revenue Scotland via the Scottish Consolidated Fund to the Scottish Government carried out by Internal Audit in that year.



Leslie Evans
Principal Accountable Officer
22 September 2016

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Scottish Consolidated Fund for the year ended 31 March 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Receipts and Payments Account and the related notes. The financial reporting framework that has been applied in their preparation is the receipts and payments basis.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Principal Accountable Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Principal Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of receipts and payments. In addition, I read all the financial and non-financial information in the document containing the accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- properly present in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers the receipts and payments of the account for the year ended 31 March 2016 and the balances held at that date; and
- have been properly prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the 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 and sections 4 to 6 of the Public Finance and Accountability (Scotland) Act 2000.

Opinion on other prescribed matters

In my opinion the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Mark Taylor CPFA

Assistant Director

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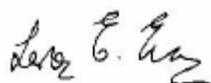
23 September 2016

RECEIPTS AND PAYMENTS ACCOUNT

For the period 1 April 2015 to 31 March 2016

Receipts	Note	2015-16 £000	2014-15 £000
Receipts from the Scotland Office under section 64(2) of the Scotland Act 1998		28,025,258	28,149,910
Non Domestic Rates Income		2,788,500	2,649,500
National Insurance Contributions		1,911,519	1,968,399
Devolved Taxes	2	509,719	-
Repayment of Loans formerly from National Loans Fund Principal and Interest		59,580	51,143
Queen's and Lord Treasurer's Remembrancer	3	9,223	7,681
Repayment of funds from Forestry Commission		2,553	-
Other Receipts	4	39,085	45,504
TOTAL RECEIPTS		<u>33,345,437</u>	<u>32,872,137</u>
Payments	Note	2015-16 £000	2014-15 £000
Payments authorised under the Budget Act Documents	5	33,165,934	32,737,607
Charges on the Fund			
• Judicial Salaries	9	30,084	28,500
• Designated Receipts	4	28,760	31,315
• National Loans Fund repayments to Scotland Office of Principal and Interest		59,580	51,143
• Ministerial Pension Payments		219	182
• Proceeds of Crime paid to Scottish Government	6	7,848	9,356
TOTAL PAYMENTS		<u>33,292,425</u>	<u>32,858,103</u>
SURPLUS / (DEFICIT) FOR THE PERIOD	8	<u>53,012</u>	<u>14,034</u>

The Principal Accountable Officer authorised these accounts for issue on: 22 September 2016. The notes on pages 11 to 17 form part of these accounts.



Leslie Evans
Principal Accountable Officer
22 September 2016

NOTES TO THE ACCOUNTS

1. Basis of accounting

In accordance with Section 19 (2) of the Public Finance and Accountability (Scotland) Act 2000, these accounts are prepared on a cash basis.

2. Receipts from Devolved Taxes

Two taxes were devolved to the Scottish Parliament with effect from 1 April 2015 under the Scotland Act 2012, Land and Buildings Transaction Tax (Sections 28 and 29) and Scottish Landfill Tax (Sections 30 and 31). A new body, Revenue Scotland, was created under the Revenue Scotland and Tax Powers Act 2014, and under Section 5 of that Act is required to pay the taxes collected into the Scottish Consolidated Fund.

During the year 2015-16, Revenue Scotland paid over £509.719 million to the Scottish Consolidated Fund in respect of the two Devolved Taxes.

	2015-16
	£000
Land and Buildings Transaction Tax (LBTT)	405,725
Scottish Landfill Tax (SLFT)	103,994
Total Devolved Taxes	509,719

Income from devolved taxes is accounted for in more detail in the Devolved Taxes Account published separately by Revenue Scotland.

