

# SCOTTISH SPENDING REVIEW 2011 AND DRAFT BUDGET 2012-13

# **SCOTTISH SPENDING REVIEW 2011 AND DRAFT BUDGET 2012-13**

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# FOREWORD

## by the Cabinet Secretary for Finance, Employment and Sustainable Growth



In this document, I present Scotland's spending plans from 2012-13 to 2014-15 together with the Draft Scottish Budget 2012-13 for consultation with the Scottish Parliament and the people of Scotland.

When this Government was first elected in 2007, we made clear that we would direct all our efforts to making Scotland a more successful country, with opportunities for all to flourish through increasing sustainable economic growth.

Over the last four years, we have tackled head-on the significant challenges presented by the downturn in the global economy and taken forward an ambitious programme of reform of our public services.

All of this has been undertaken within the context of the most dramatic reduction in public spending ever imposed on Scotland by the UK Government. In 2011-12, we have already been forced to reduce public spending by £1.3 billion, with a 22.9 per cent cash reduction to our capital budget. Under the plans that the UK Government announced in its October 2010 Spending Review, between 2010-11 and 2014-15, we face real terms resource budget reductions of 9.2 per cent and a real terms cut to our capital budget of 36.7 per cent.

We have argued consistently that the UK Government is cutting spending too far and too fast, and that its actions run the risk of damaging the fragile recovery in both Scotland and the UK. While we will continue to press the UK Government to change course, under our current constitutional arrangements, we must work within the spending limits we have been given and deliver a balanced budget.

Despite these constraints, we have acted decisively to support Scotland's economic recovery and to protect our vital public services at a time when they are needed the most.

The latest labour market statistics show that our actions are working. Over the most recent three month period - May to July 2011 - Scotland was the only part of the UK with falling unemployment. Over the year, unemployment has fallen by 33,000 in Scotland compared with an increase of 44,000 across the UK as a whole. Over the year, Scottish employment rose by 36,000 compared with an aggregate increase of just 24,000 for the UK as a whole. Scotland has the highest employment rate of any UK nation and a lower unemployment rate than the UK as a whole.

Our public sector efficiency programme has delivered savings above our annual targets for each of the last three years which have been re-invested to strengthen public services in Scotland and equip them for the challenges ahead. In 2010-11 alone, we have delivered efficiency savings of £2.2 billion, £600 million more than our target.

Over the past four years, our minority government secured parliamentary support for its budget, balanced the budget in each year and demonstrated its financial competence.

I am proud of this record.

The Scottish people have now returned this government to office, placing their trust in our ability to chart a secure course for Scotland at a time when recovery in the global economy remains fragile and public spending is under real pressure.

Our spending plans set out how we will respond to continuing fiscal challenges, building on the vision in our Programme for Government and the measures set out in the *Government Economic Strategy*. These priorities mean that we have focused our future spending plans on investment in the people of Scotland, in vital infrastructure and in new opportunities.

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

### **Accelerating economic recovery**

Our focus is on accelerating economic recovery to create the jobs that our people need.

Crucial to economic recovery is the size of our capital budget. In the face of a cut to Scotland's capital budget of 36.7 per cent in real terms, we have taken decisive action to boost investment in the infrastructure Scotland needs to prosper, supporting jobs and promoting growth. The Government is using every lever to maintain investment. We are:

- switching over £200 million a year from resource spending to support our capital programme;
- taking forward a £2.5 billion pipeline of projects using the Non-Profit Distributing model, including major investments such as the package of improvements to the M8, the Aberdeen Western Peripheral Route and Balmedie project, and the new Royal Hospital for Sick Children;
- investing in our railways, using Network Rail's Regulatory Asset Base, including the Edinburgh Glasgow Improvements Programme;
- prioritising key projects such as the Forth Replacement Crossing, the New South Glasgow Hospitals and our school building programme; and
- funding manifesto commitments to deliver 30,000 new affordable homes over this Parliament.

Alongside this, we are using innovative mechanisms such as the National Housing Trust and Tax Incremental Financing to secure additional funds and maximise investment. Taken together, these steps will ensure that government-supported investment continues to grow, despite cuts in our capital budget.

We are prioritising our investment in Scotland's young people to enable them to achieve their full potential. This includes supporting 125,000 Modern Apprenticeship places during this Parliament, a record level, and delivering on our commitment that every 16-19 year old in Scotland who is neither in work nor part of a Modern Apprenticeship scheme nor receiving education will be offered a learning or training opportunity.

We will use procurement as a lever for economic growth and, to this end, we intend to require recipients of major public contracts to deliver new training, employment and apprenticeship opportunities.

