

SCOTLAND'S SPENDING PLANS AND DRAFT BUDGET 2011-12

SCOTLAND'S SPENDING PLANS AND DRAFT BUDGET 2011-12

© Crown copyright 2010

ISBN: 978-0-7559-9801-2

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

Produced for the Scottish Government by APS Group Scotland
DPPAS10935 (11/10)

Published by the Scottish Government, November 2010

CONTENTS

FOREWORD	by the Cabinet Secretary for Finance and Sustainable Growth	iv
-----------------	--	-----------

SECTION 1 STRATEGIC CHAPTERS

Chapter 1	Addressing the Budget Challenge	3
Chapter 2	Our Economic Ambition	21
Chapter 3	Capital and Infrastructure	35
Chapter 4	Scotland's Governing Budget - Greater Fiscal Responsibility	47

SECTION 2 PORTFOLIO PLANS AND DRAFT BUDGET 2011-12

Chapter 5	Introduction	61
Chapter 6	Office of the First Minister	65
Chapter 7	Finance and Sustainable Growth	79
Chapter 8	Health and Wellbeing	107
Chapter 9	Education and Lifelong Learning	127
Chapter 10	Justice	143
Chapter 11	Rural Affairs and the Environment	167
Chapter 12	Scottish Government Administration	183
Chapter 13	Crown Office and Procurator Fiscal Service	187
Chapter 14	Local Government	193

SECTION 3 ANNEXES

Annex A	Departmental Expenditure Limits by Portfolio	204
Annex B	Annually Managed Expenditure by Portfolio	205
Annex C	Departmental Expenditure Limits: Capital/Resource Split	206
Annex D	Comparison 2005-06 to 2011-12	208
Annex E	Estimated Payments under PPP Contracts	210
Annex F	Glossary	211

FOREWORD

by the Cabinet Secretary for Finance and Sustainable Growth



In this document, I present Scotland's Spending Plans and the Draft Scottish Budget 2011-12 for consultation with the Parliament and the people of Scotland.

This is a Budget set against the most dramatic reduction in public spending imposed on Scotland by any UK Government. The Comprehensive Spending Review confirmed that the Scottish Budget will be cut by £1.3 billion next year compared to this. Within that, Scotland's revenue budget has been cut by more than £500 million and our capital budget, which is so vital to our efforts to support economic recovery, has been cut by around £800 million (or about 24 per cent in cash terms).

We have made clear that we reject the Chancellor of the Exchequer's approach to addressing the state of the public finances. We have argued strongly that he is cutting spending too far, too fast, at a time when economic recovery – in Scotland and in the rest of the UK – remains fragile. This fundamental divergence in approach illustrates the case for the Scottish Parliament and Government securing the financial and economic powers of Independence, so that we can develop a growth strategy for the Scottish economy and public services as an alternative to Westminster-imposed cuts.

However, under our current constitutional arrangements, we must work within the spending limits we have been given.

This is a Budget that requires hard choices. It is a Budget anchored in delivering the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth, particularly in the low carbon economy. It is a Budget that protects spending on public services.

At the heart of our decision-making has been our desire to reinforce our social contract with the people of Scotland. In difficult economic times, the Scottish Government has acted to create new economic opportunities, protect household income, support frontline services and improve our environment. We reaffirm that social contract by providing the resources to continue the council tax freeze and for the full removal of prescription charges. These initiatives will help households facing pay restraint, a necessary measure to protect jobs and assist the economy.

This Budget sets out the key commitments this administration will deliver for the people of Scotland.

We are meeting our pledge to protect NHS spending by allocating an additional £280 million to the health budget in Scotland, honouring our commitment to pass on Barnett consequentials from the UK settlement. This will fund the running of NHSScotland in 2011-12 with more money going to the frontline than ever before. This will help build on the progress we have made over the last four years in improving people's health and healthcare services - driving forward continuous improvement in the quality of healthcare services in the interests of our economy and the health and wellbeing of communities across Scotland.

We have agreed a settlement for local government with COSLA's Leadership that reflects our joint determination to improve outcomes for the people of Scotland and local government's key role in the economic recovery of our communities. Specifically, our agreement will enable local authorities to maintain delivery of shared commitments that impact on households throughout the country:

- maintaining the freeze in the council tax in 2011-12;
- keeping 1,000 additional police officers on our nation's streets so that we can keep Scotland's crime rate at its lowest level for 32 years;
- meeting the needs of our most vulnerable and elderly through the NHS and councils working together to improve adult social care;
- continuing to roll forward the *Curriculum for Excellence* to drive up standards of learning and teaching in Scotland's schools, so that our children have the best start in life and have the skills and knowledge for a rapidly changing world; and
- protecting teaching posts to ensure these are available for recently qualified teachers and to help reduce teacher unemployment.

Since 2007, we have put in place a set of measures designed to support Scottish business at a time when demand has been low and access to finance reduced. In this Budget, we reaffirm our commitment to this approach through the delivery of a package of business reliefs worth £2.4 billion over 5 years, including the continuation of the Small Business Bonus Scheme.

We will continue to provide substantial support to our Higher and Further Education sector, recognising its central role in delivering economic growth. We will invest in skills, including the introduction of 34,500 new training opportunities in 2011-12, while upholding our commitment not to introduce tuition fees.

In the face of a massive reduction in our capital budget by the UK Government, we have taken decisive action to boost capital spending next year and in subsequent years. We will transfer £100 million from this year to 2011-12 to supplement our capital budget. We set out today a far reaching £2.5 billion additional programme of infrastructure development that will be delivered through the Non-Profit Distributing model to boost investment in our public works. The Scottish Futures Trust will take forward this programme of investment to deliver maximum value for money in our capital programme. These measures enable us to confirm that our capital programme will include constructing the new Forth Crossing, the New South Glasgow Hospitals Project and our ambitious school building programme.

We have set out our spending plans to support the transition to a low carbon society. We publish today, alongside this Draft Budget and for Parliament's consideration, our *Draft Report on Proposals and Policies* (RPP) for addressing climate change. In October, we set out our *Energy Efficiency Action Plan for Scotland* and earlier this week we published the Scottish Government's *Low Carbon Economic Strategy*. In this Budget, we set out spending plans that renew the *Climate Challenge Fund*, increase funding for our *Zero Waste* programme and set out further spending to support Scotland's renewables agenda, within the tight financial perspective that we face.

This Government has pursued a vigorous programme of efficiency and public sector reform since 2007. We intend to intensify this programme. The profile of reduced public spending in the next four years makes it all the more essential that we reform the way in which we deliver public services in Scotland. We have established the Commission on the Future Delivery of Public Services, chaired by Campbell Christie CBE, which will be charged with making recommendations about the future provision of our public services. It will advise on how excellent, sustainable public services can be delivered in the future. The Commission's recommendations will be vital in informing the longer term choices which will face the Scottish Government, Parliament and delivery partners in the years ahead. The Scottish Government has made clear that, should this administration be returned to office, we will draw on the Commission's recommendations in taking forward a Spending Review to conclude in September 2011, setting out spending plans for the period 2012-13 to 2014-15.

In addressing the budget challenge for 2011-12, we are responding powerfully with all the mechanisms at our disposal by:

- driving out further efficiencies, with a clear target of 3 per cent improvement in 2011-12;
- securing further savings from procurement;
- selling surplus assets and making assets work harder for us;
- deploying innovative approaches to funding infrastructure investment;
- freezing pay, cutting the pay bill of the highest earners, implementing a Living Wage of £7.15 per hour and providing a minimum annual increase of £250 for employees earning less than £21,000;
- continuing to simplify the public bodies landscape;
- requiring further savings from scrutiny functions; and
- maximising income within existing powers.

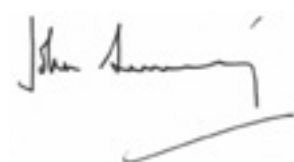
We have looked closely at our own administration costs, and have cut our own costs more sharply than we are expecting others to cut theirs. We will reduce the Government's Administration budget by 10 per cent and we will reduce the costs of the Senior Civil Service in Scotland by 10 per cent in 2011-12 and by 25 per cent over the next four years.

Despite all these measures we still have to face cuts, as the Independent Budget Review advised when it reported in July. Where we have made reductions in revenue budgets, we do so reluctantly but in a way that we believe best responds to the cuts the UK Government has made in the resources

available to us. We have considered priorities across all of our programmes, the contribution that different activities make to sustainable economic growth and our National Outcomes, and the need to support vulnerable people and groups.

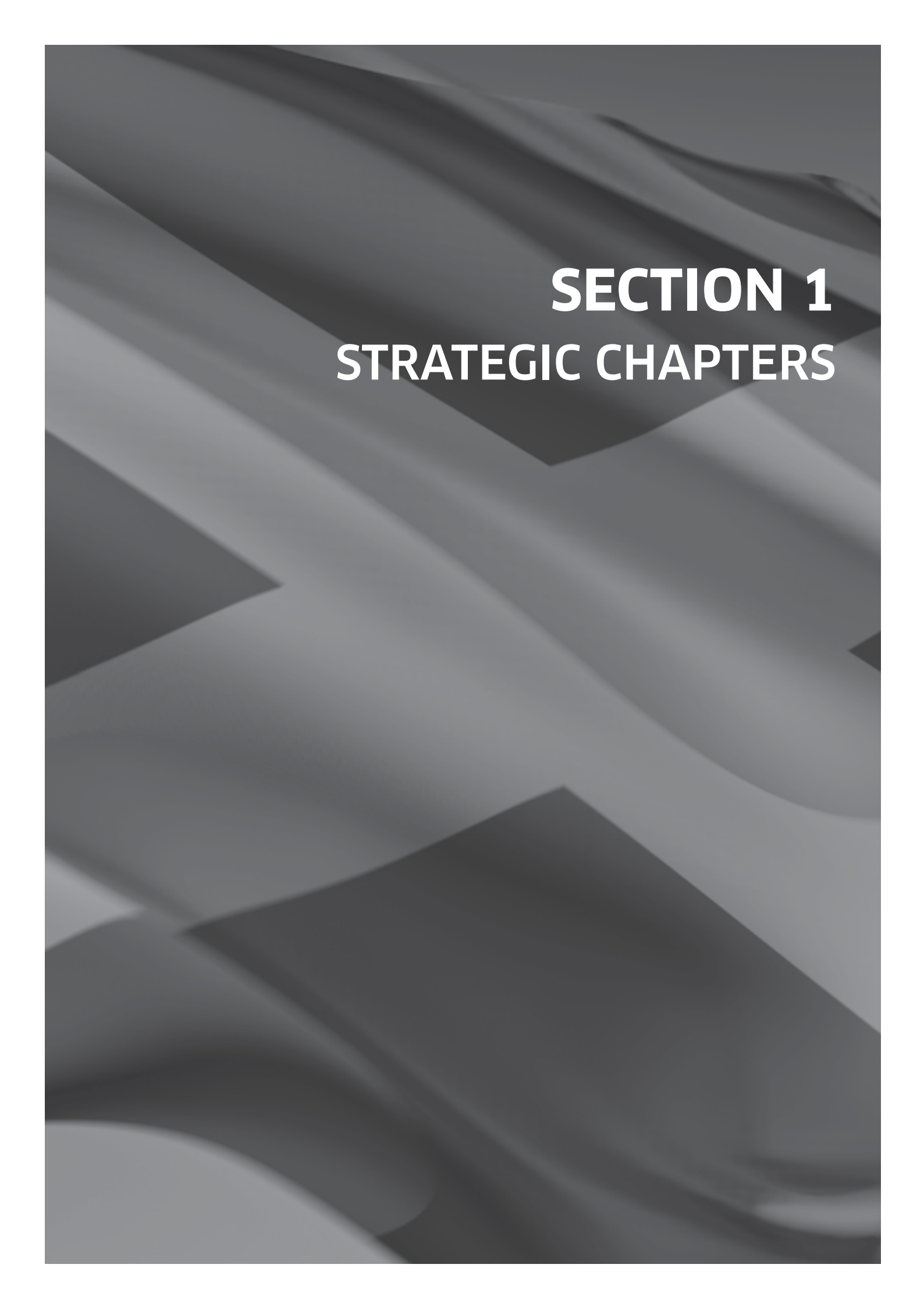
This Government has never shirked the difficult decisions that are required in order to live within reduced means. We faced up to these difficult decisions in responding to the real terms reductions visited upon our 2010-11 budget and, as a competent and responsible government, we have set out our plans for doing so again in 2011-12.

I commend the proposals set out in this Budget to Parliament. The proposals involve difficult choices across the spectrum of government activity, but they represent a fair balance between priorities and support for all in Scotland who contribute to our economic growth and use and rely on our public services. That is the essence of our 'social contract'. By working together, across the political spectrum in Scotland, I believe we can agree and take forward an approach to public spending that presents alternatives to the course set by the UK Government and which best meets the needs of the people of Scotland.

A handwritten signature in dark ink, appearing to read 'John Swinney', with a long horizontal flourish extending to the right.

John Swinney MSP

Cabinet Secretary for Finance and Sustainable Growth
November 2010



SECTION 1

STRATEGIC CHAPTERS

CHAPTER 1

Addressing the Budget Challenge

KEY MESSAGES

Our Purpose – to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth – provides the foundation for this Spending Review and Draft Budget 2011-12.

Our commitment to focus government on outcomes that deliver our Purpose remains crucial in the face of the worst financial settlement for Scotland in a generation, which threatens our economic resilience and recovery, in addition to Scotland's social fabric.

This settlement will see spending reductions of over 11 per cent in real terms between 2010-11 and 2014-15, with a 36 per cent cut in our capital budget over the same period.

Without additional financial and economic powers in Scotland, we are left to deal with a budget settlement which is a product of UK interests and choices. This is wrong for Scotland. The UK Government is threatening our economy by cutting public expenditure, particularly investment, too far and too fast.

Scotland must have enhanced financial powers to ensure we are never again placed in this situation.

Earlier this year, we highlighted the scale of the challenge we face, and we have shown leadership in driving forward public service reform and efficiency savings to absorb the worst impacts of these cuts.

We have also been open with the people of Scotland about the challenges we face. In February of this year, we established the Independent Budget Review and, since it reported in July, people across the country have joined us in a conversation to help inform our key priorities and choices.

But given the scale of the financial challenge, and despite all we are doing to lessen the impact of spending reductions, cuts in services across Scotland are unavoidable, and we have had to prioritise our spending. These decisions have been governed by our strategic framework to ensure economic recovery, protect frontline services and ensure our competitive advantage in tackling climate change.

To deliver our Purpose, we have therefore taken decisions which:

- give priority to economic recovery, by restraining pay to protect employment, supporting business through the Small Business Bonus Scheme and investment in Scotland's infrastructure;
- protect our health budget, and provide welcome relief for households by continuing with the freeze in council tax, at a time of increased UK taxation and other pressures on family budgets; and
- take forward action on climate change and maximise the opportunities of the low carbon economy by investing in Scotland's unrivalled renewable energy resources.

INTRODUCTION

Our fundamental strategic priorities central to this budget are:

- to support economic recovery and deliver our Purpose of increasing sustainable economic growth;
- to protect the public services on which people depend and which are most effective in tackling deep seated problems and delivering real benefits and better outcomes for the people of Scotland; and
- to establish a competitive advantage through the opportunities offered by taking action on climate change.

This first chapter re-affirms that our Purpose remains at the heart of what we do and sets out the scale of the spending cuts Scotland faces, the scope for limiting their impact, and the approach the Scottish Government has taken in reviewing the options and discussing priorities and choices with the people of Scotland.

Chapter 2 sets out the economic conditions for Scotland's budget for 2011-12, describes measures to strengthen economic recovery and describes how we are creating the conditions for long-term sustainable economic growth.

Chapter 3 summarises the approach we propose for 2011-12 to maintaining and improving Scotland's physical capital and announces a new pipeline of revenue financed investment through the non-profit distributing model, within a clear framework of affordability.

Chapter 4 sets out the case for greater fiscal responsibility for Scotland, to give the Scottish Parliament and the Scottish Government the full range of fiscal and economic powers to drive long-term reform, improve economic performance and support investment in our vital public services.

The balanced budget for 2011-12, set out in the portfolio chapters, will make every pound count. In the face of deep cuts, it is a budget that works for Scotland by maintaining the resilience of our people, our households, our businesses and our environment.

In accompanying statements we summarise:

- how we have considered equality issues and how our plans will make a difference to the lives of people disadvantaged by discrimination and inequality; and
- the carbon assessment of the budget.

There are no easy answers: the Scottish Government and the Scottish Parliament face hard choices in tough times.

So in tackling the challenges we now face, we have used all the mechanisms available to us. We are:

- driving out further efficiencies, with a clear target of 3 per cent improvement in 2011-12;
- securing further savings from procurement;

- selling surplus assets and making assets work harder for us;
- deploying innovative approaches to funding infrastructure investment;
- freezing pay, cutting the pay bill of the highest earners, implementing a living wage of £7.15 per hour and providing a minimum annual increase of £250 for employees earning less than £21,000;
- continuing to simplify the public bodies landscape;
- requiring further savings from scrutiny functions; and
- maximising income within existing powers.

However, given the scale of Westminster's cuts, it is simply not possible to find all the savings required through these mechanisms. We must therefore make cuts to projects and services which, while highly desirable, are no longer affordable.

But by taking difficult choices, we are able to protect spending on services and activities that are integral to the very fabric of Scottish society.

At the heart of our decision-making has been our desire to reinforce our social contract with the people of Scotland. In difficult economic times, the Scottish Government has acted to create new economic opportunities, protect household income and support frontline services.

OUR PURPOSE AND SCOTLAND'S BUDGET

The Government Economic Strategy, which we published in 2007, set a bold vision for the future of Scotland, focusing government and public services on increasing sustainable economic growth. We remain committed to the Purpose set out in our Economic Strategy:

To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Our Purpose is even more relevant in tough times. It guides the choices we have to make in setting Scotland's budget for 2011-12 and in setting the direction for future years.

The scale of the challenge is unprecedented. Over the next four years, Scotland's budget will suffer the greatest cuts for more than a generation. Reductions of over 11 per cent in real terms between 2010-11 and 2014-15 and cuts of 36 per cent in our capital budget have been imposed by Westminster.

We have shown leadership in preparing Scotland for the tough choices that must follow.

OUR ACHIEVEMENTS SO FAR – BETTER LOCAL SERVICES AND BETTER OUTCOMES

Since taking office, our radical, outcomes-driven approach – co-ordinated through the National Performance Framework – has driven real improvements. Services are now better aligned behind our Purpose and Outcomes, leading to effective co-operation across the public, private and third sectors and significant savings. Public satisfaction with public services has increased, and through the Public Service Reform Act we have streamlined the delivery and scrutiny landscape, establishing the foundations for a period of further rationalisation.

Scotland's communities have seen real advances over the last 3½ years:

- **Health** – NHS waiting times are at their lowest ever and there have been marked reductions in mortality rates from cancer, heart disease and stroke.
- **Local government** – our funding of the council tax freeze has protected hard pressed households across Scotland, and we have increased in each year the share of the Scottish Budget allocated to Councils, to support local services the length and breadth of Scotland.
- **Education** – *Curriculum for Excellence* is raising standards in learning and teaching, equipping young people with the skills and knowledge they need, and 303 school building projects have been completed since May 2007, lifting over 120,000 pupils out of poor quality schools.
- **Social care** – we are improving the lives of older people by preserving existing eligibility for free personal care.
- **Community Safety** – recorded crime is at a new 32 year low.
- **Police** – the number of police officers on the streets of Scotland is at an all-time high.
- **Neighbourhood satisfaction** – 94 per cent of people rate their area as a good place to live.
- **Youth diversion** – over 300,000 young people participated in CashBack for Communities activities.
- **More effective and visible justice** – implemented major reforms to the summary criminal courts to ensure that people committing less serious crimes are punished quickly and effectively, and that distress and inconvenience to victims and witnesses are minimised.
- **Housing** – over 8,000 properties were made available through the Affordable Housing Investment Programme in 2009-10, equal to a 30 per cent increase over the financial year.
- **Municipal waste** – the amount of waste collected by, or on behalf, of local authorities and sent to landfill has reduced.

The Scottish Government is absolutely committed to building on these advances and to retaining the focus on outcomes in all that we do.

Underpinning these specific achievements, we have made strong progress across the board on efficiencies and reform. Key achievements include:

- delivering cash savings of £839 million in 2008-09 and £1,470 million in 2009-10 through the current Efficient Government programme;
- procurement savings of £160 million in 2008-09 and £312 million in 2009-10 delivered through the groundbreaking Public Procurement Reform Programme;
- promotion of local accountability and greater flexibility in the use of funding by reducing significantly the number of ring-fenced funds for local government;
- the Simplification Programme, which is on track to deliver a 25 per cent reduction in the number of devolved public bodies in Scotland, delivering estimated net savings of around £125 million by 2013 and estimated net recurring savings of around £39 million per year thereafter;
- delivering £111 million of net savings to public infrastructure investment through the Scottish Futures Trust in 2009-10; and
- a simplified set of scrutiny bodies, reducing the direct costs of scrutiny and introducing more co-ordinated and proportionate approaches to scrutiny.

We have also supported the vital contribution made by the third sector in delivering public services. With third sector partners, the Convention of Scottish Local Authorities (COSLA) and the Society of Local Authority Chief Executives (SOLACE), we have developed the third sector contribution to Single Outcome Agreements. Almost every Community Planning Partnership now has active engagement with the sector through a range of linkages which also provide strong support to the growth and performance of the sector itself, leading to improved services.

THE SCALE OF THE CHALLENGE

Under the current financial arrangements, the Departmental Expenditure Limit (DEL) for Scotland sets the upper limit for what the Scottish Government can spend each year. Scotland's DEL for each of the next four years has been set by the UK Government in its Comprehensive Spending Review (CSR).

The scale of the challenge imposed by Westminster is unprecedented. Over the period to 2014-15, the cut in our total spending power in real terms is over 11 per cent, and within this the cut in capital spending power is 36 per cent.

In contrast, between 2000-01 and 2009-10, the Scottish Government Budget grew by over 5 per cent per year on average in real terms. While this in part reflected the transfer of additional responsibilities from Westminster to Holyrood, it also was a result of a period of sustained real increases in the resources available to fund public services in Scotland – which ended in 2010-11 with the first real terms reduction in the Scottish budget since Devolution.

Given their scale, the cuts will not only affect Scotland for the next few years but will have lasting implications for at least the next decade.

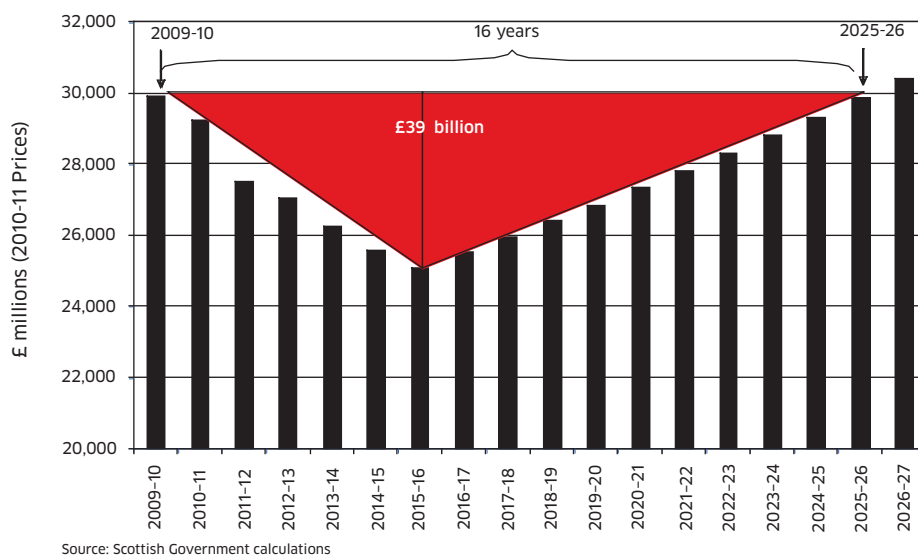
We have been actively preparing for these cuts for the last year. Under the plans of the previous UK Government, it was clear that our Budget would be cut significantly. The new UK Government has chosen to increase the depth of cuts.

We are clear that the UK Government is cutting spending too far and too fast. While a credible budget strategy is vital in returning the public finances to a sustainable footing, it is essential that the recovery is not put at risk. But this is exactly what the UK Government has done. In October, in an unprecedented display of unity, we joined with the Welsh and Northern Irish administrations in issuing a joint declaration to the Chancellor outlining our collective concerns.

In April, the Scottish Government's Chief Economic Adviser published a report to inform the Independent Budget Review, which forecast the potential medium to long-term pressures on the Scottish Government Budget arising from the possible spending cuts that the previous UK Government had planned. This analysis was updated after the current UK Government's Emergency Budget in June. A revised version appears below with, for the first time, updated figures from the CSR.

Assuming a return to spending growth consistent with the wider UK economy by the end of the period of spending cuts, the analysis shows that it could take until 2025-26 for the Scottish Budget to return to 2009-10 levels in real terms – an adjustment period of 16 years. This implies a cumulative real terms loss of approximately £39 billion from the base year of 2009-10, as illustrated in Figure 1.

Figure 1 Estimated Scottish DEL – 2009-10 to 2026-27



For the period of the Spending Review, the table below shows that the one-year cash terms cut in total DEL set out in the CSR settlement between 2010-11 and 2011-12 is 4.5 per cent. After taking account of estimated GDP deflators, the cut in real spending power is 6.3 per cent.

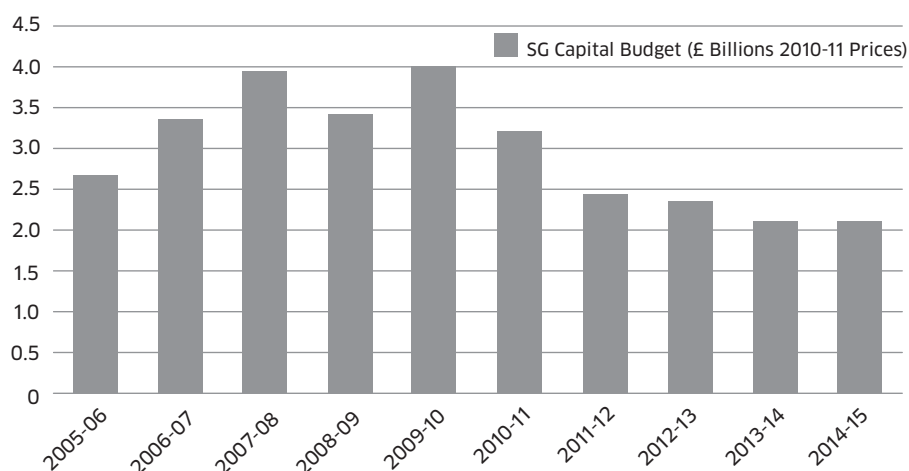
Table 1.01

	2010-11	2011-12	Cash terms cut 2010-11 to 2011-12	2012-13	2013-14	2014-15	Real terms cut 2010-11 to 2014-15
	£m	£m	%	£m	£m	£m	%
Resource DEL	25,931	25,401	-2.0	25,787	26,011	26,166	-8.1
Capital DEL	3,293	2,506	-23.9	2,475	2,237	2,318	-35.9
Total DEL	29,224	27,907	-4.5	28,262	28,248	28,484	-11.3
Estimated GDP deflators %		1.9		2.3	2.6	2.7	

Compared with spending in 2010-11, our budget for 2011-12 is being cut by £1.3 billion. Of that, £530 million has been cut from the money for vital public services (Resource DEL). Another £790 million has been cut from capital – the money spent building and maintaining our transport networks, hospitals, schools and other essential public assets.

These figures show that the Chancellor is achieving as much as possible of his spending cuts through slowing and stopping capital investment in infrastructure. We believe this could cause serious damage to Scotland's recovery and long-term economic prospects. So we have taken action to cushion the capital cuts as far as we can.

Figure 2 below demonstrates the cut in the capital budget available to the Scottish Government between the current financial year and 2014-15, compared to the position in recent years. This unprecedented scale of reduction will inevitably slow down Scotland's infrastructure programme.

Figure 2 Scottish Government Capital DEL budgets

Note: Capital DEL budgets for 2005-06 to 2009-10 are outturn figures. 2010-11 total is from the 2010-11 draft Budget. For 2011-12 to 2014-15, Capital DEL allocations are from the UK CSR.

These spending cuts mean that the Scottish Government and the Scottish Parliament face difficult decisions about services, spending and policies for the people of Scotland. In turn, Scotland's councils, NHS Boards and other public services, and the partners and communities they work with and for, face equally difficult decisions about priorities and efficiencies.

CONSIDERING THE CHALLENGE

The Scottish Government set up the Independent Budget Review (IBR) in February 2010. Its members – Crawford Beveridge CBE, Sir Neil McIntosh CBE and Robert Wilson – were asked to bring their knowledge and experience of public budgeting and service delivery to the task of advising on the challenges facing Scotland in 2011-12 and beyond. The Panel had access to financial projections published by the Scottish Government's Chief Economic Adviser. Meetings and evidence gathering took place between March and June 2010. Further details are available at www.independentbudgetreview.org.

The Panel's report was published in July. It was widely welcomed, and has helped to set the scene for discussions about public spending priorities over the summer and autumn.

The conclusions of the IBR report focus on five broad areas:

Efficiency – delivering efficiency savings through further streamlining and simplification; the progressive development of shared services; the role of outsourcing; procurement practices; managing absence; and the radical redesign of services.

Remuneration and workforce – implementing pay and recruitment freezes and, depending on the intensity of pay restraint, reducing public sector employment by approximately 5.7 per cent to 10 per cent by 2014-15; changing current public sector pension arrangements; and establishing a strategic workforce plan for the whole of the public sector.

Universal services – considering eligibility and the selective introduction of means testing and user charging for all free or subsidised universal services, including as examples concessionary fares, free personal and nursing care, prescription charges, eye examinations and student funding arrangements.

Capital – exploring all available routes to resource and manage the capital programme; prioritising capital spending that delivers the greatest boost to economic growth; and reviewing the status of Scottish Water.

The shape of public services – considering the strategic, longer term framework for responding to future challenges; emphasising the need for Parliamentary leadership in shaping the future of public service delivery; moving to a more outcomes based approach to public service management; improving the quality of performance information.

Since the IBR Panel reported, the Scottish Government has engaged in dialogue with the people of Scotland about the spending challenges and choices that Scotland faces, the priorities for our communities, and the services that matter most.

The dialogue started with the launch of the Scottish Government's online consultation which offered everyone in Scotland the chance to join the public spending debate. Our web pages on the budget challenges ahead have received over 46,000 hits to date.

Budget consultation meetings took place between August and October in many parts of Scotland. These gave a wide range of people the opportunity to present their views to Ministers. Community Planning Partnerships and the main business organisations were also invited to contribute, and the public was engaged actively during open meetings as part of the series of Summer Cabinet events across Scotland. Nearly 1,000 people took part in these meetings. Issues raised and points made across Scotland have been taken into account by the Scottish Government in drafting this Budget for the Scottish Parliament's scrutiny.

In addition, we have drawn on the considerations of the Parliament's Equal Opportunities Committee and the work of the Equality and Budget Advisory Group to help us shape a Budget which takes account of equality considerations. This is outlined more fully in the accompanying Equality Budget Statement.

The work of preparing a balanced Draft Budget has been done in the light of comments from the Scottish Parliament and its Committees, from the Independent Budget Review Panel, from the Equality and Budget Advisory Group, from key stakeholders who deliver public services, from organisations such as the Scottish Trades Union Congress (STUC), Confederation of British Industry (CBI Scotland) and the Scottish Council for Voluntary Organisations (SCVO) and through our dialogue with the people of Scotland.

Throughout this process, we have set out clearly our strategic priorities and our responsibilities as a government charged with leading Scotland through hard choices in tough times.

We remain committed to our fundamental strategic priorities:

- to support economic recovery and deliver the Government's Purpose of increasing sustainable economic growth;
- to protect the public services on which people depend and which are most effective in tackling deep seated problems and delivering real benefits and better outcomes for the people of Scotland; and
- to establish a competitive advantage through the opportunities offered by taking action on climate change.

ADDRESSING THE CHALLENGE

The Scottish Government has examined options for reducing the impact of the cuts – by deferring them where possible, by ensuring that every pound available to us works as hard as possible, and by using our limited existing financial powers to maximise the resources available to us.

Soon after the UK General Election of May 2010, the UK Government announced cuts in public spending across the UK in this financial year (2010-11) which totalled £6.2 billion. Scotland's share of these cuts was calculated at approximately £330 million.

The Scottish Government took the view that such a large immediate cut would stifle demand in the Scottish economy at a time when recovery from recession was fragile and uncertain. There was a significant risk of stopping recovery in its tracks, damaging businesses and jobs across Scotland and disrupting public services when people needed them most. The economic context is described in more detail in chapter 2.

In tackling the challenges we now face, we intend to use the full range of mechanisms which are available to us.

Driving out further efficiencies

We are building on efficiency work that has already seen Scotland deliver £839 million in efficiency savings in 2008-09 and £1,470 million in 2009-10. This exceeded our targets by £300 million and £400 million respectively and out-performed Whitehall in each of the last two years. But we must go further. In the past, efficiencies have enabled us to improve services from the same budgets. In future, efficiencies will help to maintain services in the face of budget cuts.

Together with our partners, we will lead a culture of efficiency and effectiveness, identifying opportunities to improve public services, identifying and tackling blockages and challenging inaction. In particular, we are seeking efficiency savings across public services of 3 per cent for 2011-12, with each delivery body expected to report publicly on their plans to improve the efficiency of public services, actions undertaken and results achieved. As a contribution to making these savings, we will make further progress on the use of shared services.

Further savings from procurement

We will continue to lead the Public Procurement Reform Programme, and to deliver efficiency savings from collaborative procurement. Improved Scottish Government-led procurement will deliver savings of £61 million in 2011-12, and some £200 million over the next three years. More detail can be found in *Efficiencies from Procurement*, which is published today.

Selling surplus assets and making them work harder

In the face of a UK CSR outcome on capital that is worse than predicted, we are maximising receipts from the sale of surplus land and buildings. To further boost capital spending, the Scottish Futures Trust (SFT) is developing proposals to increase revenue from land and property assets.

Innovative approaches to funding infrastructure investment

The public sector has a vital role in capital investment to maintain and improve Scotland's infrastructure and so support our economic performance. The swingeing cuts in capital budgets described above present a major challenge. As noted, chapter 3 sets out the steps taken in this Budget to undertake rigorous prioritisation and management of our capital spending. We also intend to carry forward £100 million from 2010-11 to support capital investment in 2011-12. Within our capital budget, a number of major national infrastructure projects will be taken forward.

In the absence of borrowing powers, the Scottish Government will also work with SFT and local authorities to generate additional funding to support higher levels of capital investment. Through a new pipeline of revenue financed investment and through the use of innovative measures such as Tax Increment Financing, we will be able to support higher levels of capital investment in Scotland than would be possible through the capital budget alone. SFT is making a substantial contribution

to achieve additional value from capital investment across the public sector through its work to drive down costs and improve collaboration.

Freezing pay and constraining the highest earners

The IBR report pointed out that, when budgets are declining, any pay increases have to be funded by employing fewer people. Our aim is to maintain public services in Scotland and the jobs of the people who provide them. This requires very firm control over pay. Consequently, in 2011-12 we will, for staff groups under our control:

- freeze basic pay;
- impose unrelenting downward pressure on pay costs for senior staff;
- reduce Senior Civil Service costs by 10 per cent in 2011-12, and by 25 per cent by 2014-15;
- suspend bonuses and non-consolidated pay across all staff groups whose pay we control;
- require employers to negotiate pay settlements that retain as many jobs as possible through increasing flexibilities and reducing pay costs such as overtime and allowances; and
- protect family incomes for the lowest paid by introducing a Living Wage of £7.15 an hour and providing a minimum increase of £250 a year for those paid less than £21,000.

Our pay policy is being published separately today.

Continuing to simplify our public bodies

We will continue the successful programme of simplification, looking for further opportunities to simplify and streamline our public bodies. We will take every opportunity to reduce costs and bureaucracy and improve service delivery.

In October, we announced the establishment of the Scottish Education Quality and Improvement Agency, initially bringing together Learning and Teaching Scotland (LTS) and Her Majesty's Inspectorate of Education (HMIE). This will improve efficiency and drive forward innovation and dynamism in education by ensuring that the best possible national level systems are in place to support and challenge teachers, schools, colleges and local authorities as we move forward with *Curriculum for Excellence*.

At our request, the General Register Office for Scotland (GROS), the National Archives of Scotland (NAS) and the Registers of Scotland (RoS) undertook a review to explore ways of working together more closely, and the potential for amalgamation. We have agreed that GROS and NAS will be amalgamated. These bodies will also work together to maximise savings from shared services. This will further reduce the number of public bodies, improve service to customers and build upon existing joint work and branding of the ScotlandsPeople service.

Further savings from scrutiny functions

Achieving more proportionate, focused and effective scrutiny of public services is part of our overall commitment to improvement. We have delivered significant advances already. We will maintain a focus on scrutiny improvement which will enable us to deliver savings of at least 20 per cent in the overall direct costs of scrutiny over the next four years. These savings will be focused to reflect variations in service risks, the vulnerability of service users, and the different levels of external assurance required across services and service providers.

Maximising income within existing powers

The limited financial powers available under the existing devolution arrangements mean we cannot do nearly as much as we would like to cushion the impact of spending cuts. There is little scope to re-profile spending or increase our spending power. Our opportunities to vary taxes are limited to the Scottish Variable Rate, which no Scottish administration has chosen to use since Devolution, and some discretion over non-domestic rates. We confirm that we will not use the Scottish Variable Rate power as this would increase taxation for individuals at a time when they face significant tax rises from the UK Government. On the question of non-domestic rates, the scope to act is, in practice, small if we are to avoid damaging the competitiveness of Scottish businesses compared to those in England. However, we propose to use these powers to help increase resources in 2011-12 by increasing business rates paid by the largest retail properties, including supermarkets and out-of-town retail parks. This will serve also to support our town centres. Our proposals are subject to the consent of Parliament.

SPENDING CUTS

These measures demonstrate what we are doing, and will continue to do, to deliver a balanced budget that:

- makes every pound count, by extracting maximum impact from efficiency and redesign;
- prioritises spending to protect economic recovery and front-line services; and
- maintains capital investment as far as possible given the cuts we face.

Given the scale of Westminster's cuts, it is simply not possible to find all the savings required through these mechanisms. Further reductions in spending – impacting on services and projects – are unavoidable if the budget is to balance. We must therefore make these reductions to programmes and services which, while highly desirable, are no longer affordable. In making these cuts to existing spending levels, we have been guided by the need to protect key services and economic recovery. The spending reductions are explained in the portfolio chapters. Key points are:

- We have reduced the budgets which we provide to Learning and Teaching Scotland and the Scottish Qualifications Agency for national support and challenge, while ensuring that their resources are targeted at the implementation of *Curriculum for Excellence*.
- The Scottish Funding Council's budget will fall, but we have agreed with the further and higher education sectors that they will work collaboratively and efficiently to manage this reduction without reducing overall learning opportunities, and both sectors have agreed that core college and university student places will be maintained.

- Skills Development Scotland will receive less money this year, but this reflects the fact that we expect them to become more efficient and redesign the services they offer.
- There will be a reduction in the budgets for the Scottish Environmental Protection Agency and Scottish Natural Heritage. These bodies will further improve efficiency to help reduce the impact of these cuts.
- We have reduced the budget for some components of the Scottish Rural Development Programme. There will be fewer and more focused rounds, and we will review the size of grants awarded to ensure that the benefits of these schemes are more evenly spread.
- Maintenance of the prison and courts estates will be reduced to the minimum sustainable levels, and we will not be proceeding with the redevelopment of the criminal court infrastructure.
- On transport, with a few notable exceptions such as the new Forth Crossing, on capital spend we will prioritise existing projects over new. Expenditure on maintenance of the motorway and trunk roads network has been reduced.
- Enterprise and tourism budgets have been reduced, partly by building on our earlier reforms and seeking further reductions in staffing levels, increased efficiencies within the bodies and the removal of lower priority activities.
- The costs of the Senior Civil Service will fall by at least 10 per cent by the end of 2011-12, and by 25 per cent by 2014-15 (taking 2010-11 as the base year). There will be firm control of pay, in line with Scottish Government public sector pay policy.

OUR PRIORITIES

Making these difficult choices enables us to protect spending on those areas that we believe are most important.

In preparing this Budget, we are maintaining the underlying resilience of the economy through supporting our people, households and businesses to mitigate the worst impacts of the recession. This also provides a springboard for economic recovery, which meets our Purpose in increasing sustainable economic growth.

For example, we have acted to mitigate, as far as we can, the immediate impact on Scottish families and jobs as a result of the recession. And we have sought to address the disproportionate burden falling on particular groups and the poorest members of society as a result of the Chancellor's unnecessarily harsh stance on cutting public spending. These fundamental choices have guided our approach to efficiency, value for money, priorities and the savings we are required to make to live within the reduced spending totals set by the UK Government.

The recession continues to have a major effect on employment prospects and thus on average household incomes, as do tax changes such as the rise in Value Added Tax (VAT) and in National Insurance rates. These matters are reserved to the UK Government.

In preparing this Budget, we have chosen to prioritise the services and activities described here. Subject to the acceptance by individual councils of the terms of the agreement reached between the Scottish Government and COSLA's Leadership, we will:

- make available a further £70 million in 2011-12 to those councils which freeze their council tax rates at 2007-08 levels for a fourth consecutive year. This will help hard working families by keeping money with people when they need it most;
- maintain the total number of police officers at 1,000 more than were in post before this government came into office;
- maintain the pupil-teacher ratio in the crucial early years of primary school;
- provide places for all probationer teachers through the induction scheme in August 2011, and reduce teacher unemployment; and
- in recognition of the wider pressures on the health and social care system, provide £70 million from within NHS Board allocations for a new Change Fund in 2011-12 to support the redesign of services and help shift the balance towards primary and community care.

We will also:

- protect real terms spending on running health services in Scotland;
- abolish – as we promised – remaining prescription charges, finally removing this tax on ill-health;
- continue to focus on and invest in reducing Healthcare Associated Infection, as part of our comprehensive approach to patient safety;
- invest a further £42 million in tackling the health and wider social problems associated with alcohol misuse across Scotland;
- introduce a new Early Years and Early Intervention Fund with initial start-up funding of £5 million;
- continue our commitment to supporting investment in the schools estate across the length and breadth of Scotland;
- continue to invest in skills, including the introduction of 34,500 new training opportunities in 2011-12, while upholding our commitment not to introduce tuition fees;
- support economic growth with an extra £600 million investment in new affordable housing supply, through use of £55 million of new Government funding;
- support Urban Regeneration Companies (URCs), with priority investment in Clyde Gateway URC to support delivery of a successful Commonwealth Games;
- implement the National Renewables Infrastructure Plan, establishing the £70 million Renewables Infrastructure Fund, which will receive £17 million in 2011-12;

- contribute significant sums to the development of the V&A at Dundee Project, which is key in the regeneration of the Dundee waterfront;
- spend over £11 million on broadband interventions to support our Digital Ambition for Scotland, putting in place the broadband infrastructure needed to support innovation;
- invest a further £11.9 million in support of Scotland's outstandingly successful food and drink sector, building on existing progress towards our target of increasing turnover in the industry to £12.5 billion by 2017;
- maintain the International Development Fund at £9 million – significantly more than double the 2007-08 level – to support the most vulnerable people in developing countries;
- invest £31.9 million in continuing to tackle drug problems, including £28.9 million invested in front-line drug treatment services, maintaining expenditure at 2010-11 levels;
- maintain existing eligibility criteria for free personal care and concessionary travel, saving money for elderly people and continuing to offer them quality of life benefits that some seek to remove; and
- help to maintain job numbers, family incomes and public services throughout Scotland as far as possible through exerting firm restraint on public sector pay.

We have also taken action to support small businesses by:

- maintaining the valuable Small Business Bonus Scheme, helping smaller companies through the difficulties many face in the present climate that will help tens of thousands of small businesses around Scotland during tough times; and
- establishing the Scottish Investment Bank to support new, innovative businesses through the provision of early stage risk capital and to provide established, viable growth and exporting businesses with access to debt finance through the creation of the new Scottish Loan Fund.

By prioritising these areas, we are seeking to limit the social and economic cost of the recession at a time when unemployment remains a real threat to many, when personal and household incomes are being squeezed, and when the business environment is uncertain. These actions also help to maintain spending power in the Scottish economy, maximising the positive impact of the public sector on the economy as a whole.

We have also chosen to maintain the front-line services on which Scotland's people depend, particularly the most vulnerable in our society. We have protected current expenditure on the NHS in real terms and have worked closely with COSLA and our local authority partners to maintain police services, school education, and adult social care services. This provides added stability throughout the economy by providing key services for all communities. And of course this supports employment and income levels throughout the economy too.

Our spending plans for 2011-12 for each Scottish Government portfolio are set out in chapters 6 to 14.

BETTER PUBLIC SERVICES

This Government is proud of all that it has done, together with delivery partners, to support and reform services so far. But we need to increase the pace of our reforms. The challenges to our public services were already formidable: deep-seated social inequalities; increased public expectations; an ageing population; and the low carbon imperative. We now know that, on top of these structural issues we face the most serious budget reductions for at least a generation. Simply doing what has always been done, even doing it better, will not get us to where we need to be.

Our public services must remain focused on our greatest economic asset – our people. The development of Scotland's people and society – through support for education, learning and skills and through services to improve health and wellbeing – is a critical element in the creation of a productive economy that is responsive and adaptable to rapid global change. Enhancing the skills and wellbeing of Scotland's people is a central theme in this Budget, supported by the central proposal to increase spending on running health services in Scotland and the decision to maintain the proportion of total spending that is available to local authorities.