3. Receipts for the Queen's and Lord Treasurer's Remembrancer

The balance of Queen's and Lord Treasurer's Remembrancer receipts paid into the Fund is as follows:

	2015-16	2014-15
	£000	£000
Balance in the SCF at 1 April	32,771	25,090
Receipts in the period	9,223	7,681
Balance in the SCF at 31 March	41,994	32,771

4. Analysis of receipts not authorised to be used to support expenditure

As provided for in section 64(3) of the Scotland Act 1998 (and certain other legislative provisions) all sums received by members of the Scottish Administration (and certain other bodies) are to be paid into the Scottish Consolidated Fund as Consolidated Fund Extra Receipts (CFERs) unless there are alternative statutory provisions. In practice, most of the receipts of the bodies concerned were authorised to be used to support expenditure under the Budget Act and the Budget Orders (see Note 4).

The Scotland Act 1998 (Designation of Receipts) Order 2009 designates certain receipts (designated receipts) and provides that sums equivalent to these are to be paid to the Scotland Office, in practice for paying into the UK Consolidated Fund.

2015-16	Receipts paid into Fund during period	Receipts classed as Designated
	£000	£000
Infrastructure, Investment and Cities	107	107
Finance, Constitution and the Economy	1,601	177
Rural Affairs, Food and the Environment	401	401
Justice	34,590	28,359
Crown Office & Procurator Fiscal Service	2,386	
TOTAL FOR 2015-2016	39,085	29,044

During 2015-16 CFER payments were paid to Scotland Office of £28.760 million. An additional £0.284 million of receipts classed as designated were received in 2015-16, which will be paid over in 2016-17.

During 2014-15 the receipts not authorised to be used to support expenditure is summarised below:

2014-15	Receipts paid into Fund during period	Receipts classed as Designated
	£000	£000
Infrastructure, Investment and Cities	137	137
Finance, Employment and Sustainable Growth	383	6
Rural Affairs and the Environment	543	543
Justice	37,593	30,632
Crown Office & Procurator Fiscal Service	6,848	-
TOTAL FOR 2014-2015	45,504	31,318

During 2014-15 CFER payments were paid to Scotland Office of £31.315 million. £3,000 was overpaid in error in 2013-14 and was adjusted against CFER payments made in 2014-15.

5. Payments authorised under the Budget Acts

For the period of this account the Scottish Parliament approved: Budget (Scotland) Act 2015 as amended by the Budget (Scotland) Act 2015 Amendment Regulations 2015 (SSI 2015/434) and the Budget (Scotland) Act 2015 Amendment Regulations 2015 (SSI 2016/158).

These Orders appropriate sums out of the Scottish Consolidated Fund for the financial year ending 31 March 2016 for the purposes of meeting expenditure in that year in connection with the functions for which expenditure is, by virtue of the Scotland Act 1998 and provisions made under it, payable out of that fund during the year.

2015-16	£000	£000
Scottish Government and Associated Departments	32,904,684	
Crown Office & Procurator Fiscal Services	106,500	
Food Standards Scotland	15,500	
SCOTTISH ADMINISTRATION		33,026,684
Forestry Commission (Scotland)	54,900	
Food Standards Agency	-	
The Scottish Parliamentary Corporate Body	77,350	
Audit Scotland	7,000	139,250
TOTAL PAID		33,165,934

A new body, Food Standards Scotland, was created with effect from 1 April 2015, assuming responsibilities for food standards and safety in Scotland previously carried out by the Food Standards Agency. Funding of the new body replaced funding previously paid to the Food Standards Agency from that date.

During 2014-15 the authorised payments under the Budget Acts was £32,738 million, this is summarised below:

2014-15	£000	£000
Scottish Government and Associated Departments	32,478,748	
Crown Office & Procurator Fiscal Services	107,000	
SCOTTISH ADMINISTRATION		32,585,748
Forestry Commission (Scotland)	58,733	
Food Standards Agency	10,326	
The Scottish Parliamentary Corporate Body	76,800	
Audit Scotland	6,000	151,859
TOTAL PAID		32,737,607

6. Proceeds of Crime receipts

Monies recovered in Scotland under the provisions of the Proceeds of Crime Act 2002 are surrendered to the Scottish Consolidated Fund and subsequently repaid to the Scottish Government to be applied in accordance with the Act. During 2015-16 a total of £7.848 million (2014-15 £9.356 million) was repaid to the Scottish Government in respect of Proceeds of Crime initially surrendered to the Scottish Consolidated Fund.