The Spending Review settlement for universities guarantees that the sector remains internationally competitive and truly excellent in world terms. Most importantly, access to higher education in Scotland will remain free for Scottish students.

We are also investing in Scotland's competitive advantage in the low-carbon economy. With our abundant renewable energy resources and our energy engineering, business and academic expertise, we have the opportunity to become a world leader in low carbon activities. Our budget includes increases in renewable energy investment and a focus on creating jobs.

A priority for the Spending Review period is to deliver the ambition of next generation broadband to all by 2020, with significant progress by 2015, as set out in *Scotland's Digital Future: A Strategy for Scotland*, and ensure that businesses across Scotland have the skills and aspiration to enable them to innovate and compete in the global digital economy.

In this Spending Review, despite the unprecedented cuts in our budget, we will continue to provide business with the most generous package of rates reliefs available anywhere in the UK worth £2.6 billion (over the current revaluation cycle 2010-2015). We will continue with the Small Business Bonus Scheme, which is helping tens of thousands of businesses across Scotland.

### **Public services and the reform agenda**

This Government has pursued a vigorous programme of efficiency and public sector reform since 2007. We have valued the work of the Independent Budget Review chaired by Crawford Beveridge CBE, the Commission on the Future Delivery of Public Services chaired by Dr Campbell Christie CBE and the Review of ICT Infrastructure in the Public Sector in Scotland conducted by John McClelland CBE. These have informed our decisions for the future.

We are protecting NHS spending by allocating an additional £826 million to the health revenue budget in Scotland over three years. This meets our commitment to pass on in full to the NHS in Scotland the benefit of the Barnett resource consequentials from

the UK health settlement. As a result of this commitment – and at a time of real terms reductions in the overall budget of the Scottish Government – the core budgets that our territorial Health Boards have to spend on delivering frontline health services are protected in real terms in each of the next three years. This will allow us to drive 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 discussed and agreed with the COSLA leadership an approach to delivering Joint Priorities between national and local government that produces a settlement which will enable local authorities to maintain the delivery of shared commitments that impact positively on households throughout the country:

- freezing the council tax;
- funding Police Boards to allow them to maintain 1,000 additional police officers on our streets;
- maintaining teacher numbers in line with pupil numbers and securing places for all probationers under the teacher induction scheme; and
- meeting the needs of our most vulnerable and elderly through the NHS and councils working together to improve adult social care.

We will lead an ambitious programme of public service reform that challenges the public sector in Scotland to reshape, integrate and deliver better services to those who use them, consistent with the recommendations of the Christie Commission, and with the requirement to deliver savings. We will establish single police and fire and rescue services and reform post-16 education.

The Government will drive greater integration of services at local level, firmly in line with the focus on improving outcomes that we have taken forward since 2007, through joint work with local government, the health service and the third sector. As part of the public service reform agenda, we will give full consideration to the proposals from local government to strengthen their constitutional role and to extend the duty of Best Value across the public sector.

### **Preventative spending**

Despite the acute financial pressures we face, this spending review marks a decisive shift towards preventative spending. Focusing on preventing problems by intervening earlier is not only the right approach to many of the social and other issues facing us in Scotland today; it also secures better value for the taxpayer. We are doing this to build a nation fit for the future.

The Scottish Government's shift to target investment in preventative approaches will deliver better outcomes and value for money and respects the parliamentary consensus that exists in this area. Our focus will be on supporting adult social care, early years and tackling re-offending – with specific funding designed to encourage joint working across institutional boundaries and sectors. Over the next three years, through the Joint Priorities work of national and local government, preventative spending initiatives will be boosted by £500 million.



### **Preparing for the future of Scotland**

In these tough times, the government is determined to equip Scotland for the future. We will invest more than £160 million over the next three years and a further £90 million in 2015-16 across the five components of the Scottish Futures Fund (SFF) to support our key economic, social and environmental objectives. These funds have been designed as focused interventions to address many of the deep-seated problems which exist in Scotland and which hold us back from achieving our full potential. A key theme of the SFF will be support for children and young people through the Young Scots and Sure Start Funds. This is an important component of one of the key pillars of this Government's approach to public service reform – a decisive shift towards early intervention and prevention. The other three funds contribute to delivering the infrastructure of the future across Scotland: superfast broadband, energy-efficient homes and low carbon travel.

### **Financial challenges**

The financial challenges that we face as a government take place at a time when household incomes are under great strain through pay constraint, rising inflation and higher energy costs. I do not underestimate the effect of these challenges and the pressures on households across Scotland. In response, the Scottish Government has set out its commitment to a Social Wage. At its heart, the Social Wage asks those who work in the public sector to accept pay restraint while the Government will support households through measures such as the council tax freeze, free education and the abolition of prescription charges. Through the choices in this Spending Review, we are acting to create new economic opportunities, protect household income, support frontline services and improve our environment. Our initiatives aim to help households facing pay restraint, a necessary measure to protect jobs and assist the economy.