There is no doubt that the first year in the UK CSR period is the toughest, and the Scottish Government has prepared a budget which tackles the challenges that this presents. We know this is more than a one-year challenge, as public expenditure is constrained for a number of years. We know that without fundamental change in how we deliver public services that challenge will not be successfully addressed. A crucial requirement of this approach is to ensure that we maintain the social cohesion of our country. It is vital that, in these difficult times, we continue to invest in social partnership and maximise the economic impact of our public spending. This is why we are establishing the Commission on the Future Delivery of Public Services, to be led by Campbell Christie CBE.

The Commission will make recommendations about the future provision of our public services, advising on how excellent, sustainable public services can be delivered in the future to continue our drive for improving outcomes, to examine the structures, functions and roles that help improve the quality of public service delivery and what this means for users, stakeholders and public sector workers. The Commission's recommendations will be vital in informing the medium to longer term choices that will face us in the years ahead.

The Commission's remit and membership will be announced shortly and will be invited to report with recommendations by the end of June 2011. The Scottish Government has made clear that, should this administration be returned to office, we will draw on the Commission's recommendations in taking forward a Spending Review to conclude in September 2011, setting out spending plans for the period 2012-13 to 2014-15.

WORKING TOGETHER FOR SCOTLAND

It is the job of the Scottish Government to propose a balanced budget for the coming year. This chapter has outlined the context in which we have done so. But the Scottish Parliament must take the final decision on how to distribute the funding available to support public services in Scotland.

This Administration will engage fully in the process of Budget scrutiny by the Scottish Parliament and we confirm our willingness to work with others to build a consensus and to achieve Parliamentary approval. We propose the balanced budget set out in this document in that spirit.

The following chapter sets out in more detail our projections for Scotland's future economic circumstances, and the actions we are seeking to take to maximise growth and reduce the risks to early-stage recovery.

CHAPTER 2

Our Economic Ambition

KEY MESSAGES

- The key principles of our Economic Strategy have governed the allocation of resources in this Budget. This chapter sets out the steps taken to deliver the Budget's first strategic priority: *supporting economic recovery and increasing sustainable economic growth*.
- The Scottish economy has now emerged from a recession that was shorter and shallower than that of the UK as a whole.
- Within this context, our budget seeks to enhance the resilience of the Scottish economy and to protect communities across Scotland from the worst impacts of the UK Government's cuts.
- Central to this is our commitment to maintain health spending in real terms and to protect local government funding from the worst impacts of the UK Government cuts by maintaining its share of the Scottish Budget.
- To support the recovery, we are prioritising our efforts to increase employment, strengthen education and skills, and promote new business growth.
- The Budget also reaffirms our commitment to long-term sustainable growth by continuing our investment in Scotland's human and physical capital (infrastructure).
- We also seek to build on Scotland's strengths and comparative advantages in the world economy, including maximising the opportunities presented by the transition to a low carbon economy.
- The economic and financial challenges that we now face highlight the urgent need for Scotland to secure full economic and fiscal powers so that we have greater opportunities to grow our economy, boost our revenues and invest in our public services.

INTRODUCTION

The Government Economic Strategy launched shortly after we entered office, established a bold vision for the future of Scotland, where the focus of Government and public services was placed on increasing sustainable economic growth. Our commitment to this Purpose remains as strong as ever.

Over the last three years we have:

- protected household incomes through freezing council tax;
- abolished tolls on the Forth and Tay Bridges;
- provided 40,000 training opportunities - including 20,000 Modern Apprenticeships and 5,000 new flexible training opportunities this year alone;
- established *Curriculum for Excellence* to equip young people with the skills and knowledge that they need;
- addressed the drag on the economy caused by poor health with radical action on alcohol and drug misuse, investment in smoking cessation measures and improvements in other health outcomes for the people of Scotland, such as Coronary Heart Disease, stroke and cancer;

- brought forward £120 million of planned affordable housing spending into 2008-09 and 2009-10 to accelerate the supply of affordable housing and to help support the house building industry;
- delivered vital infrastructure investments across the length and breadth of Scotland (such as completion of the M74 extension and the Airdrie - Bathgate rail link);
- modernised the planing process to promote economic development with our partners in local government;
- set the lowest ever national poundage for business rates;
- delivered the Small Business Bonus Scheme, removing the rates burden for 63,000 properties in Scotland and reducing the burden on a further 11,000;
- supported the activities of our Enterprise Agencies to help start new businesses and provide new opportunities for existing businesses to grow;
- overachieved on our efficiency targets which have been recycled to support our public services and investment in the economy; and
- led the way in promoting Scotland's transition to a low carbon future and ensuring that Scotland is well-placed to benefit from our renewable energy windfall.

Alongside this, in response to the deepest economic downturn of a generation we launched our Economic Recovery Plan in January 2009 – bringing together our strategy ahead of the UK Government's. The Economic Recovery Plan mobilised the resources of all of Scotland's public sector to deliver a vital economic stimulus, including capital acceleration, which protected employment and skills.

However, the fragile, early stages of recovery has now been put at risk by the UK Government's spending cuts.

Within this context, our Budget seeks to maintain the resilience of the Scottish economy and to protect communities across Scotland from the worst impacts of the UK Government's cuts.

To support the recovery, and working with our partners in local authorities, we are prioritising our efforts to increase employment, strengthen education and skills, and facilitate new business growth. We will protect communities through our support for the health budget and other vital public services, and provide welcome relief for households by maintaining, with local authority partners, the freeze in council tax.

The Budget also reaffirms our commitment to building the optimal conditions for long-term sustainable growth by continuing our investment in Scotland's human and physical capital (infrastructure) – despite the severity of the cuts imposed by Westminster to our capital budget.

We also seek to build on Scotland's strengths and comparative advantages in the world economy, including maximising the opportunities presented by the transition to a low carbon economy.

ECONOMIC CONDITIONS FOR THE BUDGET

After a shorter and shallower downturn than the UK as a whole, the Scottish economy emerged from recession in the last quarter of 2009. The latest assessments show that the Scottish economy grew by 1.3 per cent in the second quarter of 2010 - stronger than in the UK, and the EU and OECD averages.

Growth was widespread across the economy with the Construction, Production and Service sectors all improving on the previous quarter.

The quarterly growth of 10.4 per cent in construction in Q2 2010 is evidence that we were correct to take decisive action in our Economic Recovery Plan, by bringing forward key capital projects and delivering an infrastructure programme worth £3.3 billion in 2010-11.

Going forward, while businesses report cautious improvements in optimism, conditions remain challenging. Recent surveys indicate a slight easing in private sector demand in the second half of 2010. Despite repeated attempts by the UK Government to boost bank lending, access to finance remains a significant challenge for many firms and is inhibiting growth.

In international markets, the global nature of the recession has meant that the recovery in many of Scotland's key trading partners, particularly in the EU, has been subdued. While recent figures have shown a pick-up in Scottish exports, weak demand abroad limits the opportunities for our firms to expand in traditional markets. However, the growing importance of emerging economies should provide a fruitful source of demand in the future.

Despite welcome increases in employment in recent months, Scotland continues to face pressures in its labour market - a not uncommon feature in the early stages of a recovery. Scotland's unemployment rate, over the three-month period June-August 2010 was 8.6 per cent¹. While below the EU average, and that of many other countries including the United States, the reality of unemployment highlights the fragile nature of the recovery.

Household finances also face ongoing pressures. Since the recession, wages have not kept pace with general inflation. House prices remain below the pre-recession peak and consumer prices continue to rise. These factors are compounded by the recent UK Government tax and spending decisions. The Institute for Fiscal Studies (IFS) estimates that households on average incomes can expect to be £650 per year worse-off by 2014-15, as a result of the tax and benefit measures planned by the UK Government².

While we recognise that a credible budget strategy is vital in returning the public finances to a sustainable position, faced with these current economic conditions we strongly reject the UK Government's approach to consolidation. We believe that promoting economic growth and employment is the best way to restore the health of the UK public finances. Instead, cutting spending too far and too fast puts the recovery at risk and threatens to undermine the efforts to address the legacy of debt left by the previous UK Government.

However, under the current constitutional arrangements we must work within the spending limits we have been given. In what follows we set out the actions we will take, and our key priorities to *support economic recovery and increase sustainable economic growth*.

1 International Labour Organisation definition of unemployment

2 <http://www.ifs.org.uk/publications/5313>

Outlook for the Scottish Economy

Key forecasts for the Scottish economy indicate that, in line with the majority of advanced economies, growth is likely to remain below trend in 2011, with output unlikely to return to its pre-recession peak until well into 2012.

There is still a significant degree of uncertainty over the strength of the recovery in the global economy, with the International Monetary Fund (IMF) highlighting in their *World Economic Outlook* (October 2010) that the downside risks to the recovery remain significant. The IMF have revised down their projections for growth in the US in both 2010 and 2011 and warn that risks to this forecast remain elevated and to the downside. The IMF also forecast that growth across many of our competitors in the European Union is likely to remain subdued in 2011.

In the UK, recent survey evidence has pointed to a weakening in the strength of recovery during the second half of 2010; whilst increased uncertainty regarding future prospects, particularly in the light of the Coalition Government's spending plans, has resulted in many independent forecasters revising down their growth forecasts for the UK for 2011 and beyond. Perhaps the biggest uncertainty concerns definitive evidence of future sources of growth, particularly if external demand remains weak as a result of a slow global recovery.

Reflecting continued uncertainty regarding the strength of recovery in the global economy, and despite the strong performance in the second quarter of 2010, the recovery in Scotland remains fragile – particularly to any significant loss in aggregate demand.

SUPPORTING ECONOMIC RECOVERY

This Budget continues the key elements of the Economic Recovery Plan, an important part of the delivery of the Government Economic Strategy – *supporting jobs and our communities; investing in innovation and industries of the future; and strengthening education and skills*. Actions in each of these areas are contained throughout this document. Together, they represent a combined investment in Scotland's long term future, while helping our businesses and households survive the worst effects of the UK Government's spending cuts.

Supporting jobs, our households and our communities

In this Budget, we have sought to maintain the underlying resilience of the economy; supporting Scotland's people, households and businesses. This approach aims to mitigate the worst impacts of the recession and to provide a springboard for economic recovery.

For example, by taking the difficult decision to limit pay awards in the public sector, we are using the savings to maintain employment levels as best as possible. In the face of budget cuts and pressure on the overall wage bill, our pay restraint policy will support thousands of jobs right across Scotland.

This action will not only protect the delivery of key services but will assist demand in the wider economy; ease labour market pressures; and mitigate equalities impacts. For example, women account for approximately two thirds of public sector employment. Reductions in public sector employment may therefore disproportionately impact on female workers, which can have wider socio-economic impacts.

The tax rises announced by the UK Chancellor will impose costs on every household in Scotland. The VAT increase alone is forecast to cost an average household £380 per annum, with the greatest impact on low income households. Overall, analysis by the IFS has concluded that the tax increases and welfare cuts being introduced by the UK Government over the next four years are regressive, with the poorest 20 per cent of Scottish households suffering more than the richest 20 per cent.

Decisions in this Budget are therefore directed towards seeking to limit the social and economic costs of the legacy of the recession at a time when households incomes are being squeezed.

- We have chosen to provide welcome relief for households. We will work with local authorities to continue the freeze in council tax and we will abolish – as we promised – remaining prescription charges, finally removing this tax on ill-health.
- We will also support jobs directly, through continuing with our investment programme in schools, hospitals and transport – in spite of the 25 per cent cuts to our capital budget imposed by Westminster. For example, we intend to fund an extra £600 million investment in new affordable housing supply, through use of £55 million of new Government funding.
- Our investment in industries of the future, particularly those which support the low carbon economy, provides opportunities in key regions of Scotland. These investments provide an immediate stimulus and, more importantly, act as a catalyst for their renewal and regeneration through the use of our natural resources. Our low carbon ambitions are set out later in this chapter.

The full range of decisions to supporting jobs and our communities are summarised in chapter 1 and set out in more detail in the portfolio chapters.

Strengthening education and skills

The Budget ensures that the ongoing labour market risks can be mitigated through support for learning and skills. Resources are directed towards opportunities to volunteer or retrain – and improving skills and vocational training, particularly for young people.

- The establishment of Skills Development Scotland has ensured a focal point for our skills and training support. This Budget aims to introduce 34,500 training opportunities in 2011-12, including the continuation of the vital Modern Apprenticeships programme.
- We will not raise university tuition fees or college charges and we will guarantee that no existing student will see their living costs support decrease in academic year 2011-12.
- In contrast with the decision to remove it in other parts of the UK, the Scottish Government will continue the Educational Maintenance Allowance (EMA) scheme – honouring our commitment to support the least well-off students in Scotland.

Investing in innovation and industries of the future

In light of public expenditure cuts on the scale now planned by the UK Government, an even greater prominence must be placed on new private sector growth. This Budget preserves central elements of the Economic Recovery Plan to support business growth. These include:

- the continuation of the Small Business Bonus Scheme, which was fully implemented in 2009-10 and extended in 2010-11. The scheme will continue to reduce tax burdens on Scotland's small businesses to help them through the difficult economic conditions. The latest assessments show that 74,000 business properties now benefit under the scheme to the tune of £117 million in 2010-11;
- the development of the Scottish Loan Fund through the Scottish Investment Bank will help to address a gap in the market for loan finance for established growth and exporting companies. Improved access to finance will be a key condition for a strong recovery. Efforts to widen availability of affordable lending – through for instance the East of Scotland Investment Fund – are also supported by this Budget;
- support to attract new inward investment will be extended as Scotland looks to take advantage of the new opportunities that will follow the rebalancing of the global economy. In a crucial period, the Budget maintains support to attract additional inward investment through the Regional Selective Assistance, R&D Plus and Training Plus schemes; and
- Scottish Development International (SDI) continues to play a key role in attracting investment into the Scottish economy. Recent successes in attracting key international financial companies to locate or expand activities in Scotland illustrate the underlying strengths of the Scottish economy. We must also focus however on the new opportunities for Scottish businesses to enlarge their export markets and support more Scottish businesses to sell outwith Scotland. This Budget makes provision for a suite of schemes to boost export growth, including the SMART Exporter Initiative, jointly led by SDI and Scottish Chambers International.

CREATING THE CONDITIONS FOR LONG TERM SUSTAINABLE ECONOMIC GROWTH

The Scottish Government's approach to long term sustainable economic growth is based on *enhancing Scotland's human capital; maintaining and improving Scotland's physical capital; and developing a comparative advantage in the world economy.*

Enhancing Scotland's Human Capital

Scotland's greatest economic asset is its people. The development of Scotland's human capital through support for education, learning and skills and through services to improve health and wellbeing – is a central theme of this Budget. This is supported by the proposal to sustain spending on health in Scotland in real terms and the decision to maintain the proportion of total spending that is provided to local authorities. These decisions reflect the importance of local services to economic development, particularly through educational support.

Investing for better health

Chapter 8 highlights the spending decisions to improve the wellbeing of individuals and communities. With a real terms rise in health service resource funding in 2011-12 – worth £280 million in cash terms – this Budget builds on the substantial gains already made during this Parliamentary period. It will ensure that our investment in health and health improvement continues to support our approach to increasing sustainable economic growth.

- We will prioritise frontline services, enhancing support for prevention and early intervention and maintaining vital investment in major public health programmes.
- This Budget reaffirms the commitment of the Scottish Government and its key partners to working together to tackle the root causes of health and social inequalities, which damage lives and impair Scotland's economic potential.
- Scotland's healthcare sector is continually improving the quality of services it provides to the people of Scotland. It supports sustainable economic growth by helping those out of work because of poor health return to employment and, by improving the physical and mental health and wellbeing of those in work, reducing sickness absence, promoting motivation and increasing productivity. Increasing healthy life expectancy and improving health ensures that, within an increasing population, there are more people able to become part of the labour market.
- As Scotland's single biggest employer, with more than 168,000 employees across the country, the health sector makes an important contribution to local economies and the economic output of Scotland as a whole. Our investment in healthcare services, and the commitment we make to increasing productivity through improving quality and increasing efficiency will have an important positive impact on economic growth for Scotland.
- The healthcare sector also contributes to economic growth through its significant investment in world-leading healthcare related research and development in medical and life sciences technology.

Education, learning skills and innovation

Chapter 9 sets out our commitment to education, explaining how we are maximising the positive impact on Scotland's economic potential. This Budget maintains the proportion of total spending that is provided to local authorities, an essential step towards ongoing improvement in Scotland's early years and school education systems.

We will continue to invest in supporting our students in school, further and higher education and training. In England, tuition fees are being raised at universities and charges are proposed for college students. We are not proposing these measures. We are guaranteeing that no existing student will see their living costs support decrease in academic year 2011-12.

It is critical to keep young people aged 16-19 engaged in learning. In other parts of the UK, the Educational Maintenance Allowance (EMA) scheme – the flagship programme for supporting young people from low income families – is being removed. The Scottish Government will continue the EMA scheme. This funding honours our commitment to support the least well off students in Scotland and open up opportunities to poorer families.

Early years

Our commitment to giving every child the best start in life through implementation of the Early Years Framework provides a long term investment to increasing sustainable growth with funding routed through key partners, particularly in Health and Local Government.

- The Budget continues the Scottish Government's commitment to the implementation of the *Early Years Framework* – with COSLA and our other key partners.
- We are providing over £45 million to support the most vulnerable children and young people in our society through focusing investment in the early years and early intervention.
- We will introduce a new Early Years and Early Intervention Fund from 2011-12, with initial funding of £5 million. In addition to this fund, we have sought to protect funding that we provide to the third sector to improve outcomes for children and young people, including children with disabilities.

School education

School education is critical in enabling young people to flourish in the future labour market. Since May 2007 we have worked with key delivery partners to provide additional resources and energise Scotland's schools through the implementation of *Curriculum for Excellence*. This Budget ensures the education system is resourced to equip young people with the knowledge, skills and ambition they require to participate in the modern economy.

- The Budget supports the implementation of *Curriculum for Excellence*, to raise standards in learning and teaching, including investment of over £9 million in the development of a new generation of National Qualifications; and
- continues our major investment in Scotland's school estate through the *Scotland's Schools for the Future* programme – investing £20 million in 2011-12.

Further and Higher Education

Since 2007, investment in Lifelong Learning has been a priority. However, the scale of the budget reductions required mean that we have had to take the difficult decision to reduce the overall resources for the further and higher education sectors in Scotland. In doing so, we have been clear that our objective, in the current economic climate, is to continue to protect student numbers and to protect our investment in research.

We have asked the further and higher education sectors to extract maximum value from the unprecedented levels of investment they have received over the past four years by managing these reductions through greater efficiency and collaborative working. They have responded to this challenge.

- We have agreed with the sectors that we will work in 2011-12 to preserve core college and university student places;
- In addition, and mirroring the position in England, the Scottish Funding Council's (SFC) research budget will also be protected in cash terms.

Commercialising Scottish science and research

Building on the protection of the SFC research budget, this Budget maximises the contribution of Scotland's world-class science and research base to economic growth in Scotland.

- NHS Research Scotland (NRS) has been established. This initiative, developed to streamline the process of obtaining Research and Development approval for multi-centre research studies in Scotland, is part of a wider investment in clinical studies infrastructure, which will deliver major efficiencies to industry. It is regarded as crucial to attracting pharma industry to invest in research in Scotland;
- focused investment will continue in the Main Research Providers and Marine Scotland Science, funded by the Rural and Environment portfolio to deliver benefits to rural businesses and the wider economy. This includes new centres of expertise on climate change, water and animal disease preparedness; and
- the Scottish Government will continue to build on Scotland's science and research base through support for the growth of Scotland's life sciences sector through targeted schemes to support near-market research and development projects (feasibility and prototype development) by small and medium enterprises;

Maintaining and Improving Scotland's Physical Capital

Capital investment is crucial to sustainable economic growth and it is a central part of the Government Economic Strategy. As part of our Economic Recovery Plan, we began in advance of the UK government in August 2008 to re-profile our capital expenditure in order to support investment and key skills as private investment faltered. We argued for further capital investment, as part of the then UK Government stimulus package, instead of the VAT cuts that were introduced. We continue to believe the UK Government is wrong to slash capital investment in the economy. Ensuring continued investment is critical to economic growth and the Government's Purpose. Despite the severe cuts to the capital budget, this remains a key priority of the Scottish Government.

Since 2007, the public sector has led the way, investing more than £10 billion of capital spending over the 2007 Spending Review period. This investment is part of an integrated strategy for infrastructure investment across the *National Planning Framework 2*; the *National Renewables Infrastructure Plan*; the *Strategic Transport Projects Review*; and the *Infrastructure Investment Plan*.

Chapter 3 sets out the pressures on the Scottish capital budget following the Comprehensive Spending Review. The UK Government's requirement to reduce the Scottish Government's capital budget by 26 per cent in real terms in 2011-12 and significantly reduce capital budgets in subsequent years now threatens 12,000 jobs.

Under these constraints, the Scottish Government has undertaken rigorous prioritisation and management of capital spending. Our strategy makes full use of traditional capital procurement exported by judicious and sustainable revenue financed capital investment – and we are encouraging private sector investment in our core economic infrastructure to complement the actions of the public sector.

The Budget prioritises major national infrastructure investments, which will make important contributions to productivity, improving connectivity in Scotland, supporting the development of new sources of clean energy and supporting construction employment:

- construction of the new Forth Crossing, an essential investment in Scotland's transport infrastructure. Work on the project, with an estimated cost of between £1.7 and £2.3 billion, will begin in 2011-12 to ensure the crossing is operational by 2017. The project will secure 3,000 new jobs and additional turnover of £1.3 billion;
- the South Glasgow Hospitals project – an £842 million investment to upgrade and expand capacity for adult and children's hospital care in Glasgow and the West of Scotland; and
- Scotland's *Schools for the Future* building programme. In partnership with local authorities, this programme will invest £1.25 billion to improve Scotland's school estate.

This Budget also takes steps to leverage additional private sector investment to maintain levels of aggregate investment in the Scottish economy. In the absence of borrowing powers, the Scottish Government will work with the Scottish Futures Trust and local authorities to generate additional funding to support higher levels of capital investment than would be possible through the capital budget alone. In addition to the planned capital investments in 2011-12 and future years, the Scottish Government will use all available levers to:

- take forward a new pipeline of revenue financed investment, worth up to £2.5 billion, to be delivered through the Non Profit Distribution (NPD) model;

We will also continue to explore options to promote and encourage private sector investment to enhance our own investment in Scotland's infrastructure. Key actions are to:

- Implement the *National Renewables Infrastructure Plan*, including the £70 million Renewables Infrastructure Fund, which is designed to leverage significant private sector investment over the next four years; and
- stimulate further investment through innovative measures such as tax increment financing, the National Housing Trust and investment through the JESSICA Fund.

These steps complement the Scottish Government's wider strategy to promote economic development, particularly through the planning process. Since 2007, an ambitious set of improvements to planning has been implemented, including the ePlanning service and new planning guidance. Together, these reforms have led to tangible new economic development and an expansion of Scotland's capital asset base.

Developing a Comparative Advantage in the World Economy

At the heart of the Government Economic Strategy is the recognition that Scotland must be adept at developing sources of comparative advantage, capitalising on its natural and intellectual assets. Scotland's primary opportunity lies in the new economic opportunities that will arise from the transition to a low carbon society. Comparative advantage is also at the heart of our strategy to create a supportive business environment, through the enterprise agencies, Scottish Water, Business Gateway and key public sector agencies, VisitScotland and Scottish Development International.

Low carbon: Scotland's primary opportunity

The development of a low carbon economy is the greatest opportunity for Scotland to develop and maintain a key comparative advantage in the global economy in the long-term. In 2008, the Scottish Parliament agreed ambitious targets for the reduction of emissions in Scotland – the most stretching in the world – in recognition of the central role that the actions of Government must play in catalysing societal change.

Scotland is now uniquely placed to become a world leader in low carbon activities. Scotland has 25 per cent of Europe's wind and tidal resource and a wealth of energy engineering expertise. Together, these key assets offer the potential to establish new industries for future generations. The opportunity to develop Scotland's comparative advantage in the low carbon economy is clear:

- Scotland's low carbon market was worth around £8.5 billion in 2007-08 (within a GDP of around £100 billion), and is forecast to rise to around £12 billion by 2015-16.
- The Scottish Government's ambition is to see Scotland become the green energy capital of Europe. Offshore wind alone could bring an estimated £30 billion of inward investment, and up to 20,000 jobs. We have consented 36 major renewable projects since 2007 and have now raised the 2020 target for renewable energy, setting the ambition that it will contribute 80 per cent of Scotland's electricity consumption by 2020;
- Jobs in the low-carbon sector in Scotland are estimated to grow by 4 per cent a year to 2020, rising from 70,000 to 130,000, over 5 per cent of the Scottish workforce; and
- Scotland is already an exporter of low carbon technologies, with £845 million exported in 2009-10.

The actions taken in this Budget and our action on climate change will fundamentally shape the market towards the development of a low carbon economy. They require a major shift in business behaviours and the accepted norms in Scottish society. They are the best expression of the Scottish Government's long-term ambitions for Scotland:

- alongside this Budget, the Draft Report on Proposals and Policies is published, setting out specific measures to reduce greenhouse gas emissions to meet Scotland's ambitious statutory targets;
- our Low Carbon Economic Strategy launched on 15 November, sets the policy direction for the development of low carbon economic opportunities;
- we will support the International Technology and Renewable Energy Zone (ITREZ), a hub of engineering excellence around Glasgow, facilitated by Strathclyde University in collaboration with Scottish and Southern Electric;
- we will implement the *National Renewables Infrastructure Plan*, strengthening port and manufacturing facilities, to leverage additional low carbon investment and improve supply chain provision for manufacturing offshore wind turbines and related components; and
- our consultation document on the Scottish Water Bill will outline our vision of how Scotland's natural water resources can play a greater role in the development and contribution of the economy through supporting our transition to a low carbon economy.

Creating a supportive business environment

Scottish Enterprise and Highlands and Islands Enterprise provide support for business growth and the development of our key sectors across Scotland, working in collaboration with Scotland's local authorities and key partner agencies.

A broad set of reforms since 2007 has provided a competitive environment for long-term business growth. These have included the introduction of the Small Business Bonus Scheme in 2007, lowering the tax burden on Scottish businesses; reforms to enterprise support including the abolition of costly Local Enterprise Companies; an enhanced role for Scotland's local authorities in local economic development; reforms to planning designed to give greater certainty to developers and clarity of decision making; and the introduction of the Business Gateway to provide practical help, advice and support for new and growing businesses.

This Budget makes provision for further measures to create a supportive business environment, including:

- the Budget allows VisitScotland to market Scotland as a tourism destination overseas and in UK domestic markets. VisitScotland will also contribute to preparations for the next Homecoming celebrations in 2014 and support preparations for the Ryder Cup at Gleneagles in the same year;
- we are committed to investing £700 million to support Scottish Water investment over the period 2010-15. Scottish Water will expand its activities to support our wider economic objectives, including support for renewable energy projects;
- our broadband interventions will support our *Digital Ambition for Scotland* and put in place the broadband infrastructure needed to support innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. They will also play a critical role in protecting fragile, rural communities; and
- the Scottish Government will work with Scotland Food & Drink and other partners to deliver step-change projects across the industry, for example in innovation, market development, productivity and sustainability. Scottish Enterprise will also support the food and drink industry to deliver its ambitious strategy for growth, helping individual businesses grow to the scale needed to compete effectively in UK and international markets, and to exploit opportunities based on Scotland's international reputation for premium quality foods.

Enterprise agencies

The Budget commits £284 million to Scottish Enterprise, Highlands and Islands Enterprise and Scottish Development International:

- priority will be given to those programmes that will help Scotland's businesses make a successful transition to a low carbon economy, exploiting Scotland's comparative advantages and ensuring the continued development of a world class renewable sector;
- focus will be maintained on the key sectors that are critical to long-term economic development;

- HIE will continue its key role of supporting sustainable economic growth and strengthening local communities in some of Scotland's most fragile areas, including working with others to assist those affected by the UK Government's proposed defence cuts; and
- Scottish Enterprise will continue to support the Scottish Investment Bank, which will aid new, innovative businesses through the provision of early stage risk capital and will provide established, viable growth and exporting businesses with access to debt finance through the creation of the new Scottish Loan Fund.

Exports and inward investment

One feature of the global downturn has been the growing importance of emerging economies as key drivers of economic growth in the future. These new markets provide a rich source of future demand for Scottish companies.

Scottish Enterprise and HIE, working in partnership through SDI, will contribute to the key aims of encouraging Scottish businesses to exploit export opportunities and securing inward investment. This Budget prioritises key schemes to support the identification and exploitation of new international opportunities, including:

- Regional Selective Assistance (RSA), a regional based grant scheme, providing financial assistance to industry; and
- The SMART Exporter Initiative, a joint venture between the Chambers of Commerce and SDI, will help more businesses access international markets.

REFORM TO IMPROVE ECONOMIC SUPPORT

The implementation of new approaches to the financing of capital investment and new fiscal powers for the Scottish Government will have a significant bearing on the achievement of increasing long-term sustainable growth. Chapters 3 and 4 set out our approach to these issues in more detail.

CHAPTER 3

Capital and Infrastructure

KEY MESSAGES

Capital investment is vital to strengthening recovery and supporting sustainable economic growth. It sits at the heart of our economic strategy. The Scottish Government views the severe cuts in capital spending imposed by the UK Government as deeply damaging. We will do all we can to mitigate their effects.

The scale of cuts will inevitably slow the pace of delivery of our infrastructure programme but we are:

- making positive, strategic capital investments, including the new Forth Crossing, the re-provision of South Glasgow Hospitals and improving Scotland's schools estate; and
- supporting maintenance of assets in our key public services, including by maintaining local authorities' share of the capital budget.

We are using all available levers to expand the capital programme, including:

- taking forward a new pipeline of revenue financed investment worth up to £2.5 billion, to be delivered through the Non-Profit Distributing (NPD) model; and
- innovative measures such as Tax Increment Financing, the National Housing Trust and investment through the JESSICA Fund.¹

We will ensure value for money from our infrastructure spend by rigorous prioritisation and management of capital spending and by maximising the positive impact of the Scottish Futures Trust (SFT) across the public sector.

INTRODUCTION

This chapter sets out the Scottish Government's plans for capital spending and links them to its wider strategy for infrastructure investment in Scotland. The Scottish Government views infrastructure investment as critical to its Purpose of increasing sustainable economic growth and to supporting a strong recovery. The Scottish Government is therefore deeply concerned by the speed and scale of cuts in planned capital spending at UK level, and the consequent impact on employment, public services and economic growth in Scotland. The plans set out in this chapter demonstrate our firm commitment to prioritise capital spending during a challenging period for public finances, and ensure maximum value for money from Scotland's public infrastructure investment.

International studies² show that infrastructure investment is an essential contributor to productivity and economic growth. The accumulation of capital increases the potential output of an economy. In the short term, this can provide a boost to a country's economic growth and employment and will increase the overall size of the economy.

¹ Joint European Support for Sustainable Investment in City Areas.

² See *Economic Policy Reforms: Going for Growth 2010*, available at: www.oecd.org, O'Mahoney, M., and de Boer, W., 2002, *Britain's relative productivity performance: Has anything changed?*, National Institute Economic Review, January, Kamps, C (2005), "Is there a lack of public capital in the European Union?"

More importantly, capital investment, both public and private, is an essential driver of productivity, competitiveness, and long-term economic growth. Public sector investment that contributes to the development of a country's physical, technological and electronic infrastructure can increase the productive capacity of the economy as a whole and drive private sector growth and investment.

It is for this reason that, in the 2007 Spending Review, the Scottish Government allocated record levels of capital funding to improving Scotland's transport networks, raising capacity in the health service and investing in higher and further education.

The Scottish Government is pursuing an integrated strategy for infrastructure investment, to support its Purpose of increasing sustainable economic growth. The key pillars of their strategy are:

- the *National Planning Framework 2* – which identifies key issues and drivers of economic change, sets out a vision to 2030, and identifies priorities and opportunities in spatial perspectives for each part of Scotland;
- the *National Renewables Infrastructure Plan* – a spatial framework for developing key sites of renewables activity, which proposes funding plans for developing these sites and is supported by a £70 million National Renewables Infrastructure Fund;
- the *Strategic Transport Projects Review* – which defines the key strategic investments in Scotland's national transport network from 2012 onwards; and
- the *Infrastructure Investment Plan* – which identifies Scotland's requirements for infrastructure investment in key public services from 2008 to 2018.

The common aim of these plans is to enhance connectivity, support increasing sustainable economic growth and enable Scotland to make the transition to a successful and sustainable low carbon economy.

During the economic crisis of 2008-09, this Government also took swift action to deliver an economic stimulus, by accelerating £347 million of capital spending from future budgets, to protect growth and jobs during a sharp global downturn. This approach was consistent with recommendations from the International Monetary Fund³ that increasing capital expenditure was an effective way to deliver an economic stimulus and build the foundation for a strong recovery.

The Independent Budget Review (IBR) recommended that: “*Given the importance of [capital spending] in supporting economic recovery and increasing sustainable economic growth, the Panel would urge the Scottish Government to take every possible step to prioritise and fund capital expenditure even in the context of shrinking public sector budgets.*” As this chapter outlines, the Scottish Government is using every lever at its disposal to prioritise infrastructure investment to support recovery and sustainable economic growth.

³ See *Fiscal Policy for the Crisis*, Staff Position Note, International Monetary Fund, December 2008, available at: www.imf.org/external/pubs/ft/spn/2008/spn0801.pdf

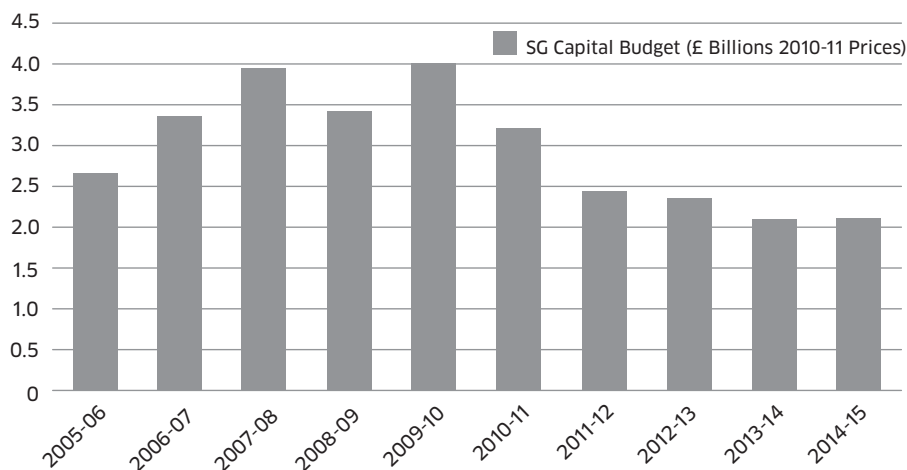
THE OUTLOOK FOR CAPITAL BUDGETS

Under the current funding arrangements for Scotland, the pace at which the Scottish Government can implement its infrastructure plans largely depends on the allocation of capital budgets from HM Treasury at each Spending Review. As discussed in Chapter 4, with greater fiscal responsibility, including the power to borrow to fund capital expenditure, the Scottish Government would have far greater freedom to determine the scale of capital spending.

Unprecedented speed and scale of reduction in capital budgets

As a result of the decisions taken by the UK Government in the 2010 Spending Review, the capital budgets available to the Scottish Government will fall by 36 per cent in real terms by 2014-15 compared to the current financial year (2010-11). The allocation of Capital DEL budgets in recent Spending Review periods is shown in Figure 3 below. This scale of reduction is unprecedented and will inevitably slow the pace of implementation of the Government's infrastructure programme.

Figure 3 Scottish Government Capital DEL budgets



Note: Capital DEL budgets for 2005-06 to 2009-10 are outturn figures. 2010-11 total is from the 2010-11 draft Budget. For 2011-12 to 2014-15, Capital DEL allocations are from the UK CSR.

The Scottish Government is deeply concerned by the speed and scale of reductions in Capital DEL budgets and their impact on public services and on the fragile economic recovery that is under way. In particular, the Government is concerned that, without effective action:

- the speed and scale of reductions in capital spending will require some projects to be delayed or cancelled, even where they are in progress and supported by a strong business case; and
- the deep reductions in capital spending will hurt the construction sector and damage the wider prospects for a strong recovery.

To lessen these impacts the Scottish Government has taken action to support capital budgets, helping to ensure the continuity of provision in key public services and maintain the pace of its infrastructure programme. Specifically, the Scottish Government has released savings arising from falling construction prices and has used these savings to fund priority investments. We have also agreed a facility with HM Treasury whereby spending in 2010-11 can be transferred to support spending in 2011-12, with an equivalent reduction in our 2010-11 DEL. This will enable us to add £100 million from the current financial year to support capital spending in 2011-12.

Capital spending plans set out in the 2011-12 Draft Budget

Faced with significantly reduced capital budgets in 2011-12 and subsequent years, the Scottish Government has undertaken rigorous prioritisation of the projects and programmes it supports. We have sought to maintain the continuity of our investment plans as far as possible, while prioritising investment to support essential public services and economic growth. The capital investments proposed in the 2011-12 Draft Budget will support:

- major investments in national infrastructure priorities;
- maintenance and capacity in key public services; and
- a firm funding commitment to local government.

The 2011-12 Draft Budget proposes major investments to support national infrastructure priorities, specifically:

- construction of the new Forth Crossing, an essential investment in Scotland's transport infrastructure. Work on this project, which has an estimated cost of £1.7 to £2.3 billion, will begin in 2011-12 to ensure that the new crossing is operational by 2017;
- the South Glasgow Hospitals - an £842 million investment to upgrade and expand the capacity for adult and children's hospital care in Glasgow and the West of Scotland; and
- Scotland's Schools for the Future building programme. In partnership with local authorities, this programme will invest £1.25 billion to improve Scotland's schools estate.

The Draft Budget 2011-12 proposes to earmark significant capital funding to support maintenance and capacity in Scotland's key public services, including health, social housing, regeneration, transport, enterprise, higher and further education, justice and rural affairs and the environment. Detailed capital investment plans are set out in each portfolio chapter.

Lastly, the Draft Budget 2011-12 offers a firm funding commitment to local government to support councils' capital investment plans. Local authorities deliver vital public services including education, policing, fire services, roads, flood defence and waste management. The Draft Budget 2011-12 allocates a significant share of the Scottish Government's capital budget to fund capital investment by local authorities, in addition to the capital investment which is financed by councils themselves. This share is in addition to the £800 million of investment that the Scottish Government is delivering through the Schools for the Future programme.

USING EVERY POLICY LEVER TO EXPAND THE CAPITAL PROGRAMME

As a result of our concern about the effect of the rapid and deep reductions in capital spending flowing from decisions in the UK Spending Review and the implications that these will have for the pace of implementation of the capital programme and the strength of the Scottish economy, the Scottish Government will explore all possible means to support higher levels of infrastructure investment than would be possible through the capital budget alone. This effort will be particularly important to support recovery and sustainable economic growth, as capital budgets will fall sharply in 2011-12 and are likely to remain low for several years.

In general, funding infrastructure investment through public capital ensures the lowest cost of finance for a typical project.⁴ Under the current public finance framework, the Scottish Government does not have the flexibility to borrow to fund additional capital expenditure. However, there is an overwhelming economic and financial case for providing this flexibility to borrow as soon as possible.

In the absence of borrowing powers, there are a number of levers which can be used to help to expand Scotland's public infrastructure programme. While ensuring these levers are used sustainably and responsibly, the Scottish Government – working closely with the Scottish Futures Trust and local authorities – will work to maximise their positive impact. Therefore, in addition to its planned capital investments in 2011-12 and future years, the Scottish Government will:

- take forward a new, affordable pipeline of revenue financed investment worth up to £2.5 billion, to be delivered through the Non-Profit Distributing (NPD) model; and
- make full use of innovative measures such as Tax Incremental Financing, the National Housing Trust and investment through the JESSICA Fund.

Revenue financed investment

Following Devolution in 1999, the then Scottish Executive supplemented the capital programme through the use of private finance – particularly through the Private Finance Initiative (PFI). Around £5.5 billion of capital investment has been delivered through PFI, particularly in the education and health sectors. However, over time a number of concerns⁵ have arisen about the practical impact of the PFI model, including:

- the cost of financing;
- the scale of repayments – or unitary charge payments – from public authorities' revenue budgets over the life of contract, which is typically 25 to 30 years; and
- the potential for the private sector to make large 'windfall' profits from PFI deals, including as a result of refinancing existing contracts.

4 This is because governments generally borrow at lower rates of interest than commercial project lenders, and private lenders also factor in a risk premium and a profit margin when they set terms for financing a particular public infrastructure project.

5 In March 2010 the Economic Affairs Committee of the UK House of Lords concluded its inquiry into 'private finance projects and off-balance sheet debt'. The report raised these concerns and others. It is available at: www.publications.parliament.uk/pa/ld200910/ldselect/ldeconaf/63/6302.htm

Unitary charge repayments are already a significant cost to the revenue budgets of the Scottish Government and local authorities. Based on existing contractual commitments entered into since 1997, the cost to the Scottish Government Resource DEL budget of unitary charge repayments will peak at around 2.3 per cent in 2015-16. In other words, merely to fund contracts already signed, the Scottish Government must find an additional £50 million this year compared to 2010-11 plans. This is a significant additional commitment on a Resource DEL budget which will fall by 2.0 per cent in cash terms between 2010-11 and 2011-12.

In recognition of the mounting level of unitary charge repayments across the public sector and concerns about the value for money offered by PFI projects, the Scottish Government has made extensive use of traditional capital funding to deliver major projects. Since May 2007, based on value for money considerations, new revenue financed investments have been taken forward through the Non-Profit Distributing model.

The Non-Profit Distributing model

Based on value for money grounds, the Scottish Government has made clear that it supports the Non-Profit Distributing (NPD) model to deliver revenue financed investment. The NPD model seeks to transfer risk and exert private sector discipline both during the construction phase of a project and throughout its lifetime, but without the excessive profits to the private sector and financing costs to the public sector associated with past PFI projects. Key features of the NPD model are that:

- returns to the private sector are capped;
- NPD does not contain dividend-bearing equity; and
- surpluses from NPD projects can be directed in favour of the public sector.

Had the Scottish Government continued with PFI, the pressure on revenue budgets in 2011-12 and future years would have been greater still. This would have required deep cuts in revenue budgets for key public services and ultimately a reduction in the quality and quantity of public service provision. It would also have meant that, facing a deep and sustained reduction in capital budgets following the 2010 Comprehensive Spending Review, the Scottish Government would have little, if any, flexibility to support the capital programme and to maintain capacity in key public services.

As revenue budgets begin to recover in the medium term, there is an opportunity to use revenue finance effectively and judiciously. The Scottish Government therefore proposes that investment decisions on revenue financed investment should be made within a clear and sustainable overall financial framework, to ensure affordability over the medium to long term. The box below sets out the main assumptions underpinning this framework, and the scale of new capital expenditure that can be delivered through the NPD model.

New investment financed through the Non-Profit Distributing model

To enable a sustainable approach to revenue financed capital investment, the Scottish Government will place a cap on the maximum percentage of the Resource DEL (RDEL) budget to be allocated in any one year to meet unitary charges. This policy will ensure that new proposals for revenue financed investments are assessed rigorously in relation to future revenue affordability as well as value for money.

Based on contracts already signed, the cost of unitary charges will peak as a share of the RDEL budget at around 2.3 per cent in 2015-16 (or £613 million in nominal terms). The Scottish Government intends to hypothecate an additional 1 per cent of the RDEL budget, which will be top-sliced to fund new NPD projects. This policy will provide at least £250 million of revenue support, which will be used to fund up to £2.5 billion of capital expenditure delivered through the NPD model.

The new pipeline of NPD investment will help support key projects across core public services, including:

- Major transport projects with a capital value of £1 billion:
 - the Borders Railway project (£230-£290 million);
 - M8 Baillieston to Newhouse, M74 Raith Junction and M8, M73 and M74 network improvements (c.£320 million); and
 - the Aberdeen Western Peripheral Route and A90 Balmedie (£350-£450 million).
- Education projects with a capital value up to £750 million:
 - specific projects within Scotland's Schools for the Future programme, subject to the agreement of local authorities (£400-£500 million);
 - improvements to the further education college estate at Kilmarnock and Inverness (c.£100 million); and
 - modernisation of the Glasgow college estate, subject to the conclusion of a robust and affordable business case (c.£200 million).
- Health projects with a capital value up to £750 million:
 - the Royal Sick Children's Hospital and Department of Clinical Neurosciences in Edinburgh (c.£250 million);
 - revenue support to finance projects through the hub initiative (c.£200 million); and
 - individual hospital projects, health centres and mental health facilities across Scotland (up to £300 million).

The Scottish Futures Trust will deliver this pipeline of projects in partnership with the Scottish Government, local government, NHS Boards and other public bodies.

This new pipeline of NPD projects is being targeted to provide the maximum support for the wider capital programme and for Scotland's key public services. The Scottish Government will seek to deliver each project as early as possible in order to accelerate its benefits to citizens and to the wider economy.

In addition to this pipeline of NPD investment, the Scottish Government will continue to make the case for greater financial responsibility for Scotland, including – at the earliest opportunity – the power to borrow to fund capital expenditure. With borrowing powers in place, the Scottish Government would be able to accelerate the pace of its infrastructure programme and undertake new investments in order to help strengthen sustainable economic growth and support vital public services.

Innovative financing mechanisms to support capital investment

Within the existing budgetary framework, the Scottish Government, in conjunction with the Scottish Futures Trust, has looked at innovative financing solutions which will help lever in new, additional funds to help take forward key infrastructure investment projects.

The Scottish Government has been at the forefront of developing innovative schemes such as Tax Increment Financing, the National Housing Trust and the JESSICA Fund to generate new funding sources for key infrastructure investment projects.

Tax Increment Financing

Tax Increment Financing (TIF) is a means of funding public sector infrastructure judged to be necessary to unlock regeneration in an area, and which may otherwise be unaffordable to local authorities.

The overarching goal of TIF is to support and guide the increasingly limited public finances available for assisting regeneration by helping to lever in additional private sector capital. The TIF model allows for initial borrowing through the Public Works Loan Board to fund the infrastructure to be repaid through predicted future non-domestic rate revenues resulting from the local authority's investment.

