

News release

For immediate use

Value of government loans declines significantly

The Scottish Government has substantially reduced the value of £140 million-worth of loans and guarantees to private companies, says the public spending watchdog.

The 2018/19 audit of the government's consolidated accounts were unqualified and show that the overall budget of £36,915 million was underspent by £778 million.

Loans totalling £45m to Ferguson Marine Engineering Limited (FMEL) were reduced in value to nil at the end of the financial year due to the shipyard's financial difficulties. The government also reduced:

- an equity stake of £37.4 million in engineering firm Bi-Fab to £2 million to reflect expected losses
- a £39.9 million loan to Prestwick Airport to £6.9m
- a £21.4 million fee for providing financial guarantees to Lochaber Aluminium Smelter to nil to reflect new accounting standards

Improvements have been made to the government's governance arrangements in the last year. However, a commitment to publishing a consolidated account covering the whole of Scotland's public sector has not been fulfilled. And the government's second medium-term financial strategy lacks indicative spending plans and priorities.

The audit also noted the 2018/19 Social Security Scotland accounts were qualified by the auditor, specifically in relation to Carer's Allowance. This is related, in part, to the benefits agency's ongoing reliance on the Department of Work and Pensions to deliver payments and is explored in further detail in the [Auditor General's separate report](#).

Caroline Gardner, Auditor General for Scotland, said:

"The Scottish Government's financial reporting has taken a step backwards at a time when the uncertainty surrounding EU withdrawal will pose unprecedented challenges for the management of public finances. Parliament needs better information to be able to better scrutinise ministers' financial decision-making and to ensure value for money is achieved from a limited budget pot."

"There is a lot more work to be done to manage Social Security Scotland's current reliance on the DWP. More complex and costly benefits are due to be delivered by the agency over the next few years, which increases the potential impact of error and fraud. The agency needs to think about what arrangements will be needed to manage that scenario."

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Notes to editors

1. The government's medium-term financial strategy does not reflect all the basic components of a medium-term financial plan. There is also no detail on how the Scottish Government would address a possible £1 billion shortfall due to forecast errors.

2. Improvements to the Scottish Government's governance arrangements in 2018/19 include the appointment of new Non-Executive Directors and initial steps to improve the effectiveness of their role in sponsoring public bodies.
3. The Lochaber Aluminium Smelter asset was valued at £21.4 million at the time of the agreement in 2016/17. In 2018/19, the value of the asset was impaired to nil as a result of a review of expected credit losses in line with new accounting standards.
4. The independent audit opinion on the 2018/19 Consolidated Accounts is unqualified. This means that they show a true and fair picture, follow accounting standards and that the income and expenditure for the year is lawful.
5. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk
 - The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
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