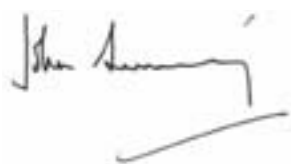
We also recognise the pressures on households due to the increases in energy prices. As part of our commitment to bringing down emissions, as well as helping those affected by fuel poverty, we will continue to invest in energy efficiency measures that will bring down bills across Scotland.

Inevitably, the Spending Review requires difficult decisions to be taken in our efforts to sustain the public finances and public services. We have had to reduce organisational costs; restrict pay costs; switch resource spending to support vital capital projects; maximise the income gained from asset sales; and introduce a public health levy for large retailers. The Government has taken all these decisions in a way that is consistent with its manifesto commitments and its record of sound management of public finances, seeking always to drive out efficiency, protect employment and prioritise delivery of frontline services.

The Scottish Government faces these unprecedented challenges without the powers that other countries have at their disposal. That is why we also continue to push for the constitutional changes that would enable us to do much more.

However, until such a time, the Scottish Government will use its powers, its energy and its abilities to ensure that we maximise the value and impact of public spending in Scotland.

I commend the proposals set out in this Budget to Parliament. They are focused on accelerating economic recovery and preparing Scotland for the future. By working together I believe we can take forward an approach which best meets the needs of the people of Scotland in these challenging times.

A handwritten signature in black ink, appearing to read 'John Swinney', with a horizontal line underneath.

**John Swinney MSP**

Cabinet Secretary for Finance, Employment and Sustainable Growth

September 2011





**SECTION 1**  
**STRATEGIC CHAPTERS**



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**CHAPTER 1**  
**The Strategic Context for  
the Spending Review**

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## **INTRODUCTION**

The decisions taken within this Budget have been shaped by the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Our Budget supports job creation in Scotland.

Our focus on delivering the Purpose is even more crucial in these tough financial times. It has helped guide not just the choices we have made for the next few years, but the strategic direction we have set for Scotland's public services in the medium to long term.

This Budget has been prepared within the context of a dramatic reduction in public spending imposed on Scotland by the UK Government.

Within the current constitutional framework, we face an overall budget settlement which is the product, not of choices made in Scotland, but of decisions made by the UK Government. This is wrong and Scotland urgently needs real economic and financial powers.

While we have been clear in our opposition to the scale and profile of the UK Government's spending cuts, we have also been open with the people of Scotland about their implications and the tough choices that we now face. At the same time, we have shown leadership in driving forward public service reform and delivering substantial efficiency savings to help absorb the worst impacts of the cuts.

In May, the people of Scotland recognised this Government's competence and demonstrated their trust in us to navigate Scotland through these challenging times.

Our fundamental priorities of this Budget are:

- to accelerate economic recovery, to create the jobs our people need and to secure new opportunities through the low carbon economy;
- to deliver an ambitious public sector reform programme with a decisive shift in favour of preventative spend; and,
- to deliver a Social Wage for the people at a time of acute pressures on household incomes.

## **THE SCALE OF THE CHALLENGE**

Over the period of the UK Government's Spending Review to 2014-15, the Scottish budget is being cut by 12.3 per cent in real terms. Our capital budget – a key driver of economic growth – will bear the harshest reduction, with a real terms cut of 36.7 per cent.

Such cuts would be extremely difficult to manage in the best of times. As it stands, they are taking place at a time when the global economic recovery remains fragile, with concerns over the pace of growth in most major economies and uncertainty over inflation and job security acting to dampen economic confidence.

The recovery is in a much earlier and more fragile phase than the Chancellor initially hoped when he first announced his spending plans in October 2010. We have consistently called on the UK Government to change course – particularly with regard to capital investment – to boost growth, create jobs and secure the recovery.

While we recognise that action must be taken to restore the UK public finances to health, ultimately the best way to achieve this is through economic growth. Failure to secure growth will only lead to lower tax revenues and higher spending in the long-run.

Table 1 provides an overview of our Departmental Expenditure Limit (DEL) allocations over the Spending Review period – including real terms figures at 2011-12 prices. In order to manage our budgets over the Spending Review period, we will make use of the Budget Exchange Scheme agreed with HM Treasury, whereby we can carry forward underspends within agreed limits and draw them down in the following year.