Scottish Ministers have brought forward secondary legislation under existing provisions of the Local Government Finance Act (1992) to enable up to six TIF pilot schemes to take place.

In September 2010 the Cabinet Secretary for Finance and Sustainable Growth gave provisional approval for the UK's first TIF scheme at Leith Harbour in Edinburgh. The TIF scheme will take forward four enabling infrastructure projects which the City of Edinburgh Council believes will unlock 500 acres of waterfront land. These enabling projects are:

- a new road link between Seafield Road and Constitution Street to improve access to the development area;
- a public esplanade outside the Ocean Terminal shopping centre to bring new commercial outlets to the waterfront;
- a new pier for the Royal Yacht Britannia and visiting cruise liners; and
- new lock gates at Leith docks to facilitate cross-Forth ferry traffic.

The total cost of the four infrastructure projects is estimated to be £84 million. They have the potential to unlock an additional £660 million of private investment, creating up to 4,900 full-time equivalent jobs.

The Scottish Futures Trust is currently working with two other local authorities – North Lanarkshire Council and Glasgow City Council – which are developing TIF proposals for Ravenscraig and Buchanan Galleries respectively.

National Housing Trust

The first phase of the National Housing Trust (NHT) procurement was launched in September 2010. It aims to provide around 1,000 additional affordable homes for rent over the medium term in areas where there is a shortage in the supply of affordable housing.

Successful developers build the homes, which are then purchased by Special Purpose Vehicles (SPVs). The SPVs are in turn jointly funded by councils and private partners. Participating local councils' loans to fund these purchases will be backed by a guarantee from the Scottish Government that these loans will be repaid.

To participate in the scheme, developers or other private partners must commit to making homes available at mid-market levels of affordable rent for at least five and up to 10 years before the homes can be sold. Tenants must be given the option to purchase their home at market value before it can be sold on the open market.

The NHT will not only enable local authorities to secure new affordable housing through low risk borrowing but it will also provide support for economic recovery by re-starting construction on stalled housing sites. Around 1,100 jobs will be maintained if 1,000 new homes are delivered through NHT.

By moving from grant to guarantee funding, the NHT aims to deliver affordable homes in return for less public subsidy, helping to deliver additional investment.

Investment through the JESSICA Fund

On 6 July 2010, the Scottish Government announced the creation of a JESSICA fund in Scotland. JESSICA funding can be used to support a range of urban regeneration projects, including new business space, wireless technology zones, green energy for social housing, renewal of derelict sites and more efficient transport schemes.

The JESSICA Fund in Scotland has been capitalised by £26 million of Scottish Government funding, matched with £24 million of European Structural Funds. The total £50 million fund is being managed by the European Investment Bank (EIB), which will ensure that loans and equity investments made by the fund are made on commercial terms. These investments will be delivered to projects across Scotland through Urban Development Funds (UDFs).

A key advantage of the JESSICA Fund approach is that it enables the Scottish Government to use EU Structural Funds as a source of repayable investment (loans, equity) rather than grants, meaning that funds can be recycled and continue to deliver benefits over the life of the JESSICA structure. Both the EIB and UDF managers may also leverage their own resources into urban development projects supported by JESSICA, which would further increase the economic impact of this policy.

DELIVERING VALUE FOR MONEY THROUGH THE SCOTTISH FUTURES TRUST

The rapid and deep reductions in capital budgets place an ever greater emphasis on making the right spending choices and ensuring maximum value for money from each pound that is spent. The Scottish Futures Trust (SFT) was established in 2008 with the central aim of helping the Government to achieve better value for money from public infrastructure investment in Scotland.

Role of the Scottish Futures Trust

The Scottish Futures Trust (SFT) has a remit to enhance value for money for infrastructure investment in Scotland. The importance of this work has grown given the speed and scale of planned reductions in Capital DEL budgets.

The SFT is active in all sectors and is delivering innovative new ways of working that will result in improved value for money, including:

- the hub initiative for community infrastructure;
- the National Housing Trust, releasing much needed affordable housing; and
- Tax Increment Financing, which will leverage significant additional investment for regeneration.

Building upon the £111 million of net savings and benefits identified during 2009-10, the SFT has undertaken two streams of work over autumn 2010 to ensure that the capital programme is delivering value for money and maximising its impact.

The first has been the identification of potential purchasing power gains as a result of changed economic conditions since the original cost estimates for planned projects were produced. This work identifies potential savings from reduced construction prices across a range of portfolios including Health, Justice and Education and has helped to refine final cost estimates for the capital DEL budget.

The SFT will continue to work with budget holders to investigate ways to deliver further savings in capital budgets over future years.

The SFT has also carried out a review of existing operational PFI/PPP contracts to assess potential savings. This work has identified the potential to generate savings from changes to contract management, through a shared service approach. Work in this area to realise the identified savings will be taken forward over the next six months. The SFT will also continue with its work to ensure that NPD contracts deliver better value for money.

The role and contribution of the SFT were examined closely by the Independent Budget Review (IBR) Panel. The IBR Panel commented that: *“The Panel received views about ways to improve public sector procurement practice and enhance the impact of the capital programme. ... The Scottish Futures Trust was designed to address these points in relation to public infrastructure investment. The Panel strongly supports the purpose of such a body.”*

The IBR Panel made the following specific recommendations in relation to SFT:

- the Scottish Government should consider enhancing the role of SFT to allow it to lead improvements in capital procurement, with savings derived from better capital procurement recycled into additional capital investment;
- the Scottish Government should consider tasking SFT to assess and report upon the potential and practicality of all the available financing options to sustain capital spending at levels supportive of economic recovery and consistent with the Government's longer-term strategic objectives; and
- the Scottish Government should consider developing SFT into a centre of expertise in the ownership, management and disposal of public assets. This would operate as a source of independent advice for all public bodies and ensure value for the public purse.

The Scottish Government has welcomed these recommendations and will work with SFT to implement them. The box below sets out our response to the recommendations of the IBR Panel.

Scottish Futures Trust – Response to the Independent Budget Review

In future the need to deliver and improve value for money will not diminish. The role of the Scottish Futures Trust in this was recognised by the Independent Budget Review. The Scottish Futures Trust has considered the recommendations of the Independent Budget Review and is developing a work programme in a number of key areas. This includes:

- identifying a number of ways in which it can drive further value from effective asset management. By the end of 2010-11 the SFT will take forward a pilot project through the South East hub territory to assess ways to improve asset management and estate planning across public bodies at a community level. It will also develop proposals by the end of the year for the Scottish Government to deliver enhanced value from centrally-held land and property assets;
- taking forward a new, affordable pipeline of revenue financed investment worth up to £2.5 billion, to be delivered through the Non-Profit Distributing (NPD) model and implementing innovative financing solutions to deliver additional investment such as Tax Increment Financing and the National Housing Trust; and
- leading improvements in capital procurement through the SFT's centre of expertise role and in developing approaches to optimism bias and contingency management, budgeting and procurement suited to the current economic climate.

CONCLUSION

Public sector investment is critical to the Scottish Government's purpose of increasing sustainable economic growth and the unprecedented cuts in capital spend at the UK level could threaten the outlook for the Scottish economy. The Scottish Government has set out a clear strategy to mitigate these effects. In conjunction with the Scottish Futures Trust, we will ensure that we deliver value for money in our infrastructure investments and maximise their impact. We will also look to innovative financing methods to lever in additional funding for infrastructure investment. We will ensure that our investment is targeted on priorities, and we will develop a sustainable pipeline of revenue financed projects.

CHAPTER 4

Scottish Government Budget - Greater Fiscal Responsibility

Key Messages

- The Scottish Government is committed to using all the levers at its disposal to promote economic recovery, safeguard jobs and protect the vital public services upon which our people and communities depend.
- However, the £1.3 billion cash terms cut (£1.8 billion in real terms) in funding for public services for 2011-12 that this Draft Budget 2011-12 addresses, has been determined, not by policy choices taken in Scotland, but by those of the UK Government in Westminster.
- Under the current Devolution framework, we are constrained in our ability to protect Scotland from these cuts. We are also limited in the range of options we can put forward to plot an alternative path that would better address the key economic, social and financial challenges that Scotland faces.
- We are clear that the current budgetary situation highlights the need for urgent reform to ensure that Scotland is never again required to face years of sustained cuts to our public services. We believe in ambitious constitutional and financial reform: that is, reform which centres on the promotion of financial responsibility and sustainable economic growth.
- The Scottish Government believes Scotland's interests would be best served under Full Fiscal Responsibility in an independent Scotland.
- Short of this, we have made the case for Full Fiscal Responsibility within the UK – a system more akin to the sub-central arrangements in the US, Canada and some EU countries.
- Both frameworks would provide a simple and transparent framework that maximises accountability and can act as a powerful engine for growth and prosperity.
- The recommendations of the Calman Commission on Scottish Devolution would not achieve this. In fact, they are likely to make matters worse.
- Under Calman, the key growth levers would remain at Westminster. Scotland's Budget would be exposed to even greater risks with the real prospect of additional cuts to public spending.
- Had the Calman recommendations been in place since Devolution in 1999, the cumulative devolved budget over the 10 years 1999 to 2009 would have been £8 billion lower in real terms than under the current Devolution framework.
- Full Fiscal Responsibility would make Scotland responsible for its own finances and would grant the Scottish Parliament the key economic and fiscal levers that are available in other comparable nations.
- Crucially, it would mean the Scottish Government and Scottish Parliament would have the opportunity to balance the pace and scale of fiscal consolidation with the interests of our economy, the demands for public services and the priorities of the people of Scotland.
- In what follows, we set out in more detail the opportunities that greater fiscal responsibility would provide for Scotland not only now, but also in the future. At its heart is the promotion of sustainable economic growth and the use of the proceeds of greater prosperity to invest in Scotland's public services and infrastructure.

EXISTING FINANCIAL FRAMEWORK

As highlighted in chapter 1, a direct consequence of the UK Government's spending plans is that the resources available to the Scottish Government will be cut significantly for at least the next four years. By 2014-15, the total cut will be £3.3 billion, over 10 per cent, in real terms. Even when the fiscal consolidation planned by the UK Government is completed, it is expected to take until 2025-26 for the Scottish Budget to return to its 2009-10 level in real terms. During this time, the cumulative real terms loss in the Scottish Budget is estimated to be £39 billion.

Under the existing financial framework, our ability to influence the scale and timing of the forthcoming cuts is strictly limited.

In the main, Scotland's Budget is determined through the Barnett Formula. Under Barnett, changes to our Budget are determined by UK Government decisions on the amount of money it chooses to allocate to Whitehall departments based, primarily, on the conditions in England. If funding increases, Scotland receives a comparable (per capita) share of the additional resources, and if funding decreases, Scotland receives a comparable cut. This means the level of public spending in Scotland is unrelated to the tax revenue raised in the country, or to the strength of Scotland's public finances¹.

Under the current fiscal framework, the Scottish Government is effectively a spending department. The budget we receive is determined by the policy choices and financial decisions taken by the UK Government.

We have limited revenue raising opportunities and virtually no authority over the tax system in Scotland. In 2008-09, over 90 per cent of Scottish revenues were controlled by the UK Government. Only three taxation elements are devolved – local taxation (i.e. the council tax), non-domestic rates and the Scottish Variable Rate which can vary the basic rate of income tax by up to 3p.

In addition, unlike almost all devolved governments in other countries, the Northern Ireland Executive and our own local authorities, the Scottish Government has no borrowing powers.

This framework imposes a number of significant constraints. Firstly, it ties Scotland to decisions taken by the UK Government for Whitehall departments. As a result, the pace and scale of cutbacks in Scotland is determined by the spending plans implemented for England. They are not set with reference to the particular economic circumstances north of the border, or the preferences and needs of Scottish households or businesses.

Secondly, we lack many of the key levers to promote growth and employment in Scotland. The opportunities to set competitive policies, particularly in relation to taxation, are strictly limited. More generally, we lack the powers to use the full range of fiscal and economic policy levers to complement the specific strengths of the Scottish economy or address any weaknesses.

Just as importantly, we cannot use the proceeds of our successes to support public services or to protect the most vulnerable in our society. If we put in place policies which grow the economy and therefore increase UK tax revenues, we do not receive a corresponding change in our block grant.

¹ Estimates of Scotland's fiscal position under the current constitutional framework are provided in the Scottish Government publication *Government Expenditure and Revenue Scotland*. The most recent edition of the report shows that, including an illustrative share of North Sea Revenues, Scotland ran a current budget surplus in each of the four years to 2008-09. The UK last ran a current budget surplus in 2001-02.

Thirdly, key areas of spending and public policy are reserved to Westminster. For example, Scotland has no authority over welfare (including key employment and poverty benefits), business regulation (including access to finance) or defence spending (where UK decisions currently pose threats to the Moray RAF bases). In these important areas, Scotland does not have the opportunity to choose for itself the course of action it wants to take, but is instead dependent upon decisions taken in Westminster.

OPTIONS FOR FINANCIAL REFORM

There is a clear consensus that the current Devolution framework requires urgent reform. In particular, there is agreement that the anomaly at the heart of the current settlement – the lack of real financial and economic responsibility – needs to be addressed.

Through the National Conversation, and in the White Paper *Your Scotland Your Voice*, the Scottish Government has argued that Scotland would be best served by Full Fiscal Responsibility under independence².

The UK Government, on the other hand, has said it is committed to implementing the recommendations of the Calman Commission.

Below we consider the opportunities that both Calman and Full Fiscal Responsibility would create for Scotland in responding to the current budget challenges.

CALMAN COMMISSION PROPOSALS

The Commission on Scottish Devolution, (the ‘Calman Commission’) was established in December 2007 to review the provisions of the Scotland Act 1998. The Commission’s remit was strictly limited, with assessments of independence and full fiscal autonomy ruled out.

The Commission’s final report contained a number of financial recommendations. The main recommendation was for a proportion, around 15 per cent, of the Scottish Budget to be determined by the share of income tax revenues raised in Scotland³.

There are two serious weaknesses with the Calman proposals.

Firstly, the proposals provide no meaningful new economic powers for Scotland. They simply represent a modified funding formula rather than any attempt at more ambitious reform.

The Barnett Formula would remain the biggest determinant of the Scottish Budget – approximately 80 per cent of Scottish revenues would continue to flow to the UK Government. Responsibility for key taxes, such as corporation tax, green taxes, fuel duty, North Sea revenues and excise duties, would remain outwith Scotland’s control.

On closer inspection, it becomes clear that the new powers are more apparent than real. For example, key elements of income tax, such as the setting of personal allowances, the taxing of investment

² The Scottish Government’s White Paper and accompanying discussion documents are available from the National Conversation website www.scotland.gov.uk/Topics/a-national-conversation

³ See Scottish Government (2009) – Scottish Government Response to the Commission on Scottish Devolution www.scotland.gov.uk/Publications/2009/11/09152544/0 for further discussion of the proposals

income, or the opportunity to vary tax rates for particular groups, such as pensioners, would remain reserved. By being unable to vary tax rates across bands, a future Scottish Government would only be permitted to apply broad-brush changes to the tax system. We would, for example, be unable to make the system more or less progressive. As a result, the income tax proposals would provide no meaningful increase in the autonomy of the Scottish Government.

Secondly, there is growing evidence that far from actually improving the current framework, the Calman proposals may represent a backward step and could make the spending and economic challenges we face even more difficult⁴.

In particular, we have identified a catalogue of weaknesses inherent in the Calman proposals. These include budgetary volatility and the potential for damaging policy spill-over effects.

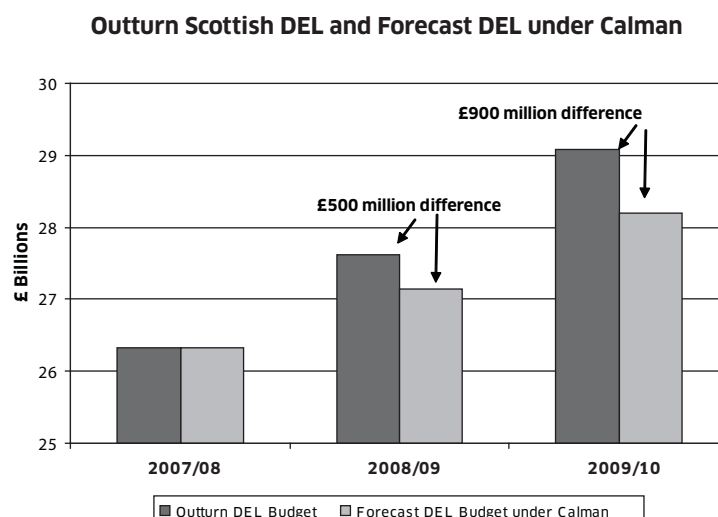
A key shortcoming in the Commission's proposals is that the Scottish Government would be unable to borrow to offset cyclical falls in tax receipts when the economy enters recession. Figure 4 provides a stark illustration of the potential impact this shortcoming could have. Had the Commission's proposals been implemented at the start of the last Spending Review in 2007-08, the Scottish Budget would have been £500 million lower in 2008-09 and £900 million lower in 2009-10 than under the current framework. Such cuts would have occurred at the height of the recession and at the worst possible time for the Scottish economy. A cut of £900 million in 2009-10 could have threatened 13,500 jobs.

⁴ Scottish Government (June 2010) – Experts concerned over Calman fiscal reforms
<http://www.scotland.gov.uk/News/Releases/2010/06/07080606>

Figure 4: Volatility in the Calman Commission's Income Tax Proposals

In line with both the UK and all other major economies, Scottish income tax receipts are estimated to have fallen in recent years. This simply reflects the fact that income tax revenues are volatile – they grow in good times and fall in bad times. To prevent this volatility from impacting on public services, governments typically borrow during downturns to offset cyclical falls in tax revenue and pay back this borrowing when the economy has recovered. But under Calman, Scotland would be unable to borrow to stabilise its Budget over the cycle.

In Scotland, the estimated fall in income tax revenues between 2007-08 and 2009-10 was approximately seven per cent. As a result, had Calman been established in 2007-08, the Scottish Budget would have been £500 million lower in 2008-09 and £900 million lower in 2009-10 relative to what we actually spent.



Sources: Scottish Government calculations using Government Expenditure and Revenue Scotland 2008-09, Scottish Government DEL outturn data, *Serving Scotland Better* (Commission on Scottish Devolution, June 2009). UK income tax data is sourced from National Statistics outturn figures for UK fiscal revenue, from ONS Public Sector Finance Statistics.

The nature of the recommendations means that while we would be exposed to significant risks, particularly during downturns, we would also not share in the benefits in periods of growth. If the Scottish Government successfully grew the economy and increased income tax receipts, more than half the additional revenue would flow to the UK Exchequer. At the same time, the Scottish Government would not receive any of the additional revenues in other taxes that faster growth would generate.

In the run up to the recession (2003-04 to 2007-08), Scottish tax revenues increased by an average £3.5 billion per annum. However, under Calman, the Scottish Government would have received just 20 per cent of these increases, the remaining 80 per cent would have instead gone to the UK Government. Indeed, had Calman been introduced in 1999 at the launch of the Scottish Parliament,

the Scottish Budget would have been lower than under Barnett in every year from 2001-02 to 2010-11. Between 1999-00 and 2010-11, the total cumulative real terms shortfall would have been £8 billion.

A further shortcoming arises from the fact that both the Scottish and UK Governments would be taxing (and sharing) revenue from one source – income tax. As Calman envisaged Scotland as the clear junior partner in this relationship, the revenues ‘assigned’ to Scotland would be subject to change as a result of policy decisions at the UK level.

As an illustration, the UK Government’s plans to increase income tax personal allowances to £10,000 – to be paid for in part by a rise in National Insurance contributions – could result in an automatic reduction in Scotland’s Budget of between £800 million and £1 billion. Instances of such spill-over effects are not unique. Over the past three years, changes to the income tax system by the UK Government such as the 10-pence tax rate, revisions to personal allowances, exemptions and reliefs, would all have reduced the resources available to the Scottish Government.

In summary, far from providing a meaningful solution to the budget challenges that we now face, Calman has the potential to make matters worse. These weaknesses cannot be solved by ad-hoc technical fixes without seriously jeopardising the transparency and accountability of the Devolution settlement. Such a system is unlikely to be sustainable over the long term.

Moreover, Calman fails to provide any new meaningful economic levers. As a result, future Scottish Governments would continue to be constrained in their ability to protect Scotland from significant budget cuts or to put forward alternative options to better address the key economic, social and financial challenges that Scotland faces.

FULL FISCAL RESPONSIBILITY

At the heart of Full Fiscal Responsibility is the recognition that in order to maximise accountability and to incentivise economic growth, policy makers should balance both the revenue and expenditure implications of their policy choices and be given full access to the levers of economic growth.

A variety of practical proposals for Full Fiscal Responsibility have been put forward⁵. Independence encompasses Full Fiscal Responsibility and would provide the maximum degree of policy discretion and accountability over fiscal and economic policy.

Full Fiscal Responsibility within the UK would see the Scottish Parliament become responsible for setting and collecting almost all taxes levied in Scotland. The Scottish Government would then pay for its share of the services which span the whole of the UK – for example, defence and foreign affairs. Essentially, it is the current system in reverse, with taxes raised in Scotland staying in Scotland and a payment to the UK for a proportionate share of UK-wide expenditure.

The Scottish Government would be granted full borrowing powers, overseen by an independent Scottish Fiscal Commission. An ‘Economic Agreement’ could then establish parameters to ensure Scottish and UK economic and fiscal policies were consistent with a stable macroeconomic and fiscal framework.

⁵ For example, Scottish Government (2009) – *Fiscal Autonomy in Scotland: the case for change and options for reform* and Professor Andrew Hughes Hallett and Professor Drew Scott (2010) – *Scotland: A New Fiscal Settlement*

In both independence and Full Fiscal Responsibility in the UK, Scotland would take full responsibility for addressing the current state of the public finances.

Such a framework has a number of significant advantages.

Firstly, it would maximise accountability and transparency – vital in providing the right incentives and conditions for economic growth. Full Fiscal Responsibility would fundamentally alter the way in which the Scottish Government and Scottish Parliament operate.

Secondly, it would promote responsibility. The current framework provides little incentive to spend less than the block grant and few opportunities to spend more or to save. This would change immediately under Full Fiscal Responsibility. Policy makers would be forced to balance the benefits of particular decisions with their associated costs. Crucially, successful policies would lead to additional resources, while unsuccessful policies would lower resources. No-one could be held responsible except those who enacted such changes.

Thirdly, it would ensure that the priorities of the people of Scotland and the needs of the Scottish economy were considered at all times. For example, it would be up to policy makers north of the border to decide how to restore the public finances to health in a way which was in the best interests of the Scottish economy and the people of Scotland.

Fourthly, and most importantly, it would grant the Scottish Government and Scottish Parliament control over the key economic and fiscal levers to promote growth in Scotland. Under Full Fiscal Responsibility, Scotland's sustainable economic growth could be boosted by allowing us to shape the fiscal and economic environment to make the most of Scotland's comparative advantages, to address specific skills shortages and to build upon and correct infrastructure strengths and weaknesses.

OPPORTUNITIES WITH FULL FISCAL RESPONSIBILITY

To illustrate some potential opportunities that could arise under Full Fiscal Responsibility we outline some of the key policy levers that Scotland could use to support growth. This list is not exhaustive, with a host of new opportunities awaiting Scotland.

Having the ability to make decisions to increase our competitiveness and respond to short-term economic challenges is essential if Scotland is to fulfil its potential. The economic success of the Basque Country relative to the rest of Spain, where GDP per capita is approximately 30 per cent higher⁶, provides a stark illustration of the benefits that can be achieved with Full Fiscal Responsibility.

Greater Budget Flexibility

With Full Fiscal Responsibility, we would have much greater flexibility to determine the size and composition of our budget.

We would have greater opportunities to support the Scottish economy during times of difficulty and to do so in a manner that reflected Scotland's particular needs. It would also give us the opportunity to re-profile the current spending cuts in the short term and to phase them in over a

6 Instituto Nacional de Estadística (2010) - Spanish Regional Accounts

longer time period – a strategy that would be more consistent with the economic conditions north of the border and the preferences of the majority of people in Scotland.

Greater fiscal responsibility would also provide the opportunity to establish a Scottish sovereign wealth fund. This could be used to invest a proportion of the revenues from Scotland's oil and gas reserves over the long term. It could help support macroeconomic stabilisation and address unexpected short term spending pressures, safeguarding Scotland's fiscal position.

Improving Scotland's long-run competitiveness through the tax system

With greater fiscal responsibility, the ability to use the tax system to boost competitiveness would represent a major policy lever. The Scottish Government has already substantially reduced the business tax burden through the levers we do control – for example by setting the lowest national business rate poundage ever and introducing the Small Business Bonus Scheme.

With Full Fiscal Responsibility we could do much more. For example, by using corporation tax to help local businesses grow and attract new businesses to locate in Scotland⁷.

The role of taxation in promoting competitive advantage is well established⁸. For example, recent work in the American Economic Journal shows that, in the OECD, a 10 per cent reduction in corporation tax has typically increased investment rates by over two percentage points; nearly doubled the number of entrepreneurs per 100 population; and raised company registrations by 20 per cent⁹. The Centre for Economics and Business Research (CEBR) estimates that if the corporation tax rate in the UK were lowered toward the rate currently in the Republic of Ireland, after 14 years, GDP would be approximately nine per cent higher, driven by an increase in the level of private sector investment of up to 60 per cent¹⁰.

Additional opportunities could include the use of tax levers to support small and medium sized enterprises (e.g. through the income tax and capital gains tax system), or the variation of allowances for particular growth enhancing activities, such as investment in research and development, capital development or skills. Opportunities would also exist to simplify the tax system and make it more transparent, reducing the compliance and administration costs incurred by both business and government.

Promote growth in particular sectors

Full Fiscal Responsibility would also create the opportunity for the Scottish Government to establish targeted policies for key sectors. This could encourage inward investment and boost the opportunities for Scottish companies to be successful on the international stage. For example, Canada offers tax relief of 30-40 per cent on certain items (e.g. wages) for video game developers, France has introduced a 20 per cent relief and Singapore, many US states and Eastern European countries have similar schemes.

⁷ See for example - the Holtham Commission in Wales.

⁸ See for example Lee Y., and Gordon R.H., 2005, *Tax structure and Economic Growth*, Journal of Public Economics, Vol. 89, pp. 1027-1043.

⁹ Djankov, Simeon, Tim Ganser, Caralee McLiesh, Rita Ramalho, and Andrei Shleifer. 2010. *The Effect of Corporate Taxes on Investment and Entrepreneurship*. *American Economic Journal: Macroeconomics*, 2(3): 31-64.

¹⁰ Centre for Economics and Business Research (2007), *The dynamic impact of the 2007 Budget and a comparison with the impact of gradually introducing an Irish level of corporation tax*.

One area where this could be particularly important is the renewables sector. Scotland's offshore renewables practical resource (offshore wind, wave and tidal) has been estimated at up to 206 GW, 40 per cent of the UK total¹¹. Scotland's vast energy resources have the potential to support tens of thousands of jobs.

Using the powers that we currently have, we have already established a strong incentive scheme for the development of renewables. But our success depends upon the right economic and taxation conditions for development. With Full Fiscal Responsibility we could complement our current actions by using the ability to direct tax reliefs and credits to those engaged in producing renewable energy. This could include using energy tax policies such as more generous capital allowances for infrastructure investment and schemes to better link current and future tax payments (when production becomes more profitable).

Full Fiscal Responsibility would also ensure that Scotland receive a fair share of rents generated from the Crown Estate and would be able to invest our proceeds from the Fossil Fuel Levy in a manner which was in Scotland's best interests. More generally, we would have greater policy choices to assist in the transition to a low carbon economy, drive down emissions and deliver our world-leading climate change target.

Streamline the benefits system

Full Fiscal Responsibility would also enable Scotland to design and deliver policies to address its social needs. Alongside establishing a system to encourage participation and address employment inequalities, the Scottish Government would be able to determine eligibility for, and set the levels of, benefits.

This would help us put forward changes to welfare that would protect the most vulnerable in society and that were consistent with the social objectives of the people of Scotland. For example, the benefits system could be adjusted to avoid poverty traps, where little or no financial benefit is gained from employment because means-tested benefits are withdrawn. Changes could also be made to ensure those attending training courses or doing voluntary work to improve their employment prospects would not be penalised by losing benefits.

We believe that a simplified and streamlined benefit system is required to reduce administration costs and improve people's confidence and understanding of their entitlement. This would address the low levels of take-up of many benefits among vulnerable groups. At the moment, the Scottish Government is engaging with the UK Government on its wide-ranging reforms to the welfare system to ensure that the interaction with Scottish policies and impacts on Scotland's people are considered appropriately. However, we believe that greater autonomy would provide the best opportunity to develop and deliver a system that is right for Scotland.

Investment in Infrastructure

Capital investment is crucial to the economy and provides lasting economic benefits as well as an immediate demand stimulus to construction and related sectors in the economy. Under the current arrangements, Scotland is expected to fund once in a generation projects, such as the new Forth Crossing, from within normal annual allocations – even though it makes far more economic and

¹¹ The Offshore Valuation Group: The offshore valuation: a valuation of the UK's offshore renewable energy resource. www.offshorevaluation.org/

financial sense to spread the cost over the life of such projects, given that they will undoubtedly benefit future generations.

Full Fiscal Responsibility would give the Scottish Government greater flexibility over the timing and management of key infrastructure projects, allowing decisions to be taken in a manner which was sensible, efficient and wholly appropriate to Scotland's circumstances.

IMPACT OF FASTER ECONOMIC GROWTH ON THE OUTLOOK FOR PUBLIC SPENDING

The opportunities that Full Fiscal Responsibility would provide are not academic. The implications for Scotland are real.

Firstly, while Scotland would not escape from efforts to rebalance the public finances, it would be up to policy makers north of the border to decide how best this could be achieved; and to do so in a manner which was consistent with the specific needs of, and conditions facing, the Scottish economy. For example, Full Fiscal Responsibility would give us the opportunity to re-profile the current spending cuts, phase them in over a longer time period and not be locked in to continual cuts.

Secondly, if we are able to grow the economy faster, the proceeds of this wealth could be used, not only to address the debt legacy more quickly, but to fund greater investment in our public services. Over time we could establish a virtuous cycle of economic growth, higher tax revenues and sustained investment in our public services. This would not only provide a real alternative to a decade of low spending but would help ensure that we do not face this situation again.

Forecasting the direct benefits from Full Fiscal Responsibility is difficult. However recent research suggests the effects could be significant. Analysis by Professors Andrew Hughes Hallett and Drew Scott suggests that *“a 1% to point increase in fiscal devolution [the proportion of revenue and expenditure devolved] might be expected to raise GDP by 1.3 percent after five years above what would otherwise have been the case”*. The authors estimate that this increase is equivalent to *“£1.86 billion, or £350 in income per head”*¹².

The medium term outlook for public spending presented in chapter 1, forecasts that, under the existing Devolution framework, it could take until 2025-26 for spending to return to 2009-10 levels in real terms, implying a cumulative real terms loss of approximately £39 billion. This modelling is based on the assumption of a continuation of the current fiscal arrangements, and UK public spending growing in line with the wider economy. Scotland is then assumed to receive the resulting Barnett share equivalent to approximately 1.8 per cent per annum.

In contrast, if Full Fiscal Responsibility allowed for Scottish economic performance to improve more rapidly, that could in turn significantly reduce the time taken to return public spending to current levels and the severity of the lost investment could be significantly reduced. By growing more quickly, the total cumulative loss to Scotland's budget could fall, allowing greater spending on public services.

¹² Professor Andrew Hughes Hallett and Professor Drew Scott (2010) – *Scotland: A New Fiscal Settlement*. Page 44

As an illustration, if Scottish public spending grew approximately 1 per cent a year faster from 2016-17 onwards than is assumed under the current financial framework, it would provide an additional £18 billion of resources in real terms for public services in Scotland over the subsequent 10 years.

Furthermore, faster growth may limit the extent of consolidation required with greater tax receipts and lower welfare spending reducing borrowing levels more quickly. The UK Emergency Budget forecast that public spending may not start to grow again in real terms until 2016-17 – two years beyond the current Spending Review period. Clearly if faster growth mitigated the need for some of this consolidation, this would allow the Scottish Budget to return to current levels sooner.

CONCLUSION

Faced with these unprecedented budget challenges, Scotland has an opportunity to take a different path, one where the Scottish Parliament and Scottish Government take responsibility for the key financial decisions that affect Scotland.

Full Fiscal Responsibility would provide greater opportunities to help our economy grow faster. This would enable us to use the proceeds to invest in our schools, hospitals and public services.

SECTION 2
PORTFOLIO PLANS AND
DRAFT BUDGET 2011-12

CHAPTER 5

Introduction

This section of the document provides greater detail of the spending plans for 2011-12, which will be subject to Parliamentary consideration and form the basis of the Budget Bill for 2011-12 to be laid before Parliament in January 2011.

2011-12 SPENDING PLANS

The Scottish Government's Total Managed Expenditure (TME) amounts to £33.6 billion in 2011-12, including the Departmental Expenditure Limit of £27.9 billion announced as part of the UK Government Spending Review 2010.

Table 5.01 Total proposed budget for 2011-12

2011-12 Draft Budget	DEL resource £m	DEL capital £m	DEL total £m	AME & other £m	Total £m
The First Minister	234.6	20.5	255.1	-	255.1
Finance and Sustainable Growth	1,364.5	854.7	2,219.2	3,230.4	5,449.6
Health and Wellbeing – Health	11,014.4	744.0	11,758.4	100.0	11,858.4
Education and Lifelong Learning	2,319.0	162.1	2,481.1	102.5	2,583.6
Justice	1,196.6	70.9	1,267.5	-	1,267.5
Rural Affairs and the Environment	489.8	49.6	539.4	-	539.4
Administration	228.5	7.5	236.0	-	236.0
Crown Office and Procurator Fiscal	105.5	2.7	108.2	-	108.2
Local Government	8,354.7	691.8	9,046.5	2,179.5	11,226.0
Scottish Government	25,307.6	2,603.8	27,911.4	5,612.4	33,523.8
Scottish Parliament and Audit	93.1	2.8	95.9	-	95.9
Total Scotland	25,400.7	2,606.6	28,007.3	5,612.4	33,619.7

Table 5.02 Reconciliation with HM Treasury Settlement

2010 Spending Review	DEL resource £m	DEL capital £m	DEL total £m
HM Treasury Settlement	25,400.7	2,506.6	27,907.3
Add capital carry forward from 2010-11		100.0	100.0
	25,400.7	2,606.6	28,007.3

COMPARATIVE SPENDING

Comparative figures for spending in 2010-11 are included in the detailed spending plans set out in each portfolio chapter. In order to aid comparison with previously published spending plans the following table provides details of a number of changes which have resulted in a reduction in the 2010-11 DEL total of £29,712 million, published in September 2009, by approximately £500 million to £29,225 million. The major change is accounted for by the removal of cost of capital charges as part of the UK Government's Clear Line of Sight initiative which was set out in full as part of the 2010-11 Summer Budget Revision in May 2010.

Table 5.03

2010-11 Budget Changes	Total £m
2010-11 Draft Budget Document	29,712
Less cost of capital charges (CLOs)	-504
Less over allocation in 2010-11	-100
Plus PBR consequentials	23
Plus Budget Consequentials	76
Plus IFRS/CLOs technical changes	18
2010-11 Draft Budget Restated	29,225

The 'Comparison 2005-06 to 2011-12' set out in Annex table 4 reflects the removal of cost of capital charges from outturn, provisional outturn and budget figures.

As in the previous Spending Review publication full details of the remaining local government specific grants will be confirmed shortly as part of the local government finance settlement announcement for 2011-12.

SCOTTISH VARIABLE RATE

In accordance with the agreement between the Scottish Government and the Parliament's Finance Committee on the budget process, the Scottish Government confirms that it will not use the existing tax varying powers in 2011-12.

Real terms figures have been calculated using the latest estimated GDP deflator published by HM Treasury of 1.9 per cent in respect of 2011-12.

CHAPTER 6

Office of the First Minister

PORTFOLIO RESPONSIBILITIES

The Office of the First Minister portfolio is responsible for setting strategic direction across Scottish Government. It includes policy on Culture, Europe and External Affairs, and the relationship between the Scottish and UK and other Governments, where the primary aim is to promote Scotland's interests and identity at home and abroad. The portfolio budget supports work to place Scotland on the world stage and to contribute towards delivering Scotland's economic ambition.

The portfolio works to enhance the quality of life for Scotland's communities through maximising access to high quality cultural events and opportunities and the promotion of Gaelic; and through its Executive Agencies promotes, protects and provides access to Scotland's historic environment (Historic Scotland); and our documentary heritage (National Archives of Scotland).

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

The Scottish Government has refocused its relationships with many parts of the world to bring a sharp economic focus to our work and strengthen Scotland's position in the world. Our International Framework is supported by a series of targeted plans with China, India, Pakistan and the USA and a refreshed international development policy focusing on our engagement with developing countries. Our presence in the key markets of China and North America promote Scotland as a modern nation with competitive advantage in rapidly growing sectors like low carbon technologies, life sciences and food and drink. Exports to the USA alone are worth more than £3 billion a year to the Scottish economy.

The creative industries in Scotland support over 60,000 jobs and contribute over £5 billion to the economy; the historic environment supports 60,000 jobs and contributes more than £2.3 billion; and Scotland's museums and galleries welcome an estimated 25.3 million visitors per annum and are worth an estimated £800 million to the economy. Our support for the National Collections and Performing Companies and for Historic Scotland and the National Archives of Scotland makes a vital contribution to this and to increasing numbers of visitors for Scotland's tourism industry.

The Office of the First Minister is using its portfolio budget to help position Scotland as a creative, innovative country with new ideas and applications particularly in new growth sectors of the economy.

Historic Scotland has a lead role in providing technical and scientific advice on improving the energy efficiency of Scotland's 460,000 traditional buildings; and is delivering its own significant carbon reduction commitment for the many properties in its estate. The other Cultural and Gaelic bodies are also taking steps to reduce their carbon emissions.

Gaelic funding for organisations such as MG ALBA, Storlann, Bòrd na Gàidhlig and Sabhal Mòr Ostaig is helping to revitalise and support the economy and cultural life of areas of low population.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Office of the First Minister portfolio contribute to a number of our national outcomes, especially:

- we take pride in a strong, fair and inclusive national identity;
- our young people are successful learners, confident individuals, effective contributors and responsible citizens;
- our children have the best start in life and are ready to succeed; and
- we value and enjoy our built and natural environment and protect it and enhance it for future generations.

The portfolio helps create and sustain **a strong and inclusive national identity** through its annual support for cultural and heritage organisations to tell Scotland's story and to promote and strengthen our identity to a wide range of audiences from home and abroad. It supports the creative economy by encouraging creative industries to become leading edge in their field, by celebrating diversity including support for Gaelic and Scots language communities and by managing Scotland's reputation as a distinctive global identity by promoting Scotland as a modern and dynamic nation. Our sense of who we are – as individuals and as a nation – must be underpinned by our culture and our heritage, our creativity and our risk-taking. Taking part in cultural activities improves wellbeing and helps to create resilience to see us through difficult times; indeed visitor numbers and attendances are currently increasing.

This wide-ranging portfolio also contributes to **helping our young people become successful learners, confident individuals, effective contributors and responsible citizens; and giving children the best start in life**. It does this through, for example, its support for Gaelic learning, helping children learn about their heritage and historic environment; and the support and development of creativity in business, schools and communities.

The portfolio contributes to **protecting and enhancing our natural and built environment** particularly through the work of Historic Scotland, and promotes access to and provides advice and guidance on the protection of the historic environment.

OUR ACHIEVEMENTS

Since 2007 the Office of the First Minister portfolio has made significant strides in promoting Scotland at home and abroad and in making the most of Scotland's rich and diverse culture and history.

Historic Scotland has invested £13.5 million in conservation area regeneration schemes and, in partnership with the National Trust for Scotland and the Historic Houses Association has developed a Homecoming Pass. On the back of worldwide trade sales of over 10,000 passes, the product has been retained, re-named the Scottish Heritage Pass and launched in the marketplace as a permanent addition to Scotland's tourism ticketing portfolio. Historic Scotland has also invested £7.46 million in a project to conserve and present James V's Royal Palace at Stirling Castle (total project cost since 2001: £12 million). The project, which will open to the public at Easter 2011, will provide a major new attraction for Stirling that is predicted to raise castle visitor numbers around 14 per cent above 2008-09 levels.

Creative Scotland, established on 1 July 2010, has replaced the Scottish Arts Council and Scottish Screen as the single national body for supporting and promoting Scotland's culture, arts and creative industries.

Our £6 million Edinburgh Festivals Expo Fund has raised the profile and showcased Scottish talent. Through 40 projects, over 2000 artists/performers have played to audiences of over 1 million at the Festivals and beyond.

The opening, at the National Archives of Scotland, of the world leading Scotland's People centre for family history in 2009 has provided a continuing attraction to ancestral tourists. The creation of a network of similar centres, in co-operation with local authorities and using digitised records from national collections, will encourage tourist visits across the country.

Gaelic funding has supported almost 7,000 pupils in Gaelic education. This funding has also helped MG ALBA produce new TV and radio programmes, which attract over 220,000 viewers and have created over 250 jobs. From Bòrd na Gàidhlig funding, Gaelic Language Plans are supported, Gaelic bodies funded and events such as the Royal National Mod, with 1,900 children participants, 1,000 adult participants and 9,000 visitors are supported. Gaelic funding to Sabhal Mòr Ostaig has enabled it to be established as a centre of excellence, and funding for Gaelic adult learning has trained 100 tutors and over 1,000 adult learners.

We have supported and enhanced Scotland's cultural reputation and experiences by providing £20 million towards the redevelopment of the Royal Museum and the Scottish National Portrait Gallery; by safeguarding the public display of the Bridgewater Collection until 2030 through the acquisition of Titian's *Diana and Actaeon*; and by contributing to the acquisition of the £125 million-valued d'Offay Collection of modern art – enabling the National Galleries of Scotland to show great international post-war and contemporary art right across Scotland.

Following the launch of the refreshed international development policy in 2008, we increased the International Aid budget to £9 million in 2010-11. This has supported a range of targeted initiatives across Sub-Saharan Africa, especially in Malawi but also in Rwanda, Tanzania, Zambia and Sudan and a new programme for South Asia building on our historical relationships. Emergency assistance has also been made available to support countries devastated by humanitarian disasters, such as the recent Pakistan floods and Haiti earthquake – vital work that has saved lives.

The Fresh Talent initiative, support for the Relocation Advisory Service and Work Experience Placements for International Students Programme have encouraged people to choose Scotland as a place to work, live, learn and remain.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Office of the First Minister portfolio, the year-on-year cut in cash terms on resource budgets is £16.9 million and on capital is £7.8 million.

In order to reduce the portfolio spend we have taken difficult decisions but our approach is based on a preference towards direct delivery of cultural experiences; creative industries; international positioning of Scotland as a creative nation; and our moral obligations for Scotland to play its part in international development. We are investing in some new capital projects in Glasgow, Stirling and Dundee and are investing to save by introducing new technologies and sharing services.

We want to see free access to the National Collections continuing and will work with them to achieve this but acknowledge they will need to seek efficiencies and cost reductions. Capital purchase grants have been reduced. The Other Arts budget has been severely cut back limiting Government's ability to respond to in-year requests for support meaning that almost all cultural spend will need to be as planned by funded organisations.

We will expect Bòrd na Gàidhlig to review the different organisations it funds in order to avoid duplication and achieve more collaborative working. Given the importance we place on Gaelic we have limited the reduction in budget to MG Alba and Sabhal Mòr Ostaig.

OUR PRIORITIES

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities.

The Office of the First Minister (OFM) will spend £255 million in 2011-12 on portfolio priorities, including maintaining cultural and heritage assets and widening access to these, and the promotion of Scotland on the world stage.

- The Culture budget will continue to support Scotland's economic potential, particularly in the growth of the creative industries and in opportunities for cultural tourism across Scotland. We will drive policy and spend to maximise promotion of Scotland and opportunities for cultural talent from Scotland to flourish internationally. We will therefore maintain the Edinburgh Festivals Expo fund and the International Touring fund for the National Performing Companies.
- We will maximise, within available resources for planned and deliverable spend, the economic and cultural benefits of Scotland's national cultural assets through, for example, continued funding of £77 million for the Cultural Collections and over £24 million for the National Performing Companies. Whilst we have had to make reductions to the budgets for the Collections and Companies, we will encourage them to work collectively to ensure all parts of Scotland experience their excellent cultural output. We will continue to work with the National Collections to deliver the capital pressures they face in the short-term. On the National Performing Companies, we recognise their need to plan ahead in programming and have reflected that in the comparative reductions short-term. We want

them to focus and maintain quality of performance in difficult times. Although there will be challenges to the range and number of exhibitions and performances by the Collections and Companies respectively, we are fully committed to maintaining the quality of these.

- Historic Scotland are re-focusing their work to maximise the impact on protecting and promoting our built environment, with re-organisation that will deliver reduced costs.
- The Fresh Talent budget reductions reflect the changing economic situation and the likely impact of the new UK Government immigration cap on skilled and highly-skilled workers.
- The core funding for Creative Scotland has been protected. Its streamlined organisational structure, integrated business systems and new funding models will allow Creative Scotland to maximise all forms of support for artists and creative practitioners across Scotland, which also provides a focus for tourism across the whole country boosting local economies. They will be expected to deliver strategic and operational support for the creative industries which are one of the seven key sectors in our economic focus. We have maintained its core budget of £35.5 million for this purpose, in the knowledge that significant efficiencies have already been made through moving to a single arts and culture body. We have also maintained ring-fenced funding for Arts and Business (£0.3 million) to help maximise private sector investment in the arts.
- The portfolio capital budget of £20.5 million will contribute significant sums to the development of the V&A at Dundee Project which is key in the regeneration of the Dundee waterfront; the redevelopment of the Glasgow Theatre Royal and Glasgow Royal Concert Hall in time for the Commonwealth Games in 2014; and the maintenance of our historic estate.
- Historic Scotland, with £47 million in Scottish Government funding, will deliver key projects such as the Stirling Palace Project, the Bannockburn Battlefield and Visitor Centre Project and the Scottish Ten, and will continue to protect and enhance the historic environment. It will also focus on increasing its contribution to Scottish tourism through the generation of increased visitor numbers and commercial income; support and develop Scotland's traditional building skills; drive forward the development and application of new digital technologies; and contribute to climate change targets. Historic Scotland will deliver budget reductions by growing income from existing sources, exploiting new areas of income generation and restructuring the Agency to better support its priorities by taking forward an Agency wide programme for change.
- We will maintain momentum on creating a secure future for Gaelic in Scotland by providing over £19 million to support MG ALBA and extending Gaelic education provision. Furthermore, our capital grant (£1.1 million) will continue to support local authorities in their provision of Gaelic education. This support will help strengthen the economy and enrich the cultural life of Scotland, especially in areas of low population. We will encourage Bòrd na Gàidhlig to maintain progress with the Gaelic plans, to deliver the Action Plan and to manage pressures by examining any duplication of function of the various Gaelic organisations that receive support to ensure in the future that they will operate as an efficient and effective network for the promotion of Gaelic.

