

## News release

### For immediate use

## Covid-19's £669m impact on government finances

**The Scottish Government overspent its 2019/20 budget by nearly £700 million responding to the Covid-19 pandemic.**

Net spending for the year across the government's consolidated accounts was £39,385 million - £669 million more than budget. The overspend was because of accounting for two large business support schemes agreed in March that cost £912 million. The audit opinion on the accounts was unqualified.

The government quickly revised its governance arrangements in response to Covid-19. But the pandemic delayed publication of its medium-term financial strategy to January 2021, squeezing the time for scrutiny by MSPs ahead of the 2021/22 budget. Responding to Covid-19 and EU withdrawal has also placed considerable strain on staff across the organisation.

Meanwhile, government loans of £3.5 million to Prestwick Airport and £9 million to Burntisland Fabrications Ltd were written down in the 2019/20 financial year. This follows a trend of loans and guarantees for private companies deteriorating in value, including £45 million previously provided to Ferguson Marine Engineering Ltd.

Stephen Boyle, Auditor General for Scotland, said:

"Covid-19 is understandably having a significant effect on the Scottish Government's finances. It's now more important than ever that the next financial strategy has clear links between spending plans and what that money is expected to achieve, as Scotland contends with the pandemic's ongoing impact.

"The Scottish Government also needs to clearly outline its plans for future investment in private companies to increase transparency and value for money."

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### Notes to editors

1. The Scottish Government overspent its 2019/20 resource budget by £899 million (two per cent) against a budget of £36,796 million. It underspent its capital budget by £230 million (12 per cent) against a budget of £1,920 million.
2. The Small Business Support Grant scheme and the Retail, Hospitality and Leisure Grant scheme were not included in the Scottish Budget until 2020/21. But the actions taken by the Scottish Government in March, before the financial year end, created an obligation to include the £912 million spend in its 2019/20 accounts in line with accounting standards. This is a non-cash accounting transaction which does not affect the Government's spending power in 2020/21.
3. The Scottish budget will receive over £8 billion in additional spending consequentials in 2020/21 as a result of Covid-19. Most of that money will be reported in the 2020/21 Scottish Government accounts and will be part of the Auditor General's annual audit.

4. The Scottish Government's commitment to publishing a consolidated account covering the whole of Scotland's public sector - including, for example, pension liabilities for teachers, NHS staff, police officers and firefighters - has still not been fulfilled. This needs to be allied to a report on its own performance to improve reporting to the Parliament and strengthen accountability and scrutiny.

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](http://www.audit-scotland.gov.uk)

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