**Table 1: Scottish Government Departmental Expenditure Limits 2010-11 to 2014-15**

SG Spending Limits – Cash Terms	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
<b>SG Spending Limits – Cash Terms</b>					
UK Government SR Settlement – October 2010	29,224	27,907	28,262	28,248	28,484
Increased by UK Budget Consequentials and other agreed transfers		59	42	25	23
<b>Total DEL</b>	<b>29,224</b>	<b>27,966</b>	<b>28,304</b>	<b>28,273</b>	<b>28,507</b>
Revenue DEL	25,931	25,426	25,829	26,036	26,189
Capital DEL	3,293	2,540	2,475	2,237	2,318
<b>SG Spending Limits – Real Terms 2011-12 prices*</b>					
Revenue DEL	26,683	25,426	25,199	24,733	24,224
Capital DEL	3,388	2,540	2,415	2,125	2,144
<b>Total</b>	<b>30,071</b>	<b>27,966</b>	<b>27,614</b>	<b>26,858</b>	<b>26,369</b>
<b>Change Real Terms – year on year</b>		<b>-7.0%</b>	<b>-1.3%</b>	<b>-2.7%</b>	<b>-1.8%</b>
<b>Change Real Terms – cumulative</b>		<b>-7.0%</b>	<b>-8.2%</b>	<b>-10.7%</b>	<b>-12.3%</b>

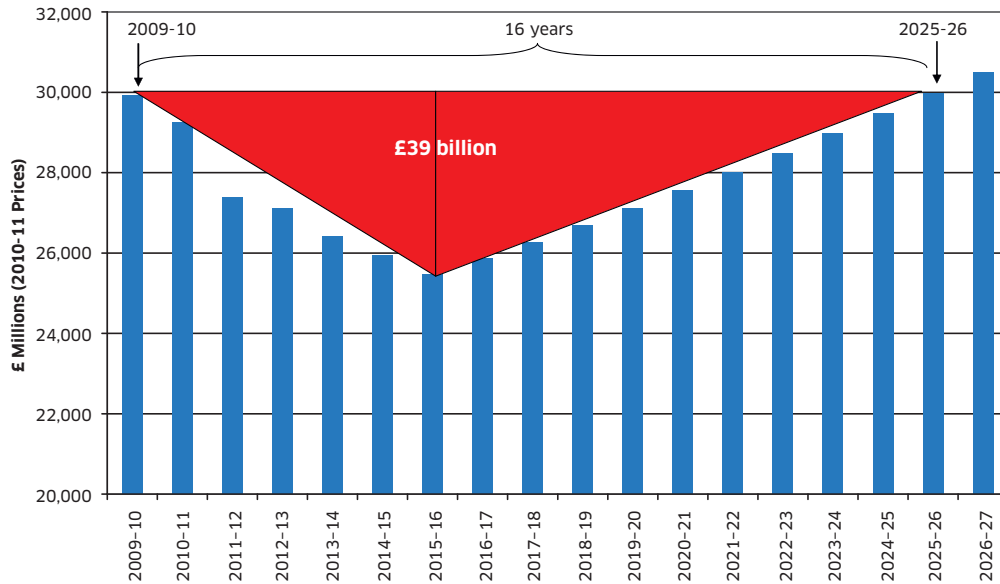
\* Note – GDP Deflators (in 2011-12 prices) – source HM Treasury, forecast data are consistent with 2011 March Budget.

The scale of the cuts imposed by the UK Government mean that the impact on Scotland's public finances will resonate for years to come. As highlighted in the *Government Economic Strategy*, based on the plans set out by the UK Government in its 2010 Spending Review and the current constitutional and financial framework, it is estimated that it could take until 2025-26 for the Scottish Government budget to return to



2009-10 levels in real terms – an adjustment period of 16 years. Over the entire period, the cumulative amount forgone could be close to £40 billion.

**Figure 1: Estimated Scottish DEL 2009-10 to 2026-27**



Source: *Government Economic Strategy*, 2011, page 29

These cuts clearly present a significant challenge to Scotland – both to securing the economic recovery and maintaining our investment in our vital public services.

We are determined to meet this challenge. Our Programme for Government, the *Government Economic Strategy* and now our Spending Review set out our priorities and ambitions for Scotland. While these are tough times, there are also tremendous opportunities for Scotland in the years ahead. By working together, we can build a more prosperous, fairer and better nation.

**Programme for Government**

The Scottish Government’s overall vision and approach are set out in *Renewing Scotland: The Government’s Programme for Scotland 2011-2012*, published on 7 September 2011.

The Government’s Programme sets out an ambitious vision for Scotland which is grounded in three core ideals:

- building a shared vision for success with the people of Scotland;
- continuing to deliver effective government; and
- driving change by delivering creative solutions which support reform.