- We will build on the success of Scotland's first Year of Homecoming in 2009, which generated £53.7 million in additional tourism revenue for Scotland and provided an estimated £154 million worth of positive global media coverage, by continuing to support the tourism and events industry; by contributing to the Homecoming legacy focus years that are running from 2010 to 2013, and by ensuring that the opportunities for Scotland in staging a second year of Homecoming in 2014 are maximised.
- We will use the Major Events and Themed Years budget of £1.7 million to support the Homecoming Legacy work and in 2011-12 includes funding for the Active Scotland and Creative Scotland Focus Themed Years. The budget will also support the Royal Edinburgh Military Tattoo grandstand project in 2011-12 as well as securing major events which showcase Scotland on a world stage. Our support for the Royal Edinburgh Military Tattoo grandstand project will help to ensure the project delivers its aims of securing the future of the Tattoo; speeding up assembly times and providing opportunities for the staging of additional signature events.
- The International Relations budget of £14.4 million will promote Scotland internationally and contribute aid where it is most needed. The cuts to the Fresh Talent Budget will result in less available resource to carry out activity to promote Scotland as a place, to work, live, learn and remain. UK Government policy and the economic situation have resulted in placing constraints on activity in this area. However, within the current constitutional constraints we will continue to push the UK Government to develop flexibilities in the Points Based System for Managed Migration so that Scotland can attract the people it needs.
- The International Development Fund, maintained at £9 million which is significantly more than double the 2007-08 level, will provide vital support to the most vulnerable in developing countries, ensuring that they too have an opportunity to build a sustainable economic future. Our funds are carefully targeted in a number of specific countries where Scotland has forged strong relationships, both historical and contemporary, ensuring that Scotland fulfils its moral responsibility to provide an effective contribution to the achievement of the Millennium Development Goals. Our unique relationship with Malawi remains a key priority.
- The International Image budget will continue to deliver a programme of work to promote Scotland internationally, to engage with international networks and with Scotland's diaspora. It will also raise the profile of Scotland's national day and other key events in the Scottish calendar, and promote Scotland's offering for visitors and residents through Scotland's Winter Festival.
- The range of central analytical budgets of £3 million will provide invaluable support to the evidence base on delivery; aiding understanding of key strategic, economic and social challenges across the Scottish Government. It includes the Office of the Chief Statistician budget of £1.6 million, supporting the monitoring and evaluation of the National Performance Framework, including support for our local delivery partners through the provision of Scottish Neighbourhood Statistics.

Spending plans for 2011-12 are set out below.

Table 6.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
Europe and External Affairs	16.7	16.1
Culture and Gaelic	194.2	174.9
Corporate and Central Budgets	9.5	8.2
Historic Scotland	49.3	47.0
National Archives of Scotland	10.1	8.9
Total Office of the First Minister	279.8	255.1
<i>of which:</i>		
DEL Resource	251.5	234.6
DEL Capital	28.3	20.5
AME		

Table 6.02 Detailed Spending Plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Europe and External Affairs	16.7	15.8
Culture and Gaelic	194.2	171.6
Corporate and Central Budgets	9.5	8.0
Historic Scotland	49.3	46.1
National Archives of Scotland	10.1	8.7
Total Office of the First Minister	279.8	250.3
<i>of which:</i>		
DEL Resource	251.5	230.2
DEL Capital	28.3	20.1
AME		

Europe and External Affairs

Table 6.03 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Major Events and Themed Years	1.8	1.7
International Relations	14.9	14.4
Total	16.7	16.1
<i>of which:</i>		
DEL Resource	16.7	16.1
DEL Capital		
AME		

What the budget does

The Europe and External Affairs budget supports the promotion of Scotland, and Scotland's interests and identity both at home and abroad. It contributes towards the promotion of Scotland as a responsible nation in the world, including Scotland's international development work, and to supporting the Government's purpose through the advancement of Scotland's place in Europe and the wider world. The budget assists in maximising Scotland's influence within the European Union, and builds on mutually beneficial links with other countries including the US and China. The budget supports the attraction of fresh talent to live, study and work in Scotland.

In 2011-12 we will:

- support the Homecoming Legacy work and funding for the Active Scotland and Creative Scotland Focus Themed Years;
- provide £0.25 million to support the Royal Edinburgh Military Tattoo grandstand project; and
- maintain the International Development Fund at £9 million, significantly more than double the 2007-08 level, with the unique relationship with Malawi remaining a key priority.

Culture and Gaelic

Table 6.04 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Creative Scotland and Other Arts	59.0	53.0
Cultural Collections	87.5	77.0
National Performing Companies	26.0	24.6
Gaelic	21.7	20.3
Total	194.2	174.9
<i>of which:</i>		
DEL Resource	169.6	158.3
DEL Capital	24.6	16.6
AME		

What the budget does

The Culture budget contributes towards enhancing the quality of life for Scotland's communities through maximising participation in high quality cultural events and opportunities, supporting a wide range of government commitments relating to culture and Gaelic. The budget also includes provision for architecture.

In 2011-12 we will:

- provide capital funding to begin the V&A at Dundee project and to contribute to the redevelopment of key cultural venues in Glasgow in advance of the Commonwealth Games in 2014;

- provide over £100 million for public access to and enjoyment of the Cultural Collections and to support the artistic and educational work of the National Performing Companies;
- maintain Creative Scotland's core budget of £35.5 million to enable it to maximise all forms of support for artists and creative practitioners and deliver strategic and operational support for the creative industries;
- maintain ring-fenced funding for Arts and Business (£0.3 million) to help maximise private sector investment in the arts;
- continue the successful Edinburgh Festivals Expo Fund, providing £2 million to support showcasing Scottish talent and continue the International Touring fund (£0.35 million) for the National Performing Companies to perform beyond Scotland's shores; and
- create a secure future for Gaelic in Scotland by providing over £19 million to support MG ALBA, to extend services such as Gaelic education provision and to support Bòrd na Gàidhlig with the implementation of Gaelic plans. Furthermore, our capital grant (£1.1 million) will continue to support local authorities in their provision of Gaelic education. In particular with MG ALBA we expect it will build on the gains in efficiency it has made and the achievements on many levels of the last two years.

Corporate and Central Budgets

Table 6.05 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Strategic Communications	4.8	4.3
Crown Office and Procurator Fiscal Service Inspectorate	0.3	0.3
Civic Participation	0.7	0.1
Office of the Chief Statistician	1.7	1.6
Office of the Chief Researcher	0.4	0.3
Strategic Research and Analysis	0.7	0.7
Office of the Chief Economic Adviser	0.7	0.7
Public Bodies	0.2	0.2
Total	9.5	8.2
<i>of which:</i>		
DEL Resource	9.5	8.2
DEL Capital		
AME		

What the budget does

Corporate and Central budgets include, among others, Strategic Communications, a range of central analytical budgets including the Office of the Chief Statistician (OCS), and Crown Office and Procurator Fiscal Service Inspectorate (COPFSI).

The Strategic Communications budget covers the topics that Scottish Ministers wish to communicate to various audiences. They range from calls to action, to communications aimed at changing behaviour and attitudes over the long-term.

The central analytical budgets aim to provide data and related analysis to support the evidence base on delivery, increasing understanding of key strategic, economic and social challenges across the Scottish Government. The OCS budget aims to develop a wide range of data and related analysis at the smallest geographical level possible to support decision making and monitoring in all programmes. There has been a continued driving down of costs on these budgets realised from efficiencies and improvements in ways of working. The COPFSI reports to the Lord Advocate and is answerable directly to her. It is fully independent of the Crown Office and Procurator Fiscal Service.

In 2011-12 we will:

- support the monitoring and evaluation of the National Performance Framework, including support for our local delivery partners through the provision of Scottish Neighbourhood Statistics.

Historic Scotland

Table 6.06 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Staff costs	27.8	28.6
Other running costs	6.4	6.4
Programme	31.6	30.9
Heritage capital (resource budget)	6.1	4.5
Capital charges	3.3	3.3
Capital	1.0	2.1
Less income	(26.9)	(28.8)
Total	49.3	47.0
<i>of which:</i>		
DEL Resource	48.3	44.9
DEL Capital	1.0	2.1
AME		

What the budget does

Historic Scotland protects and promotes Scotland's historic environment, through the conservation and maintenance of 345 nationally significant historic properties and monuments in the care of Scottish Ministers and, as the largest operator of paid visitor attractions in Scotland, through the employment of over 1,000 staff around Scotland who help to maintain our position as a world-class visitor destination. In its work with VisitScotland and VisitBritain, it is a key player in supporting tourism in Scotland.

It provides advice on the management of the most important parts of Scotland's historic environment, including listed buildings, scheduled monuments, wreck sites, gardens and designed landscapes. It promotes cultural identity and associated community regeneration through educational programmes and through the Historic Environment Grants Programme, which contributes funding for the repair of Scotland's most important historic buildings, the regeneration of historic areas and the enhancement of the quality of Scotland's historic city centres. It is taking forward legislation in

the form of the Historic Environment (Amendment)(Scotland) Act and an associated education and awareness programme is being developed.

Historic Scotland also protects and supports traditional skills through its work with FE colleges and as Scotland's largest employer of stonemasons (100) and other skilled crafts people including apprenticeships. Through the provision of technical and scientific advice it is improving the energy efficiency of Scotland's 460,000 traditional buildings and making a significant contribution to the Government's carbon reduction targets. Working in partnership with Glasgow School of Art it is enhancing Scotland's reputation for innovation and excellence at home and internationally through the scanning of five international sites as well as the five World Heritage Sites in Scotland – the Scottish Ten project.

In 2011-12 we will:

- progress key projects such as the Stirling Palace Project (£12 million), the Bannockburn Project (£5 million) and the Scottish Ten (£1.5 million) over the lifetime of the projects;
- fund grants schemes in towns and city centres (£12 million) delivering substantial leverage of almost 7:1;
- contribute to Scotland's GDP through generation of income (£28 million); and
- conserve and maintain properties in care (£17 million).

National Archives of Scotland

Table 6.07 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Staff costs	5.0	4.7
Accommodation Costs	1.2	1.2
Other Running Costs	0.7	0.7
Capital Charges	1.0	1.0
Capital Expenditure	2.7	1.8
Less income	(0.5)	(0.5)
Total	10.1	8.9
<i>of which:</i>		
DEL Resource	7.4	7.1
DEL Capital	2.7	1.8
AME		

What the budget does

The National Archives of Scotland (NAS) plays an important role in cultural and economic life and its holdings are central to the nation's sense of identity. NAS provides legal customers with improved access to the public registers and records in order to support Scotland's property market, and develops the Scotland's People service for family history in order to encourage inbound tourism. By improving access to the nation's records, NAS connects Scots at home and abroad to their past and strengthens their sense of identity at a family, community and national level. In addition to advising Scottish Ministers on records and information policy, NAS advises Scottish public authorities on the creation and management of their records, promoting streamlined and more effective government.

In 2011-12 we will:

- continue digitisation programmes and increase online availability of records via the Internet; and
- work with public authorities to improve the management of records including digital formats, in order to support better governance and protect individual rights.

CHAPTER 7

Finance and Sustainable Growth

PORTFOLIO RESPONSIBILITIES

The Finance and Sustainable Growth portfolio is responsible for managing Scotland's budget efficiently and effectively and for delivering the right mix of policies to increase sustainable economic growth. Excluding local government (which is discussed in a separate chapter), the majority of the Portfolio's spend is focused on investment in transport and water infrastructure and support for businesses through enterprise, energy and tourism funding. The Portfolio also covers public service reform, including modernisation of the planning system and promoting the growth of the third sector.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

The portfolio makes a major contribution to the Government's economic strategy as set out in chapter 2, particularly on the two central objectives of *Maintaining and improving Scotland's physical capital* and *Developing sources of comparative advantage in the world economy*. It also has a key role to play in *Supporting and reforming public services*. The rest of the chapter looks at the work of the portfolio under these three headings.

Maintaining and improving Scotland's physical capital

An efficient transport system is essential for enhancing productivity and delivering faster, more sustainable growth in a low carbon economy. It can help open up new markets, increase access to employment and help build a critical mass of business that can drive up competitiveness and thereby deliver growth.

Ongoing investment in transport also connects regions and people to economic opportunity, whether through business, leisure travel, or tourism, thus contributing to national social cohesion and reducing the disparity between the regions of Scotland.

Our investment in Scotland's transport infrastructure therefore plays a key role in creating the best possible conditions for business success. It also directly supports business. In 2009-10, 95 per cent of Transport Scotland's £1.6 billion budget was invested back into the private sector, supporting 25 per cent of civil engineering contracts in Scotland and 11,000 jobs.

Developing sources of comparative advantage in the world economy

Our support for Scottish Enterprise (SE), Highlands and Island Enterprise (HIE) and Scottish Development International (SDI) is critical to Scotland's comparative advantage. Through its focus on Scotland's key sectors and its support for growing globally competitive companies, SE contributes to increasing sustainable economic growth. Its priorities are to support businesses expanding into new markets, to help companies invest in innovation and commercialise research, to improve access to finance and to support companies to develop their leadership and workforce. In addition to its key role of supporting sustainable economic growth in the Highlands and Islands, HIE plays an important role in strengthening local communities, particularly in some of Scotland's most fragile areas. SDI assists the growth of the Scottish economy by encouraging inward investment and helping Scottish-based companies develop international trade and a wider international role.

Our funding of VisitScotland plays a key role in creating jobs and wealth in tourism, particularly in rural and island areas. The sector has performed well in recent years, proving to be resilient despite the difficult economic climate, and demonstrating significant growth potential.

Our Innovation and Industries funding is critical for stimulating growth in key sectors set to drive the global economy – industries like low-carbon, life sciences and digital. It supports knowledge transfer between business and the science base and improves business innovation and investment in Research and Development. Our support for broadband will put in place the infrastructure needed for innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment.

Supporting and reforming public services

We know that the efficiency and effectiveness of the public sector has an important role to play in the overall performance of the Scottish economy and strengthening recovery. We continue to drive change in our public services so that the country emerges ready to thrive in future.

The transition to a low carbon economy creates an opportunity to look afresh at all public services as they seek to contribute to emissions reduction and adapt to climate change. The necessity for change to meet the statutory duties of the Climate Change (Scotland) Act, will provide an impetus to the public sector and offer scope for it to play a leading role in action on climate change.

The modernisation of the planning system introduced a range of new procedures in relation to development planning, development management and appeals. Working closely with the development industry and public sector partners, we ensure efficient operation of these procedures as they make an essential contribution to sustainable economic growth.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Finance and Sustainable Growth portfolio contribute to the National Outcomes and in particular:

- We live in a Scotland that is the most attractive place for doing business in Europe;
- We realise our full economic potential with more and better employment opportunities for our people;
- We reduce the local and global environmental impact of our consumption and production; and
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

The portfolio is ensuring that *Scotland is the most attractive place for doing business in Europe* by providing a competitive, supportive business environment that has the right infrastructure in place, is friendly to enterprise, attractive to entrepreneurs, inward investors and skilled migrants and where key Scottish companies and sectors are seen as market leaders.

By increasing the number and quality of jobs available by developing our key growth sectors as set out in the Government Economic Strategy and enhancing their international competitiveness, *we realise our full economic potential with more and better employment opportunities for our people.*

By ensuring that all products and services, right through the supply chain, embrace a low carbon approach to the economy, *we reduce the local and global environmental impact of our consumption and production.*

We take the lead responsibility for ensuring that *our public services are high quality, continually improving, efficient and responsive to local people's needs* by supporting the delivery of better quality, user-focused services and smaller, simpler and more efficient government.

OUR ACHIEVEMENTS

Since 2007, we have taken a range of measures to support businesses through the recession whilst remaining firmly focused on creating the right conditions for long-term growth.

Maintaining and improving Scotland's physical capital

We have invested in improving transport services across Scotland, bringing benefits to the economy and supporting the construction sector and its supply chains; improving journey times, reliability, safety, accessibility and quality of public transport; and addressing climate change mitigation and adaptation challenges.

This has included unblocking constraints on the strategic road network by bringing forward the missing links of M74 and M80. We have invested in the new rail lines of Stirling-Alloa-Kincardine and Airdrie to Bathgate, connecting communities, expanding labour market catchments and providing an alternative to road based travel for passengers and freight. We have connected communities and improved accessibility through our support for life-line ferry and air services; by removing unfair tolls on the Tay and Forth bridges; and by fully supporting the concessionary fares scheme. We have also supported innovative approaches that address climate change, such as the promotion of active travel and cycling networks; investment in more fuel-efficient trains and buses and Low Carbon Vehicles and modal shift through support for the bus and freight sectors, including the Bus Service Operators' Grant and freight grants that have removed over 40 million lorry miles from Scotland's roads.

Developing sources of comparative advantage in the world economy

One of Scotland's most significant economic opportunities is energy production from offshore wind. The Offshore Wind Route Map (Sept. 2010) identified the potential to contribute £7.1 billion to Gross Value Added (GVA) in Scotland, and create almost 30,000 jobs over the next decade. At the same time, investment in this renewable energy production will make a significant contribution to meeting our climate change ambitions. Our funding is designed to unlock this potential by: supporting emerging technologies, attracting new investment and enhancing community ownership. Our key deliverables include 200 capital projects in community renewables and biomass, support to wave and tidal technologies and infrastructure, the delivery of CO₂ and cost savings through energy saving advice and engagement with EU sustainable energy projects, which have brought over £100 million worth of EU funding to Scotland.

We have delivered the Climate Change (Scotland) Act 2009, which sets the most challenging statutory climate change targets in the world and provides a strong impetus to deliver maximum economic benefit from Scotland's comparative advantage in renewable energy as we prepare for the global low carbon economy. By exploiting commercial opportunities now, Scottish business and industry can maximise their competitive advantage as the global economy moves to a low carbon basis.

With our support, Homecoming 2009 provided a great stimulus to the tourism industry. It saw over 400 events take place and generated £53.7 million additional tourism revenue for Scotland, a return on investment of nearly 10:1 and 22 per cent above the target set for the year.

Over the last three years, Scottish Development International has secured nearly 6,500 planned new high value jobs for Scotland from a total of almost 16,000 planned jobs created and safeguarded.

Supporting and reforming public services

We have streamlined organisations and systems to improve the efficiency and effectiveness of the public sector. Our Simplification Programme is on track to deliver a 25 per cent reduction in the number of national, devolved public bodies in Scotland between 2007 and 2011, together with estimated net savings of around £125 million by 2013 and estimated net recurring savings of £39 million per annum thereafter.

Our Efficient Government Programme exceeded the 2 per cent efficiency targets for cash-releasing savings in 2008-09 and 2009-10 and has identified potential savings to meet its target for 2010-11. Our improved procurement reforms have brought savings across the public sector and have widened access to contracts for small businesses. The modernisation of the planning system has also brought improvements in processes – we are now dealing with more than 80 per cent of written planning appeals within 12 weeks, compared with just 7 per cent prior to 2008; and we have reduced the time taken to examine councils' development plans by more than 50 per cent.

An important part of public service reform is the input provided by the third sector at the local level. We have supported the increasing engagement of the third sector in Community Planning Partnerships (CPPs) so that its skills, knowledge and expertise provides the maximum input to the delivery of the Single Outcome Agreement in each local authority area for the benefit of local communities, especially the most vulnerable.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Finance and Sustainable Growth portfolio, the year on year cut in cash terms on resource budgets is £99.5 million and on capital is £155 million. Key pressures within the portfolio in 2011-12 include the impact of long-term contracts, such as the rail franchise and lifeline ferry services, which generally include provision for new or improved services and escalation in costs; demand-led services such as concessionary fares and air service discounts; and the need to provide adequate support to develop a low carbon economy in Scotland that will deliver comparative advantage. With a sharply declining budget, these pressures have been exceptionally hard to manage and have put very considerable pressure on the other elements of the Finance and Sustainable Growth budget. The scope for significant budget reductions from action on pay is limited by the relatively small percentage (9 per cent of the resource budget compared with a Scottish Government average of around 57 per cent) which is in the portfolio.

Taking into account these pressures, we have considered all areas of expenditure within the Finance and Sustainable Growth portfolio, the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities. In order to reduce the level of spending across the portfolio, we have taken the following difficult decisions:

On transport, with a few notable exceptions such as the new Forth Crossing, on capital spend we will prioritise existing projects over new. Expenditure on maintenance of the motorway and trunks roads network has been reduced.

Enterprise and tourism budgets have been reduced partly by building on our earlier reforms and seeking further reductions in staffing levels, increased efficiencies within the bodies and the removal of lower priority activities. The remaining savings are to be found by prioritising levers to develop the low carbon economy, ensuring that spending is well-aligned to create capacity for Scotland to invest in the vital areas that can unlock the potential of our natural resources, and on the other key sectors that we think are critical to long-term economic development.

OUR PRIORITIES

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Finance and Sustainable Growth portfolio, which will spend £5449.6 million in 2011-12.

Maintaining and improving Scotland's physical capital

Our key infrastructure priority, central to Scotland's long term economic success, is to progress the design, development and procurement for the Forth Replacement Crossing, the largest civil engineering project in a generation in Scotland, worth up to £2.3 billion and securing economic turnover of more than £1.3 billion and over 3,000 jobs. We will also provide funding of £4.7 million to support the running of the Scottish Futures Trust, which, as outlined in Chapter 3, is helping us to develop more innovative financing mechanisms and delivering a significant capital programme.

Otherwise, we will prioritise consolidation over new projects, making best use of our existing assets; sustainable options such as public transport in preference to car and road use for the movement of people and use of water/rail for freight; and equitable interventions that promote positive impacts on our environment and health.

To improve journey times and connections, we will provide funding for rail programmes such as the Edinburgh Glasgow Improvements Programme (EGIP) and Borders Rail line; progress trunk road schemes such as the M74 completion, A96 improvements at Fochabers and A9 improvements at Crubenmore; and contribute to Glasgow's SPT Fastlink in support of the Commonwealth Games.

To support the most vulnerable elderly people and to keep money in people's pockets when they need it most we will spend £255 million to fund fully the Concessionary Fares scheme and the Bus Services Operators' Grant to reduce emissions, by supporting modal shift from private to public transport. We will also develop a climate change adaptation strategy for transport; and continue to invest in collaborative initiatives to develop and deploy Low Carbon Vehicles and associated infrastructure in Scotland.

To improve quality, accessibility and affordability, we will invest £35 million in airport infrastructure at 10 airports in the Highlands and Islands and at Dundee and in lifeline air services to Barra, Campbeltown and Tiree. We will increase spending on ferry services to £109 million to ensure the retention of existing services and affordable fares and enable the construction of the next generation of vessels and essential pier and harbour works; and we will retain funding to enable

the pilot of Road Equivalent Tariff (RET) fares to the Western Isles, Coll and Tiree to continue until March 2012.

We remain committed to investing £700 million to support Scottish Water investment over the period 2010-15. As Scottish Water is in a strong cash position, there will be no draw down of capital investment support in 2011-12 although the capital programme will continue. We have also announced that Scottish Water will expand its activities to support wider economic objectives, including support for renewable energy projects. We will be consulting on this and possible legislative provisions before the end of 2010.

Developing sources of comparative advantage in the world economy

We will spend £284 million on Scottish Enterprise, Highlands and Islands Enterprise and Scottish Development International. As well as focusing on the key sectors, a particular priority will be given to those programmes which will help Scotland's businesses make a successful transition to a low carbon economy. We will implement the National Renewables Infrastructure Plan, including the £70 million Renewables Infrastructure Fund to strengthen port and manufacturing facilities and the supply chain for manufacturing offshore wind turbines and related components, which will receive £17 million in 2011-12. We will create the International Technology and Renewable Energy Zone (ITREZ), a hub of engineering excellence in and around Glasgow, which will be facilitated by Strathclyde University in collaboration with Scottish and Southern Energy. Scottish Enterprise will continue to support the Scottish Investment Bank, which will aid new, innovative business through the provision of early stage risk capital and will provide established, viable growth and exporting businesses with access to debt finance through the creation of the new Scottish Loan Fund.

This will be complemented with £35 million directly on our Energy industry, covering a range of renewable and low carbon technologies and providing energy efficiency support to both domestic and non-domestic energy consumers. Key priorities will be further delivery of the Renewables Action Plan, including the £70 million National Renewables Infrastructure Fund mentioned above which is designed to leverage significant private sector investment over the next four years and help deliver an estimated 28,000 jobs and £7.1 billion in value to Scotland's economy over the coming decade. Further priorities include heat and skills, the delivery of the *Energy Efficiency Action Plan* and support for the implementation of the *Low Carbon Economic Strategy*, including engagement in EU wide infrastructure networks. We will also spend £17 million on support to stimulate growth in the key industries set to drive the global economy – like low-carbon, life sciences and digital.

We will provide £40.7 million core grant to VisitScotland, which will allow it to market Scotland as a tourism destination overseas and in the UK domestic markets; contribute to the preparations for the series of themed years in the build-up to the next Homecoming celebrations in 2014; and prepare for the staging of The Ryder Cup in Gleneagles in 2014, which will bring significant economic benefits to Scotland.

We will also invest £45 million in support for business through SMART: SCOTLAND, our foremost policy instrument to support near-market research and development projects by small and medium enterprises, and Regional Selective Assistance (RSA), which supports investment, increased productivity and sustained employment in selected areas of Scotland.

We will use £1.2 million as part of a partnership to better understand climate change, including emissions reduction targets as well as work to understand and prepare for the likely impacts of a changing climate. We will look to develop further the mainstreaming of climate change across all portfolio areas.

Supporting and reforming public services

As set out elsewhere in this budget, we need to increase the pace of our reforms so that we can deliver improved local outcomes for our citizens at a reduced overall cost – support and reform go hand in hand. Alongside our partners in local government and Community Planning Partnerships, we will continue to focus on outcomes, protect frontline services, particularly those that support the most vulnerable in our society, tackle the causes of problems as well as the symptoms and pursue greater efficiency and effectiveness. We will be seeking efficiency savings across public services of 3 per cent for 2011-12, with each delivery body expected to report publicly on their plans to improve the efficiency of public services, actions undertaken and results achieved. We will also continue to embed better regulation principles and good practice in the work of policy makers and regulators, addressing risks and supporting business competitiveness. We will work with public service partners to ensure that they understand their duties under the Climate Change Act.

Following on from successful planning reforms to facilitate economic recovery, we will spend £4 million to continue to support initiatives which deliver high quality places and which underpin a wide variety of Scottish Government objectives including sustainable economic growth, reduced carbon emissions, sustainable communities and the promotion of innovation and quality in development.

We will encourage an even greater degree of partnership working, to ensure that services are delivered seamlessly at the appropriate level, and by the organisation best placed to do the job, unconstrained by boundaries or barriers. In particular, we will invest £27 million to support the important role that the third sector has to play in public service delivery and redesign through a range of measures, including from spring 2011 taking a more strategic approach to our investment in the third sector to increase its resilience and support to increase organisational capacity and capability. We will also enhance our strategic engagement with the sector at a national level and support engagement with community planning through third sector interfaces in each Community Planning Partnership area.

We will spend £19 million to collect and analyse the information from Scotland's Census 2011, which helps the Scottish Government, local authorities, the health service and many other public, voluntary and commercial bodies plan and provide key services to people all over Scotland and which allows Scotland's diverse communities to identify themselves.

Spending plans for 2011-12 are set out below.

Table 7.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
Air Services in Scotland	35.1	35.3
Committees, commissions and other expenditure	31.4	18.4
Concessionary Fares and Bus Services	255.1	255.3
Enterprise, Energy and Tourism	450.3	423.8
European Regional Development Fund – 2007-13 Programmes	–	–
European Social Fund – 2007-13 Programmes	–	–
Ferry Services in Scotland	101.9	109.0
General Register Office for Scotland	21.9	19.0
Motorways and Trunk Roads	544.1	557.6
Other Transport Policy, Projects and Agency Administration	76.3	67.1
Planning	5.3	4.1
Rail Services in Scotland	842.8	779.4
Registers of Scotland	–	–
Scottish Public Pensions Agency	3,242.2	3,241.6
Third Sector	35.5	27.0
Water and Climate Change	62.0	(88.0)
Total	5,703.9	5,449.6
<i>of which:</i>		
DEL Resource	1,464.0	1,364.5
DEL Capital	1,009.5	854.7
AME	3,230.4	3,230.4

Table 7.02 Detailed Spending Plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Air Services in Scotland	35.1	34.6
Committees, commissions and other expenditure	31.4	18.1
Concessionary Fares and Bus Services	255.1	250.5
Enterprise, Energy and Tourism	450.3	415.9
European Regional Development Fund – 2007-13 Programmes	–	–
European Social Fund – 2007-13 Programmes	–	–
Ferry Services in Scotland	101.9	107.0
General Register Office for Scotland	21.9	18.6
Motorways and Trunk Roads	544.1	547.2
Other Transport Policy, Projects and Agency Administration	76.3	65.8
Planning	5.3	4.0
Rail Services in Scotland	842.8	764.9
Registers of Scotland	–	–
Scottish Public Pensions Agency	3,242.2	3,181.2
Third Sector	35.5	26.5
Water and Climate Change	62.0	(86.4)
Total	5,703.9	5,347.9
<i>of which:</i>		
DEL Resource	1,464.0	1,339.0
DEL Capital	1,009.5	838.7
AME	3,230.4	3,170.2

Air Services Scotland**Table 7.03 More detailed categories of spending (Level 3)**

	2010-11 Budget £m	2011-12 Draft Budget £m
Highlands and Islands Airports Limited	25.0	26.6
Support for Air Services	10.1	8.7
Total	35.1	35.3
<i>of which:</i>		
DEL Resource	28.1	25.3
DEL Capital	7.0	10.0
AME		

What the budget does

The budget supports Highlands and Islands Airports Limited (HIAL), which operates 11 airports at Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick. The budget includes resources for capital investment required by the regulatory authorities. It sustains the operation and development of airport services throughout the Highlands and Islands, supporting the economic and social development of remote and island communities. The budget also supports the Air Discount Scheme (ADS) which provides discounted fares on eligible routes to people whose main residence is in Orkney, Shetland, the Western Isles, Islay and Jura, Caithness and North-West Sutherland. In addition, the budget supports lifeline Public Service Obligation (PSO) air services between Glasgow and Barra, Campbeltown and Tiree, which cannot be provided commercially.

In 2011-12 we will

- ensure that HIAL has the necessary resources to maintain its 11 airports at current levels of operational ability;
- continue to fund the lifeline PSO air services to Barra, Campbeltown and Tiree; and
- subject to completion of a review of the scheme and subsequent notification to the European Commission, continue to fund the ADS, while removing business-related travel claims from the scheme.

Committees, Commissions and Other Expenditure

Table 7.04 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Improving Public Services (previously Public Service Reform)	24.7	11.5
Commissions	0.7	0.0
Council of Economic Advisers	0.4	0.1
Local Government Elections	0.0	2.1
Scottish Futures Trust	5.6	4.7
Total	31.4	18.4
<i>of which:</i>		
DEL Resource	25.6	15.4
DEL Capital	5.8	3.0
AME		

What the budget does

The Improving Public Services budget provides support to programmes and projects designed to improve public sector efficiency and effectiveness. The aim is improved services to customers, through a focus on outcomes, improved infrastructure and smaller, simpler Government.

The Commissions budget covered the work of the Standards Commission. As from 1 April 2011, support for the Standards Commission will transfer to the Scottish Parliament Corporate Body.

The Council of Economic Advisers budget covers the cost of holding meetings, travel and subsistence for members attending meetings and the cost of research commissioned by the Council.

The Scottish Futures Trust (SFT) budget covers the costs of funding the work that SFT undertakes on behalf of Scottish Ministers to provide value for money in the delivery of public sector infrastructure investment. As well as including core SFT staffing and accommodation costs, this funding allows SFT to deploy resources where necessary in pursuit of Scottish Ministerial priorities.

The elections budget will meet the costs associated with the Government's policies on improving the co-ordination and administration of elections.

In 2011-12 we will:

- continue the development and operation of enhanced National ICT infrastructure, for example, through the OneScotland Portal Project and the eCare and Customer First Programmes. The Customer First Programme underpins some key public services, including the National Entitlement Card (which supports the Young Scot initiative, national concessionary travel and national proof of age schemes), and the National Gazetteer – a definitive database of all properties in Scotland.
- ensure delivery of local outcomes, which in turn help to achieve Scotland's National Outcomes, by supporting Community Planning and wider community engagement. Scottish Government provides a range of support (including pilot funding and support for practitioners) to Community Planning Partnerships and Community Councils to build capacity in outcomes-based working at the local level.
- hold meetings of the Council of Economic Advisers, which will advise the Scottish Government on how best to achieve its overarching Purpose of sustainable economic growth in Scotland. The Council will outline its recommendations in an Annual Report.
- SFT will continue its leadership of the hub initiative, which has started delivering £1 billion of community infrastructure over the next ten years.
- SFT will manage the Government's £1.25 billion Scotland's Schools for the Future Schools Building Programme, which provides for a greater collaborative approach among local authorities in the delivery of new schools. The first school under the programme will open in 2011.

- SFT will develop innovative financing methods and will continue progressing work on the National Housing Trust initiative, an innovative approach to deliver new affordable homes for rent. SFT has also led the development of Tax Increment Financing (TIF) as a means of unlocking infrastructure for major regeneration schemes and will continue working with local authorities to develop specific TIF pilot projects. This includes the Edinburgh Waterfront scheme, provisionally approved by Ministers, which should realise £660 million of private investment.
- SFT will also undertake other activities, such as fostering aggregation and collaboration among public bodies, providing a central source of commercial expertise that will help deliver value for money in infrastructure investment. SFT will take on a range of key tasks envisaged by the Independent Budget Review to maximise value for money in capital investment.
- the key priority for the elections budget will be the development of an electronic counting system to be in place for the 2012 local government elections.

Concessionary Fares and Bus Services

Table 7.05 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Smartcard Programme	2.1	9.5
Concessionary Fares	192.0	185.0
Support for Bus Services	61.0	60.8
Total	255.1	255.3
<i>of which:</i>		
DEL Resource	253.0	245.8
DEL Capital	2.1	9.5
AME		

What the budget does

The budget provides support for the development and delivery of concessionary travel schemes for older, disabled and young people. The funding provides for bus infrastructure systems to recognise Smartcards, which is essential to effective implementation of our Fraud Strategy. Access to national concessionary travel is through Smartcards issued as part of the Scottish Citizens' National Entitlement Card project.

Bus Service Operators Grant (BSOG) provides support to the bus industry across Scotland. Its aim is principally to benefit passengers by helping operators to keep their fares down and enabling operators to run services that might not otherwise be commercially viable thus contributing to the maintenance of the overall bus network. It helps sustain the economy, reduces the environmental impact of increased car travel and reduces the cost to local authorities of supporting non-commercial socially necessary services.

In 2011-12 we will;

- reduce payments under the concessionary travel scheme as a result of a negotiated settlement with the bus sector, without any change to associated eligibility criteria for users of the scheme;
- increase Smartcard funding to maintain the current standardised and interoperable Smart Concessionary Travel system, and upgrade the associated software (essential to fulfilling ministerial expectations for Smart ticketing across Scotland);
- continue to make efficiency savings in the operation of the scheme and the validation of bus operator claims; and
- maintain funding of BSOG.

Enterprise, Energy and Tourism

Table 7.06 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Enterprise Policy and Delivery	290.0	283.4
ESF Programme Operation	1.5	1.5
Innovation and Industries	20.6	17.4
Industry and Technology Grants	50.4	45.2
Energy	43.2	34.6
Tourism	43.9	41.0
Scottish Development International	0.7	0.7
Total	450.3	423.8
<i>of which:</i>		
DEL Resource	363.3	328.2
DEL Capital	87.0	95.6
AME		

What the budget does

The Enterprise, Energy and Tourism budget is focused on supporting those sectors that are key to the long-term growth of the Scottish economy including energy, tourism, life sciences, and digital.

The Enterprise Policy and Delivery budget largely funds Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). SE and HIE focus on developing those sectors in which Scotland has a comparative advantage, as well as supporting businesses expanding into new markets, helping companies invest in innovation and commercialise research, improving access to finance and supporting companies to develop their leadership and workforce. Core to this is the switch to the low carbon economy which offers Scotland economic advantages from its wealth of natural resources. In addition to its key role of supporting sustainable economic growth in the Highlands and Islands, HIE also plays an important role in strengthening local communities, particularly in some of Scotland's most fragile areas. In 2007, we reformed the enterprise agencies to help meet our commitment to de-clutter the delivery landscape, reduce duplication and drive up efficiency and

effectiveness. The Economy, Energy and Tourism Committee is currently reviewing the purpose of an enterprise agency and the success of the Government's reforms. We recognise that there is still scope for improvement and we will consider the outcome of the Committee's inquiry. The budget also includes funding for the Business in the Parliament conference, the National Economic Forum and the activities of the Regulatory Review Group, all aimed at building strong understanding between government and the business community.

European funds have been used to support economic recovery and future growth. By the end of March 2011, we will have committed nearly €820 million in support of over 600 projects across Scotland. The European Social Fund is supporting the expansion of apprenticeship places, ScotAction and other learning opportunities for young people, as well as expanded programmes to help people find and enter work. The European Regional Development Fund is helping to improve access to business finance, and is supporting innovation and urban regeneration. This budget covers the associated costs of programme administration, monitoring and evaluation.

The Innovation and Industries budget is critical for stimulating growth in the key industries set to drive the global economy - like low-carbon, life sciences and digital - and for accelerating economic recovery, increasing sustainable economic growth and making Scotland an attractive place for doing business. Our knowledge transfer programmes form a key part of the Scottish Government's Innovation Framework, and aim to enhance collaboration between business and the science base; improve business innovation and investment in Research and Development; and therefore result in greater economic growth. Our broadband interventions will support our Digital Ambition for Scotland and put in place the broadband infrastructure needed to support innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. They will also play a critical role in protecting fragile, rural communities.

The Industry and Technology Grants budget includes the SMART: SCOTLAND programme and Regional Selective Assistance (RSA). The SMART: Scotland programme is our foremost policy instrument to support near-market research and development projects (feasibility and prototype development) by small and medium enterprises whereas RSA, the main national scheme of grant assistance to industry, supports investment, increased productivity and sustained employment in selected areas of Scotland and accounts for the bulk of this spend. RSA is particularly critical to securing the investment needed to deliver our renewable energy ambitions. The budget includes provision to meet commitments made in previous years which are paid in instalments as projects reach agreed milestones. Both grants are scheduled to transfer to Scottish Enterprise from April 2011.

Energy is key to delivering the low carbon economy, meeting our climate change targets and is a key industry sector in its own right. Complementing significant spending from SE and HIE, the Energy Budget supports activity covering the range of renewable and low carbon technologies and providing energy efficiency support to both domestic and non-domestic energy consumers. Key priorities are further delivery of the Renewables Action Plan, including investment in the £70 million National Renewables Infrastructure Fund. Further priorities include heat and skills, the delivery of the *Energy Efficiency Action Plan* and support to implement the *Low Carbon Economic Strategy*, including engagement in EU wide infrastructure networks. In most instances, these spending plans are delivered in tandem with other parts of the Scottish Government to maximise the impact of budgets. The Climate Challenge Fund, for example, is part of the Rural Affairs and Environment portfolio, however it can support feasibility studies for carbon reducing measures including small renewable energy projects.

The Tourism budget includes funding for VisitScotland to continue to undertake award-winning marketing campaigns to promote Scotland as a tourism destination, both within the UK and in key overseas markets. VisitScotland will also contribute to the Homecoming and Themed years initiative to ensure that the legacy of Homecoming 2009 is developed into another successful event in 2014 and to preparations for the staging of The Ryder Cup at Gleneagles in 2014. VisitScotland plans to achieve further efficiency savings on top of those already achieved in recent years and will focus on minimising overheads and maintaining core marketing as much as possible.

In 2011-12 we will:

- provide funding to Scottish Enterprise, Highlands and Islands Enterprise and Scottish Development International, giving a particular priority to those programmes which will help Scotland's businesses make a successful transition to a low carbon economy.
- implement the National Renewables Infrastructure Plan, including £17million investment in the Renewables Infrastructure Fund to strengthen port and manufacturing facilities and the supply chain for manufacturing offshore wind turbines and related components.
- provide core grant to VisitScotland, which will allow it to market Scotland as a tourism destination overseas and in the UK; contribute to the preparations for the series of themed years in the build-up to the next Homecoming celebrations in 2014; and prepare for the staging of The Ryder Cup in Gleneagles in 2014. The tourism budget will also provide £0.3 million towards the project to replace the Royal Edinburgh Military Tattoo stands.
- fund broadband interventions to support our Digital Ambition for Scotland and put in place the broadband infrastructure needed to support innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment.

European Regional Development Fund – 2007-13 Programmes

Table 7.07 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Grants to Local Authorities	13.3	13.3
Central Government Spend	40.0	40.0
Grants to Local Authorities – EC Income	(13.3)	(13.3)
Central Government – EC Income	(40.0)	(40.0)
Total	0.0	0.0
<i>of which:</i>		
DEL Resource	–	–
DEL Capital	–	–
AME		

European Social Fund – 2007-13 Programmes

Table 7.08 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Grants to Local Authorities	8.4	8.4
Central Government Spend	25.3	25.3
Grants to Local Authorities – EC Income	(8.4)	(8.4)
Central Government – EC Income	(25.3)	(25.3)
Total	0.0	0.0
<i>of which:</i>		
DEL Resource	–	–
DEL Capital	–	–
AME		

*These figures net to zero because of matching receipts from the European Union.

What the Budget Does

We have responsibility for implementing the 2007-13 European Structural Funds programmes in Scotland, principally through the European Regional Development Fund and the European Social Fund, as well as other cross-border and transitional programmes. Amounts are based on the estimated spend likely to be required. European Structural Funds contribute to the improvement in Scotland's economic competitiveness through support for business research and innovation, skills improvement and the promotion of lifelong learning across a wide range of sectors – in other words, underpinning a number of our Strategic Priorities in delivery of the Purpose. The 2007-13 programmes are administered by two intermediate administrative bodies under three-year contracts to the Scottish Government.

Ferry Services in Scotland

Table 7.09 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Support for Ferry Services	77.8	94.4
Vessels and Piers	14.8	8.1
Road Equivalent Tariff	9.3	6.5
Total	101.9	109.0
<i>of which:</i>		
DEL Resource	87.1	100.9
DEL Capital	14.8	8.1
AME		

What the budget does

The Support for Ferry Services budget line covers the subsidy paid for the:

- Clyde and Hebrides Ferry Services (CHFS) contract;
- Northern Isles Ferry Services contract;
- Northern Isles Lift-On Lift-Off Freight Services contract; and
- Gourock-Dunoon ferry service.

The Vessels and Piers budget line provides for loans to Caledonian Maritime Assets Ltd (CMAL) for the procurement of vessels used on the CHFS network and grants to ports (other than those owned by local authorities) for improvement works to piers and harbours that support lifeline ferry services.

The budget line for Road Equivalent Tariff (RET) funds the pilot of this approach to ferry fare setting on the services to the Western Isles, Coll and Tiree.

In 2011-12 we will:

- maintain existing ferry services at affordable fares on the Clyde and Hebrides and Northern Isles routes;
- bring the new £24.5 million vessel MV Finlaggan into service on the Islay route and complete the associated pier and harbour works at Port Ellen and Kennacraig;
- place orders for the construction of the next generation of CalMac vessels; and
- fund the continuation of the pilot of RET fares to the Western Isles, Coll and Tiree to March 2012.

General Register Office for Scotland

Table 7.10 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Administration Costs	25.0	24.3
Depreciation Charges	1.2	1.2
Capital	0.8	0.5
Less Income	(5.1)	(7.0)
Total	21.9	19.0
<i>of which:</i>		
DEL Resource	21.1	18.5
DEL Capital	0.8	0.5
AME		

What the budget does

The budget, together with generated income, funds the statutory functions of the Registrar General – to conduct 10-yearly censuses and prepare and publish demographic and other statistics; to administer civil registration of vital events (births, deaths, marriages, civil partnerships, divorces and adoptions) and the related statutes; to maintain the National Health Service Central Register; and to make available public records about individuals. With partners the Keeper of the Records and the Lord Lyon, the Registrar General runs the ScotlandsPeople website and Centre which provide information for family historians.

In 2011-12 we will:

- collect completed questionnaires from Scotland's 2011 Census, in parallel with censuses in the other parts of the UK, and prepare to publish the results;
- continue to expand the resources available through ScotlandsPeople, in particular adding the records from the 1911 Census; and
- explore the scope for providing more frequent small-area population statistics from sources other than the decennial census.

Motorways and Trunk Roads

Table 7.11 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Structural Repairs	14.6	30.0
Network Strengthening and Improvement	56.4	15.0
DBFO Payments	47.6	58.9
Routine and Winter Maintenance	61.6	61.5
Other Expenditure including Surplus Land Valuation Adjustment	5.6	4.8
Roads Improvements	49.7	24.2
Capital Land and Works	187.3	60.2
Forth Crossing	30.0	200.0
Roads Depreciation	80.6	80.6
Forth and Tay Road Bridge Authorities	10.7	22.4
Total	544.1	557.6
<i>of which:</i>		
DEL Resource	231.0	212.6
DEL Capital	313.1	345.0
AME		

What the budget does

In addition to major roads construction projects and other road improvements, the budget delivers routine, cyclical and winter maintenance to maintain the safety, environment and amenity of the trunk road network. It includes road safety improvement programmes, information for road travellers and an emergency response facility to deal with emergencies and incidents on the network.