The net balance of Proceeds of Crime receipts paid into the Fund is as follows:

	2015-16	2014-15
	£000	£000
Balance in the SCF at 1 April	7,018	4,617
Receipts to the SCF in the period	6,695	11,757
Payments to the Scottish Government in the period	(7,848)	(9,356)
Balance in the SCF at 31 March	5,865	7,018

7. Borrowing by Scottish Ministers

Under Section 32 of the Scotland Act 2012, 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 these accounts. There was no such borrowing in 2015-16.

8. Summary of the balance held at the Government Banking Service

	2015-16	2014-15
	£000	£000
Balance brought forward from previous year	220,141	206,107
Surplus/(Deficit) of receipts over payments for year	53,012	14,034
Balance at 31 March	273,153	220,141
The balance represents the following items:		
Designated Receipts not yet paid to UK Consolidated Fund	284	-
Sums due to funded bodies not yet paid	46,344	7,018
General SCF Reserve	226,525	213,123
Balance held at the Government Banking Service	273,153	220,141

The balance held at GBS is analysed between sums due to the Scotland Office for onward transmission to the UK Consolidated Fund, sums identifiable as due to the Scottish Government or other funded bodies, and the General Reserve. The balance on the General Reserve of the Scottish Consolidated Fund does not necessarily represent an amount available for appropriation by a Budget Act or other means.

In particular, non-domestic rates paid to and by Scottish Ministers are credited to, or drawn from the Scottish Consolidated Fund and are accounted for in more detail in a separate non-domestic rating account.

9. Judicial Salaries

Receipts and Payments Account

For the period 1 April 2015 to 31 March 2016

	2015-16 £000	2014-15 £000
RECEIPTS		
Received from the SCF	30,084	28,500
Income from recovery of overpayments	—	6
TOTAL RECEIPTS	30,084	28,506
PAYMENTS		
Salary Costs	29,677	30,137
Bank Charges	1	1
TOTAL PAYMENTS	29,678	30,138
SURPLUS/(DEFICIT) FOR THE PERIOD	406	(1,632)
		£000
Balance held at Government Banking Service as at 31 March 2015		428
Excess of receipts over payments in the period to 31 March 2016		406
Balance held at the Government Banking Service as at 31 March 2016		834

9. Judicial Salaries – Cont.

The salaries of the judiciary are a matter for the UK Government. Information on the salaries payable is set out in a report by the Senior Salaries Review Body.

During 2015-16 the number of paid judiciary in post at 31 March 2016 was:

Stipendary Magistrates	2	
Judges	31	
Sheriff Principals	7	
Sheriffs	132	
Members of the Lands Tribunal	3	FTE
Chairman of the Scottish Land Court	1	
Members of the Scottish Land Court	2	FTE

Comparative figures for 2014-15, the number of paid judiciary in post at 31 March 2015, are:

Stipendary Magistrates	3	
Judges	33	
Sheriff Principals	6	
Sheriffs	137	
Members of the Lands Tribunal	2	FTE
Chairman of the Scottish Land Court	1	
Members of the Scottish Land Court	1.55	FTE



SCOTTISH CONSOLIDATED FUND

DIRECTION BY THE SCOTTISH MINISTERS

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

1. The Account of payments into and out of the Scottish Consolidated Fund for the year ended 31 March 2013 and subsequent years shall properly present those payments.
2. When preparing the accounts of the payments into and out of the Scottish Consolidated Fund for the year ended 31 March 2013 and subsequent years the Scottish Ministers shall comply with the accounting principles and disclosure requirements of the edition of the Scottish Public Finance Manual which was in force for that period.
3. The direction shall be reproduced as an appendix to the statement of accounts.
4. The direction given on 2 July 2004 is hereby revoked.

A handwritten signature in blue ink, appearing to read 'Alison Sturgeon'.

Signed by the authority of the Scottish Ministers

Dated 10 October 2013



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