At the centre of our approach is a commitment that the Government’s actions will continue to be aligned to delivering our overarching Purpose:

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

Our top priority is therefore securing economic recovery and creating jobs. By building a more dynamic and faster growing economy we will increase prosperity, be better placed to tackle Scotland's health and social challenges, and establish a fairer and more equal society.

### **Government Economic Strategy**

Scotland is a country rich in economic potential. The *Government Economic Strategy* sets out how we will harvest this potential and deliver on our Purpose.

The *Government Economic Strategy* continues the journey we started in 2007. The fundamental principles of our approach, and our commitment to seeing it succeed, remain as strong as ever.

Our actions are targeted toward six Strategic Priorities which drive sustainable economic growth and develop a more resilient and adaptable economy:

- Creating a Supportive Business Environment;
- Transition to a Low Carbon Economy;
- Learning, Skills and Wellbeing;
- Infrastructure, Development and Place;
- Effective Government; and
- Equity.

We believe that government has a positive role to play in supporting the Scottish economy and that all parts of the public sector have an important contribution to make. The *Government Economic Strategy* ensures that the public sector is fully aligned in this effort.

### **OUR PRIORITIES**

Together, the vision set out in the Programme for Government and the Strategic Priorities of the *Government Economic Strategy* have shaped our spending plans, providing firm foundations on which to make progress on delivering our ambitions for Scotland.

We have also ensured that equality has been incorporated in the development of the budget. The approach we have taken and the assessment of the main equality impacts of our spending plans are outlined in the accompanying Equality Statement.

As both the Programme for Government and *Government Economic Strategy* make clear, money is only one of the tools available to government. How we use legislation and broader policy developments to deliver outcomes is just as important.

Chapter 2 of this document sets out the actions we are taking to accelerate the recovery and to put in place the foundations for long-term sustainable economic growth. This includes a **relentless focus on economic growth** and tackling any barriers that people, particularly our **young people**, face in realising their economic potential.

The transition to a **low carbon economy** offers tremendous potential for Scotland. Our enviable natural resources, research expertise and industrial base provide us with strong foundations to capitalise on the industries of the future, such as renewable energy and sectors which promote energy and resource efficiency. We are determined to grasp this opportunity and meet our ambitious emissions reduction targets. Chapter 3 outlines how we are prioritising low carbon spend and investing to ensure that Scotland is well placed to take advantage of this transformational change.

**Capital investment** is central to our efforts to accelerate economic recovery. Chapter 4 sets out our plans to maximise investment in Scotland's infrastructure, within the constraints of our fixed spending envelope. This includes a commitment to deliver key priority projects (such as the Forth Replacement Crossing), to switch over £200 million a year from resource spending to capital investment, and to roll out innovative sources of funding such as our £2.5 billion Non-Profit Distributing Model (NPD) programme to help offset the worst effects of the UK Government's cuts.

Chapter 5 sets out in more detail the approach we are taking to **public service reform** and how it relates to our spending decisions. The Government has published, in parallel reports, how it is responding to the recommendations of the Christie Commission on the Future Delivery of Public Services and the McClelland Review of ICT Infrastructure. We will also deliver on our commitment to establish a £250 million Scottish Futures Fund, with a focus on investment in jobs and infrastructure, to be delivered over the lifetime of this Parliament.

The portfolio chapters – Chapters 7 to 16 – contain greater detail on our specific spending proposals. In most if not all cases, spending in one particular area contributes to more than one objective of the Government. A key priority has been our focus on increasing **preventative spend**. Spending allocations have also sought to maximise multiple objectives across portfolios with specific regard to supporting the economic recovery, the transition to a low carbon economy and improving public services.

In line with our commitment to the people of Scotland, we will **protect NHS spending** by allocating Barnett resource consequentials from the UK settlement to our health budget. This is part of our **Social Wage** and our promise to deliver on core economic and social commitments. Our funding allocation and agreement with COSLA will enable local authorities to **freeze council tax to March 2015** while ensuring the delivery of shared commitments on key public services – such as maintaining teacher numbers in line with pupil numbers. We are funding Police Boards to allow them to maintain **1,000 additional police officers**. Our settlement for **universities** will support their international excellence while ensuring that participation is determined by ability to learn and not ability to pay. Our **Next Generation Digital Fund** will optimise public sector investment in broadband infrastructure and leverage maximum private sector investment to improve broadband coverage in Scotland, particularly in our rural communities.

## **LOOKING TO THE FUTURE**

This Spending Review sets out the priorities to be taken forward by the Scottish Government to build the best future for Scotland in a tough financial climate.