The budget also covers the design, development and procurement for the Forth Replacement Crossing.

In 2011-12 we will:

- continue procurement of the Forth Replacement Crossing as programmed;
- complete construction of the M74, M80 and A96 Fochabers;
- subject to a positive outcome from the Public Local Inquiry, continue to invest in the completion of the Central Scotland motorway network and bring forward the procurement of the M8 Baillieston to Newhouse motorway upgrade, together with improvements to the M74 Raith Interchange and the M8 associated improvements;
- continue to progress the Aberdeen Western Peripheral Route (AWPR) and Balmedie projects with a view to bringing forward for construction as soon as the legal issues surrounding the AWPR are resolved;

- prepare schemes which have completed their statutory procedures to be taken forward at the earliest opportunity;
- commence a range of preparatory work on the Strategic Transport Projects Review interventions for the future;
- focus on essential improvements and on safety and congestion relief improvements that offer value for money;
- utilise lower cost repairs alongside safety critical work until funding allows renewal of life expired roads and strengthening of bridges to take place;
- maximise value in the routine and winter maintenance budgets by identifying savings in the work delivered by the Trunk Road Operating Companies;
- defer some of the work to further expand the Traffic Scotland infrastructure and delay investment in small road improvement schemes; and
- continue to maintain the safe operation of the Forth and Tay Road Bridges.

Other Transport Policy, Projects and Agency Administration

Table 7.12 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Transport Information	2.9	2.2
Agency Administration Costs	15.8	14.8
Strategic Transport Projects Review	5.3	4.6
Support for Freight Industry	10.3	2.9
British Waterways Scotland	11.4	10.0
Support for Sustainable and Active Travel	21.2	25.1
Travel Strategy and Innovation	6.6	5.1
Road Safety	2.8	2.4
Total	76.3	67.1
<i>of which:</i>		
DEL Resource	49.8	43.8
DEL Capital	26.5	23.3
AME		

What the budget does

The Transport Information budget funds the provision of impartial travel information services such as Traveline and Transport Direct.

The Agency Administration budget funds the running costs of Transport Scotland.

The STPR budget is designed to ensure the robustness of the appraisal and analysis tools that enable decisions to be made on individual projects, as well as supporting the wider business case development and appraisal.

The Support for the Freight Industry budget focuses on measures which encourage the freight industry to reduce emissions, by improving the efficiency of its operations and by transferring freight from road to rail and water, where practicable.

The grant to British Waterways Scotland supports the maintenance of Scotland's canals and their contribution to economic regeneration.

The budget for Sustainable and Active Travel invests in the infrastructure which will allow the use of electric and other low carbon vehicles across Scotland, delivers the actions in the Cycling Action Plan for Scotland and facilitates active travel choices. This budget also includes funding for the next phase of the Low Carbon Vehicle Procurement Support Scheme.

The budget for Transport Strategy and Innovation provides running cost support for Regional Transport Partnerships, the Mobility and Access Committee for Scotland (MACS) and Passengers' View Scotland (PVS).

The road safety budget covers Road Safety Scotland's delivery of road safety research, education and publicity, as laid out in their annual business plan; and support for partnership working under the Road Safety Framework to 2020. Scotland currently has the 3rd lowest rate of road fatalities in Europe and we will continue to strive to make the roads safer.

In 2011-12 we will:

- continue development of a route strategy and improvements for the A9 and A96;
- continue development of the schemes comprising the Forth Replacement Crossing Public Transport Strategy;
- operate the Mode Shift Revenue Support and Waterborne Freight Grant schemes and support existing commitments under the Freight Facilities Grant scheme (which will be closed to new applications), and promote best practice in the freight industry;
- continue to contribute to economic regeneration through British Waterways Scotland's involvement in the Helix project;
- continue to support the operation of Regional Transport Partnerships and mobility/ accessibility interest groups such as MACS;
- contribute funding for Glasgow's SPT Fastlink, in support of the Commonwealth Games;
- commence funding for a Park and Ride for the Forth Replacement Crossing;
- increase funding for Low Carbon Vehicles, including development of a charging infrastructure for electric vehicles in the Central Belt; and
- continue to support road safety initiatives in support of the Road Safety Framework.

Planning

Table 7.13 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Planning	2.6	1.5
Building Standards	0.3	0.3
Architecture and Place	1.7	1.6
Planning and Environmental Appeals	0.7	0.7
Total	5.3	4.1
<i>of which:</i>		
DEL Resource	4.7	3.9
DEL Capital	0.6	0.2
AME		

What the budget does

Key elements of the Planning modernisation programme include: building on the success of the e-planning project, which has transformed access to the planning system and secured substantial savings for users; support for community engagement, principally through funding to Planning Aid for Scotland; and the Planning Development Programme which is designed to ensure the planning services have the skills and competences required to make the system work effectively.

The Building Standards Division prepares and updates building standards legislation and guidance documents. A key work area is to ensure that European obligations are met and currently work is ongoing for the second stage of the Energy Performance of Buildings Directive.

Architecture and Place is the sponsor for the NDPB, Architecture and Design Scotland, which carries out a variety of advisory roles to improve the quality of Scotland's built environment and to support sustainable place-making. The Division provides funding support for a number of programmes in line with the National Outcome that we value and enjoy our built and natural environment. In addition, the Sust. Programme run by Architecture and Design Scotland is aimed at mainstreaming sustainable design and supports the 'greener' objectives of government.

The Directorate for Planning and Environmental Appeals determines appeals made to Scottish Ministers under planning and environmental legislation against decisions made, or enforcement action taken, by planning authorities and the Scottish Environment Protection Agency. It conducts examinations of strategic and local development plans and inquiries held in relation to compulsory purchase orders, transport and other infrastructure projects such as on shore renewables, and core path plans which promote access to the countryside.

In 2011-12 we will:

- conduct robust research to fully inform Scottish Government policies supporting Scotland's climate change commitments;

- build on the success of the e-planning programme to continue to drive public sector efficiencies by delivering a modern, efficient and inclusive planning service to the people of Scotland;
- continue to support the Scottish Sustainable Communities Initiative, supporting the promotion of sustainable low carbon places; and
- fund the costs associated with Planning and Environmental Appeals and other casework.

Rail Services in Scotland

Table 7.14 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Rail Franchise	315.2	299.5
Rail Infrastructure	331.0	426.1
Rail Development	0.9	0.8
Rail Small Programmes	20.0	–
Major Public Transport Projects	175.7	53.0
Total	842.8	779.4
<i>of which:</i>		
DEL Resource	442.1	420.4
DEL Capital	400.7	359.0
AME		

What the budget does

The budget supports the delivery of ScotRail passenger rail services in Scotland, the maintenance and safe operation of the Scottish rail network and investment in service upgrades. The rail infrastructure costs relating to rail services are set by the Rail Regulator.

Funding is provided under Major Public Transport Projects for the delivery of major rail public transport projects such as the Edinburgh – Glasgow Improvements Programme (EGIP) and the Borders Railway.

In 2011-12 we will:

- increase expenditure on rail services and maintaining the current rail network;
- increase train services on the Airdrie to Bathgate railway to four trains per hour;
- deploy the new fleet of longer electric trains between Glasgow, Ayrshire and Inverclyde and Edinburgh and East Lothian;
- increase long distance services to Inverness on the Highland Mainline from 9 to 11 trains per day;

- continue advanced works and procurement for the Borders Railway to open in 2014;
- continue design development of the Edinburgh – Glasgow Improvements Programme for completion in 2016; and
- continue to meet the Scottish Government’s funding obligation to make a £500 million contribution to the City of Edinburgh Council’s tram project.

Registers of Scotland

What the budget does

Registers of Scotland (RoS) is a Trading Fund and is self-financing from fees (so does not receive direct funding from government). RoS maintains and supplies information from a range of public registers. The main two registers, the Land Register and the General Register of Sasines, are concerned with the ownership of land and property. The public registers play a key role in underpinning the economic and social stability of Scotland. RoS’s purpose is to record and safeguard rights, providing the people and institutions of Scotland with the social and economic benefits that flow from a publicly guaranteed system of rights in land and property.

Scottish Public Pensions Agency

Table 7.15 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Agency Administration	11.8	11.2
Scottish Teachers Pension Scheme	1,424.3	1,424.3
NHS in Scotland Pension Scheme	1,806.1	1,806.1
Total	3,242.2	3,241.6
<i>of which:</i>		
DEL Resource	10.7	10.7
DEL Capital	1.1	0.5
AME	3,230.4	3,230.4

What the budget does

The Scottish Public Pensions Agency’s (SPPA) principal role is to administer the pensions, premature retirement and injury benefits schemes for members of the National Health Service in Scotland Pension Scheme and the Scottish Teachers Superannuation Scheme.

The Agency also has responsibility for developing the regulations covering the National Health Service in Scotland Pension Scheme, the Scottish Teachers Superannuation Scheme, and the Local Government, Police and Fire pension schemes in Scotland; for determining appeals made by members of these schemes; and providing a pensions calculation service for a small number of small public pension schemes operating in Scotland and elsewhere.

The pension scheme funding represents the costs of pensions accrued in that year plus notional interest on current liabilities less income received. It is classified as annually managed expenditure (AME), funded separately by Treasury from the Departmental Expenditure Limit (DEL) settlement and, as such, variations in the scheme expenditure do not have to be balanced by adjustments elsewhere in the Scottish Budget.

In 2011-12 we will:

- maintain its current service standards during 2011-12 against the context of significant increases in casework growth; and
- ensure that the policy and operational aspects of the UK Government's agenda of public service pension reform are implemented where appropriate.

Third Sector

Table 7.16 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Third Sector	20.7	24.0
Scottish Investment Fund	14.8	3.0
Total	35.5	27.0
<i>of which:</i>		
DEL Resource	35.5	27.0
DEL Capital	-	-
AME		

What the budget does

The Third Sector budget seeks to secure the development of an innovative, sustainable and inclusive third sector, supporting communities to be more cohesive and contributing to high quality public services and raised economic growth. The budget also supports active citizenship, including volunteering, and a series of strategic partnerships with national third sector organisations aimed at building third sector capacity.

We have been able to increase our core spending on the Third Sector and, despite the fact that the Scottish Investment Fund was planned only as a three-year fund concluding in 2011, we have also been able to sustain it with a further £3 million investment.

In 2011-12 we will:

- from spring 2011 take a more strategic approach to our investment in the third sector, with the aim of increasing the resilience and capacity of third sector organisations;
- deliver a range of business support to third sector organisations via strategic contracts, with the aim of increasing organisational capacity and capability; and

- enhance our strategic engagement with the sector at a national level and support engagement with community planning through third sector interfaces in each Community Planning Partnership area.

Water and Climate Change

Table 7.17 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Support for Scottish Water Borrowing	150.0	–
Interest on Voted Loans	(89.2)	(89.2)
Climate Change	1.2	1.2
Total	62.0	(88.0)
<i>of which:</i>		
DEL Resource	(88.0)	(88.0)
DEL Capital	150.0	–
AME		

What the budget does

In 2011-12, Scottish Water will have sufficient cash so that no loans are required from the Scottish Government other than to replace those loans that come to maturity and therefore the capital programme will be able to continue as planned. Over the 2010-15 regulatory period, the Government remains committed to lending £700 million to Scottish Water to enable it to deliver vital improvements to services.

In 2011-12:

- Scottish Water will be investing to deliver improvements to water and sewerage services. These improvements required by Ministers are set out in directions issued to Scottish Water in October 2009 and cover the period 2010-15. Examples of specific improvements include:
 - further reductions in levels of leakage;
 - progressing plans to deliver improvements to Glasgow's drainage and wastewater treatment facilities;
 - providing the necessary water and wastewater infrastructure to support the Commonwealth Games;
 - continuing to support economic growth by providing strategic capacity at water and wastewater assets as and when it is required; and
 - completion of the new water treatment works for Edinburgh City.

In 2011-12, the climate change programme line will support:

- the Scottish contribution to the independent Committee on Climate Change, which provides expert advice to Ministers on matters concerning climate change, including emissions reduction targets;
- work to understand and prepare for the likely impacts of a changing climate, through the Scottish Climate Change Impacts Partnership; and
- activities related to implementation of the Climate Change (Scotland) Act 2009.

CHAPTER 8

Health and Wellbeing

PORTFOLIO RESPONSIBILITIES

The Health and Wellbeing portfolio is responsible for helping people to maintain and improve their health, especially in disadvantaged communities, and for delivering high quality healthcare. The portfolio works to provide good quality, sustainable and affordable housing, tackles homelessness and helps regenerate Scotland's communities. Our remit also includes tackling discrimination, promoting equality and sport.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

Scotland's healthcare sector directly supports sustainable economic growth by providing continuous improvement in the quality of services it provides. It helps those out of work because of poor health return to employment and, by improving the health and wellbeing of those in work, reduces sickness absence, promotes motivation and increases productivity. As Scotland's single biggest employer, with more than 168,000 employees across the country, it makes an important contribution to local economies. The portfolio further contributes to sustainable economic growth by tackling the discrimination and inequality that prevent people from participating fully in the labour market and reaching their full potential.

The healthcare sector also contributes to economic growth through its significant investment in world-leading healthcare related research and development in medical and life sciences technology.

Tackling inequalities and promoting equality help to support more cohesive communities, foster good relations and create the conditions which make Scotland a more attractive place to come to visit, live and work.

The portfolio's lead role in supporting the 2014 Commonwealth Games will stimulate investment of around £2 billion in infrastructure for Games venues and associated transport networks and support an estimated 1200 jobs across Scotland. The Games will bring particular benefits to the East End of Glasgow where the injection of housing development and supporting infrastructure will promote sustainable economic growth. More broadly, our support for this and other major sporting events will create jobs and boost the tourism industry.

The portfolio has responsibility for regenerating Scotland's communities; working with partners to provide homes and places for people to live, work and flourish which in turn will enable them to contribute most productively to economic growth.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Health and Wellbeing portfolio contribute to all of our National Outcomes. Among the most significant are:

- We live longer, healthier lives;
- Our children have the best start in life and are ready to succeed;
- We have tackled significant inequalities in Scottish society;
- We have improved the life chances for children, young people and families at risk;

- We live in well-designed, sustainable places where we are able to access the amenities and services we need; and
- We reduce the local and global environmental impact of our consumption and production.

The portfolio makes the most significant contribution to ensuring that the people of Scotland **live longer, healthier lives** by providing high quality healthcare and by focusing on prevention and early intervention to reduce key health risk drivers of premature mortality, such as alcohol misuse, smoking, mental illness, and poor mental wellbeing.

The emphasis on early healthcare intervention from conception through early childhood within the portfolio will make a significant contribution to ensuring that **our children have the best start in life and are ready to succeed**.

The portfolio has an important role to play in **tackling the significant inequalities in Scottish society** through building on the success of *Keep Well*. We will also promote equality and fair treatment by promoting equality across our healthcare services, and will support NHS Boards in tackling discrimination, prejudice and the barriers to equality of opportunity.

The portfolio has an important contribution to make in **improving the life chances for children, young people and families at risk**, including support for preventative measures focusing on the early years, parenting support, education and learning support, employability services, drugs and alcohol services, community policing and services targeted at particular groups such as looked after children, offenders and children affected by domestic abuse.

The portfolio will give priority to regenerating Scotland's communities, helping to ensure that we **live in well-designed, sustainable places where we are able to access the amenities and services we need**. In particular, we will work with partners to ensure the right quality, quantity and types of homes and places for people to live and work. Assisting vulnerable households through the difficult economic times ahead will make a key contribution to the delivery of this outcome. Health facilities are designed to support sustainable delivery of health services and provide appropriate environments for the delivery of modern healthcare.

The portfolio will contribute to **reducing the local and global environmental impact of our consumption and production** through our investment in insulating our homes and tackling fuel poverty through the Energy Assistance Package and our Home Insulation Schemes and through a range of other programmes set out in our *Energy Efficiency Action Plan*.

OUR ACHIEVEMENTS

- We have made a significant contribution to the marked **reductions in mortality rates from the three big killers** – cancer, heart disease and stroke. Over the past four years NHSScotland has made some significant improvements which have already improved outcomes for the people of Scotland. Between 1995 and 2009, there has been a 60 per cent decrease in premature mortality from Coronary Heart Disease (CHD), a 54 per cent decrease from stroke and a 22 per cent decrease from cancer.
- Since 2007 the initial *Keep Well* programme of **inequalities targeted health checks** has successfully engaged more than 85,000 people. Local outcomes of reductions in blood pressure and cholesterol, and of people quitting smoking as a result of the programme are very positive, and if sustained should in time lead to a reduction in cardiovascular mortality and morbidity.
- On smoking, we acted decisively by increasing the age of purchasing tobacco from 16 to 18 on 1 October 2007. In May 2008, we launched a **smoking prevention** action plan, *Scotland's Future is Smoke-free* which set out an ambitious programme of measures designed specifically to prevent smoking among children and young people. We have invested record sums in smoking cessation measures – more than £40 million in the current Spending Review period. There has been an increase of 73 per cent in smokers successfully quitting (one month post quit date) with the support of NHSScotland stop smoking services.
- We have backed our radical **action on alcohol misuse** with a record £100 million investment in prevention, treatment and support services. This, along with our reform of local Alcohol and Drug Partnerships is significantly improving services to those in need. Through the alcohol brief interventions programme, NHS Boards are on target to help almost 150,000 people to reduce their risk of requiring services in the future.
- Through significantly increased investment we achieved a step change in **Hepatitis C services**, putting Scotland at the forefront of international efforts to tackle this condition, which has become a major public health challenge particularly among vulnerable groups.
- We have ensured greatly improved **access to services** through significant reductions in maximum waiting times standards. Waiting times standards for a first outpatient consultation following a GP or dentist referral and for inpatient and day case treatment have reduced from 6 months to 12 weeks. A new standard for diagnostic tests for the eight key diagnostic tests such as MRI and CT scans of six weeks has been introduced. Cancer patients are treated faster than ever, with urgently referred patients being treated within 62 days.
- We secured the delivery of **Free Personal Care** by providing an extra £40 million a year, agreeing with COSLA a fair and consistent approach to the delivery of Free Personal Care across the country. This will continue to improve the lives of older people and their carers.
- We have made significant progress towards the **abolition of prescription charges** with charges currently reduced to £3. From 1 April 2011 we will abolish the prescription charge.

- We were at the forefront of the successful UK-wide **response to the H1N1 flu pandemic**. Measures we took included a successful vaccination programme with higher uptake rates than in other parts of the UK, a doubling of critical care capacity, and the establishment of the Scottish Flu Response Centre within NHS 24 which reduced pressures in primary care and was a vital source of information for the Scottish public.
- We have reduced the number of *Clostridium difficile* infections by 63 per cent and MRSA by 63 per cent, introduced a national screening programme for MRSA and invested more than £50 million in the fight against **Healthcare Associated Infection**. In our drive to continue to reduce Healthcare Associated Infections we have established an independent Healthcare Environment Inspectorate to improve standards in hospitals. The Inspectorate will ensure the highest standards of infection prevention and cleanliness with the aim of building public confidence.
- In 2010 we jointly published with COSLA a *Carers and Young Carers Strategy* which sets a framework for action for the next five years aimed at supporting carers and sustaining them in their caring role, while enabling young carers to be children first and foremost. Further as set out in chapter 14, local government will continue to work with the Scottish Government towards maintenance of an extra 10,000 weeks respite provision.
- We published Scotland's first ever *Dementia Strategy* and are making good progress towards meeting the national target to increase the number of people registered with a diagnosis of dementia.
- We made considerable progress in implementing *Living and Dying Well – a national action plan for palliative and end of life care in Scotland* to ensure that people are supported to live as well as possible, in their preferred place of care, at the end of their lives.
- We have invested in the **child and adolescent mental health (CAMHS)** workforce with a 29 per cent increase since 2008, and have introduced a HEAT target to reduce the waiting time for access to specialist CAMHS services.
- **Nurse agency spend** reduced by 69 per cent from £28 million in 2006-07 to £8.2 million as of 2009-10. Agency staff now only account for 0.6 per cent of total nursing and midwifery capacity.
- We have continued to invest in the NHS and have successfully delivered a varied **capital investment** programme which totals £1.676 billion over three years - an increase of 19.9 per cent on the previous three years. In 2010 the First Minister opened the £17.7 million Aberdeen Dental School which exemplifies an innovative design and helps reduce the NHS's carbon footprint.
- We kept open **A&E services** at Ayr and Monklands hospitals, reversing the previous administration's decision to close these services.
- We established NHS Research Scotland (NRS), an initiative initially developed to streamline the process of obtaining **research and development** approval for multi-centre research studies in Scotland, which will deliver major efficiencies to industry. This is regarded as crucial to attracting pharma industry to invest in research in Scotland.

- We worked in partnership with colleagues across NHSScotland to establish a new shared focus on pursuing excellence in our healthcare services through the development of the *Healthcare Quality Strategy for NHSScotland*. This strategy will now become the overarching context for the prioritisation of policy development and improvement as we face the challenges of the future, both in terms of securing improvement in the quality of healthcare services, and in achieving the necessary efficiencies.

Housing and Regeneration

- Responding to the credit crunch and recession, we supported the wider housing market and enabled the retention of skilled employees through accelerating £120 million of investment in affordable housing supply in 2008-09 and 2009-10, protecting an estimated 2,500 jobs.
- Through a £80 million investment in new council houses we will support the construction of 3,300 new homes for social tenants and support more than 2000 jobs in construction and related trades. This is the first central government support for new council housing in more than 20 years and, combined with ending the right to buy on new social housing, will increase availability of council house stock.
- Over the period 2007-10, 5,351 households were helped into home ownership through the *Low cost Initiative for First Time buyers* (LIFT), including 2,625 households through the *Open Market Shared Equity Pilot*.
- Over the period 2010-12, innovation in the financing and delivery of affordable housing for rent and ownership is delivering new affordable rented homes in rural areas in partnership with private landowners, and 100 households are being helped into home ownership in 2010-11 through a new supply shared equity scheme developed with the house building industry.
- The *National Housing Trust* initiative, delivered through a financial partnership with 12 local authorities, is enabling the approval of at least 1,000 new affordable homes for rent including future options for home ownership.
- Investment of £92 million in Urban Regeneration Companies has helped transform some of our most deprived communities and helped create jobs.
- The *Energy Assistance Package* (EAP) was introduced in April 2009 to assist families and older people suffering fuel poverty. More than 67,000 families were helped in the first year. The EAP will create or sustain over 400 jobs. The scheme and its predecessor, the *Central Heating Programme*, has installed over 40,000 heating and insulation measures since April 2007.
- We introduced area-based *Home Insulation Schemes* offering free or low cost energy efficiency measures to 500,000 households which has helped them save money, address fuel poverty and combat climate change. Delivery from early phases has led to savings in household fuel bills worth £23 million over the lifetime of the measures.
- Responding to the impact of the recession, we helped 850 households to avoid repossession by doubling funding for the *Home Owner Support Fund*, and introduced the strongest legislative protection anywhere in the UK for those at risk of repossession.

- We continued to support local authorities as they move towards meeting the 2012 target that entitles all unintentionally homeless households to settled accommodation.

Sport

- We were the successful bidder for hosting the 2014 Commonwealth Games and in our bid to improve Scotland's level of participation in sport we have started to roll out community sport hubs throughout Scotland with 24 already identified.
- We have made considerable investment in upgrading and developing Scotland's sporting facilities infrastructure. Since 2008 we have provided over £11.5 million through sportscotland in direct support to projects across Scotland, as we believe that sport has the potential to significantly transform lives in every community. For example, over the past 3 years we have seen the upgrading of the pavilion and pitches at Seedhill Playing Fields in Paisley; enhancements to the mountain biking tracks at Fort William; new facilities for juniors players at Orkney Golf Club; and a new skatepark at Saughton in Edinburgh.
- In addition we have invested over £16 million through our national and regional sports facilities strategy to help deliver a new Regional Indoor Football Centre at Toryglen in Glasgow; a new Sports Village in Aberdeen, the creation of the Peak Centre in Stirling and new state of the art sporting facilities at Ravenscraig in Motherwell.

Equalities and Social Inclusion

- We supported a wide range of activity to promote and to tackle issues of inequality and discrimination, violence against women and domestic abuse.
- We introduced the Forced Marriage Protection Bill in September 2010 which will provide civil remedies for those at risk of forced marriages and victims of forced marriage.
- We developed for consultation a new set of public equality duties to help bodies take forward their responsibilities under the Equality Act 2010.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. However, the health budget has received the full Barnett consequential of £280 million towards its resource budget. This has lifted the resource budget by 2.7 per cent to £10.8 billion. Within the Health and Wellbeing portfolio, the year on year cuts in cash terms on capital budgets is £171 million. Notwithstanding the increase in NHS funding, issues such as the ageing population, new technology and the cost of drugs means that the NHS will still face considerable budget pressures. These pressures mean that the NHS will need to deliver maximum value from our investment through a focus on increased efficiency while protecting the quality of care. Taking into account these pressures, we have considered all areas of expenditure within the Health and Wellbeing portfolio, the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities.

In respect of NHSScotland the fiscal environment will have an impact on the timing of delivery of some capital projects currently in development. The Scottish Government is exploring other financing options in conjunction with the Scottish Futures Trust to maximise capital investment in NHSScotland on a sustainable financial basis.

Key pressures within Housing and Regeneration in 2011-12 include meeting the commitments for capital investment made as part of the *Economic Recovery Programme*, and also maintaining a forward programme for new housing to continue progress towards our 2012 homelessness target, to support the economy and Scottish jobs, and to provide a range of housing options, particularly for people unable to access the housing market.

In order to reduce the level of spending within Housing and Regeneration, we have taken the following difficult decisions:

- to reprofile some housing and regeneration capital spending; and
- to focus the support available to those affected by the economic downturn.

OUR PRIORITIES

The Health and Wellbeing portfolio will be responsible for public spending totalling £11.9 billion in 2011-12. Funding allocated to healthcare will be £11.4 billion, of which Territorial Boards and Special Boards will receive a core allocation of £8.6 billion. £390.8 million will be allocated to Housing and Regeneration, £66.4 million to Sport, £27.5 million to Social Inclusion and Equalities and £10.9 million to the Food Standards Agency.

Our total healthcare funding in 2011-12 of £11.4 billion reflects an increase of £190.5 million. This comprises annually managed expenditure of £100 million, net capital funding of £488.2 million and resource funding of £10.8 billion. Resource funding has increased by £280 million, from £10,504.2 million to £10,784.2 million. This is the full amount of the budget consequential arising from the increase to health in England and delivers on the Scottish Government's commitment to pass on the resource budget consequential in full to the NHS in Scotland.

Health and Wellbeing

Building on the firm foundation established over recent years our key priorities for health for 2011-12 will be to:

- protect the most vulnerable people in our society through early intervention and by promoting equality; and
- achieve world-leading quality in healthcare and maximise value through increased efficiency.

Protecting the Most Vulnerable in Our Society through Early Intervention and Promoting Equality

We will continue to address the significant **health inequalities** that exist in Scotland. In recent years, significant advances have been made in protecting and enabling society's most vulnerable people but substantial challenges remain. We believe that action in children's early years is the

most fundamental and effective form of early intervention to address poor health. Evidence shows that the **early years** are crucial in developing a person's strengths and the assets they will need to maintain their health and wellbeing in the future. We will also continue to support wider preventative services, such as parenting support, education and learning support, employability services, drugs and alcohol services, community policing and services, with a particular focus on vulnerable groups, such as looked after children, offenders and children affected by domestic abuse. We will do this by implementing the *Getting it Right for Every Child* approach across all relevant parts of our Health services.

Building on the success of the *Keep Well/Well North* programme of health checks, we will extend a programme of inequalities-targeted, high risk primary prevention to all NHS Boards' activities from 2012-13. Evidence tells us that this is an effective and efficient approach to delaying the onset of cardiovascular disease and to tackling **excess premature mortality** within deprived communities.

It is still the case that age, race, gender, gender identity, disability, sexual orientation and religion can impact on a person's health and wellbeing and, therefore, on Scotland's economic and social wellbeing. We will promote **equality and fair treatment** for people of Scotland and across Government activity to tackle discrimination, prejudice and the barriers to equality of opportunity.

Achieving World-Leading Quality in Healthcare and Maximising Value through Increased Efficiency

By concentrating on what really matters to people, we have established three Healthcare Quality Ambitions for Scotland which will focus our combined efforts to become a world leader in healthcare quality:

- Mutually beneficial partnerships between patients, their families and those delivering healthcare services which respect individual needs and values and which demonstrate compassion, continuity, clear communication and shared decision-making.
- There will be no avoidable injury or harm to people from healthcare they receive, and an appropriate, clean and safe environment will be provided for the delivery of healthcare services at all times.
- The most appropriate treatments, interventions, support and services will be provided at the right time to everyone who will benefit, and wasteful or harmful variation will be eradicated.

We will **implement the Healthcare Quality Strategy** in partnership with Local Authorities, the independent sector and the public and will report on the progress we are making towards achieving our Healthcare Quality Ambitions and aim of becoming a world leader in healthcare quality.

We will provide a strengthened focus on supporting NHS Boards to **increase efficiency and productivity** and will prioritise approaches which simultaneously improve the quality of healthcare services but do not compromise quality, such as eradicating harmful and wasteful variation and implementing key modernisation programmes. As part of this process we will reduce the number of senior managers in the NHS by 25 per cent by the end of the next Parliament.

As part of our approach to achieving world leading quality in our healthcare services, we will continue our focus on **tackling HAI** through the work of the HAI Task Force.

Delivering world-leading healthcare services for people will require strong partnership working across health and care services. In recognition of the pressures on the health and social care system in a challenging fiscal climate, the **Scottish Government has allocated £70 million in 2011-12 within the NHS Budget to a Change Fund for NHS Boards and partner local authorities to redesign services to support the delivery of new approaches to improved quality and outcomes.** By ensuring that older people remain independent in their own homes, Health Boards and local authorities will be able to focus on reducing unnecessary hospital admissions and speeding discharge after a crisis. This will result in better outcomes for older people and ease the pressure on acute hospital provision.

The *Reshaping Care for Older People* programme will continue, as part of the implementation of the *Healthcare Quality Strategy*, to address the challenges faced by a rapidly increasing older population at a time of financial constraint while at the same time delivering better outcomes for older people. This will be achieved by remaining focused on the key policy goal of optimising the independence and wellbeing of older people at home or in a homely setting.

From December 2011, NHSScotland will deliver the 18 weeks Referral to Treatment standard. Shorter waits can lead to earlier diagnosis and better outcomes for many patients as well as reducing unnecessary worry and uncertainty for patients and their relatives. It also reduces inequalities by **addressing variations in waiting times** across Scotland.

Housing and Regeneration

We will support economic growth with an extra £600 million investment in **new affordable housing supply** through use of £55 million of new government funding, helping to support around 7,500 jobs. We will build around 6,000 new affordable homes, including for new social tenancies.

We will support **Urban Regeneration Companies (URC)**, with priority investment in Clyde Gateway URC to support delivery of a successful Commonwealth Games.

We will continue our successful *Energy Assistance Package* and *Home Insulation Scheme*.

Spending Plans for 2011-12 are set out below.

Table 8.01: Spending plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
Health	11,181.9	11,359.8
Housing and Regeneration	488.0	393.8
Equalities and Social Inclusion	27.5	27.5
Sport	54.1	66.4
Food Standards Agency Scotland	10.9	10.9
Total	11,762.4	11,858.4
<i>of which:</i>		
DEL Resource	10,747.5	11,014.4
DEL Capital	914.9	744.0
AME	100.0	100.0

Table 8.02: Spending plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Health	11,181.9	11,148.0
Housing and Regeneration	488.0	386.5
Equalities and Social Inclusion	27.5	27.0
Active (including Sport)	54.1	65.2
Food Standards Agency Scotland	10.9	10.7
Total	11,762.4	11,637.4
<i>of which:</i>		
DEL Resource	10,747.5	10,809.1
DEL Capital	914.9	730.1
AME	100.0	98.2

Health

Table 8.03: More detailed spending plans (Level 3)

Resource	2010-11 Budget £m	2011-12 Draft Budget £m
NHS and Special Health Boards	8,402.2	8,625.7
Education and Training		
Workforce	25.9	28.5
Nursing	150.1	150.4
Primary and Community Care Services		
General Medical Services ¹	700.1	700.1
Pharmaceutical Services Contractors' Remuneration	187.8	186.0
General Dental Services	356.6	396.6
General Ophthalmic Services	88.0	93.0
Improving Health and Better Public Health		
Health Improvement and Health Inequalities	51.1	58.5
Pandemic Flu	6.1	5.4
Health Screening	8.5	8.0
Tobacco Control	12.3	12.3
Alcohol Misuse	42.3	42.3
Health Protection ²	38.8	40.0
Mental Wellbeing	6.0	6.0
Healthy Start	8.5	12.4
Mental Health Legislation and Services	12.1	15.3
Specialist Children's Services	19.4	21.4
General Services		
Research	64.6	68.6
Distinction Awards	28.0	26.0
Access Support for the NHS	101.3	101.3
Improvement and Support of the NHS	18.9	18.9
Clean Hospitals / MRSA Screening Programme	20.4	28.4
eHealth	100.0	90.0
Miscellaneous Other Services ³	158.4	152.3
Scottish Commission for the Regulation for Care ⁴	16.6	16.6
Resource Income	(119.8)	(119.8)
	10,504.2	10,784.2
CAPITAL		
Investment ⁵	594.4	496.7
Capital Income	(16.7)	(8.5)
	577.7	488.2
AME - NHS Impairments⁶	100.0	100.0
TOTAL HEALTH	11,181.9	11,372.4
Transfer to Sport : Commonwealth Games 2014⁷	-	(12.6)
Total⁸	11,181.9	11,359.8
<i>Of which:</i>		
DEL Resource	10,504.2	10,771.6
DEL Capital	577.7	488.2
AME	100.0	100.0

Notes:

1. Allocations for 2011-12 for General Medical Services are still to be decided and are subject to UK pay negotiations with the professional groups concerned.
2. Hepatitis C Action Plan is now included within the Health Protection line.
3. £32 million has been transferred from Miscellaneous Other Services to Territorial Boards in respect of Prescription Charges funding in 2010-11. The balance of funding to fully abolish Prescription Charges is included in the increase in funding to Boards in 2011-12.
4. The Scottish Commission for the Regulation of Care will be merged within the new Social Care and Social Work Improvement Scotland (SCSWIS) from April 2011.
5. The 2010-11 Capital Investment figure includes £20 million contingent funding in respect of Pandemic Flu which was not available for spend elsewhere in the health budget. After excluding this figure the reduction in capital spend is £69.5 million which reflects the Department of Health Consequential reduction.
6. Health Impairments which is Annually Managed Expenditure was previously included within Miscellaneous Other Services.
7. Transfer to Sport: Commonwealth Games 2014. The £12.6 million additional funding for Commonwealth Games 2014 in 2011-12 has been identified from contingency funding for Pandemic Flu together with procurement efficiencies within eHealth.
8. 2010-11 position has been restated reflecting transfers in respect of the removal of the cost of capital following revised HM Treasury guidance, transfer of funding in respect of Adult Support and Protection Act to Local Government and other corporate transfers.

Table 8.04: Territorial and Special Health Boards spending plans

	2010-11 Budget £m	2011-12 Draft Budget £m
Territorial and Special Health Boards		
NHS Ayrshire and Arran	561.5	579.2
NHS Borders	163.2	168.3
NHS Dumfries and Galloway	235.8	243.2
NHS Fife	494.0	509.7
NHS Forth Valley	392.2	404.7
NHS Grampian	666.8	687.9
NHS Greater Glasgow and Clyde	1,835.3	1,893.5
NHS Highland	473.2	488.2
NHS Lanarkshire	793.9	819.0
NHS Lothian	1,005.5	1,037.4
NHS Orkney	30.8	31.8
NHS Shetland	35.8	36.9
NHS Tayside	580.9	599.3
NHS Western Isles	56.5	58.3
Total Territorial Boards	7,325.4	7,557.4
NHS Waiting Times Centre	37.8	38.2
NHS Scottish Ambulance Service	194.8	199.5
NHS National Services Scotland	253.2	248.2
NHS Quality Improvement Scotland	17.2	16.5
NHS State Hospital	33.9	34.3
NHS 24	56.9	57.4
NHS Education for Scotland	400.0	392.0
NHS Health Scotland	21.4	20.6
Total Special Boards	1,015.2	1,006.7
Other Income	61.6	61.6
Total	8,402.2	8,625.7

Notes:

1. 2010-11 position has been restated reflecting transfers in respect of the removal of the cost of capital following revised HM Treasury guidance and other internal transfers.
2. Budgets for 2010-11 are indicative and will change as final funding allocations are calculated according to the NHS Resource funding formula that will be updated later this financial year and includes a provision for progressing towards parity in baseline formula.
3. NHS Quality Improvement Scotland will merge into Health Improvement Scotland as at April 2011.

What the budget does

The budget supports services and initiatives designed to help people in Scotland to live longer and healthier lives with reduced health inequalities; and to provide more sustainable, high quality and continually improving healthcare services close to home.

NHS Boards allocations will increase overall by 2.7 per cent. However, the increase for Territorial Boards will be 3.2 per cent, reflecting our commitment to direct resources as far as possible to frontline services.

To achieve this and also to support an increase for Special Boards delivering direct patient care, such as the Scottish Ambulance Service, we have adopted a different approach to 2011-12 funding where a differential efficiency target has been set.

NHS Boards provide free and universal frontline healthcare services for patients and their families. NHS Boards will build on their recent achievements in order to deliver quality healthcare services. They will continue to improve health and wellbeing through the millions of reliable frontline healthcare interactions that really matter to people. Through their Local Delivery Plans, NHS Boards will demonstrate how they will deliver accelerated improvements for key priorities including a continued focus on tackling health inequalities, improving access to elective mental health and substance misuse services, and reducing healthcare associated infection.

In addition to formula-based allocations to Territorial Boards, the capital budget will support the commencement of construction on the adult and children's hospitals as part of the New South Glasgow Hospitals Project.

The capital budget will also support delivery of projects across Scotland including the continuation of the £105 million Emergency Care Centre in Aberdeen due to complete in 2012-13 and completion of projects including Acute Mental Health Services in Dumfries; the Chalmers Hospital in Grampian; Migdale Community Hospital in Highland; Airdrie Resource Centre in Lanarkshire; the Royal Victoria Hospital in Edinburgh; and Nuclear Medicine facilities at Ninewells Hospital. Programmes will continue to support the replacement of vehicles and defibrillators by the Scottish Ambulance service, as well as national programmes to support radiotherapy equipment replacement and the roll out of the hub initiative. We will also ensure the delivery of a range of other health projects, including the Royal Sick Children's Hospital and Department of Clinical Neurosciences in Edinburgh through the NPD approach outlined in chapter 3.

In 2011-12 our priorities will be to:

- protect frontline healthcare services;
- implement Scotland's first *National Dementia Strategy* in full and take forward the work to improve post-diagnostic information and support and to improve the care in general hospital settings;
- support older people and those with long term conditions to remain independent in their own homes or in the community, by a focus across Health Boards and local authorities on supported self management, reducing unnecessary hospital admissions and speeding discharge after a crisis;

- support NHSScotland to eliminate waste and drive modernisation programmes;
- support NHSScotland to achieve productivity and efficiency gains without compromising quality through the implementation of the new *Efficiency and Productivity* plan;
- implement the *Healthcare Quality Strategy*;
- identify and eradicate harmful and wasteful variation;
- continue to reduce Healthcare Associated Infection;
- continue to protect and enable the most vulnerable in our society by addressing health inequalities and, through early interventions, to support our children;
- deliver the 18 week Referral to Treatment standard;
- continue to address the major public health challenges facing Scotland, including alcohol misuse, smoking, obesity, sexual health and Hepatitis C;
- invest a further £25 million within NHS Boards to keep our commitment to abolish prescription charges;
- continue to fund free personal care;
- deliver the *Obesity Route Map Action Plan*;
- increase levels of physical activity and participation in sport;
- support people in Scotland to maintain their health through commencement of the implementation of the recently enacted tobacco control legislation and the implementation of the provisions of the Alcohol Etc (Scotland) Act;
- begin the roll out of abdominal aortic aneurism screening for men aged 65;
- continue to work to support measures which respond to the needs of equality communities and help to address the inequalities they experience;
- commence delivery of the three-week waiting time target for alcohol misuse services;
- reflect the importance of our person-centred approach to improving healthcare quality by gathering new information and taking related action on patient, carer and staff experience and patient reported outcomes, and through the enactment of the Patients' Rights Bill;
- continue to focus on patient safety by rolling out our successful approaches across acute, mental health and primary care;
- maintain our commitment to research;
- begin the implementation of the 25 per cent reduction in management costs; and
- continue investment in new and replacement health facilities, IT and equipment.

Housing and Regeneration

Table 8.05: More detailed spending plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Supporting Economic Growth / Housing Supply ¹	280.3	268.5
Supporting Sustainability ²	104.6	83.9
Supporting Transitions ³	77.4	57.2
Scottish Housing Regulator	4.7	4.2
Less Income	(20.0)	(20.0)
Non Recurring Budget Consequentials ⁴	41.0	-
Total	488.0	393.8
<i>of which:</i>		
DEL Resource	167.0	153.9
DEL Capital	321.0	239.9
AME		

Notes:

1. In 2010-11 includes resources from previous level 3s : AHIP – Regeneration Programmes – Private Housing.
2. In 2010-11 includes resources from previous level 3s : AHIP – Home Insulation – Energy Assistance Package – Private Housing.
3. In 2010-11 includes resources from previous level 3s : AHIP - Wider Role - Regeneration Programmes - Community Engagement – Tackling and Preventing Homelessness – Housing Voluntary Sector Grant Scheme – Social Housing – Private Housing – Communities Analytical Services.
4. In 2010-11 the Housing and Regeneration budget received non-recurring budget consequentials arising from UK budget announcements. (£31 million in respect of Supporting Economic Growth/Housing Supply (Affordable Housing Investment Programme) and £10 million for Supporting Sustainability (Home Insulation).

What the budget does

In 2011-12 we will meet the commitments for housing and regeneration capital investment which commenced during the recession and continue to support the economy and protect the supply of new homes. This can be achieved jointly with partners, using less taxpayer investment for each new home by leveraging more funding from other sources.

In detail, in 2011-12, we will:

- introduce a new £50 million competitive funding arrangement to allow all suppliers to provide new affordable homes;
- expand the National Housing Trust initiative to maximise the delivery of new affordable homes;
- build on the successful developer New Supply Shared Equity pilot scheme;
- maintain our successful Energy Assistance Package and Home Insulation Scheme;

- use the new £50 million *Scottish Joint European Support for Sustainable Investment in City Areas (JESSICA)* Fund to target sustainable investment in the most disadvantaged areas and then recycle gains into further projects in the future; and
- give transitional support to tenants and homeowners to improve their options in the economic downturn - including the *Home Owners Support Fund*, *Wider Role Fund* and *Open Market Shared Equity Programme* focused on helping existing social tenants.

Equalities and Social Inclusion

Table 8.06: More detailed spending plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Promoting Social Inclusion	7.2	7.2
Promoting Equality	20.3	20.3
Total	27.5	27.5
<i>of which:</i>		
DEL Resource	27.5	27.5
DEL Capital		
AME		

* The responsibility for the Social Inclusion budget will transfer to Education and Lifelong Learning portfolio in 2011-12

What the budget does

The budget supports wellbeing through cross-cutting work to tackle poverty and disadvantage, in particular, meeting our commitments in our tackling poverty framework *Achieving our Potential*.

In 2011-12, our priorities will be to:

- implement our *Child Poverty Strategy*;
- take forward the Tackling Poverty Board recommendations to further develop the *Achieving Our Potential* framework; and
- embed tackling poverty considerations throughout mainstream services.

The equality budget is used to promote equality and fair treatment for the wellbeing of the people of Scotland to mainstream equality across Government activity and to tackle discrimination prejudice and the barriers to equality of opportunity.

In 2011-12, our priorities will be to:

- support interventions which will promote equality, reduce inequalities and tackle disadvantage; and
- focus on the equality issues around employment and the economy.

Sport

Table 8.07: More detailed spending plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Active - Sport and Physical Activity	42.5	39.2
Active - Glasgow 2014: Delivery of Commonwealth Games	11.6	27.2
Total	54.1	66.4
<i>of which:</i>		
DEL Resource	38.0	50.5
DEL Capital	16.1	15.9
AME		

What the budget does

The budget provides support for the development of physical activity and sport within Scotland in order to increase Scotland's level of participation and improve our national sporting performance. We will use the Commonwealth Games in Glasgow as a catalyst to encourage Scotland to become a healthier, fitter and more active nation.

There are also a range of programmes and interventions funded through other portfolios which contribute towards increasing physical activity and encouraging everyone to lead a more active lifestyle. Examples of this include the development of local and national walking and cycling routes, and of cycle training. These sustainable and active travel interventions amount to around £17 million in 2010-11.

The Sport budget provides the main contribution to the operational costs of staging the Glasgow 2014 Commonwealth Games. The Scottish Government is working in partnership with Glasgow City Council, Commonwealth Games Scotland and the 2014 Organising Committee to ensure that the Games are an outstanding success.

The activity above directly supports the aims set out in *Preventing Overweight and Obesity in Scotland: A Route Map towards a Healthy Weight*. In addition, the new school curriculum will include 2 hours of quality PE for all children and young people further supporting our ambitions for Scotland as a sporting/physically active nation.

Cashback funding has also been a significant contributor and has successfully utilised sport as a mechanism to engage young people through diversionary activities. This funding will continue to be used to provide opportunities over the spending review period, part of this is £2 million to be used to support sporting facilities.