However, the current financial climate highlights, perhaps more clearly than ever before, the urgent need for reform of the financial powers of the Scottish Parliament.

It cannot be the summit of the ambition of anyone in the Scottish Parliament to rely upon a block grant from the UK Treasury for most of its spending power or simply to administer UK Government cuts as efficiently as possible. However, any reform must be more than simply an accounting exercise but, rather, something that offers a genuine advance in financial and economic responsibility.

The Scottish Government therefore remains disappointed with the unambitious proposals of the current Scotland Bill. Beyond the very modest capital borrowing powers, the proposals fail to provide any meaningful new economic levers to promote growth or create jobs. Approximately 85 per cent of Scottish tax revenues would continue to be set by the UK Government, without reference to economic circumstances in Scotland, or the preferences and needs of Scottish households or businesses.

We need reform which gives the Scottish Parliament and the Scottish people a greater and more direct stake in the economic performance of Scotland.

Independence would provide full access to job creating powers. It would put us on par with other successful independent nations and allow us to take decisions in the best interests of our economy and the people of Scotland.



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**CHAPTER 2**  
**Accelerating Economic  
Recovery**

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## **INTRODUCTION**

When this Government was first elected in 2007, we made clear that we would focus our efforts and resources on delivering faster sustainable economic growth with opportunities for all of Scotland to flourish. This remains the central Purpose to which all our activities are targeted.

Global economic conditions have changed markedly since then, however, following the deepest worldwide recession in over 50 years.

At the first signs of the downturn, we responded by launching a detailed Economic Recovery Plan which protected jobs and supported the Scottish economy at its most difficult time. Our actions helped to steer Scotland through a recession that – while hugely damaging – was both shorter and shallower than for the UK as a whole.

As we look forward however, it is clear that global conditions remain challenging. At this stage of the economic cycle, securing sustained economic recovery is the most important challenge that we face. Our Budget gives clear priority therefore to efforts which will accelerate economic recovery, protect jobs and establish the foundations for long-term sustainable economic growth.

## **PROGRESS SINCE 2007**

Since 2007, we have taken forward a range of initiatives to ensure that Scotland is well placed to take advantage of new opportunities as the recovery gains traction. We have also worked hard to boost the resilience of the Scottish economy in the face of tough global conditions.

We have:

- delivered the Small Business Bonus Scheme which has removed or reduced the rates burden for tens of thousands of business properties across Scotland;
- promoted economic security through our policy of no-compulsory redundancies in the areas under our control;
- frozen the council tax to help boost household incomes, against a backdrop of rising inflation and increasing UK Government taxes;
- attracted major international companies and new investment to Scotland which will help create thousands of jobs;
- funded over 300,000 training opportunities – a figure which includes a record 25,000 Modern Apprenticeships in 2011-12;
- maintained free higher and further education;
- established the Scottish Investment Bank which is now open and investing in Scottish companies;
- taken significant steps to address the effects of poor health on the economy by investing in alcohol and drug misuse prevention and improving health outcomes, such as heart disease, stroke and cancer;

- supported jobs, particularly in the construction sector, through our programme of record infrastructure investment. For example we have delivered the Airdrie-Bathgate Rail Link Project, the M74 Completion Project and the M80 Stepps to Haggs upgrade. We are delivering projects on time and on budget;
- overachieved on our efficiency targets allowing us to re-invest the proceeds in our public services and economy;
- taken steps to modernise the planning system making it more effective, reducing delay and helping promote economic growth and sustainable communities;
- undertaken £1.7 billion of investment in affordable housing over the period 2008-11, and completed around 21,500 new or improved affordable homes delivering a vital boost to Scotland's construction sector;
- focused regeneration investment in some of our most disadvantaged communities to support people into jobs and improve wellbeing; and
- supported the activities of our enterprise agencies to promote business start-ups and provide new opportunities for existing businesses to grow.

The actions we have taken have helped support the Scottish economy during this challenging time and put in place the foundations to help deliver faster long-term sustainable economic growth.

We are witnessing signs of recovery in the Scottish economy. Over the year to May-July 2011 employment levels in Scotland increased by 36,000, higher than the 24,000 rise in aggregate UK employment over the same period. Scotland's employment rate is now the highest of any UK nation, while we also have lower unemployment and lower inactivity than the UK as a whole.

Global economic conditions remain challenging however, and more needs to be done to create jobs, and, in particular, provide opportunities for our young people. Our efforts to accelerate the recovery are not being helped by the actions and policies of the UK Government – particularly the scale and profile of the spending cuts – making it all the more important that we take advantage of every available opportunity within our own powers to promote growth and employment.

## **PRIORITISING SPEND TO ACCELERATE ECONOMIC RECOVERY**

Our top priority in this spending review is therefore accelerating the recovery, boosting jobs and promoting economic security. We will continue to respond flexibly to new pressures as they emerge and tackle remaining obstacles to growth.

Our *Government Economic Strategy* outlined our plan for recovery, with a particular focus on three key priorities: capital investment; access to finance; and enhanced economic confidence through prioritisation of growth, employment and income security.

Within the constraints of the current devolution settlement, we will continue to do everything possible to promote growth and secure jobs in these three priority areas.



However as we are constrained by the powers within our control, we have urged the UK Government to take urgent and decisive action to protect growth and jobs.

Recognising the importance of investment to economic recovery we are prioritising capital spend to maximise its impact on jobs and the economy. Investment is usually one of the first elements of aggregate demand to contract during a recession. However, it is also vital to growth as it not only provides a timely boost to economic activity and jobs, but it creates a legacy of assets which can have long-lasting economic benefits.

Chapter 4 provides further detail on our plans for capital investment. It highlights how, within our fixed spending envelope, we will take forward an ambitious programme of infrastructure investment over the next few years. This will include major projects such as the New South Glasgow Hospitals and the Forth Replacement Crossing – the largest civil engineering project in Scotland in a generation.

We will also boost the level of funding available for capital investment, including switching money from our resource budget to fund new capital projects. We will also tap into new, innovative sources of finance, leverage in private and European funding wherever possible and utilise new forms of borrowing when they become available.

For example, we are expanding the infrastructure investment programme by:

- switching £200 million each year from resource budgets to boost capital programmes;
- 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;
- implementing innovative measures such as Tax Incremental Financing (TIF), the National Housing Trust (NHT) and investment through the JESSICA Fund; and
- taking a proactive approach to public sector asset management through the Scottish Future Trust (SFT) led hub programme.

Taken together, these actions will work to help offset the worst effects of the UK Government's cuts to our capital budget.

In addition to prioritising our own capital spend, we are also taking forward a range of initiatives to boost private sector investment in Scotland's economy.

We are maintaining pressure on the UK Government and banks to ensure that lending targets are met, and that viable businesses – particularly our Small and Medium Sized Enterprises (SMEs) – have appropriate access to affordable finance. We will continue to support the Scottish Investment Bank in its efforts to work with early stage innovative technology based businesses, and growth and exporting companies.

Alongside this, our National Renewables Infrastructure Fund aims to tap into the appetite in the private sector to invest in renewables in Scotland. This one sector, above all others, will provide a focus for new private sector capital investment in Scotland and we

are determined to lead this transformational change to Scotland's economy and deliver on our ambitions for this sector.

Our Budget also sets out the measures we are taking to enhance economic confidence in Scotland.

Our pay restraint policy will continue to support thousands of public sector jobs across the Scottish economy, while the Scottish Living Wage and our pay awards will protect the incomes of those earning the lowest in the public sector in Scotland. In recognition of the challenges faced by households in these tough financial times, we will continue to implement core economic and social commitments through our Social Wage, including the abolition of prescription charges and our promises on free higher education and free personal care.

Our tax policies, including retaining the Small Business Bonus Scheme and freezing council tax, will help Scottish households and businesses at this difficult economic time. This is especially important in the light of rising energy bills, high inflation and increases in UK taxation.

Finally, we are also taking direct action to tackle unemployment and ensure that people who are out of work or underemployed – particularly our young people – have access to the right training, skills or education opportunities to meet their needs. We will deliver 46,500 training opportunities this year – the majority of which will be targeted at our young people – including a record 25,000 Modern Apprenticeships.

## **SUPPORTING SUSTAINABLE ECONOMIC GROWTH**

Alongside these plans for accelerating recovery, our *Government Economic Strategy* sets out the actions we are taking to drive sustainable growth and develop a more resilient and adaptable economy.

The *Government Economic Strategy* identifies six Strategic Priorities which drive growth most effectively: Supportive Business Environment; Transition to a Low Carbon Economy; Learning, Skills and Wellbeing; Infrastructure Development and Place; Effective Government; and Equity.

These Strategic Priorities represent the policy levers that shape the drivers of growth – **Productivity**, Competitiveness and Resource Efficiency; **Participation** in the Labour Market and **Population** Growth.

They also provide the focus for delivery of the desired characteristics of growth – **Solidarity**, **Cohesion** and **Sustainability**. In doing so, the Strategic Priorities will ensure that by tackling the causes of inequality, barriers to economic opportunity and environmental concern we will make our nation fairer and more prosperous.