In 2011-12, our priorities will be to:

- sustain and improve participation in sport;
- contribute to the successful delivery of the 2014 Commonwealth Games; and
- implement a network of Community Sports Hubs which will bring together local people to participate in sport and physical activity in their own community.

Food Standards Agency Scotland

Table 8.08: More detailed spending plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Food Safety	7.3	7.3
Eating for Health	2.0	2.0
Choice (making it easier for consumers to make informed choices)	1.6	1.6
Total	10.9	10.9
<i>of which:</i>		
DEL Resource	10.8	10.9
DEL Capital	0.1	-
AME		

What the budget does

The Food Standard Agency Scotland (FSASs') main purpose is to improve food safety and encourage a balanced diet. The primary focus of the work carried out by the FSA in Scotland is to protect the Scottish public from the risk of consuming contaminated food. The FSAS develops, delivers and implements effective policies, projects, scientific research and consumer engagement events.

In 2011-12, our priorities will be to:

- protect and improve the health of the people of Scotland by ensuring food entering the market or produced in the UK is safe to eat;
- reduce foodborne-illness and diet-related diseases through a proportionate, risk-based regulatory regime;
- achieve reductions in levels of saturated fat, salt and calories in food products and encourage the development, promotion and availability of healthier options and portion sizes; and
- enable all consumers in Scotland to make informed choices and to understand about food, hygiene and a healthy diet, both in the home and where they choose to eat.

CHAPTER 9

Education and Lifelong Learning

PORTFOLIO RESPONSIBILITIES

The Education and Lifelong Learning portfolio is responsible for government policy related to improving outcomes for children, young people and users of social care. It covers all aspects of school education and national qualifications; university research and science; further and higher education; as well as community and adult learning and development, skills and training. The majority of the budget is however contained within the Local Government settlement as it provides for local authority delivery of school education.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

Education and lifelong learning is a key contributor to economic recovery and long term economic growth in which we want everyone across Scotland to share. Scotland's long term economic success depends on having highly skilled people who can confidently capitalise on opportunities, adapt to changing demands, create and develop new knowledge and harness the potential of technological advances. That is why investment in this portfolio is focused on empowering individuals to support themselves and their families while making the maximum possible contribution to the success of Scotland's economy and society, and enriching our culture. These have been our guiding principles in making the tough choices demanded of us.

Our ongoing focus on the early years will provide a strong base for all of our children, irrespective of background to develop, learn and achieve their potential. It also delivers clear economic benefits in terms of making better and more effective use of resources and reducing the need in both the short-term and the long-term for more expensive, crisis intervention.

Investment to support the implementation of *Curriculum for Excellence* will ensure that our young people will have the capacity to flourish in the labour market of the future. *Curriculum for Excellence* will transform the prospects of a generation of our young people, providing our society with the skills and behaviours they will need to thrive as citizens in the economy of tomorrow.

Moving beyond school, through investment in training opportunities, colleges and universities, we will be helping young people to move from education into work, supporting people of all ages and backgrounds to find jobs, and enabling people to acquire the higher levels skills which lead to individual prosperity and will underpin our future economic growth.

By working creatively with the Scottish education system we can also help ensure that future generations will see the need to protect our environment as a means of achieving economic growth rather than as a constraint to prosperity.

The portfolio supports our collective efforts across Government to advance Scotland's position as an environmental leader, and ensure that we make the most of the economic opportunity that this provides. Over a thousand Scottish schools already have 'Green Flag' status and the portfolio continues to support sustainability and an environmental awareness across the whole school community. Similarly, the portfolio supports development of the specialist skills and research needed for our ambitions in renewable energy and supports our institutions as they develop world-leading energy technology partnerships.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Education and Lifelong Learning portfolio contribute to a number of our national outcomes, especially;

- We realise our full economic potential with more and better employment opportunities for our people.
- We are better educated, more skilled and more successful, renowned for our research and innovation.
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- Our children have the best start in life and are ready to succeed.
- We have improved the life chances for children, young people and families at risk.

Covering all aspects of education and lifelong learning, including employability and skills, community learning and development and science, the portfolio supports our efforts *to realise our full economic potential with more and better employment opportunities for our people*. This is particularly important at a time of economic recovery and we will continue to focus policy on individuals and groups who are most at risk of being affected by the downturn and pressure on public spending. By investing in education and skills, and promoting innovation in research, we are providing creative people with the expertise that our employers need, while helping build solid foundations for longer term growth.

The portfolio leads on ensuring that *we are better educated, more skilled and more successful, renowned for our research and innovation*. By supporting students, funding Scotland's universities and colleges and investing in our research base we will produce the highly skilled workforce of the future that is capable of creating new knowledge and exploiting the commercial benefits of our research.

The portfolio ensures *our young people are successful learners, confident individuals, effective contributors and responsible citizens*. Recognising the crucial role of teachers in helping the achievement of these outcomes, the portfolio supports the development of the profession as well as quality assurance by national inspection of school education.

In partnership with other portfolios, the portfolio also works toward ensuring that our children have the best start in life and are ready to succeed and supports our efforts to improve the life chances for children, young people and families at risk. It does this by working across government and with delivery partners to support systems and behavioural change to improve outcomes for children and young people; and by developing the capacity and leadership needed to improve outcomes for users of social care.

OUR ACHIEVEMENTS

Since 2007 the Scottish Government has invested over £7 billion to support our colleges and universities to provide more and better learning opportunities. It has also increased investment in the vital Modern Apprenticeship programme to support economic recovery, and, through the £150 million ScotAction programme of training and skills support, targeted additional resources to help the unemployed or those facing redundancy to enter or remain in the labour market.

Through the Step Forward Scotland initiative, additional support has been provided in 2010-11 to support young people as they seek to move into work for the first time within very challenging labour market conditions. The support provided to those continuing in education after school will ensure that we further enhance Scotland's already highly skilled labour force.

We are delivering on our ambition of better outcomes for children and young people, particularly the most vulnerable, through more personalised services delivered by a confident, competent and valued workforce.

We have undertaken a range of national actions to support local implementation of the Early Years Framework to give every child the best start in life and appointed former Scottish Health Minister Susan Deacon to lead a wide-ranging, national dialogue on how best to take action to improve children's early years. Child protection practice has been improved through multi-agency inspections of each of Scotland's 30 Child Protection Committees and we are implementing the Protection of Vulnerable Groups (Scotland) Act; protecting both children and vulnerable adults. We are taking legislation through Parliament to strengthen and modernise the Children's Hearings System. We have strengthened choice and decision making for looked-after children; raised the minimum age of prosecution from 8 to 12 and invested in early intervention to reduce the number of young people subject to the criminal justice system. Underpinning delivery in these priority areas, we are continuing to roll out the business, systems and culture change approach of *Getting it Right for Every Child*.

To raise standards in teaching and learning, we have worked with a range of delivery partners to implement Curriculum for Excellence, equipping young people with the knowledge and skills they need and putting literacy and numeracy at the heart of the curriculum. We have provided additional resources for schools and others for implementation of *Curriculum for Excellence* including targeted support for every school which needs it through Her Majesty's Inspectorate of Education and provided opportunities through regional events to assist headteachers to share experience and best practice.

Since May 2007, 303 new or refurbished schools have been completed and we have published a new School Estate Strategy as well as identifying the first 35 schools in the £1.25 billion Scotland's Schools for the Future Programme. This continued investment and support recognises the high value we place on learning, makes communities proud and supports the delivery of *Curriculum for Excellence*.

Working with our local government partners we have achieved the lowest class sizes in primary school ever seen in Scotland including significant reductions to 18 and below in P1, P2 and P3 to improve the learning experience for children in the early years of primary school.

We have implemented legislation to extend entitlement of free school lunches to pupils from the hard pressed families in receipt of both maximum child tax credit and maximum working tax credit.

We have launched our *Literacy Action Plan*, which sets out our vision to drive up standards of literacy for all, from the early years through to adulthood, and aims to break the longstanding link between poverty and poor literacy. The plan emphasises the need for action in the early years to tackle the problem of poor literacy early on, with a particular focus on supporting vulnerable families in deprived areas. All 32 local authorities in Scotland are signed up to Glow, the national platform for learning and the Interconnect, the underlying high speed broadband network infrastructure. This annual investment of around £8.2 million has enabled the Scottish learning and teaching community to collaborate as never before across geographical boundaries.

To improve wealth creation and equity and make full use of people's skills, we have abolished the graduate endowment fee and provided £38 million of funding for part time students with a new £500 grant benefiting up to 20,000 students annually. We have also introduced a new package of student support in the academic year 2010-11, including a new grant for independent students of up to £1,000 and an extra £2 million for childcare support.

We have created a £10 million national life sciences institute in Dundee and supported all universities in Scotland to undertake world-leading research. Partly as a result of this increased support, 15 per cent of our researchers were described as world-leading in the 2008 Research Assessment Exercise. With 0.1 per cent of the world population, the impact of Scottish research represents a 1.8 per cent global share as measured by citations.

The Education and Lifelong Learning portfolio has contributed to improving employment opportunities too. For example, through ScotAction – our programme of training and skills support – we have invested £150 million to help thousands of individuals and hundreds of employers through the recession. We have also committed £3 million in 2008-11 to local authorities to deliver 16+ Learning Choices and supported an estimated additional 3,000 young people leaving school, college and university this summer, backed by £6.5 million from the European Social Fund.

The Education and Lifelong Learning portfolio has contributed to improving employment opportunities. We have launched the Skills for Scotland Skills Strategy and refreshed it in response to the changing economic environment; established Skills Development Scotland and ensured Scotland had a focal point for the skills and training response to the economic downturn; and reviewed and invested additional resources in vital Modern Apprenticeships.

The Education and Lifelong Learning portfolio will continue to work to strengthen partnerships and collective responsibility, helping to increase efficiency and improve outcomes for children and young people, develop the skills of our workforce and support economic growth. The Government has made significant progress in streamlining and improving the efficiency of services.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the office of the Education and Lifelong Learning portfolio, the year-on-year cut in cash terms on budgets is £168 million on resource and £65.8 million on capital. There will be a variety of demands on the portfolio's resources in 2011-12. Demand for college and university places will remain strong; there will be an increased urgency in enhancing peoples' skills and employability in these challenging economic times; and the increased expense arising from the PPP/PFI legacy of the previous administration. We must also work to limit the impact of budget reductions on the most vulnerable within our communities.

Taking the pressures into account, we have considered all areas of expenditure within the Education and Lifelong Learning portfolio, the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities. In order to reduce the level of spending across the portfolio, we have taken a number of difficult decisions.

While we have decided to reduce those budgets which we provide to LTS and SQA for national support and challenge, we have ensured that their resources are targeted at the implementation of *Curriculum for Excellence*.

Though the Scottish Funding Council's budget is falling we have agreed with the further and higher education sectors that they will work collaboratively and efficiently to manage this reduction without reducing overall learning opportunities. Both sectors have agreed that core college and university student places will be maintained. In addition, and mirroring the position in England, the Scottish Funding Council's main research excellence grant will also be protected in cash terms. Skills Development Scotland will receive less money this year but this reflects the fact that we expect them to become more efficient and redesign the services they offer. We aim to introduce 34,500 new training opportunities in 2011-12. Despite the constraints on our budgets, we are guaranteeing that no existing student will see their living costs support decrease in academic year 2011-12.

OUR PRIORITIES

By taking these difficult decisions and maximising the levels of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Education and Lifelong Learning portfolio. In 2011-12 the Education and Lifelong Learning Portfolio will spend a total of £2,583.6 million to continue providing opportunities for all people in Scotland to reach their potential and contribute to the economic recovery and long term economic growth of our nation.

- We will continue to focus resources on supporting improved outcomes for children, young people and users of social care. Similarly, we will invest so that we continue to deliver a better, more relevant learning experience for all learners; a further education sector which meets our needs in terms of skills; and a higher education sector which continues to enhance its international reputation for excellence. While we will continue to invest in these priorities, we will ensure that, across the portfolio, there is less regulation and national bureaucracy and less money spent on national support and challenge to protect

as far as possible those frontline services we support. At the same time, we support our partners, in local government, higher and further education and elsewhere, to continue to find efficiencies and continuous improvement in the services they deliver.

- *Curriculum for Excellence* is transforming teaching and learning in schools across Scotland, making our education system fit for the modern world and improving our children's achievements, attainment and life chances. Our National Qualifications system is being reviewed in line with *Curriculum for Excellence*, to ensure that our young people have a coherent educational experience 3-18 and beyond. The qualifications system must meet the needs of all young people and adult learners and be credible to them, parents, employers and the college and university sectors. That is why we are investing over £9 million in the development of a new generation of National Qualifications which will retain the strengths of the current arrangements but with reduced complexity and greater autonomy for teaching professionals to raise the standards of learning and teaching for all young people.
- As indicated above, the Scotland's school estate has been transformed since May 2007 and this Government continues to be committed to supporting investment in the school estate across the length and breadth of the country. Despite the economic challenges which we face, we are committed to ensuring that this remains a top priority for investment with £20 million of funding in 2011-12. *Scotland's Schools for the Future*, the new school building programme, will provide support to every local authority in Scotland to either rebuild or refurbish a primary, secondary or special school and, through the Scottish Futures Trust, we will ensure that the programme delivers value for money as well as exceptional schools for our children, teachers and communities.
- We are establishing a new executive agency – the Scottish Education Quality and Improvement Agency – initially bringing together Her Majesty's Inspectorate of Education and Learning and Teaching Scotland. This will improve efficiency and ensure that the best possible national level systems are in place to provide support and challenge to teachers, schools, colleges, local authorities and others as we move forward with *Curriculum for Excellence*.
- As set out in chapter 14, the Scottish Government has reached agreement with COSLA Leadership on a total funding package which is linked to delivery of a range of measures. Under the terms of the package, local government remains committed to implementation of *Curriculum for Excellence* and the *Early Years Framework* and the extent of teacher input into the crucial early years of primary school is protected. The package also protects teacher posts as far as possible to ensure employment opportunities are available in the 2011-12 school year equivalent to the number of this year's probationary teachers and, over and above that, to enable a reduction in longer-term teacher unemployment.
- We will continue to give priority to early years and early intervention. We will introduce a new Early Years and Early Intervention Fund from 2011-12 with initial start-up funding of £5 million. This will make additional funding available to support the third sector deliver early years provision and early intervention and ensure that in these difficult economic times, this fund improves outcomes and helps build capacity within the third sector to deliver these vital services to those who need them most. In addition to this fund, we have sought to protect funding that we provide direct to the third sector to improve outcomes for children and young people, including children with disabilities.

Alongside investment from other portfolios, **we will invest £86 million to support the most vulnerable in our society.** In addition to supporting continued delivery of the *Early Years Framework*, this will support the reform of the children's hearings system through the establishment of Children's Hearings Scotland; the modernisation of the Scottish Children's Reporters Administration and continued roll-out of *Getting it Right for Every Child* in support of improved outcomes for children in need of protection and looked after children.

We will continue to invest in supporting our students in school, further and higher education and training. In England, tuition fees are being raised at universities and charges proposed for college students. We are not proposing these measures and we are guaranteeing that no existing student will see their living costs support decrease in academic year 2011-12.

It is critical to keep young people aged 16-19 engaged in learning. In other parts of the UK, the Education Maintenance Allowance scheme – the flagship programme for supporting this group of young people – is being removed whereas we will continue this scheme. This funding honours our commitment to support the least well off students in Scotland, and open up opportunities to poorer families.

We will continue to support those who are unemployed; those facing redundancy; and particularly young people facing tough challenges in the labour market. To make the most of this support we are placing decision making in the hands of those working with unemployed people locally. From the start of next year Skills Development Scotland will commission provision on behalf of Community Planning Partnerships across Scotland. This will deliver much more effective support for those most directly affected by the impacts of the recession and budget cuts. Through the *Step Forward Scotland* initiative, we will build on the support we provided in 2010-11 to help young people as they seek to move into work for the first time within incredibly challenging labour market conditions.

The scale of the reductions required mean that we have had to take the difficult decision to reduce the overall resources for the further and higher education sectors in Scotland. In doing so, we have been very clear that our objective, in this current economic climate, is to continue to protect student numbers and to protect our investment in research. We have asked the sectors to extract maximum value from the unprecedented levels of investment they have received over the past four years by managing these reductions through greater efficiency and collaborative working.

They have responded to this challenge. So we have agreed with the sectors that we will work in 2011-12 to preserve the number of core college and university student places. In addition, and mirroring the position in England, the Scottish Funding Council's research budget will also be protected in cash terms.

Spending plans for 2011-12 are set out below.

Table 9.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
Learning	126.0	156.9
Children, Young People & Social Care	96.9	95.4
Student Awards Agency for Scotland (SAAS)	534.6	516.6
Scottish Further and Higher Education Funding Council	1,786.1	1,570.3
Other Lifelong Learning	277.9	244.4
Total	2,821.5	2,583.6
<i>of which:</i>		
DEL Resource	2,487.0	2,319.0
DEL Capital	228.0	162.1
AME	106.5	102.5

Table 9.02 Detailed Spending Plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Learning	126.0	154.0
Children, Young People & Social Care	96.9	93.6
Student Awards Agency for Scotland (SAAS)	534.6	507.0
Scottish Further and Higher Education Funding Council	1,786.1	1,541.0
Other Lifelong Learning	277.9	239.8
Total	2,821.5	2,535.4
<i>of which:</i>		
DEL Resource	2,487.0	2,275.8
DEL Capital	228.0	159.0
AME	106.5	100.6

Learning Directorate

Table 9.03 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Schools People & Places	29.3	67.1
Qualifications, Assessment & Skills	34.4	36.2
Curriculum	23.1	18.0
Support for Learning	15.4	14.1
Options & Partnerships	8.3	8.2
HM Inspectorate of Education	15.5	13.3
Total	126.0	156.9
<i>of which:</i>		
DEL Resource	114.8	92.1
DEL Capital	11.2	64.8
AME		

What the budget does

The majority of expenditure on school education in Scotland is funded by local authorities from the budgets outlined in chapter 14. We have reduced the national support and challenge budget by £26 million to protect as far as possible the resources available for frontline provision.

The Learning Directorate budget supports, at a reduced level in 2011-12, the national support, challenge and improvement elements of policy on school education. In bringing together Her Majesty's Inspectorate of Education and Learning and Teaching Scotland, it will fund the new agency, the Scottish Education Quality and Improvement Agency, which will come into effect in July 2011. It also supports the activities of the Scottish Qualifications Authority.

In 2011-12, working with national partners and local government, we will:

- Support the development of the national elements and local delivery of *Curriculum for Excellence* by schools and colleges for all learners, including delivery of the New Qualifications in conjunction with the Scottish Qualifications Authority and the new assessment framework to support learning and teaching taking full account of issues relating to equality, diversity and inclusion.
- Maintain and develop a skilled, supported and flexible teaching profession and support staff, with excellent local and school leadership, providing the maximum possible employment opportunities for teachers through an agreement (as described earlier in this chapter and set out in more detail in chapter 14) with COSLA's Leadership to tackle teacher unemployment and secure the existing pupil – teacher ratio in the crucial early years of primary school.
- A fit-for-purpose school estate through *Scotland's Schools for the Future* programme.

- Deliver the national implementation and support the local delivery of *Curriculum for Excellence* which will ensure that every learner has the right personal support for their learning, particularly those with additional support needs and those in need of more choices and more chances.
- Deliver a public sector landscape for school education which is robust, efficient and effective as part of our wider work to achieve these goals in all learning environments.

Children, Young People & Social Care

Table 9.04 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Care & Justice	8.7	6.5
Workforce & Capacity	56.6	49.6
Safer Children, Stronger Families	10.2	14.5
Positive Futures	11.0	15.8
Education Analytical Services	4.9	3.5
Social Work Inspection Agency	4.0	4.0
Disclosure Scotland	21.6	32.6
Less retained income (Disclosure Scotland)	(20.1)	(31.1)
Total	96.9	95.4
<i>of which:</i>		
DEL Resource	89.8	89.5
DEL Capital	7.1	5.9
AME		

What the budget does

Most of the expenditure on children's services is channelled through local authorities and NHS Boards from the budgets outlined in chapters 8 and 14.

The Children, Young People and Social Care budget supports a range of activity to improve outcomes for children and young people and users of social care, with a particular focus on early years and early intervention. It supports sponsorship of the Scottish Children's Reporters Administration and Scottish Social Services Council. From 2011-12 it will support the establishment of Children's Hearings Scotland, building on the reform of the children's hearings system. It also supports workforce development in the social care sector and Centres for Excellence providing training and support for the workforce on specialist areas such as residential child care.

In 2011-12 we will:

- Introduce a new early years/early intervention fund for the voluntary sector with initial start-up funding of £5 million.

- Work with local government towards improving the learning experience for children and young people by ensuring access to teachers in pre-school and making progress towards an increase in pre-school entitlement.
- Maintain focus and spend by delivery partners on early years and early intervention in order to support the Government's Purpose.
- Implement the second phase of the Protecting Vulnerable Groups Scheme to improve protection for children and vulnerable adults and to reduce the bureaucratic burdens on those working with them.
- Develop and work with Community Planning Partnerships to strengthen strategy and practice, including *Getting it Right for Every Child*, child protection, looked after children and preventing offending by young people, to improve outcomes for the children, young people, families and communities most at risk.
- Fund the programme of work of the Education Analytical Services (including schools, children and young people and lifelong learning) and contribute to the funding of the new scrutiny body Social Care and Social Work Improvement Scotland.

Student Awards Agency for Scotland (SAAS)

Table 9.05 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Student Awards Running Costs	6.6	6.6
Student Awards Capital Charges	1.1	1.1
Fees Grants and Bursaries	343.4	329.4
Student Loans Company Administration	5.6	5.6
Cost of Student Loans	71.4	71.4
AME		
Student Loans Net New Lending	183.0	208.0
Capitalised Interest	(30.0)	(60.0)
Unwinding of Discount on Debt Sale Subsidy Provision	4.0	3.5
Unwinding of discount on Write-Off Provision	25.0	18.0
Unwinding of Discount on Interest Subsidy provision	19.0	16.0
Release from Interest Subsidy provision	(94.5)	(83.0)
Total	534.6	516.6
<i>of which:</i>		
DEL Resource	427.7	413.7
DEL Capital	0.4	0.4
AME	106.5	102.5

What the budget does

The Student Awards Agency for Scotland budget meets the cost of the Agency's functions which are to provide financial support and advice to Scottish domiciled students undertaking higher education courses in the UK and abroad and to EU students studying in Scotland. The level of spend is demand led, depending on the student population in a given year, but an overall control is maintained on the number of students for which the Scottish Further and Higher Education Funding Council funds institutions.

The Agency administers schemes covering undergraduate and postgraduate students as well as bursaries for nursing and midwifery students. It administers the Individual Learning Accounts Scotland scheme in partnership with Skills Development Scotland.

The budget for the Student Awards Agency for Scotland includes the additional resources we have allocated over the last three years and will further improve the support students receive.

In 2011-12 we will:

- Guarantee, despite the constraints on our budgets, that no existing student will see living costs support decreases in academic year 2011-12.

Scottish Council for Further & Higher Education (SFHEFC)¹**Table 9.06 More detailed categories of spending (Level 3)**

	2010-11 Budget £m	2011-12 Draft Budget £m
Current Funding for Further Education Colleges	578.2	544.7
Capital Funding for Further Education Colleges and Higher Education Institutions	209.2	91.0
Current Funding for Higher Education Institutions	989.3	926.2
SFHEFC Administration	9.4	8.4
Total	1,786.1	1,570.3
<i>of which:</i>		
DEL Resource	1576.9	1,479.3
DEL Capital	209.2	91.0
AME		

What the budget does

The Scottish Further and Higher Education Funding Council budgets fund strategic investment in Scotland's 41 colleges and 20 higher educational institutions (including Open University (Scotland)). This funding will support the development and delivery of study programmes that offer coherent high quality provision for learners across Scotland. It will also enable universities to undertake world class research to maintain Scotland's international reputation for educational excellence in teaching and research.

In 2011-12 we will:

- Preserve the numbers of core college and university student places.
- Protect the main research excellence grant budget in cash terms.

¹ The actual current funding reductions for college and universities in the 2011-12 financial year are £39 million and £67 million, based on unadjusted financial year 2010-11 baselines of £583.7 million and £993.2 million respectively. The 2010-11 capital figure of £209.2 million includes £17 million of consequential funding for the FE sector.

Other Lifelong Learning

Table 9.07 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Skills Development Scotland	202.3	181.3
Further and Adult Education	9.6	6.5
Higher Education	2.6	2.2
Skills	5.0	4.2
Employability and Tackling Poverty	1.7	1.2
Employability for Young People	49.1	42.6
Science and Society	7.6	6.4
Total	277.9	244.4
<i>of which:</i>		
DEL Resource	277.9	244.4
DEL Capital	-	-
AME		

What the budget does

The **other Lifelong Learning budgets** support policy and development relating to all aspects of lifelong learning. This includes our investment in skills and national training programmes and our continued support for young people to develop their skills as they move into training and work.

In 2011-12 we will:

- Protect and improve the support available to the unemployed and young people, built on 34,500 new training opportunities.
- Guarantee, despite the constraints on our budgets, that no existing student will see living costs support decreases in academic year 2011-12.
- Support and promote student and staff mobility overseas, plus the international work of our colleagues and universities in key global markets.

CHAPTER 10

Justice

PORTFOLIO RESPONSIBILITIES

The Justice portfolio aims to create a safer and stronger Scotland by protecting individuals and communities from threats to their prosperity and safety. It also plays an important role in helping communities to flourish, in fostering good relations and in improving access to justice. It has responsibility for the civil and criminal justice systems and covers Scotland's police, fire, courts and prison services as well as having responsibility for the legal aid system and criminal justice social work services. In addition, the Justice portfolio underwrites the work of Alcohol and Drug Partnerships in Scotland and provides treatment and services to help people recover from drug addiction through its funding of NHS Boards.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

The Justice portfolio makes a central contribution to the Scottish Government's purpose of increasing sustainable economic growth. It provides the framework through which people and businesses are protected from threats to their economic wellbeing and is a foundation of the modern functioning economy.

The current challenging economic backdrop is placing pressures on many individuals, families, businesses, organisations and communities. While by no means the sole factor, these increased strains on society are likely to increase pressures on the justice system. The Justice portfolio must respond by delivering efficiencies whilst maintaining delivery of key outcomes – both to support Scotland's public finances and to contribute to sustainable economic recovery and a safer and stronger society.

We have invested significant resources through *CashBack for Communities* (£20 million through to 2012) in activities for young people in Scotland to keep them engaged with their communities. From providing free football coaching on a Friday night to supporting activities organised by local youth groups, CashBack for Communities is giving young people positive things to do and keeping them away from trouble. Over 300,000 young people have already benefited, and tens of thousands more will benefit as more projects are rolled out across Scotland.

Across the Justice portfolio, action is being taken to contribute to our vision of a low carbon economy. Considerable efforts have been made across the portfolio to reduce carbon emissions. These include increased use of technology, such as video conferencing rather than travel and exploring the use of video technology in courts for both police officers and prisoners; modernising the Justice estate, in particular in the Scottish Prison Service; and more efficient vehicles in the fleets of police and fire services.

While we are required to make reductions in the funding available to the Justice estate in 2011-12, which will mean some projects being delayed, a realistic level of new expenditure will still go ahead, and maintenance will be funded at the minimum sustainable levels. We will ensure that this spending also improves the energy performance of the estate.

OUR NATIONAL OUTCOMES

Crime in Scotland is falling and people are feeling safer in their communities. The number of police officers across Scotland has increased by more than 1,000 since March 2007 and levels of violent crime are at their lowest since 1984. We said that we would deliver safer communities and we have. Despite the budget reductions imposed by the UK Government, we will maintain our commitment to a safer and stronger Scotland.

Our vision is of a Scotland where communities are secure and welcoming, where people are happy to live, where they take responsibility for their actions and where they have access to high quality services, care and amenities. We are delivering that vision. We have taken action to create a culture of personal and collective responsibility, with widely understood rules to resolve disputes, public confidence in justice institutions and the effective rule of law.

The policies, activities and expenditure of the Justice portfolio contribute to a number of our national outcomes, especially:

- we live our lives safe from crime, disorder and danger;
- we have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others;
- we live longer, healthier lives; and
- we have improved the life chances for children, young people and families at risk.

The Justice portfolio is ensuring that ***we live our lives safe from crime, disorder and danger*** by maintaining record numbers of police officers in our communities; by supporting Scotland's fire and rescue services; by providing resources to our prison service to take those who commit the most serious crime off our streets; and by investing in community sentences for other offenders to break the cycle of reoffending and deliver payback to the communities that they have harmed.

The portfolio is delivering ***strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others*** by ensuring that individuals and businesses can be held to account for their actions and can enforce their own legal rights through the effective functioning of our civil and criminal courts. Key to this is our support for the legal aid system to ensure fair access to justice.

The portfolio provides resources to the NHS in Scotland to deliver better drug treatment and support services to promote recovery from drug problems in our communities. This, and the accumulated impact of the national drugs strategy, *The Road to Recovery*, will help more people to ***live longer healthier lives*** and ***will improve life chances for children, young people and families at risk***. The Justice portfolio also supports the work of the police and other agencies who tackle the drug dealers and organised criminals who have blighted too many of our communities for too long.

The portfolio supports work to tackle offending by young people; to stop them becoming the high risk and adult offenders of the future. This will ***improve the life chances for children, young people and families at risk***, and help reduce the burden on the justice system over time.

OUR ACHIEVEMENTS

Recorded crime is at its lowest level in 32 years and is down 19 per cent since 2006-07. Overall crime, as measured by the Scottish Crime and Justice Survey, is down 10 per cent in 2009-10 compared to 2008-09 and over seven out of ten people (71 per cent) think crime levels in their local area are either falling or stable, up 2 per cent from the previous year.

This has been achieved by providing record levels of funding to our police forces to ensure record numbers of police officers in our communities. We have focused resources on breaking the cycle of offending and imprisonment and on tough community-based sentences. We have supported the police and other agencies to tackle serious organised crime. Through record investment in violence reduction we have worked to remove knives, air weapons and firearms from our communities. We have invested in services to provide early and effective interventions for young people at risk and have supported the roll out of a programme to tackle and confront domestic abusers and improve the support offered to their victims.

The award-winning *No Knives, Better Lives* youth engagement initiative is changing attitudes to knife carrying among young people in Scotland. In Inverclyde, the first area where the campaign has been rolled out, Strathclyde Police have seen a 35 per cent reduction in knife carrying.

We have given a new direction to addressing antisocial behaviour with a clearer focus on tackling its causes and working with communities to provide long-term, permanent solutions. We have ensured that the proceeds of crime are reinvested in our communities through *CashBack for Communities*, engaging with over 300,000 young people, committing to invest over £20 million for a range of positive activities and opportunities in sports, arts and community projects.

We have made the protection of our communities from sex offenders a priority. We have tightened controls on these offenders by investing in the Multi Agency Public Protection Arrangements in place across Scotland and legislating to strengthen Sexual Offences Prevention Orders. We are supporting our police forces in rolling out the sex offender disclosure scheme to ensure that our children and young people are protected from those who would harm them. We have also legislated to allow the retention of DNA from young people who commit the most serious crimes, strengthening the protection of our communities.

We are delivering an internationally acclaimed, recovery-focused drugs strategy that is improving outcomes in our communities by saving lives as well as improving the lives of people, families and communities affected by drugs. It is a strategy which recognises the diversity of communities and the importance of taking different needs and experiences into account. We have seen progressive improvements in drug treatment waiting times across Scotland and increasing examples of service re-design focused on recovery and the needs of individuals.

Following sustained investment in the fire and rescue services over the past four years, the overall number of fires in Scotland has fallen by one fifth since 2006-07 and are at their lowest level since devolution. The latest data (for 2009-10) show that non-fatal casualties from primary fires are the lowest since devolution – half their level in 1999; while fatal casualties from primary fires are at their second lowest level since devolution.

We have introduced a Double Jeopardy Bill to allow a second trial in certain serious cases where compelling new evidence emerges and the Forced Marriage Protection Bill, which will provide civil remedies for those at risk of forced marriages and victims of forced marriage. We have undertaken

major reform and improvement of the summary justice system and have strengthened support for victims of crime and witnesses.

We have legislated to allow new forms of business structure in the legal services market in Scotland. This will allow the market to develop and grow, ensuring that Scotland's leading law firms are able to compete internationally, and that Scotland's communities have greater choice of legal services.

We have secured judicial independence and clarified the accountability of the court system by the creation of an independent Scottish Court Service under the leadership of the Lord President, and unified the administration of Scotland's courts by bringing courts previously run by local authorities under the control of the Scottish Court Service. This has allowed the streamlining of administration, improved efficiency, reduced costs and improved collection rates of court fines and other financial penalties, reinforcing those disposals as effective sanctions against offenders. Over three quarters of criminal cases (77 per cent) in summary courts were completed within six months in 2009-10, compared to only two thirds (66 per cent) in 2006-07.

We have taken forward a series of measures to increase access to justice, including increasing financial eligibility for civil legal aid in 2009 so that those with disposable incomes of up to £25,000 could qualify. We have also made available £3 million over two years to fund additional new services to help people with legal problems, including those associated with the economic downturn.

We have launched a national debate about the purpose and future direction of imprisonment, with a significant contribution from the Scottish Prisons Commission chaired by former First Minister Henry McLeish. In response to this, we are building a credible and effective alternative to short-term custodial sentences through the creation of the Community Payback Order, and the other work of the Reducing Reoffending Programme. We are also developing robust alternatives to reduce the number of under 18 year olds being dealt with in the criminal justice system and receiving custodial sentences.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Justice portfolio, the year on year cut in cash terms on resource budgets is £59.4 million and on capital is £108.1 million. These are significant reductions but we are prioritising the services that make the biggest impact in communities – our police and fire services, sentences to ensure that offenders repay their debt to communities and tackling drug addiction and promoting recovery. To ensure that services are maintained, we want to see every service maximising efficiency – working in new ways to get the greatest benefit from every pound. We have seen significant progress across the portfolio as services look at new ways of maintaining delivery – making better use of technology; reorganising the way that people work and addressing duplication and waste wherever it exists.

Key pressures within the portfolio in 2011-12 include the continuing cost of police and fire pensions; the rising cost of services and supplies due to the planned increase in VAT; projected increases in the prison population; the impact of the Cadder decision on police and Legal Aid budgets; and the demands on Criminal Justice Social Work budgets in delivering more community sentences. In addition, we will be completing and opening Low Moss prison in Bishopbriggs and face increasing demand for legal aid.

The overall effect of this is that every budget is under increasing pressure in the face of rising costs and demand.

Taking into account these pressures, we have considered all areas of expenditure within the Justice portfolio, the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities. In order to reduce the level of spending across the portfolio, we have faced difficult decisions.

Given the reduction in the Justice capital budget, the timing and scale of capital projects have been subject to review. As a result, maintenance of the prison and court estates will be reduced to the minimum sustainable levels and we will not be proceeding with the redevelopment of the criminal court infrastructure. We will also be required to review the timing of future investment in the prison estate.

The reduction in the Justice revenue budget will mean doing things differently to achieve improved outcomes. All services will need to consider their structures and means of delivery carefully and we will work with them to ensure that the public continue to benefit, despite fewer resources being available.

We will drive forward real improvements in all areas of the portfolio and by taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Justice portfolio.

OUR PRIORITIES

Communities in Scotland are getting safer. The Justice portfolio will spend £1,267.5 million on making Scotland safer in 2011-12. This is £167.5 million less than in 2010-11 and we have faced difficult choices about where to focus the remaining spending. Recorded crime is at a 32-year low and we are determined to maintain that record. We want to see flourishing local communities which are safe and secure places to live and work. Our priority is to invest in the frontline services and the Justice system that will support that.

Work has been undertaken across the portfolio to identify ways of doing things more efficiently, to ensure that services are maintained despite funding reductions. While less funding will be available for areas of the portfolio, we are confident that services can be maintained through greater efficiency, reorganisation and restructuring.

In 2011-12 we will invest our resources in the following areas:

Policing

Putting the highest ever number of police officers onto our streets has reduced crime to record lows and made our communities safer. We are committed to building on these achievements by protecting front-line policing. We want a Scottish police service which is high quality, continually improving, and responds to local people's needs. Our priority is to focus resources on the frontline – to maintain the record number of police officers now in place and enhance community policing, making sure that people know how to get in touch with neighbourhood police teams and what

service to expect when they do. The majority of stakeholders have now concluded that some form of structural reform (alongside the achievement of efficiency by police forces in the short term) will be required. While specific options are still to be considered, the Scottish Government is certainly not tied to maintaining the current structure of eight – bobbies on the beat will come before boundaries of police authorities. We are determined to ensure that communities across Scotland can live their lives free from crime, disorder and danger – this is what matters.

Funding for front-line policing is delivered through the Police Grant in the local government settlement. In 2011-12 we will continue to invest to keep police officer numbers at least 1,000 ahead of their March 2007 level.

We are also committed to continuing to meet the cost of police and fire pensions, which are expected to cost £273.5 million in 2011-12.

We are asking police forces to achieve maximum efficiencies through working with police authorities, COSLA, Chief Constables and others to develop reform options.

We will invest £210.4 million in the Police Central Government budget to support a range of policing functions including ICT and Forensics services provided by the Scottish Police Services Authority, the work of the Scottish Crime and Drug Enforcement Agency, dedicated counter-terrorism officers and policing services provided across the UK and agreed with the Home Office.

Fire and rescue services and resilience

Scotland's eight fire and rescue services play a crucial role in supporting local and national resilience. We are committed to supporting frontline fire and rescue services, however a significant proportion of the fire budget is spent on back office and support functions. It is therefore appropriate for us to explore reform options to help protect frontline services in the face of significant budget reductions.

The majority of funding to the fire and rescue service comes from local government. In addition, in 2011-12 we will invest in the training of fire service personnel at the Fire Services College and through a national learning and development fund (making provision for new recruits and specialist training for staff at all levels). We will also invest in maintaining and developing the Firelink radio communications system as a shared service on behalf of all the fire and rescue services.

The Scottish Government is also continuing to invest in national and local multi-agency shared services initiatives designed to ensure that Scotland is as prepared as possible to deal with the consequences of any emergency. For example, the government will continue to fund posts which support the eight regional Strategic Co-ordinating Groups and support the Scottish Resilience Development Service which works collaboratively with public, private and voluntary sector organisations to develop training and exercising for staff at all levels. A major priority in 2011-12 will be to enhance community resilience by working with the voluntary sector directly and by supporting the outreach work of local and regional statutory responders.

Reducing levels of violent crime

Violent crime is at its lowest level since 1984 with the number of recorded crimes which involve the handling of an offensive weapon, including knives, at its lowest level in a decade. The figures demonstrate that the tactic of combining tough enforcement, through record numbers of stop and searches on Scotland's streets, backed by education through initiatives such as the *No Knives, Better Lives* campaign, are paying off. We want to maintain that record of success and our proposed Sentencing Council will take a considered look at sentencing for knife offences – taking into account the views of the public, victims, and police.

In 2011-12 we will invest £3.4 million in community safety.

Tackling drug problems

Problem drug use continues to affect lives and communities across Scotland and we have shown our determination to tackle this with a fresh approach focused on recovery and backed with record levels of investment. In 2011-12, we will continue to build capacity in Alcohol and Drug Partnerships to continue to drive delivery reform in service provision and to ensure the focus remains on recovery.

In 2011-12 we will invest £31.9 million in continuing to tackle drug problems across the country. Of this, £28.6 million will be invested in front-line drug treatment services, maintaining expenditure at 2010-11 levels.

Making offenders repay their debt to communities

Our priority is to end the cycle of reoffending and have offenders make good the damage they have done to communities. Prison will always be the right place for serious and dangerous offenders but for low level offenders the statistics are stark and show us that short sentences do not work. We legislated for a presumption against short sentences of three months or less in order to end the revolving door of re-offending. We will therefore provide a small increase in cash terms to the Community Justice Services budget to ensure the success of the new Community Payback Order, meaning that low level offenders must address their offending behaviour and repay their debt to the community through unpaid work.

The additional £6 million that was included in budgets for funding community service and the community payback order in 2010-11 will be maintained in 2011-12.

In 2011-12 we will invest £30.3 million in Community Justice Services – an increase on the previous year's funding.

Ensuring that serious and dangerous offenders are off our streets

We are committed to ensuring that our prisons are fit for purpose and offer opportunities for the rehabilitation of prisoners, while keeping the most dangerous off our streets. That will mean maintaining services with less funding through the achievement of greater efficiency, better partnership working and achieving maximum impact from focussing our remaining spending on areas of greatest priority. We will prioritise investment in HMP Shotts and HMP Low Moss during 2011-12 to provide the most secure and modern facilities possible. However, the reduction in overall capital funding will require us to review the timing of future investment in the prison estate.

In 2011-12 we will invest £365.5 million in the Scottish Prison Service.

Continuing to invest in the Justice Estate

Within the Justice portfolio, work is now underway on the Scottish Crime Campus at Gartcosh, which will be more than a new building with purpose-built facilities. When complete, it will provide a unique shared space that will strengthen our collaborative approach to tackling serious organised crime in Scotland and house a brand new forensic laboratory providing forensic scientists with the tools and facilities they need to support the police across Scotland. We will also redevelop the Parliament House complex to provide fit for purpose facilities for the Court of Session and investment at HMP Shotts and HMP Low Moss will continue the improvements to the prison estate. All of this has been achieved in spite of the challenges involved in delivering a balanced budget while still investing in sustainable facilities.

In 2011-12 we will invest £70.9 million in capital work including the Scottish Crime Campus, HMP Low Moss, HMP Shotts and redevelopment of Parliament House.

Ensuring access to justice

The priority will be to maintain as much as possible a legal aid system in Scotland that enables people who could not otherwise pursue or defend their rights to be able to do so. It will also be important to continue ensuring that people who could not otherwise pay for their defence are able to do so – and that the system supports the better operation of the wider justice system.

The changes proposed for 2011-12 will be designed to protect as much as possible existing levels of access to justice, focusing on those most in need, and encouraging early resolution of cases. Within the financial constraints, we will strive to maintain fee levels that are as fair as possible for necessary and skilled work. This will be achieved by delivering savings in a number of areas. First, we will deliver cheaper methods of provision including through expansion of the role taken by the Public Defence Solicitors' Office (PDSO). This will offer an increased choice of a different type of service and allow a greater ability to control costs. Second, we will remove anomalies in the current system and cut out unnecessary spend. This will be done by asking the Scottish Legal Aid Board to make further efficiencies in its grant in aid, by bringing travel time and mileage rates for solicitors more into line with those paid in other jurisdictions and by taking a structured approach to fees for counsel in civil and children's cases. Even by making all these and other changes, there will continue to be considerable demands on the legal aid budget throughout 2011-12. These will be managed throughout the year.

In 2011-12 we will invest £11.8 million in the grant funding of the Scottish Legal Aid Board, to administer the legal aid system and protect taxpayer's interests, help ensure access to justice and support the justice system.

Ensuring an efficient and accountable courts system

Following the implementation of the Judiciary and Courts (Scotland) Act 2008, from 1 April 2010 the Scottish Court Service has been established as an independent body, accountable to a Board chaired by the Lord President and with a majority of judicial members. Alongside other Justice portfolio expenditure, we will continue to invest in supporting decisions by the Scottish Court Service to ensure the effective and efficient operation of Scotland's courts and the Office of the Public Guardian.

We will maintain a policy that fees should recover the costs to public funds of providing access to court and Public Guardian services, but will review the current cost recovery arrangements to ensure they are set at the right levels for the future.

In 2011-12 we will invest £79.9 million in the Scottish Courts Service.

Spending plans for 2011-12 are set out below.

Table 10.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
Community Justice Services	30.1	30.3
Courts, Judiciary and Tribunal Support	51.1	50.0
Criminal Injuries Compensation	28.1	25.5
Scottish Resilience	20.7	18.3
Legal Aid	167.9	154.1
Police Central Government	237.0	210.4
Drugs and Community Safety	36.0	35.3
Accountant in Bankruptcy	5.2	3.2
Police and Fire Pensions	273.5	273.5
Scottish Prison Service	469.9	365.5
Miscellaneous	18.4	18.2
Scottish Court Service	93.5	79.9
Office of the Scottish Charity Regulator	3.6	3.3
Total Justice	1,435.0	1,267.5
<i>of which:</i>		
DEL Resource	1,256.0	1,196.6
DEL Capital	179.0	70.9
AME		

Table 10.02 Detailed Spending Plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Community Justice Services	30.1	29.7
Courts, Judiciary and Tribunal Support	51.1	49.1
Criminal Injuries Compensation	28.1	25.0
Scottish Resilience	20.7	18.0
Legal Aid	167.9	151.2
Police Central Government	237.0	206.5
Drugs and Community Safety	36.0	34.7
Accountant in Bankruptcy	5.2	3.1
Police and Fire Pensions	273.5	268.4
Scottish Prison Service	469.9	358.7
Miscellaneous	18.4	17.9
Scottish Court Service	93.5	78.4
Office of the Scottish Charity Regulator	3.6	3.2
Total Justice	1,435.0	1,243.9
<i>of which:</i>		
DEL Resource	1,256.0	1,174.3
DEL Capital	179.0	69.6
AME		

Community Justice Services**Table 10.03 More detailed categories of spending (Level 3)**

	2010-11 Budget £m	2011-12 Draft Budget £m
Offender services	23.6	23.8
Victim/witness support	5.6	5.6
Miscellaneous	0.9	0.9
Total	30.1	30.3
<i>of which:</i>		
DEL Resource	30.1	30.3
DEL Capital		
AME		

What the budget does

This programme provides funding for electronic monitoring provisions by private sector contractor including Restriction of Liberty Order across Scotland; non local government spend on Drug and Youth Courts; implementing the provisions in the Management of Offenders etc. (Scotland) Act 2005 to set up Multi-Agency Public Protection Arrangements in relation to sex offenders (MAPPAS); the running costs of Community Justice Authorities; section 10 funding of voluntary organisations operating in the criminal justice social work field; and implementation of measures that assist victims of crime, including funding for support of organisations such as Victim Support Scotland, implementation of the Vulnerable Witnesses Act and associated projects that help meet the needs of child and adult vulnerable witnesses. These resources are in addition to resources for the support of community justice services provided by local authorities, which are now included within the local government settlement.

In 2011-12 we will focus our resources on:

- continuing to improve the quality of community sentences available to the courts, in particular by implementing the Community Payback Order;
- supporting initiatives to tackle the problems of youth crime, drug-related crime and women offenders; and
- ensuring that support for victims and witnesses is directed to those most in need.

Courts, Judiciary and Tribunal Support

Table 10.04 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Courts and Tribunal Support	11.6	11.4
Mental Health Tribunal for Scotland	9.5	8.8
Judicial Salaries *	30.0	29.8
Total	51.1	50.0
<i>of which:</i>		
DEL Resource	51.1	50.0
DEL Capital		
AME		

* This is non-voted spending which is met from the Scottish Consolidated Fund but is also part of the Departmental spending limit.

What the budget does

The funding for courts and tribunal support provides the Scottish Government contribution to the superannuation costs of the judiciary, and for the running costs of a number of justice agencies, such as the Judicial Appointments Board for Scotland. The Mental Health Tribunal for Scotland (MHTS) is the body charged with approving and reviewing compulsory measures for the detention, care and treatment of people in Scotland who have a mental disorder.

In 2011-12 we will focus our resources on:

- maintaining an efficient support to the Scottish judicial system;
- delivering an increasingly efficient and effective service to patients whose cases are dealt with by the MHTS and to the carers and professionals that support them; and
- the development of an integrated Scottish Tribunal Service to provide support to the range of tribunals operating in Scotland.

Criminal Injuries Compensation

Table 10.05 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Administration Costs	3.0	2.7
CIC Scheme	25.1	22.8
Total	28.1	25.5
<i>of which:</i>		
DEL Resource	28.1	25.5
DEL Capital		
AME		

What the budget does

The Criminal Injuries Compensation Scheme provides compensation for personal injuries attributable to crimes of violence. The demand led scheme is administered by two cross-border public authorities – the Criminal Injuries Compensation Authority (CICA) and the Criminal Injuries Compensation Appeals Panel (CICAP). This programme funds the Scottish Government contribution to the scheme which is determined by a Memorandum of Understanding with the Ministry of Justice. CICAP is administered as part of the Tribunals Service, an Executive Agency of the Ministry of Justice.

In 2011-12 we will focus our resources on:

- ensuring that the CICA further improves the efficiency with which it pays compensation to victims; and
- working with the Ministry of Justice to ensure that the CICS delivers compensation that best meets victims' needs.

Scottish Resilience

Table 10.06 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Scottish Fire Services College	6.0	5.6
Firelink	7.3	5.8
Other Functions	7.4	6.9
Total	20.7	18.3
<i>of which:</i>		
DEL Resource	20.4	18.0
DEL Capital	0.3	0.3
AME		

What the budget does

Scottish Resilience provides practical support for the front-line agencies that deliver fire and rescue services and emergency planning and response, as well as advice to Ministers on all aspects of fire and rescue services and civil contingencies.

In 2011-12 we will focus our resources on:

- the training of fire service personnel at the Fire Services College and through a national learning and development fund;
- maintaining and developing the Firelink radio communications system as a shared service on behalf of all the Fire and Rescue Services; and
- investing in national and local multi-agency shared services initiatives designed to ensure that Scotland is prepared to deal with the consequences of an emergency.

Legal Aid

Table 10.07 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Administration	12.9	11.8
Fund	155.0	142.3
Total	167.9	154.1
<i>of which:</i>		
DEL Resource	166.9	153.9
DEL Capital	1.0	0.2
AME		

What the budget does

The Scottish Legal Aid Board (a Non-Departmental Public Body that derives its general powers and functions from the Legal Aid (Scotland) Act 1986) administers legal aid in Scotland. The Board funds a range of specialist legal advice services, including in-court advisers, and employs solicitors, under Part V of the 1986 Act, to provide a service, that complements existing advice provision and helps address unmet legal need in relation to matters dealt with under civil legal assistance, and to provide criminal legal advice and representation to accused persons through the Public Defence Solicitors' Office network. The Board has responsibility for the settlement of all final solicitor accounts for legal assistance.

In 2011-12 we will focus our resources on protecting access to justice as much as possible. This will be done by focusing on those most in need and endeavouring to maintain fair pay for necessary and skilled work.

Police Central Government

Table 10.08 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Police Support Services	111.9	112.2
Police Information & Communications Technology	64.2	62.2
Police Other	50.4	25.5
Special Grants	10.5	10.5
Total	237.0	210.4
<i>of which:</i>		
DEL Resource	216.4	197.9
DEL Capital	20.6	12.5
AME		

What the budget does

We are committed to protecting front-line policing, and in doing so this programme covers spending on:

- centrally provided costs for the Scottish Police Services Authority which provides common police services such as training, IT development and criminal records;
- centrally provided costs for the Scottish Crime and Drug Enforcement Agency (SCDEA);
- other specific payments to police authorities, including for various security measures; and
- miscellaneous expenditure, including payments to the Home Office for services provided on a GB basis (e.g. National Police Improvement Agency and Serious and Organised Crime Agency).

In 2011-12 we will focus our resources on:

- supporting the Scottish Police Services Authority and SCDEA;
- development of the Scottish Crime Campus at Gartcosh, which is a landmark development in delivering a collaborative approach to tackling serious organised crime in Scotland; and
- other specific payments to police authorities for various security measures and miscellaneous expenditure.

Drugs and Community Safety

Table 10.09 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Community Safety	3.8	3.4
Drug Misuse	32.2	31.9
Total	36.0	35.3
<i>of which:</i>		
DEL Resource	36.0	35.3
DEL Capital		
AME		

What the budget does

The bulk of this budget is provided to NHS Boards to provide services to promote recovery from drug addiction. This budget also supports the operation of local Alcohol and Drug Action Partnerships (formerly Alcohol and Drug Action Teams) and Community Safety Partnerships, along with a range of initiatives to tackle drug misuse, crime and antisocial behaviour.

At a Budget Revision stage the Drugs and Community Safety budget will be increased to include funds recovered under the Proceeds of Crime Act. Ministers will ensure that an amount recovered from the proceeds of crime is reinvested to support the vital work of Crown Office and Procurator Fiscal Service in their recovery work, with the rest invested in positive opportunities for young people and diversion from crime and antisocial behaviour.

In 2011-12 we will focus our resources on:

- providing central funding to NHS Boards so that they can continue to deliver front line drug treatment services focused on long-term recovery;
- national support to continue to implement the Road to Recovery, this will include support for all 30 Alcohol and Drug Partnerships, a national naloxone (life saving antidote) programme in all prisons and health boards support for substance misuse education (including *Know the Score*); and the support of the Scottish Drugs Recovery Consortium;
- improving the quality of life and safety of all people across Scotland, particularly those at risk of being a victim of crime, by encouraging a greater focus and investment nationally in prevention and earlier intervention so that the underlying causes of violence and disorder are addressed and long-term solutions are delivered;
- developing national capability in the community safety sector by building a closer alliance between centres of expertise like the Violence Reduction Unit and Scottish Business Crime Centre to build the evidence base, share good practice, improve performance and empower communities; and

- promoting positive, pro-social behaviour to help our young people fulfil their potential, with increased opportunities for personal and social development, training and employment, all of which will help make our communities safer and stronger and contribute to Scotland's economic recovery.

Accountant in Bankruptcy

Table 10.10 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Accountant in Bankruptcy	5.2	3.2
Total	5.2	3.2
<i>of which:</i>		
DEL Resource	5.2	3.2
DEL Capital		
AME		

What the budget does

The Agency supervises the process of personal insolvency in Scotland; approves debtor applications for bankruptcy; acts as Trustee in bankruptcy; investigates complaints against private sector Trustees in bankruptcy, and acts as the Administrator in the Debt Arrangement Scheme (DAS). This includes approving money advisers, payment distributors and debtors' debt payment programmes. The Agency also maintains the public register of bankruptcies, Protected Trust Deeds and company insolvencies. The Agency has the policy lead for the development of policy in relation to bankruptcy, corporate insolvency, the Debt Arrangement Scheme and diligence.

In 2011-12, we will focus our resources on:

- delivering, in conjunction with stakeholders, a range of options for individuals seeking debt relief and debt management;
- supporting Ministers to develop and refine policy; and
- supervising the process of debt relief.

Police and Fire Pensions

Table 10.11 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Police Pensions	217.3	217.3
Fire Pensions	56.2	56.2
Total	273.5	273.5
<i>of which:</i>		
DEL Resource	273.5	273.5
DEL Capital		
AME		

What the budget does

We are committed to continuing to maintain funding for police and fire authorities to meet the pension costs of police and fire officers.

Scottish Prison Service

Table 10.12 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Current expenditure	333.1	318.0
Capital spending	136.8	47.5
Total	469.9	365.5
<i>of which:</i>		
DEL Resource	333.1	318.0
DEL Capital	136.8	47.5
AME		

What the budget does

The Scottish Prison Service (SPS) was set up as an Executive Agency in April 1993. SPS is funded by the Scottish Government and is answerable to the Cabinet Secretary for Justice. Current expenditure for SPS has been reduced in 2011-12 to reflect the transfer of responsibility for prisoner healthcare provision to Health in the course of the year and by a further £5 million savings to be generated by SPS through additional efficiencies and improved utilisation of the prison estate.

During 2011-12, SPS will complete the construction of HMP Low Moss and prepare the prison for opening in Spring 2012. Following the completion later this year of the first phase of the redevelopment of HMP Shotts, SPS will take forward the final phase of this development during 2011-12.

In 2011-12, we will focus our resources on making Scotland a safer place by:

- holding securely and in good order the offenders sent by the courts, caring for offenders with humanity and providing them with appropriate opportunities;
- delivering offender management services, programmes and activities which address the causes of offending and re-offending and working to improve the outcomes for prisoners;
- investing to create an estate which is fit for purpose;
- supporting prison staff to deliver their difficult work for society with professionalism and skill; and
- working in partnership with other organisations in the public, private and voluntary sectors that deliver services to offenders and playing a full role in the integration of offender management services.

Miscellaneous

Table 10.13 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Residential accommodation for children	3.5	3.5
Other miscellaneous	14.9	14.7
Total	18.4	18.2
<i>of which:</i>		
DEL Resource	18.4	18.2
DEL Capital		
AME		

What the budget does

This budget covers a wide range of smaller justice-related spending areas including:

- secure residential accommodation for children;
- Parole Board for Scotland;
- Scottish Law Commission;
- Scottish Prisons Complaints Commission;
- Scottish Criminal Cases Review Commission;
- the Risk Management Authority;
- HM Inspectorate of Prisons;

- HM Inspectorate of Constabulary;
- Justice Analytical Services Division; and
- Cross Justice sector reform and development activity.

In 2011-12, we will focus our resources on:

- providing placements for sentenced children and young people, within the context of a new national contract for commissioning secure placements;
- working with the Parole Board for Scotland to implement further measures to improve the efficiency of the parole process; and
- monitoring and supporting key delivery areas across the Justice sector.

Scottish Court Service

Table 10.14 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Operating expenditure	73.2	69.5
Capital	20.3	10.4
Total	93.5	79.9
<i>of which:</i>		
DEL Resource	73.2	69.5
DEL Capital	20.3	10.4
AME		

What the budget does

The Scottish Court Service (SCS) provides the people, buildings and technology to support the operation of the courts throughout Scotland and the Office of Public Guardian.

The budget allows for the funding of core operating costs (excluding judicial salaries) and covers the running, maintenance and development of 70 (largely historic) courthouses, the employment of over 1,600 people throughout Scotland and court operational costs such as jurors' expenses.

In 2011-12 we will focus our resources on:

- reducing the number of sitting days in the court programme to a level that can be delivered effectively within a reduced funding settlement;
- working with other justice bodies on a range of projects aimed at delivering a more efficient and lower-cost criminal justice system;

- continuing the redevelopment of the Parliament House complex to provide a fit-for-purpose home for the Court of Session;
- driving down our carbon emissions by 5 per cent to contribute to the targets brought about by the Climate Change (Scotland) Act; and
- improving statutory compliance within the court estate.

Office of the Scottish Charity Regulator

Table 10.15 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Office of the Scottish Charity Regulator	3.6	3.3
Total	3.6	3.3
<i>of which:</i>		
DEL Resource	3.6	3.3
DEL Capital		
AME		

What the budget does

The Office of the Scottish Charity Regulator (OSCR) is the independent registrar and regulator for Scottish Charities. It has a statutory function to determine the charitable status of bodies; keep the public register of charities (the definitive on-line register contains details of over 23,500 charities); to encourage, facilitate and monitor compliance by charities; and to identify and investigate apparent misconduct in the administration of charities, taking remedial or protective action as appropriate. OSCR also has a duty to give information or advice, or to make proposals to Scottish Ministers on matters relating to OSCR's functions.

OSCR is a Non-Ministerial Department, and was created in April 2006 in accordance with the requirement of the Charities and Trustee Investment (Scotland) Act 2005.

In 2011-12, we will focus our resources on:

- continuing to undertake our statutory functions and regulatory role, thereby promoting public confidence in Scottish charities;
- implementing our Integrated Reporting Project which will result in streamlined monitoring requirements for charities; financial highlight information on charities appearing on the charity Register; and new on-line filing services for charities;
- developing new processes and procedures for the introduction of the new legal form Scottish Charitable Incorporated Organisations;

- continuing to provide support and guidance to charities and their advisors through our Outreach Programme, and through our guidance publications e.g. in respect of the Charity Accounts (Scotland) Regulations 2010; and
- providing information and advice, and making recommendations to Ministers on matters arising as a result of the general exercise of our functions.

CHAPTER 11

Rural Affairs and the Environment

PORTFOLIO RESPONSIBILITIES

The Rural Affairs and Environment portfolio has responsibility for protecting the environment and for developing rural Scotland through working with rural industries and communities. It is a wide-ranging portfolio covering agriculture, marine management and policy, aquaculture, forestry, rural development and environmental policy.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

The Scottish Government's Purpose is to focus on creating a more successful country with opportunities for **all** of Scotland to flourish. The Rural Affairs and Environment portfolio has a particular focus on rural Scotland and ensures that all those living and working in our rural areas contribute to a strong, cohesive Scottish economy. It also helps ensure that Scotland's rural resources can help meet the food, energy and environmental challenges of the future. It does this through providing support for rural industries and rural jobs and by delivering effective and proportionate environmental regulation to ensure that our natural resources are used and managed for current and future generations as a valuable asset supporting sustainable economic growth.

Scotland's successful farming, aquaculture, fishing and forestry businesses depend on the sound management of our natural assets which in turn underpin our tourism, recreation and food industries. Our natural assets of air, water, soils and biodiversity are important public goods and make a vital contribution to sustainable economic growth.

The portfolio works towards the government's climate change targets and the development of a low carbon economy by encouraging woodland creation and working to mitigate the effect of agriculture on climate change. It also has a role in promoting the development of renewable energy on land and sea in order to assist with our move towards a low carbon economy. It leads on the delivery of the government's Zero Waste policy and works to change behaviour and secure long term emissions reductions.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Rural Affairs and Environment portfolio contribute to a number of our national outcomes, especially:

- We value and enjoy our built and natural environment and protect and enhance it for future generations;
- We live in a Scotland that is the most attractive place for doing business in Europe;
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others; and
- We reduce the local and global environmental impact of our consumption and production.

The Rural Affairs and Environment portfolio leads on making Scotland a place where ***we value and enjoy our built and natural environment and protect and enhance it for future generations*** by ensuring that our natural assets are well managed, accessible and in good condition. Through the work of the Forestry Commission and Scottish National Heritage (SNH) we aim to improve access

to the outdoors, especially for those who face barriers to do so. The government will implement its Marine Act, which will ensure better marine planning and conservation in the future. It will continue to protect and enhance the environment through the Scottish Environment Protection Agency (SEPA) and SNH and provide funding for biodiversity and environmental projects through the Scotland Rural Development Programme (SRDP).

The portfolio works towards ensuring that *Scotland is the most attractive place for doing business in Europe* by ensuring that our agriculture, marine and forestry industries are competitive and innovative. The government will continue to assist these industries through the one and a half billion pound SRDP, which includes £10 million over 6 years for a new entrant support scheme for farmers. It also distributes a further £450 million of EU support annually to farmers.

It has an important role in ensuring that *we have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others* through investing in, and empowering, our rural communities to build a better future for themselves. The government will continue to make financial support available to local action groups through the SRDP LEADER delivery mechanism for local decision making on locally driven projects. Within this programme, we provide specific support for women and young people. We will continue to support community projects, creating and preserving jobs across Scotland. The government also sponsors the Scottish National Rural Network which encourages community interaction and showcases good development practice.

It is also vital in ensuring that *we reduce the local and global environmental impact of our consumption and production* through ensuring that our local environment is protected by our national environment agency and that our carbon emissions from land management activities are reduced through promoting renewable energy, sequestering carbon in soils and better use of slurry and fertilisers. It will continue to promote waste as something that should be regarded as a resource rather than discarded, through the implementation of Scotland's first Zero Waste strategy with support from the Zero Waste Fund.

OUR ACHIEVEMENTS

Since 2007 we have made significant progress in protecting the environment and developing rural Scotland for the benefit of rural communities and the Scottish Economy.

- The government's £27.4 million Climate Challenge Fund (2008-11) has been hugely successful; empowering 261 communities across Scotland to come forward with their own solutions to make a significant reduction in carbon emissions. The government has also launched an ambitious zero waste plan; provided funding for local authorities to take forward a number of important flood schemes; and grown Scottish food and drink overseas exports by 26 per cent between 2007 and 2009, whilst retail sales of Scottish brands have increased by 30 per cent between May 2007 and May 2010. It has also implemented the SRDP, a programme of economic, environmental and social measures, which brings together a wide range of formerly separate schemes including those covering farming, forestry and primary processing sectors, rural enterprise, business development, diversification and rural tourism.

- The government has also brought in a system of statutory marine planning, streamlined licensing and nature conservation through the Marine (Scotland) Act; improved conservation of fish stocks and fisheries management; and launched a strategic framework for Scottish aquaculture. The new marine planning framework will ensure that we are well placed to take advantage of the growth in offshore renewables, whilst ensuring that other uses of the sea are given proper consideration. In 2009, the value of seafood landed by Scottish fishing vessels increased by 10 per cent in real terms to £443 million. As the third largest producer in the world, Scottish aquaculture also produced over £400 million of farmed salmon at farm gate prices, with an increase in value of 23 per cent from 2008 to 2009 alone. We have provided certification of seed potatoes to maintain high quality potato crops that contribute £200 million to the Scottish economy and have invested significant sums in developing new forests.
- The government has made great strides over the last few years to streamline and improve the efficiency of its services through programmes such as SEARS, which introduced integrated service delivery for rural land managers and helped to reduce the burden of inspections on customers. In carrying out their advice and regulatory functions, SEPA and SNH have sought to apply a lighter touch with a focus on enabling economic development and helping businesses to comply more readily with regulations that help to protect our natural heritage and environment.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios.

In 2011-12 the Rural Affairs and Environment portfolio will spend £539.4 million on supporting rural communities, boosting the Scottish economy and protecting our environment. The year on year cut in cash terms on resource budgets is £35 million and on capital is £20 million. Key pressures in the portfolio in 2011-12 include levels of demand within the SRDP and operational costs, including the effects of the increase in VAT, within the portfolio's Non-Departmental Public Bodies. Expenditure in these areas forms a significant proportion of the portfolio's overall budget.

The effects of these pressures have been a reduction in the National funds budget for the SRDP of £27.6 million and a total reduction in the budgets of SEPA, SNH and the National Park Authorities of £12.2 million. We have reduced expenditure for some components of the SRDP such as the Rural Enterprise and Rural Communities budget. There will be fewer and more focused rounds and we will review the size of grants awarded to ensure that the benefits of these schemes are more widely spread. We have maintained funding for the Less Favoured Area Support Scheme (LFASS), LEADER and other programmes that are important to our farmers, crofters and rural communities. We have also reduced the portfolio's Programmes of Research budget by £11.8 million.

We have taken every opportunity to make efficiency savings and to reduce spend on administration in order to protect expenditure that stimulates economic growth and provides important public services. For example, even though we will be reducing the portfolio's Programme of Research budget, the resource funding for our Main Research Providers have been protected. Tough choices have had to be made resulting in the reduction of budgets that make less of a direct contribution to

sustainable economic growth. In some cases we have reduced the budget for areas where demand has been historically low such as the Rural Enterprise and Rural Communities budget within the SRDP. In other areas, we have taken a decision to make modest increases in charges where it is considered to be proportionate and fair.

OUR PRIORITIES

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Rural Affairs and Environment portfolio. In 2011-12 we will spend £539.4 million on our priorities.

- Financial support for our rural economy through payments to farmers, crofters, fishermen and land managers is often the mainstay of fragile rural communities and we have sought to prioritise these areas of expenditure, which include elements of the Scotland Rural Development Programme (SRDP) and the European Fisheries Fund (EFF). However, given the size of these budgets as a proportion of the portfolio budget, it has not been possible to avoid some reductions.
- In future within the SRDP, there will be fewer but more focused funding rounds. In 2011-12, we will spend £116.6 million, which will be matched with a further £116.6 million of EU funds, on the SRDP.
- We will spend £5 million which will be matched by a further £6 million of EU funds through the EFF in order to deliver our commitment to assist with capital investment, increasing competitiveness in the aquaculture, fishing and fish processing industries, and to promote a resilient fleet structure – sectors which contribute hundreds of millions of pounds to the Scottish economy. EFF support will also contribute to wider food policy aims, delivering against priorities in the food chain, and enhancing the reputation for excellence Scottish food enjoys abroad through the high volume of seafood, shellfish and salmon exports. Axis 4 of the EFF, which will provide support to fisheries dependent communities, will also be launched by early 2011.
- The food and drink industry is a major contributor to Scotland's economy, with one in five people in manufacturing working in the sector, approximately 360,000 people across Scotland. Our National Food and Drink policy has been a resounding success, and we are on track to meet our target of increasing the value of the industry to £12.5 billion by 2017. Continued investment, notably in processing and marketing, as part of our ground-breaking National Food and Drink policy will be essential to maintain growth and the government will invest £11.9 million (including £8 million through the SRDP) in this area in 2011-12.
- There is a premium in the marketplace for Scottish produce and our reputation – both at home and abroad – for excellent quality food and drink is dependent on our high standards of animal health and welfare, preventing disease and ensuring that contingency plans are in place for the effective management of animal disease outbreaks. As a result of the outbreak of Foot and Mouth Disease in 2001, total compensation paid to farmers in Scotland for the culling of animals was £178 million. The spending lines on animal health

and veterinary surveillance are relatively small but the impact of animal disease on the economy can be considerable, so the government has prioritised expenditure and will spend £6.4 million on these measures in 2011-12.

- It will distribute a further £433.8 million through the Single Farm Payment to approximately 20,000 farmers and crofters. We will continue to ensure the prompt and efficient payment of this vital support for Scotland's agriculture industry. The inquiry by Brian Pack into *The Future of Support for Agriculture in Scotland* will report on how these funds might be best distributed in Scotland in future, and the recommendations will be considered alongside changes resulting from EU decisions on Common Agricultural Policy reform. We have been clear that there is an ongoing need for some direct support to farmers in order to maintain both a productive agricultural sector in Scotland, and our capacity to respond to issues of food security.
- The Rural Affairs and Environment portfolio's investment in our research institutes supports key sectors vital to Scotland's long-term economic success. Indeed, an independent study by DTZ has confirmed that our investment delivers significant benefits to rural businesses and to the wider economy. The research undertaken by the Scottish Agricultural College delivers improvements to the productivity of agriculture, for example £7 million from livestock genetic improvement and £12.5 million in animal health. The Moredun Research Institute is renowned for its work on animal disease and eight of the top ten global animal health companies are customers of the Moredun. Therefore, we will continue to invest in research and analysis and have budgeted £68.6 million in 2011-12 for this.
- The government aims to create a competitive advantage for Scotland through its approach to climate change and has, therefore, prioritised this area of expenditure. The government proposes to increase the Zero Waste budget by £2 million in 2011-12 to £26.4 million. Our first ever Zero Waste Plan, launched in June, set out ambitious new targets to reduce the amount of waste produced, sending less waste to landfill and recycling and recovering more resources. It is essential we maintain the momentum and commitment towards achieving a Zero Waste society. By supporting collection systems, specifically food waste, as well as supporting anaerobic digestion infrastructure, we will be able to generate sustainable energy and deliver reductions in green house gas emissions.
- By protecting the level of spending on the Sustainable Action Fund at £15.3 million, and through increasing the proportion of that Fund going to the Climate Challenge Fund by £1 million to £10.3 million, we are underlining our commitment to community led action on climate change. We will bring forward detailed plans for the effective deployment of the Funds building on the key lessons from recent experience. The Sustainable Action Fund, from which the current Climate Challenge Fund is drawn, is a powerful tool for supporting progress towards sustainability outcomes of which climate change action is a crucial aspect.
- Increasing the extent of woodland cover is also an essential element of the Climate Change Delivery Plan. We have set ambitious annual planting targets and the government is confident it will still achieve all key programmes and deliver its woodland creation targets. The government will invest £53.5 million in the Forestry Commission and Forest Enterprise in 2011-12.

- Our public bodies play a vital role in protecting our environment and natural heritage and they will need to become leaner and more efficient in their operations. These bodies have already set in hand necessary management actions, including early severance in SEPA and SNH. SEPA, SNH and the National Park Authorities will continue to deliver their regulatory responsibilities and focus their activities on delivering the National Outcomes. In 2011-12, we will invest £112.5 million in these delivery bodies.
- We are committed to helping people build a family and work life in rural Scotland and to supporting rural communities. The recent consultation *Speak Up for Rural Scotland* gave everyone with an interest in rural Scotland the opportunity to contribute to the future direction of rural policy. The portfolio will continue to champion rural and crofting communities and we will invest £6.8 million in crofting and a further £0.8 million in Rural Cohesion in 2011-12 in addition to the LEADER spend through the SRDP.
- Scotland has experienced some heavy flooding in recent years and while local authorities will be faced with some tough decisions, the total funding package within the local government settlement will allow local government to continue investment in flood prevention schemes. Not continuing to invest in flood risk management measures could lead to significant costs in the future. There were a series of flooding events across Scotland last winter and, although the final costs are yet to be quantified, a previous study of the severe flooding event in August 2004 estimated that the overall damage from that one event ranged between £7.1 and £31 million. This does not take into account the potential impact on businesses that can no longer obtain flood insurance, and the consequent economic impact on Scotland if those businesses are forced to close as a result. We will also continue to invest in ensuring clean air and water and the portfolio will spend £5.7 million on natural assets and flooding in 2011-12.

Spending plans for 2011-12 are set out below.

Table 11.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
EU Support and Related Services	155.9	138.2
Research, Analysis and Other Services	95.7	82.0
Marine and Fisheries	66.7	61.3
Environmental and Rural Services	196.1	186.4
Forestry Commission	55.1	47.7
Forest Enterprise	24.9	23.8
Total	594.4	539.4
<i>of which:</i>		
DEL Resource	524.8	489.8
DEL Capital	69.6	49.6
AME		

Table 11.02 Detailed Spending Plans (Level 2 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
EU Support and Related Services	155.9	135.6
Research, Analysis and Other Services	95.7	80.5
Marine and Fisheries	66.7	60.2
Environmental and Rural Services	196.1	182.9
Forestry Commission	55.1	46.8
Forest Enterprise	24.9	23.4
Total	594.4	529.4
<i>of which:</i>		
DEL Resource	524.8	480.7
DEL Capital	69.6	48.7
AME		

EU Support and Related Services**Table 11.03 More detailed categories of spending (Level 3)**

	2010-11 Budget £m	2011-12 Draft Budget £m
Single Farm Payment Scheme	433.8	433.8
Scottish Beef Calf Scheme	21.0	21.0
Energy Crop Payments	0.2	0.2
Business Development	53.9	43.8
Less Favoured Area Support Scheme	65.5	65.5
Agri Environment Measures	58.3	48.9
Forestry	4.7	4.3
Rural Enterprise	34.7	14.6
Rural Communities	16.7	6.5
Leader	9.4	10.5
Technical Assistance	0.5	0.3
Payments and Inspections Administration Costs	34.0	37.7
CAP Compliance Improvements	-	3.3
EU Income	(576.8)	(552.2)
Total	155.9	138.2
<i>of which:</i>		
DEL Resource	117.0	108.3
DEL Capital	38.9	29.9
AME		

What the budget does

The EU Support and Related Services Level 2 budget provides support to the rural economy through the Common Agricultural Policy. Agriculture is an important element of the Scottish economy with many in rural areas directly employed in agricultural activities. The Single Farm Payment Scheme (£433.8 million in 2011-12) supports over 20,000 producers, providing stability for farmers, enabling them to adapt to major changes, and leading to a sustainable agricultural sector. Funding is solely from the EU European Agricultural Guarantee Fund (EAGF).

The Scotland Rural Development Programme (SRDP) budget, running over the period 2007-2013, comprises National funds, National Modulation, Compulsory Modulation and funding from the European Agricultural Fund for Rural Development (EAFRD). The total EU funding for the Programme period is €679 million. The National funds component includes funding from the Forestry Commission Scotland (Woodland Grants) and the Environmental and Rural Services budget (Scottish Natural Heritage). The rate and level of draw down of EAFRD depends on the amount of National funds, the co-financing rate and the exchange rate.

The SRDP includes several measures to support rural communities and land managers with particular emphasis on increasing sustainable business activity and competitiveness in agriculture and forestry, improving the environment and the countryside, and enhancing the quality of life in rural areas.

Through the Payments and Inspections Administration Costs budget, we deliver regulatory functions in relation to national and international legislation, including adaptations to ensure continuing compliance, alongside expert scientific and technical advice and information services on agricultural crops and aspects of the environment.

Research, Analysis and Other Services

Table 11.04 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Programmes of Research	74.5	62.7
Royal Botanic Garden Edinburgh	11.3	11.9
Contract Research Fund	8.4	5.9
Economic and Other Surveys	1.5	1.5
Total	95.7	82.0
<i>of which:</i>		
DEL Resource	86.6	78.7
DEL Capital	9.1	3.3
AME		

What the budget does

The Research, Analysis and Other Services Level 2 budget funds scientific research designed to provide government policy makers and stakeholders with research deliverables that facilitate evidence-based policy development and implementation. Medium term needs are addressed by two main programmes of research covering 'Environmental Change' and 'Land, Food and People'. These programmes are commissioned from the government's Main Research Providers (MRPs), the Macaulay Land Use, Moredun and Scottish Crop Research Institutes, the Scottish Agricultural College and the University of Aberdeen's Rowett Institute of Nutrition and Health.

In addition to these programmes, 2011-12 sees the establishment of three Centres of Expertise, focusing on Climate Change, Water and Animal Disease Preparedness and two Strategic Partnerships, covering Animal Science Excellence and Food and Drink. These initiatives will be delivered by consortia formed between the MRPs and the university sector, with Strategic Partnerships being designed to strengthen the flow of knowledge from basic through strategic research to meet longer-term policy/stakeholder needs and Centres of Expertise designed to meet more immediate policy needs through strengthening the ability of policy colleagues to draw on Scotland's scientific expertise in a co-ordinated and informed manner.

The Programmes, Centres of Expertise and Strategic Partnerships recognise that today's world is one of more rapid change and greater uncertainty, both environmentally and economically; a world where there is much more emphasis on partnerships in research and a world which increasingly recognises the need for integrated scientific evidence in support of policy, whilst also valuing continued support for strategic research to meet the longer-term challenges.

There is additional funding for research on international plant biodiversity, carried out by the Royal Botanic Garden, Edinburgh (RBGE). Although primarily directed at supporting international biodiversity policies, this research will complement work on Scottish biodiversity. Support for this international research will continue to be managed through the sponsorship funding arrangements for the RBGE.

The Contract Research Fund commissions research which addresses specific policy requirements within the portfolio or which encourages collaboration between the research establishments and between the government and other funding bodies.

Marine and Fisheries

Table 11.05 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Marine Scotland	62.4	55.9
EU Fisheries Grants	11.1	11.0
Fisheries Harbour Grants	0.4	0.4
EU Income	(7.2)	(6.0)
Total	66.7	61.3
<i>of which:</i>		
DEL Resource	59.5	57.7
DEL Capital	7.2	3.6
AME		

What the budget does

The Marine and Fisheries Level 2 budget supports the sustainable use of Scotland's coasts and seas and freshwater fish populations. These natural resources are vitally important to sustainable economic growth and especially so in remote rural areas.

Marine Scotland was established on April 1 2009 as a Directorate of the government to integrate core marine functions involving scientific research, compliance monitoring, policy and management of Scotland's seas. It has responsibility for marine planning; fisheries policy, compliance and enforcement; fisheries research and representing Scottish interests in relation to the Common Fisheries Policy and international fisheries negotiations; aquaculture and freshwater fisheries policy; and responsibility for meeting our marine obligations in relation to the EU Habitats Directorate, the Marine Strategy Framework Directive and international commitments. Marine Scotland administers all marine consents required for a variety of activities including depositing substances at sea, coast protection and offshore renewable energy. Grants for the sustainable development of the Scottish fisheries industry are awarded through the European Fisheries Fund (EFF). Subject to exchange rate movement (which will influence final figures) currently some £48 million is available from the European Union to Scotland over the period 2007-2013. The rate and level of draw down of EFF depends on the amount of National funds, the co-financing rate and the exchange rate.

Environmental and Rural Services

Table 11.06 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Scottish Natural Heritage	67.9	60.7
National Parks	12.5	12.4
Natural Resources	0.3	0.3
Scottish Environment Protection Agency	44.3	39.4
Zero Waste	24.4	26.4
Natural Assets and Flooding	6.9	5.7
Sustainable Action Fund	15.3	15.3
Crofting Assistance	5.5	6.8
Rural Cohesion	1.0	0.8
Agricultural and Horticultural Advice and Support	5.1	4.1
Veterinary Surveillance	4.8	5.2
Animal Health	1.2	1.2
Food Industry Support	2.0	3.9
Private Water	4.5	3.8
Drinking Water Quality Regulator	0.4	0.4
Total	196.1	186.4
<i>of which:</i>		
DEL Resource	187.4	176.8
DEL Capital	8.7	9.6
AME		

What the budget does

The Environmental and Rural Services Level 2 budget primarily supports the commitment, set out in the National Outcomes, to *value and enjoy our built and natural environment and protect it and enhance it for future generations*. Funding will support Scottish Natural Heritage's (SNH's) work on delivering Scotland's biodiversity targets, fulfilling Scotland's contribution to the UN Convention on Biological Diversity (CBD), meeting Scotland's contribution to the promotion of access and helping ensure that new developments take proportionate account of our valuable natural heritage.

We will complete the passage of the Wildlife and Natural Environment Bill in order to maximise the associated environmental and economic benefits, while minimising irresponsible or damaging practice. The Bill will update wildlife and natural environment legislation in relation to a number of areas, including: game law; deer; invasive non-native species; species management; snaring; and muirburn.

Funding for the National Park Authorities will enable them to take forward the National Park Plans which were approved in early 2007 and implement the recommendations in the National Parks Review report (published November 2008).

Provision is made to enable the Scottish Environment Protection Agency (SEPA) to carry out its regulatory functions and to continue to safeguard Scotland's environment and human health. SEPA's spending is largely determined by the need to implement and enforce regulatory regimes required by national and EU legislation. SEPA will continue to monitor the quality of Scotland's environment and to implement the Water Environment and Water Services (Scotland) Act. Funding for SEPA includes support for the development of a National Flood Warning Dissemination Programme and the Scottish Flood Forecasting Service. Since 2009 SEPA has embarked on a significant programme of transformational change. The single biggest element of the change proposals is Better Regulation. SEPA has played a leading role in supporting the government in delivering a more risk based and proportionate form of regulation and associated scrutiny.

The budget for Zero Waste includes support for a number of programmes including work to develop markets for recycle use, waste prevention and minimisation, reuse and recycling awareness, support for community recycling groups and support for local authorities to achieve municipal waste targets in 2011 and beyond. In addition, the budget funds Keep Scotland Beautiful, which carries out anti-litter and anti-fly tipping campaigns and promotes environmental education.

The Sustainable Action Fund and the Natural Assets and Flooding budgets support our actions to protect the land, air and water environment, and to protect communities from pollution, flooding, noise and nuisance. The funding provided for Natural Assets and Flooding supports initiatives on flood risk management and research to assist policy development in these areas. Resources are also provided for air quality support measures which are designed to improve air quality in hot spot areas in relevant local authorities. In addition, funding for noise supports the costs of ongoing mapping and action planning required under the EU Environmental Noise Directive.

We will continue to reform crofting so that it is fit for the 21st century and makes an ongoing contribution to the development of a thriving rural Scotland. We will commence the provisions in the Crofting Reform (Scotland) Act 2010 incrementally to deliver a more robust governance, regulatory and financial framework to safeguard the future of crofting.

We will continue to invest in Scotland's food and drink industry, support effective and efficient supply chains and collaborative ventures and work with stakeholders to ensure that sales of Scotland's food and drink continue to grow.

The Private Water budget supports actions to sustain and improve the health of the people of Scotland through good safe drinking water. Provision is made to protect the quality of private drinking water supplies through the preparation of information and advice aimed at improving public understanding of how to protect and maintain such supplies. This is supported by the Private Water Supply Grant Scheme, which provides financial assistance to users of private water supplies towards the upgrade of these supplies.

Provision is also made to support the Drinking Water Quality Regulator for Scotland (DWQR) in carrying out their duties under the Water Industry (Scotland) Act 2002.

Forestry Commission

Table 11.07 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Woodland Grants	27.1	36.0
Policy, Regulation and Administration	5.1	5.1
Programme Costs	24.5	22.5
Net Capital Expenditure	4.4	2.0
Depreciation	0.1	0.1
EU Income	(6.1)	(18.0)
Total	55.1	47.7
<i>of which:</i>		
DEL Resource	50.7	45.7
DEL Capital	4.4	2.0
AME		

What the budget does

Forestry Commission Scotland works to increase the contribution of Scotland's forests to health and wellbeing, the Scottish economy and environmental sustainability. It does this by regulating and supporting the private forestry sector; sustainable management of the Scottish Ministers' forest estate; promoting the expansion and sustainable management of Scotland's woodlands; increasing the contribution of woodlands to the quality of our towns and cities through the Woodlands In And Around Towns initiative; and supporting projects which reduce the impact of timber transport operations. Climate change will continue to be an area of major importance for forestry and 2011-12 will see a significant contribution to the government's pledge, as part of the Climate Group States and Regions Alliance, to plant 100 million trees by 2015. In 2011-12, we propose to:

- promote predictable and stable timber supplies to help the Scottish economy;
- introduce a code of good practice for forestry carbon schemes;
- invest in research on timber product development and use of timber in construction;
- mainstream a greening hospital grounds project;
- stimulate early work towards implementing the Central Scotland Green Network;
- stimulate management of native and ancient woods using information from the Native Woodland Survey of Scotland;
- work with other government Directorates to further promote the development of biomass for heat;
- develop interim guidance on 'future forests in a changing climate';

- enhance pest/pathogen vigilance and rapid response capacity; and
- promote landscape-scale restoration exemplar projects to contribute to the National Ecological Network.

Forest Enterprise

Table 11.08 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Operating Costs	23.6	22.6
Capital Expenditure	1.3	1.2
Total	24.9	23.8
<i>of which:</i>		
DEL Resource	23.6	22.6
DEL Capital	1.3	1.2
AME		

What the budget does

The Forest Enterprise Scotland budget supports the sustainable management of the national forest estate, maintains effective planning and consultation systems, maximises the value to the Scottish economy of the estate's timber resource, other forest products and estate assets, uses the estate to conserve and enhances biological diversity cultural heritage and landscape quality, and increases the opportunities for all to visit, enjoy and learn from the estate. In 2011-12, we propose to:

- establish partnerships to increase the national forest estate's contribution to the government's renewable energy targets;
- sustain timber production on the national forest estate;
- establish an integrated skills programme for new entrants into the forestry sector;
- commence direct involvement in developing and managing urban woodlands in the Clyde Gateway area of east Glasgow;
- unveil Scotland's new premier mountain biking centre in the Tweed Valley; and
- accelerate a programme to remove invasive exotic plants from the national forest estate.

CHAPTER 12

Administration

PORTFOLIO RESPONSIBILITIES

The Administration Budget covers the costs of running the core administration of the Scottish Government to help increase sustainable growth and deliver our 15 National Outcomes. The majority of this expenditure relates to civil service staff, with the remainder supporting associated costs such as accommodation, information technology and training.

OUR ACHIEVEMENTS

We have consistently exceeded our efficient government targets since 2007, re-shaping and refining the organisation structure to maximise the effective delivery of policies and working to deliver savings across all portfolios. Specific Administration achievements include:

- a reduction of 20 per cent (around £1 million) in travel expenditure between 2008-09 and 2009-10, freeing resources for frontline services;
- achieving our 10-day target for paying bills to businesses in Scotland who supply the Scottish Government – we paid over 94 per cent of invoices within 10 days in 2009-10, helping to support firms' cash flow and economic recovery; and
- making more information on Scottish Government activity widely available – since April, we have published online details of all items of government expenditure over £25,000.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

We recognise that in asking others to reduce their expenditure we must take a lead in reining back our own spending so that more can be spent on boosting the economy and frontline services.

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Administration portfolio, the year on year cut in cash terms on the resource budget is £23.5 million and on capital is £2.5 million. Key pressures within the portfolio in 2011-12 include pay progression carried over from 2010-11, price increases for many non-staff items, the impact of VAT and National Insurance contribution rises, and higher local authority rates bills. The effects of cuts of this scale combined with these unavoidable pressures will raise significant challenges.

We have put in place early severance arrangements to reduce staff numbers. We have developed plans for reducing the costs of the Senior Civil Service by at least 10 per cent by the end of 2011-12, and 25 per cent by 2014-15 (with 2010-11 as the base year). We have also developed our plans for maintaining firm downward pressure on pay rates, in accordance with Ministerial pay policy. There will therefore be a pay freeze in 2011-12 for all staff, with specific measures to allow for some pay increases for the lower paid, and extension of the pay freeze for Senior Civil Service staff from 2010-11 for at least a further year.

We have re-prioritised tasks to ensure alignment with key Ministerial priorities over the forthcoming year, ending activities that contribute less to these priorities. We are examining how more flexible working arrangements across the organisation could improve efficiency. And we have engaged with staff and their representatives to discuss how best to manage the budget and headcount reductions required.

We will continue to maximise the savings available through further efficiency measures, supported by improved systems, delivering a leaner organisation aligned to support our policy priorities.

OUR PRIORITIES

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Administration portfolio. The Administration portfolio's priorities are:

- to ensure that the Scottish Government is well equipped and organised to help increase sustainable growth and deliver our 15 National Outcomes, and to assist the process of economic recovery in Scotland;
- to ensure that the organisation offers maximum value for public money. This includes releasing resources through the delivery of efficiency savings and through re-prioritising tasks to reduce spending on administration by £26 million in 2011-12 compared to 2010-11; and adhering closely to the Government's pay policy which reflects the current economic climate and priorities for public spending within the current tight financial settlement;
- to ensure that the percentage of total expenditure devoted to administration costs, across the core government and our agencies, remains at least 25 per cent below the comparable percentage for the UK government;
- to implement a range of measures to deliver a reduction in emissions across the Scottish Government. Specific measures include the ongoing installation of Building Management Systems across the whole estate to reduce energy consumption through optimisation of building lighting, heating, ventilation and cooling systems and more energy-efficient IT. More information about the measures to be implemented is set out in the Scottish Government carbon management plan; and
- to ensure that we continue to show we are an exemplar in diversity and equality. The Scottish Government's equality initiatives will play a key role in supporting the delivery of all national outcomes. Our overall approach focuses on four key themes: behaviour and culture change; leadership and accountability; talent management; and representation.

Spending plans for 2011-12 are set out below.

Table 12.01 Detailed Spending Plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget ² £m
Scottish Government Staff	167.2	152.0
Accommodation	19.8	17.8
Other Office Overheads ¹	42.8	38.6
Training	5.4	4.9
Office of the Queen's Printer for Scotland	0.1	0.1
Capital Charges	16.7	15.1
Capital ICT Projects	7.4	5.5
Other Capital Expenditure	2.6	2.0
Total	262.0	236.0
<i>of which:</i>		
DEL Resource	252.0	228.5
DEL Capital	10.0	7.5
AME		

Table 12.02 Detailed Spending Plans (Level 3 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Scottish Government Staff	167.2	149.2
Accommodation	19.8	17.5
Other Office Overheads	42.8	37.9
Training	5.4	4.8
Office of the Queen's Printer for Scotland	0.1	0.1
Capital Charges	16.7	14.8
Capital ICT Projects	7.4	5.4
Other Capital Expenditure	2.6	2.0
Total	262.0	231.6
<i>of which:</i>		
DEL Resource	252.0	224.2
DEL Capital	10.0	7.4
AME		

¹ Includes ICT projects and minor non-pay items, e.g. travel, transport, stationery, hospitality, etc.

² The breakdown of spending plans for 2011-12 is subject to change as we seek to reduce overhead costs in favour of minimising the reduction necessary in the number of staff available for deployment to support existing and new priority activities.

CHAPTER 13

Crown Office and Procurator Fiscal Service

PORTFOLIO RESPONSIBILITIES

The Crown Office and Procurator Fiscal Service (COPFS) provides Scotland's independent public prosecution and deaths investigation service. The Lord Advocate's position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

COPFS plays a key role in providing and supporting effective and fair justice for the people and communities of Scotland. In doing this and providing confidence in the independent system of prosecution and investigation of deaths it makes Scotland a good place to do business. A major priority for COPFS is tackling serious and organised crime, and also financial crime, both of which can be damaging to the economy and people's lives. Without such confidence, businesses will include a risk premium in their evaluation of whether to operate in Scotland.

OUR NATIONAL OUTCOMES

The policies, activities and expenditure of the Crown Office and Procurator Fiscal Service contribute to a number of our national outcomes, especially:

- We live our lives safe from crime, disorder and danger.
- We have improved the life chances for children, young people and families at risk.
- We value and enjoy our built and natural environment and protect it and enhance it for future generations.

COPFS' specific contributions to the achievement of National Outcomes include:

COPFS supports lives which are *safe from crime, disorder and danger* by providing an effective prosecution service which has the confidence of the public and by helping to reduce crime and fear of crime by tackling crime quickly and using a wide range of measures appropriate for specific offences. The services we deliver protect victims of crime from further harm from perpetrators, ensure justice and safer environments for individuals and communities and contribute to tackling deep seated problems such as those associated with drug misuse, domestic violence and hate crime.

COPFS *improves the life chances for children, young people and families at risk* through the particular priority it gives to prosecuting domestic violence, crime against children and sexual offences;

COPFS' specialist approach to tackling wildlife and environmental crime and our Carbon Management Plan, aimed at reducing the carbon impact of our work, *supports the built and natural environment and protects it and enhances it for future generations*.

OUR ACHIEVEMENTS

Since 2007, COPFS has made significant progress. Specific examples include:

- Full implementation by 2008 of all phases of the Vulnerable Witnesses (Scotland) Act 2004 which enables children and other vulnerable witnesses to give better evidence by using measures which are designed to reduce the fear and distress associated with giving evidence. The most common measures are giving evidence from behind a screen or using a CCTV link, or having a supporter present in court with the witnesses.
- Summary Justice Reform (which we implemented with Police and Court colleagues in 2009-10) has improved the delivery of justice in summary cases by tackling inefficiency and streamlining processes. It also better meets the needs of victims, communities and witnesses. The range of direct measures introduced, including formal warnings and financial penalties, has enabled police and prosecutors to deal more quickly with a proportion of cases without recourse to formal court proceedings. This has released significant amounts of police time from attendance at court (and also in many cases from preparing and submitting formal reports), as a number of cases are now dealt with by police or COPFS Direct Measures. This has also enabled prosecutors to focus resources on the preparation of cases which are prosecuted in court.
- The implementation of the Sexual Offences Review led to more effective prosecution of sexual offences and improved support to victims. It delivered better training and guidance for prosecutors dealing with sexual offences; the introduction of National and Area Sexual Crime Units within COPFS further enhanced the specialist approach to the prosecution of sexual offences and the support for victims.
- The creation of the Health and Safety Division has enabled specialist prosecutors to build on our existing expertise to deal more effectively with the complex issues that can arise in health and safety investigations, including deaths in the workplace. This specialist approach has enabled us to resolve a number of cases at an early stage, bringing benefits to both victims and witnesses, often sparing them from what can be the traumatic experience of reliving these events through a lengthy court process. It has also freed up the courts' time. The Health and Safety Division has a dedicated member of staff from our Victim Information and Advice service, who communicates with victims and families to keep them informed about the progress of cases and provides information about support resources available to them.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Office of the COPFS portfolio, the year on year cut in cash terms on resource budgets is £5.5 million and on capital is £4.5 million. Despite the challenging financial environment, we are committed to maintaining the appropriate breadth and quality of service for the people of Scotland.

Key pressures in 2011-12 include responding to a changing profile of more sophisticated and complex crimes, and in particular an increase in the successful detection of serious and organised crime and of online offences, particularly those of a sexual nature. In prosecuting such offences, COPFS requires the use of advanced presentational tools to convey to the jury the various strands of evidence, often involving complex telecommunications and IT technology. The decision in *HMA v Cadder* has already necessitated further investigation into live cases and it is anticipated that this will continue, pending the outcome of Lord Carloway's review. If the current trend in reductions in the overall number of cases reported continues then this will mitigate these pressures.

In 2011-12 our budget will be £108.2 million. Taking into account these pressures (e.g. rising costs; increasing demand), we have considered all areas of expenditure incurred by COPFS, the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities. To reduce the level of spending across the portfolio, we are making significant reductions in staff numbers having recruited no new permanent members of staff since the start of April 2010.

We will also need to make significant savings in our non pay expenditure. The substantial reduction in our capital budget means that the replacement of the case management IT system, which supports our main activities, will be deferred. This will delay our ability to bring about innovations which would have improved efficiency further.

OUR PRIORITIES

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of our key priorities. The COPFS portfolio will spend a total of £108.2 million in 2011-12.

The key aims of COPFS are to:

- Deliver swift, effective justice, giving priority to serious crime, including sexual offending, serious violence, organised crime and drug trafficking.
- Work with the police, local communities and others to solve problems caused by localised offending, targeting persistent offenders and helping people live their lives free from crime, disorder and danger.
- Ensure that all deaths reported to the Procurator Fiscal are investigated appropriately.
- Provide services that meet the information needs of victims, witnesses and nearest relatives, in co-operation with other agencies.
- Respect and protect diversity, and promote tolerance.

Our ability to engage with and serve diverse communities is essential to maintaining and improving public confidence in the criminal justice system as a whole. We will focus resources on front line delivery, ensuring that our efforts are concentrated where they really make a difference and that we become more responsive, tailoring the services that we provide to the needs of local communities and individual victims.

In 2011-12 we will make effective use of our total budget of £108.2 million to:

- Continue to give the highest priority to the prosecution of serious and organised crime.
- Improve further the provision of information to the victims of crime on progress being made with their cases.
- Work with other parts of the Criminal Justice System, in particular the police and the court service, to increase the efficiency and effectiveness of the system as a whole.
- Take responsibility for the investigation of Military Service deaths abroad and enhance our capability to investigate complex death cases.
- Continue to give priority to tackling domestic abuse and hate crime at community level.

Spending plans for 2011-12 are set out below.

Table 13.01 Detailed Spending Plans (Level 2)

	2010-11 Budget £m	2011-12 Draft Budget £m
The Crown Office and Procurator Fiscal Service	118.2	108.2
Total Crown Office and Procurator Fiscal Service	118.2	108.2
<i>of which:</i>		
DEL Resource	111.0	105.5
DEL Capital	7.2	2.7
AME		

Table 13.02 More detailed categories of spending (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
Staff Costs	72.0	69.0
Office Costs	5.6	4.4
Case related	12.9	12.1
Centrally Managed Costs	20.5	20.0
Capital Expenditure	7.2	2.7
Less Retained Income	0.0	0.0
Total	118.2	108.2
<i>of which:</i>		
DEL Resource	111.0	105.5
DEL Capital	7.2	2.7
AME		

Table 13.03 More detailed categories of spending (Level 3 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
Staff Costs	72.0	67.7
Office Costs	5.6	4.3
Case related	12.9	11.9
Centrally Managed Costs	20.5	19.6
Capital Expenditure	7.2	2.6
Less Retained Income	-	-
Total	118.2	106.1
<i>of which:</i>		
DEL Resource	111.0	103.5
DEL Capital	7.2	2.6
AME		

CHAPTER 14

Local Government

PORTFOLIO RESPONSIBILITIES

Local government plays a very important role, alongside national government, in the governance of Scotland. Local authorities plan and deliver vital services and respond to the needs of Scotland's diverse local communities. They also contribute to the delivery of increased sustainable economic growth, playing a key role in the five Strategic Priorities set out in the Government Economic Strategy. The Concordat signed between local government and the Scottish Government in November 2007 established a new relationship between the Convention of Scottish Local Authorities (COSLA) (on behalf of local government) and the Scottish Government, based on mutual respect and partnership. This relationship has provided the context in which a further agreement has been reached between the Scottish Government and COSLA's Leadership covering 2011-12.

High quality local authority services make a hugely positive impact on our everyday lives. Local authorities also lead partnerships within their communities, alongside other local agencies, to deliver outcomes that matter for local people. These include:

- successful local economies;
- improved outcomes for children, including through investment in early intervention and early years;
- more employment opportunities;
- improved learning and teaching;
- protection for vulnerable people;
- reduced levels of poverty;
- better health; and
- a clean, safe and pleasant living environment.

These ambitions have been embodied in Single Outcome Agreements (SOAs) between the Scottish Government and each Community Planning Partnership in Scotland. These Partnerships involve local authorities, NHSScotland, police forces, Fire and Rescue Services, enterprise agencies and transport partnerships, and they may also involve representatives from other bodies such as the further and higher education sector, local businesses and the third sector. The Single Outcome Agreements reflect local circumstances and at the same time contribute to achieving the Scottish Government's Purpose and our National Outcomes.

As chapter 2 makes clear, co-operation between the Scottish Government and local authorities is essential to delivering excellent public services in Scotland. We are committed to the principle of partnership working, and so are our local government partners. This leads to better policy making, better service delivery, less bureaucracy and faster resolution of any problems that arise. Good joint working helps everyone to concentrate on meeting the needs of people in Scotland who use public services.

It also means the public sector in Scotland is better prepared to deal with much reduced levels of public funding in the years ahead. Clear benefits have already flowed from the relationship that has been established and all of us are committed to building on those into the future.

SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH

In 2011-12, the Scottish Government will provide a total baseline package of resource and capital funding of £11.548 billion in support of local authorities' services. This figure includes income from business rates. However, it does not include the council tax which authorities collect themselves nor funding provided directly from the UK Government (such as council tax benefit) nor funding from the European Union. The package will be focused on growing the Scottish economy and protecting frontline services. It consists of:

- a general revenue grant, which supports all services;
- non-domestic rate income, collected by local authorities, paid into a central pool; this is then redistributed along with the general revenue grant to each local authority, using a formula that takes account of relative need;
- a general capital grant to support local authorities' spending on infrastructure and other projects; and
- a small number of specific revenue and capital grants.

The Scottish Government guarantees the combined general revenue grant and distributable non-domestic rate income figure, approved by Parliament, to each local authority. A drop in non-domestic rate income is compensated for by an increase in general revenue grant and vice versa.

The delivery of services is the responsibility of individual local authorities who will do all they can to protect and sustain these. In so doing, they will have regard to the requirements of the Climate Change (Scotland) Act 2009 and the provisions of the Equality Act 2010. Actions that local authorities take will also continue to help grow the economy. These will be delivered in partnership with the Scottish Government and other agencies, and by undertaking activities at local level. These activities include their planning function; economic strategy and policy; support for business start up and growth; export support programmes; place regeneration and skills and training related to employment or employability. Some of these actions are provided through the Business Gateway and through councils' support to existing and new Business Improvement Districts within their areas. Local authorities themselves provide a major contribution directly to local economic wealth in the local supply chains through their purchases of goods and services.

Local government continues to be active in supporting the move to a low carbon economy and in combating climate change. Scottish councils have demonstrated consistent commitment and political leadership on climate change following the signing of Scotland's Climate Change Declaration in 2007-08 and the inclusion of local climate change outcomes in the Single Outcome Agreements agreed in 2009. Local authorities will continue to work towards the delivery of the new statutory obligations of the Climate Change (Scotland) Act 2009 and to provide leadership to wider civic society as Scotland moves to a low carbon economy.

It is recognised that these statutory commitments to take action on climate change come at a time of significantly constrained public spending. Local government has a range of competing spending priorities to consider. However, local government and the Scottish Government are committed to working together to reduce emissions as far as possible through our overall spending, and to build upon the strong foundations already established at national and local level to respond to the challenges and opportunities of climate change.

Local government also makes a vital contribution to a more equal Scotland. Protecting the most vulnerable in our society will be more difficult because of the spending cuts, but local government and we agree that decisions needed to balance the budget must take full account of their needs. The Scottish Government will work collaboratively with local government towards outcome-focused public services, using the framework provided by the Equality Act 2010. This helps public bodies to recognise and reduce negative impacts on vulnerable groups and also helps to promote equality by ensuring that services are responsive to local people's needs.

OUR NATIONAL OUTCOMES

Local government remains committed to, and also contributes directly to, the delivery of all 15 national outcomes, particularly by implementing Single Outcome Agreements through Community Planning Partnerships so that national objectives are met in a way that takes account of distinctive local circumstances and priorities.

The Scottish Government's funding support to local authorities in 2011-12 will help to achieve the overall aims of supporting the economy and protecting front-line services. Key front-line services include school and pre-school education, social services, law and order, environmental services and roads and transport.

The Scottish Government accepts that local authorities will need to prioritise their funding and that there may be some funding pressures which cannot be met. Where this happens, the Scottish Government and COSLA will jointly address the issues, including reviewing wider financial pressures.

OUR ACHIEVEMENTS

A lot has been achieved as a result of the partnership with local government established in 2007. The Scottish Government, working with local government, aims to build on that progress in 2011-12.

- Following decisions by all 32 councils to freeze council tax rates in each of 2008-09, 2009-10 and 2010-11 at 2007-08 levels, the Scottish Government provided councils with a total of £70 million in each year, representing an annual uplift in their council tax income base of over 3 per cent. As a result, over the three years to 2010-11, the Scottish Government has provided a total of £420 million to support the council tax freeze.
- Single Outcome Agreements (SOAs) based on the agreed set of national outcomes and local outcomes to take account of local priorities have been agreed and published for every local authority and their community planning partners since 2008-09. Two rounds of reports on progress with the SOAs have been published, in 2009 and in 2010.
- The Small Business Bonus Scheme, which was fully implemented in 2009-10, has provided much needed financial assistance to Scotland's small businesses to help them through the tough economic times. It was further extended in 2010-11. The latest full year figures show that 74,000 business properties benefited under the Scheme to the tune of £117 million in total, with the average saving per property worth around £1,400; 63,000 properties paid no rates at all.
- The value of ring-fenced grants has been substantially reduced from £2.7 billion in 2007-08 to £1.1 billion in 2010-11. Excluding the police ring-fenced funding, the total

in 2010-11 was £0.4 billion. This has resulted in considerable savings in administrative costs both for the Scottish Government and local government and has provided local authorities with increased flexibility in how they allocate their total resources.

As well as regular meetings and contact at official level between the Scottish Government and COSLA (and councils), members of the Cabinet regularly meet COSLA's Leadership to monitor progress and discuss emerging issues. The full Scottish Cabinet formally meets COSLA's Leadership at least once a year.

MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government budget for 2011-12 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Within the Local Government portfolio, the year on year cut in cash terms on resource budgets is £286.9 million and on capital is £151.4 million. Key pressures falling on local government funded from within the portfolio in 2011-12 include general inflationary pressures and demographic changes including an increasing demand for social services (including free personal care) as a result of the increasing elderly population. Other funding pressures include £7.8 million resulting from the introduction of the Flood Management Act and around £20 million from the ongoing commitment to the Schools PPP projects.

Taking into account these pressures we have jointly considered with COSLA all areas of expenditure within the Local Government portfolio, including the scope for efficiencies and the contribution the overall local government funding package makes to sustainable economic growth and the delivery of portfolio priorities. The overwhelming majority (86 per cent) of the funding package is delivered through the revenue block grant. It is for individual local authorities to allocate their total available resources, including locally raised income from the council tax and fees and charges, on the basis of local needs. This is subject to meeting statutory obligations and the jointly agreed set of national and local outcomes, which guide prioritisation at a local level.

In order to accommodate the reduction in the overall funding package and the increased inflation and demand pressures, local government will be faced with a number of very difficult decisions.

Local authorities do, however, have a statutory duty to bring forward a balanced budget for the settlement provided and they will do so by a combination of actions. These may well include overall reductions in staffing levels and the level of pay within the workforce, the scope for increased efficiencies including service redesign and the possibility of improving on their ability to generate additional income.

OUR PRIORITIES

In 2011-12 we will make available to local government a total funding package amounting to £11.548 billion. This total includes the Government's estimate of non domestic rate income to be collected during 2011-12. To access the full amount of this package, each local authority will require to agree formally to work with the Scottish Government to deliver the full list of commitments set out below which have been jointly agreed with COSLA's Leadership. How the financial support is to be distributed to authorities will be the subject of consultation with COSLA and set out in a Scottish Government Circular in December.

This is a very good deal for local government. Under our proposed settlement, the resource support available from the Scottish Government will fall by only 2.6 per cent compared to 2010-11. The average fall in resource budgets for non-protected areas of the Scottish Government in 2011-12 is 6.4 per cent.

The total funding amount also maintains local government's share of the Scottish Budget between 2010-11 and 2011-12 at 34.5 per cent (at the point of agreement with COSLA's Leadership on this funding package). Over the period 2007-08 to 2010-11, local government's share rose steadily from a low point in 2007-08 of 33.4 per cent. Previously, it had fallen steadily from a high of 36.7 per cent in 2003-04.

Under the agreement reached with COSLA's Leadership and, subject to the agreement of individual councils to the terms of the agreement, the Scottish Government and local government will each do what is required to ensure delivery of key government policies and programmes including commitments in the following areas:

National outcomes

- Local authorities remain committed to the delivery of the current Single Outcome Agreements.

Council tax

- As part of the overall funding package, the Scottish Government will make available £70 million in 2011-12 to those councils which freeze their council tax rates at 2007-08 levels for a fourth consecutive year. In the light of current continuing tough economic circumstances, extending the council tax freeze in 2011-12 will provide further protection to hard pressed households across Scotland, many of whom have been affected by the economic downturn and UK welfare reform.

Police

- The total number of police officers will be maintained at 1,000 more than were in post before this Government came into office (i.e. at 17,234) throughout 2011-12. As a result, police grant will be subject to a loss of resources no greater than that for the remainder of local government in 2011-12. The number of police officers has an impact on crime. It is clear that less crime makes our communities safer and levels of reported crime are now at a 32 year low.

Education

- Maintain the commitment to delivery of the outcomes for children and young people as specified in the Single Outcome Agreements and to implementation of the Early Years Framework and *Curriculum for Excellence*;
- Maintain the pupil-teacher ratio in P1-P3, the crucial early years of primary school;
- Protect the number of teacher posts as far as possible in order to secure:
 - places for all probationers who require a place under the induction scheme in August 2011;

- sufficient teaching posts available for all probationers who achieve Standard for Full Registration in summer 2011 (i.e. successfully complete their probation); and
 - a reduction in the total number of unemployed teachers.
- Work jointly with the teacher unions – through the established national negotiating machinery – to find a way forward on teachers' pay and related issues that will ensure delivery of objectives in this area and control total pay costs. This will include an independently chaired review of the McCrone Agreement, to report and control total pay costs by June 2011.

Social care

- In recognition of the wider pressures on the health and social care system, the Scottish Government has allocated £70 million for a new change fund in 2011-12. The fund, which will be held by NHS Boards and so be additional to the local government settlement amount, is intended to enable the redesign of services that support shifting the balance of care towards primary and community care. Through a partnership governance arrangement, plans are to be agreed locally between NHS Boards, local government and the independent sector and the detailed guidance in relation to these plans is currently being developed in partnership. As set out in chapter 8, the aim is to optimise people's independence and wellbeing, in their own homes or in a homely setting. By working better together, cutting out duplication and overlap, and by ensuring that older people can remain independent in their own homes, NHS Boards and local authorities will be able to focus on reducing unnecessary hospital admissions and speeding up discharge after a crisis.
- Local government will continue to deliver the shared Scottish Government/COSLA commitments on Free Personal Care, for which payments will be uprated in 2011-12.
- Local government will continue to work with the Scottish Government towards implementation of the Carers and Young Carers Strategy at local level, including the maintenance of an extra 10,000 weeks respite provision.

Spending plans for 2011-12 are set out below.

Table 14.01 Detailed Spending Plans (Level 3)

	2010-11 Budget £m	2011-12 Draft Budget £m
General Resource Grants	8,742.3	8,354.7
Non-Domestic Rates (NDR) and other AME Grants	2,076.3	2,179.5
Support for Capital	843.2	691.8
Total Local Government portfolio	11,661.8	11,226.0
Other Local Government*	324.5	322.0
Total Support for local authorities	11,986.3	11,548.0
<i>of which:</i>		
DEL Resource	9,066.8	8,676.7
DEL Capital	843.2	691.8
AME	2,076.3	2,179.5

* Held within other portfolio chapters

Table 14.02 Detailed Spending Plans (Level 3 real terms) at 2010-11 prices

	2010-11 Budget £m	2011-12 Draft Budget £m
General Resource Grants	8,742.3	8,198.9
Non-Domestic Rates (NDR) and other AME Grants	2,076.3	2,138.9
Support for Capital	843.2	678.9
Total Local Government portfolio	11,661.8	11,016.7
Other Local Government*	324.5	316.0
Total Support for local authorities	11,986.3	11,332.7
<i>of which:</i>		
DEL Resource	9,066.8	8,514.9
DEL Capital	843.2	678.9
AME	2,076.3	2,138.9

* Held within other portfolio chapters

Local Government's Spending Plans 2010-11

For information purposes only, Scotland's local authorities have budgeted to spend the total resources available to them from the Scottish Government's funding and income raised locally through the council tax on services as set out in Table 14.03.

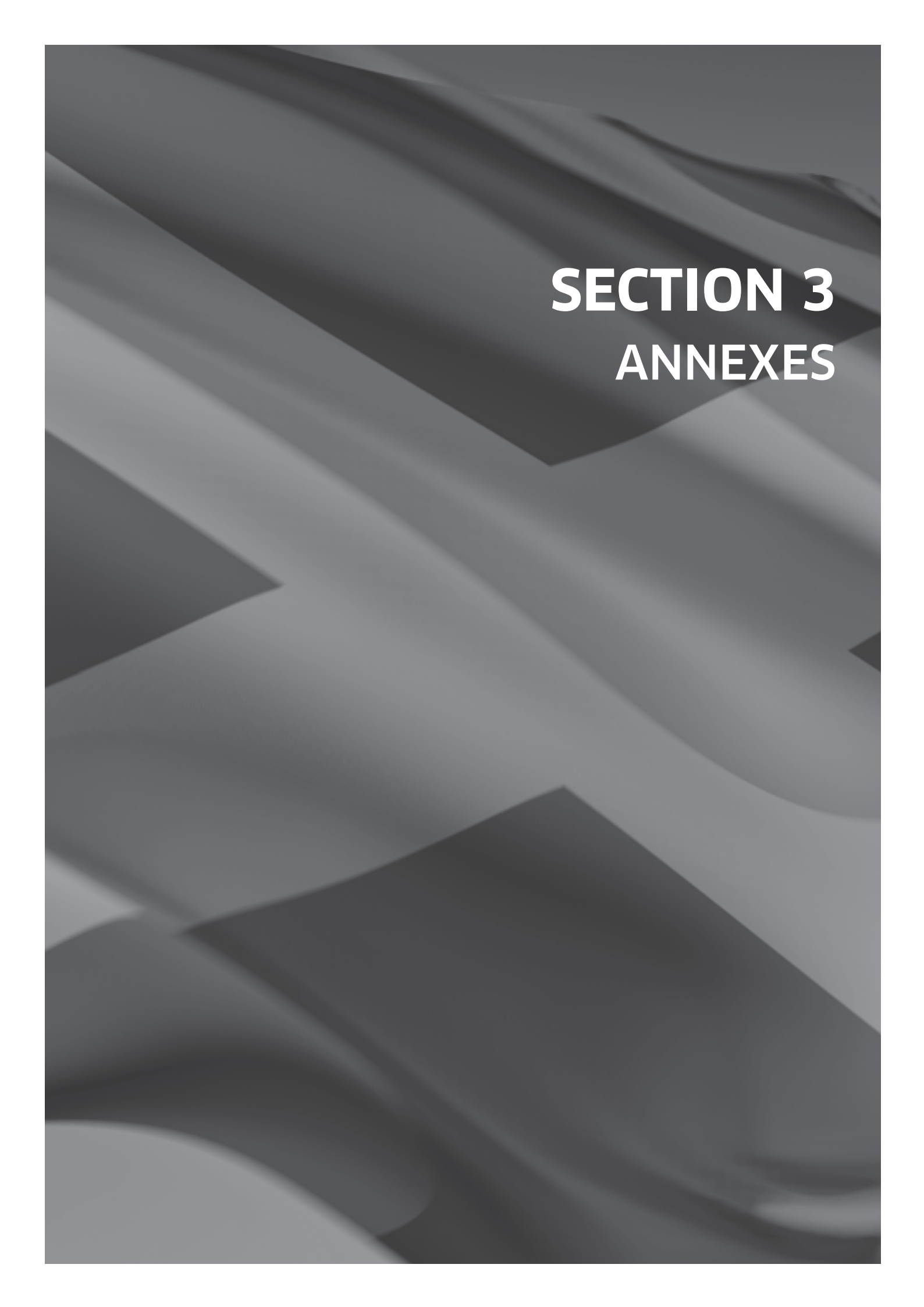
Table 14.03 Local Government Revenue Expenditure plans 2010-11

	2010-11 Budget £m
Education	4,803.2
Social Work	2,844.1
Police	968.4
Fire	275.6
Roads and Transport	494.2
Environmental Services	695.0
Planning and Development Services	320.5
Culture and Related Services	634.1
Emergency Planning	5.0
District Courts	0.5
Administration of Housing and Council Tax Benefits	28.0
Private Sector Housing Renewal	21.5
Housing Benefits	1.8
Non Housing Revenue Account Housing	42.6
Homelessness	73.5
Housing Support Services	273.9
Welfare Services	4.1
Licensing	1.8
Elections	10.1
General Grants, Bequests and Donations	9.5
Registration of Births, Marriages and Deaths	7.9
Local Tax Collection (including Non Domestic Rates)	40.4
Council Tax and Non Domestic Lands Valuation	32.8
Non-Road Lighting	11.5
Corporate and Democratic Core	188.3
Statutory Repayment of Debt	1,021.5
Equal Pay/Single Status (prior year cost provision only)	14.7
Other Miscellaneous Services	40.3
Non Distributed Costs	71.9
Total Budgeted 2010-11 Net Revenue Expenditure	12,936.7

In addition, Scotland's local authorities are planning a capital expenditure programme for 2010-11 as set out in Table 14.04. The capital resources available to them to fund this programme come from grants from the Scottish Government and its agencies, supported and self financed borrowing, capital receipts from the sale of assets and other sources.

Table 14.04 Local Government Capital Expenditure plans 2010-11

	2010-11 Budget £m
Police	33.0
Fire	32.8
Non Housing Revenue Account Housing	188.8
Roads and Transport	510.8
Education	632.1
Social Work	95.8
Environmental Services	158.2
Culture and Related Services	261.4
Planning and Economic Development	168.2
Trading Services	14.5
Central Services	190.4
Other Services	46.8
Capitalisation of Equal Pay	9.7
Capital Grants to Community Groups	1.4
Total Estimated 2010-11 Capital Expenditure	2,344.1



SECTION 3

ANNEXES

Annex A

Table 1 Departmental Expenditure Limits

	2010-11	2011-12
	Budget	Plans
	£m	£m
Office of the First Minister	279.8	255.1
Finance & Sustainable Growth	2,473.5	2,219.2
Health	11,081.9	11,272.4
<i>Other Health & Wellbeing portfolio</i>	580.5	486.0
Total Health and Wellbeing	11,662.4	11,758.4
Education and Lifelong Learning	2,715.0	2,481.1
Justice*	1,435.0	1,267.5
Rural Affairs & the Environment	594.4	539.4
Administration	262.0	236.0
Crown Office & Procurator Fiscal	118.2	108.2
Local Government	9,585.5	9,046.5
Scottish Parliament and Audit Scotland	98.7	95.9
Total	29,224.5	28,007.3

*includes Police & Fire pensions

Notes

1. Reduction in 2010-11 DEL mainly due to removal of cost of capital (£500 million) as part of the UK Government's Clear Line of Sight initiative.

Annex B

Table 2 Annually Managed Expenditure

	2010-11	2011-12
	Budget	Plans
	£m	£m
Office of the First Minister	-	-
Finance & Sustainable Growth	3,230.4	3,230.4
Health and Wellbeing	100.0	100.0
Education and Lifelong Learning	106.5	102.5
Justice	-	-
Rural Affairs & the Environment	-	-
Administration	-	-
Crown Office & Procurator Fiscal	-	-
Local Government	2,076.3	2,179.5
Scottish Parliament and Audit Scotland	-	-
Total	5,513.2	5,612.4

Annex C

Table 3 Departmental Expenditure Limits: Capital/Resource Split

Level 2	2010-11		2011-12	
	Capital £m	Resource £m	Capital £m	Resource £m
Europe and External Affairs	-	16.7	-	16.1
Culture and Gaelic	24.6	169.6	16.6	158.3
Corporate and Central Budgets	-	9.5	-	8.2
Historic Scotland	1.0	48.3	2.1	44.9
National Archives of Scotland	2.7	7.4	1.8	7.1
Total First Minister	28.3	251.5	20.5	234.6
Scottish Public Pensions Agency	1.1	10.7	0.5	10.7
Committees, commissions & other expenditure	5.8	25.6	3.0	15.4
Rail Services in Scotland	400.7	442.1	359.0	420.4
Concessionary Fares and Bus Services	2.1	253.0	9.5	245.8
Other Transport Policy, Projects and Agency	26.5	49.8	23.3	43.8
Motorways and Trunk Roads	313.1	231.0	345.0	212.6
Ferry Services in Scotland	14.8	87.1	8.1	100.9
Air Services in Scotland	7.0	28.1	10.0	25.3
European Structural Funds -local authorities 2007-2013	-	-	-	-
European Structural Funds -central government 2007-2013	-	-	-	-
Planning	0.6	4.7	0.2	3.9
Enterprise, Energy & Tourism	87.0	363.3	95.6	328.2
Scottish Water and Climate Change	150.0	(88.0)	-	(88.0)
Third Sector and Social Economy	-	35.5	-	27.0
General Register Office of Scotland	0.8	21.1	0.5	18.5
Total Finance & Sustainable Growth	1,009.5	1,464.0	854.7	1,364.5
Health	577.7	10,504.2	488.2	10,771.6
Housing and Regeneration	321.0	167.0	239.9	153.9
Equalities and Social Inclusion	-	27.5	-	27.5
Sport	16.1	38.0	15.9	50.5
Food Standards Agency	0.1	10.8	-	10.9
Total Health and Wellbeing	914.9	10,747.5	744.0	11,014.4
Learning	11.2	114.8	64.8	92.1
Children, Young People & Social Care	7.1	89.8	5.9	89.5
Student Awards Agency for Scotland	0.4	427.7	0.4	413.7
Scottish Further & Higher Education Funding Council	209.2	1,576.9	91.0	1,479.3
Other ELL (ELL)	-	277.9	-	244.4
Total Education & Lifelong Learning	227.9	2,487.1	162.1	2,319.0

Table 3 Departmental Expenditure Limits: Capital/Resource Split (continued)

Level 2	2010-11		2011-12	
	Capital £m	Resource £m	Capital £m	Resource £m
Community Justice Services	-	30.1	-	30.3
Courts, Judiciary & Tribunal support	-	51.1	-	50.0
Criminal Injuries Compensation	-	28.1	-	25.5
Legal Aid	1.0	166.9	0.2	153.9
Miscellaneous	-	18.4	-	18.2
Police Central Government	20.6	216.4	12.5	197.9
Drugs and Community Safety	-	36.0	-	35.3
Scottish Resilience	0.3	20.4	0.3	18.0
Accountant in Bankruptcy	-	5.2	-	3.2
Police and Fire Pensions	-	273.5	-	273.5
Scottish Court Service	20.3	73.2	10.4	69.5
Scottish Prison Service	136.8	333.1	47.5	318.0
Office of the Scottish Charity Regulator	-	3.6	-	3.3
Total Justice	179.0	1,256.0	70.9	1,196.6
EU Support and Related Services	38.9	117.0	29.9	108.3
Research, Analysis & Other Services	9.1	86.6	3.3	78.7
Marine & Fisheries	7.2	59.5	3.6	57.7
Environmental and Rural Services	8.7	187.4	9.6	176.8
Forestry Commission Scotland	4.4	50.7	2.0	45.7
Forest Enterprise Scotland	1.3	23.6	1.2	22.6
Total Rural Affairs and the Environment	69.6	524.8	49.6	489.8
Total Administration	10.0	252.0	7.5	228.5
Total Crown Office & Procurator Fiscal	7.2	111.0	2.7	105.5
Total Local Government	843.2	8,742.3	691.8	8,354.7
Total Scottish Parliament & Audit	3.3	95.4	2.8	93.1
Total DEL	3,292.9	25,931.6	2,606.6	25,400.7

Annex D

Table 4 Comparison 2005-06 to 2011-12

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Outturn	Outturn	Outturn	Outturn	Outturn ¹	Budget	Plans
	£m	£m	£m	£m	£m	£m	£m
Europe and External Affairs	8.8	9.1	9.9	11.9	10.0	16.7	16.1
Culture and Gaelic	137.9	158.3	187.8	178.6	187.7	194.2	174.9
Corporate and Central Budgets	13.5	12.8	12.1	13.9	13.2	9.5	8.2
Historic Scotland	41.3	41.7	52.2	47.4	48.8	49.3	47.0
National Archives of Scotland	8.3	12.8	8.4	12.2	9.6	10.1	8.9
Total First Minister	209.8	234.6	270.4	264.0	269.3	279.8	255.1
Scottish Public Pensions Agency	1,781.9	1,583.0	2,187.3	2,535.0	2,390.7	3,242.2	3,241.6
Committees, commissions & other expenditure	6.1	17.6	38.3	9.7	16.8	31.4	18.4
Rail Services in Scotland	188.3	653.0	678.0	702.9	638.9	842.8	779.4
Concessionary Fares and Bus Services	92.4	226.9	241.0	257.0	264.8	255.1	255.3
Other Transport Policy, Projects and Agency	84.7	224.8	332.6	180.9	202.0	76.3	67.1
Motorways and Trunk Roads	314.5	477.1	417.9	498.9	646.3	544.1	557.6
Ferry Services in Scotland	76.8	90.0	84.6	92.9	103.9	101.9	109.0
Air Services in Scotland	59.8	28.3	40.3	36.2	36.0	35.1	35.3
European Structural Funds -local authorities 2000-2006	46.0	-	-	-	-	-	-
European Structural Funds -central government 2000-2006	118.1	-	-	-	-	-	-
European Structural Funds -local authorities 2007-2013	-	-	-	-	-	-	-
European Structural Funds -central government 2007-2013	-	-	-	-	-	-	-
Planning	1.5	3.2	5.0	9.1	7.3	5.3	4.1
Enterprise, Energy & Tourism	683.5	676.9	789.4	502.3	545.1	450.3	423.8
Scottish Water and Climate Change	110.8	(58.7)	173.3	145.9	100.6	62.0	(88.0)
Third Sector and Social Economy	17.9	24.8	19.9	19.3	33.9	35.5	27.0
General Register Office of Scotland	7.9	7.5	12.5	15.3	14.0	21.9	19.0
Registers of Scotland	-	-	-	(4.3)	-	-	-
Total Finance & Sustainable Growth	3,590.1	3,954.2	5,020.1	5,001.1	5,000.3	5,703.9	5,449.6
Health	8,758.3	9,244.2	10,021.2	10,479.8	10,952.8	11,181.9	11,359.8
Housing and Regeneration	423.7	516.9	615.1	486.3	692.0	488.0	393.8
Equalities and Social Inclusion	18.1	20.9	19.3	22.3	22.9	27.5	27.5
Sport	25.9	31.9	50.2	45.5	55.5	54.1	66.4
Food Standards Agency	10.5	9.8	9.7	10.3	10.2	10.9	10.9
Total Health and Wellbeing	9,236.5	9,823.8	10,715.5	11,044.2	11,733.4	11,762.4	11,858.4

Learning	123.6	136.4	159.2	98.1	98.5	126.0	156.9
Children, Young People & Social Care	101.7	163.0	145.6	98.5	107.0	96.9	95.4
Student Awards Agency for Scotland	276.3	414.3	428.5	387.9	450.7	534.6	516.6
Scottish Higher Education Funding Council	868.6	-	-	-	-	-	-
Scottish Further Education Funding Council	521.5	-	-	-	-	-	-
Scottish Further & Higher Education Funding Council	-	1,714.3	1,806.9	1,730.4	1,871.1	1,786.1	1,570.3
Other ELL (ELL)	46.0	61.4	66.6	247.3	260.1	277.9	244.4
Total Education & Lifelong Learning	1,937.7	2,489.4	2,606.8	2,562.2	2,787.4	2,821.5	2,583.6
Student Loans - net new lending (outside TME)	150.4	-	-	-	4.5	4.5	4.5
Community Justice Services	90.5	93.4	103.3	11.4	26.6	30.1	30.3
Courts Group	40.1	43.8	41.6	41.8	53.2	51.1	50.0
Criminal Injuries Compensation	21.1	22.4	21.0	29.4	28.4	28.1	25.5
Fire Central Government	9.3	10.4	13.9	-	-	-	-
Legal Aid	158.8	162.3	173.2	160.6	163.5	167.9	154.1
Miscellaneous	9.5	15.6	21.1	20.8	16.2	18.4	18.2
Police Central Government	155.7	105.9	147.1	238.2	265.0	237.0	210.4
Drugs and Community Safety	-	-	9.7	5.7	6.7	36.0	35.3
Scottish Resilience	-	-	-	17.4	44.5	20.7	18.3
Accountant in Bankruptcy	7.5	7.2	6.9	4.8	4.3	5.2	3.2
Police and Fire Pensions	-	-	-	-	-	273.5	273.5
Scottish Court Service	58.4	62.1	87.0	85.2	87.5	93.5	79.9
Scottish Prison Service	333.6	346.5	326.6	409.2	356.7	469.9	365.5
Office of the Scottish Charity Regulator	-	2.8	3.0	3.0	3.0	3.6	3.3
Total Justice	884.5	872.4	954.4	1,027.5	1,055.6	1,435.0	1,267.5
EU Support and Related Services	546.4	50.6	112.6	130.3	171.9	155.9	138.2
Research, Analysis & Other Services	102.8	119.4	533.7	85.7	77.6	95.7	82.0
Marine & Fisheries	56.2	77.9	60.9	63.8	56.4	66.7	61.3
Natural Heritage & Rural Services	83.2	104.2	98.9	104.1	93.6	-	-
Environment Protection, Sustainable Development & Climate Change	66.2	109.7	120.8	68.1	90.1	-	-
Water Quality	7.8	2.1	3.9	2.9	2.7	-	-
Environmental and Rural services	-	-	-	-	-	196.1	186.4
Forestry Commission	57.5	70.7	72.3	55.5	51.7	80.0	71.5
Total Rural Affairs and the Environment	920.1	534.6	1,003.1	510.4	544.0	594.4	539.4
Administration	257.4	247.8	261.5	249.4	276.8	262.0	236.0
Total Administration	257.4	247.8	261.5	249.4	276.8	262.0	236.0
Total Crown Office & Procurator Fiscal	91.0	101.4	95.8	107.4	118.3	118.2	108.2
Total Crown Office & Procurator Fiscal	91.0	101.4	95.8	107.4	118.3	118.2	108.2
Local Government	9,856.8	10,110.8	10,482.0	11,168.3	11,804.3	11,661.8	11,226.0
Total Local Government	9,856.8	10,110.8	10,482.0	11,168.3	11,804.3	11,661.8	11,226.0
Police Loan Charges	14.5	13.0	11.3	9.2	14.7	14.7	14.7
Total Scottish Government Budget	26,984.0	28,369.1	31,409.6	31,934.5	33,589.4	34,639.0	33,523.8

Notes 1. Outturn to be confirmed with HM Treasury as per its normal timetable. 2. For comparison purposes, in line with 2010-11, cost of capital has been removed from earlier year's outturn.

Annex E

Table 5 Estimated payments under PPP Contracts

	2010-11	2011-12
	£m	£m
Office of the First Minister	-	-
Finance and Sustainable Growth ¹	314.0	336.0
Education and Lifelong Learning	304.0	320.0
Health and Wellbeing	175.0	195.0
Justice	45.0	46.0
Rural Affairs and the Environment	-	-
Administration	-	-
Total	838.0	897.0

Note

1. F&SG figure comprises PPP projects undertaken by Local Authorities in the Level Playing Field Support funding round and so includes waste management and some schools PPP projects. Most schools PPP projects are shown under Education and Lifelong Learning.

This table shows the total of the unitary charges of all the PPP projects that are operational in each of the years and represents the total amount that public sector bodies will pay or will expect to pay in each year for the PPP. The unitary charge covers all the integrated services the PPP consortium will provide for the length of the contract and includes the upfront construction cost, lifecycle maintenance and facilities management.

Annex F Glossary

Aggregate External Finance (AEF)

Aggregate External Finance is the name given to the total funding which is centrally distributed to local government. It includes the Revenue Support Grant, specific grants to local government and income from non-domestic rates.

Annually Managed Expenditure (AME)

Annually Managed Expenditure is spending that does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable than expenditure in DEL and is not subject to multi-year limits. It is set each year and contains those elements of expenditure that are not readily predictable, for example, NHS and Teachers' pensions.

Audit Scotland

Audit Scotland was set up in April 2000 to audit the accounts of the Scottish Government and other public sector bodies in Scotland, and to ensure that public funds are used properly, efficiently and effectively.

Barnett Formula

The Barnett Formula allocates to Scotland a population share of changes in comparable spending programmes in England. For comparable expenditure, Scotland gets exactly the same pounds per head increase as in England. Comparability is the extent to which services delivered by Whitehall departments correspond to services delivered by the devolved administrations. Barnett only applies to expenditure classified within Departmental Expenditure Limits – about 85 per cent of Scotland's total budget.

Best Value

Best Value is about continuous improvement, seeking to change what we do in a way that transforms and sustains the delivery of quality public services in Scotland.

Cash Terms

Figures expressed in cash, or nominal, terms are not adjusted for the effect of inflation (see Real Terms).

Common Agricultural Policy (CAP)

The CAP was set up under the European Union Treaties to increase agricultural production, provide a fair standard of living for farmers and make sure that food is available at reasonable prices. The CAP accounts for more than 40 percent of EU spending.

Cross-border public authorities

The Scotland Act 1998 allows for cross-border public authorities to be specified by Order in Council. They are public bodies and agencies government department, office or office-holder which have functions exercisable in or as regards Scotland that do not relate to reserved matters (GB/UK bodies which deal only with reserved matters in Scotland cannot be cross-border public authorities). Examples include the Forestry Commission, the National Criminal Intelligence Service, British Waterways Board and the Scottish Consumer Council.

Departmental Expenditure Limit (DEL)

The Departmental Expenditure Limit (DEL) forms the majority of the Scottish Government's budget.

Depreciation

A depreciation charge is a non-cash item which measures the wearing out, consumption or other reduction in useful life of a fixed asset.

End Year Flexibility (EYF)

End Year Flexibility has been the mechanism that allows the Scottish Government to carry forward any DEL underspends for use in future financial years.

European Structural Funds

European Structural Funds are the second largest item of EU spending and include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). They are used to tackle regional disparities and support regional development through actions including developing infrastructure and telecommunications, developing human resources and supporting research and development. The Scottish Government is the 'managing authority' for the Funds in Scotland.

Executive Agency

Semi-autonomous executive agencies operate within a framework set by the responsible Minister, which specifies policies, objectives, and available resources. All agencies are set annual performance targets by their Minister, who in turn accounts to Parliament for the work of the agency.

Gross Domestic Product (GDP)

The Gross Domestic Product is a measure of the total economic activity in a region. References to growth in the economy are quoting growth in GDP. It is a measure of the total amount of goods and services produced within a year in a country. In the UK, three different approaches (measuring production, income or expenditure) are used in the generation of a single GDP estimate.

Local Government

All 32 local authorities in Scotland.

National Renewables Infrastructure Plan (NRIP)

The National Renewables Infrastructure Plan was published in February 2010. It was drawn up by Scottish Enterprise with support from Highlands and Islands Enterprise and outlines how Scotland can capitalise on its offshore wind and tidal resources to develop a sustainable and long term renewables industry for the future.

Non-Departmental Public Body (NDPB)

A non-departmental public body that operates independently of Ministers, although Ministers have ultimate responsibility. There are two main types of NDPB: executive NDPBs, which carry out administrative, regulatory, executive or commercial functions; and advisory NDPBs, which provide independent, expert advice to Ministers.

Non-Profit Distributing (NPD) model

The Non-Profit Distributing model is a system for funding capital infrastructure projects. It is 100 per cent debt-financed and maximises value for money and allows shareholder transparency.

Office for Budget Responsibility (OBR)

The Office for Budget Responsibility (OBR) was formed in May 2010 to make an independent assessment of the public finances and the economy for each UK Budget and Pre-Budget Report.

Prudential Regime

The prudential regime for local authority capital expenditure took full effect on 1 April 2004. It allows local authorities to make their own decisions about how much to borrow or spend, but they are under a duty to determine how much they can afford and to keep that under review.

Q1, Q2

Quarter one, quarter two, etc. are time periods for government and other statistics. They refer to three month periods (a quarter of a year).

Real Terms

Any price or value adjusted for the effect of inflation.

Report on Policies and Proposals (RPP)

The Report on Policies and Proposals published by the Scottish Government on 17 November 2010, sets out how Scotland will meet its emissions targets under The Climate Change (Scotland) Act 2009.

Scottish Futures Trust (SFT)

The Scottish Futures Trust is the independent company established by the Scottish Government to deliver value for money across public infrastructure development.

Single Outcome Agreement (SOA)

The Concordat between the Scottish Government and COSLA in November 2007 required each local authority and its Community Planning Partners to develop a Single Outcome Agreement. They are intended to set out outcomes at a local level which local public bodies will work towards in order to contribute to the National Outcomes set by government. They are characterised by streamlined external scrutiny, effective performance management and an outcomes focus.

Strategic Transport Projects Review (STPR)

The Strategic Transport Projects Review (STPR) supports the process of prioritisation applied by Scottish Ministers when allocating the capital budget across all sectors and when determining the level of infrastructure investment that can be supported from revenue finance (e.g. public private partnerships (PPP/PFI), non-profit distributing, and borrowing against regulated asset base (RAB) for investment in rail infrastructure.

Total Managed Expenditure (TME)

Total Managed Expenditure comprises the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).



**The Scottish
Government**

© Crown copyright 2010

ISBN: 978-0-7559-9801-2

This document is also available on the Scottish Government website:
www.scotland.gov.uk

APS Group Scotland
DPPAS10935 (11/10)

w w w . s c o t l a n d . g o v . u k