The Strategic Priorities are closely integrated, with linkages and interdependencies between each priority.

In delivering these Strategic Priorities, the entire public sector has an important role to play. The coordination and alignment of contributions from across the public sector will be essential to the success of the *Government Economic Strategy*.

### ***Government Economic Strategy***

The *Government Economic Strategy* focuses the actions of government on six Strategic Priorities which will accelerate recovery, drive sustainable economic growth and develop a more resilient and adaptable economy.

Our ability to promote prosperity and jobs depends on the performance of our businesses - both large and small. This is why we are committed to maintaining and further investing in a **Supportive Business Environment**.

Reflecting the opportunity we have to take advantage of Scotland's relative comparative advantage in the low carbon economy we have established a new Strategic Priority - **Transition to a Low Carbon Economy**. Delivering our growth strategy for business and supporting the transition to a low carbon economy requires a solid foundation of skills, infrastructure, effective government and equity.

Our Strategic Priority on **Learning, Skills and Wellbeing** acknowledges therefore that a skilled, educated and healthy workforce is essential to creating a more competitive and resilient economy.

Our focus on **Infrastructure Development and Place** seeks to harness the strength and quality of our cities, towns and rural areas. And we will ensure that Scotland is positioned to take full advantage of the opportunities offered by the digital age.

**Effective Government** is fundamental to the successful implementation of the Government Economic Strategy, as it is only by the actions of the public sector being fully coordinated and aligned can we maximise Scotland's potential.

As well as being a desirable outcome and characteristic of growth, **Equity** - social, regional, and inter-generational - is also a key driver of growth and jobs. Only by ensuring that everyone has an opportunity to succeed - and by tackling the causes of the long-standing problems in Scottish society that act as a constraint on individuals and communities - will we fully achieve the nation's potential.

Key initiatives across these Strategic Priorities include:

- introducing four Enterprise Areas in Scotland, including sites with a particular focus on low carbon manufacturing opportunities, so as to maximise their economic impact and attractiveness to investment;
- providing advice and support to help SMEs grow, hire staff and take on apprentices;

- continuing to deliver the Small Business Bonus Scheme and match the business rates poundage set in England;
- promoting Scottish exports to capitalise on the significant opportunities in growth markets; with an ambitious target to deliver a 50 per cent increase in exports by 2017; as part of this we will look to strengthen trade support particularly in Scottish Development International's (SDI) Overseas Trade and Investment Centres;
- streamlining investment in innovation and commercialisation to boost productivity and translate great business ideas into great business practice;
- establishing a Next Generation Digital Fund to accelerate the delivery of superfast broadband across Scotland with a particular focus on rural areas;
- better aligning our resources with European Funds to support our growth agenda across the whole of Scotland;
- continuing to implement the modernisation of the planning system;
- working with our cities and city regions and recognising the critical contribution they make to the whole of Scotland as drivers of economic growth, we will develop a Cities Strategy to support more effective collaboration to optimise that growth;
- developing a Regeneration Strategy that will support our most disadvantaged communities to become socially, economically and physically sustainable;
- maximising the public sector's direct contribution to the economy through smart use of public procurement, in order to promote jobs and growth, boost training and apprenticeship opportunities and help SMEs compete effectively for contracts; and
- taking a strategic approach to our international engagement, including the deepening of trading links, to promote sustainable economic growth. This engagement will take place across a range of areas where Scotland has expertise, from energy and climate change to education, culture and tourism.

Scotland's greatest asset is its people and our competitive position in the global economy rests on continued improvement in education, training and research. This Budget therefore gives clear priority to helping enhance the life chances for our youngest Scots, to tackling unemployment, and to providing more opportunities for our young people.

Through our *Opportunities for All* initiative we will ensure that every 16-19 year old in Scotland who is not in work, a Modern Apprenticeship or education will be offered a place in education or training. This will complement a range of measures to support employment including:

- delivering over 46,500 training opportunities – the vast majority of which are targeted at young people;
- funding a record 25,000 Modern Apprenticeship new starts in each year of this Parliament, including developing Technical and Graduate Apprenticeships;
- ensuring that access to higher education is based upon ability to succeed rather than ability to pay;
- maintaining bursary support to help young people remain engaged in college and training;
- investing in 14,500 pre-employment training opportunities which will be aligned to Scotland's local labour markets;
- completing the roll-out of Activity Agreements to help our most vulnerable young people remain in education and training; and
- continuing to fund the Educational Maintenance Allowance for young people in school and college which will help support the least well-off students in Scotland.

It is our intention to use procurement as a lever for economic growth, and to this end we intend to require recipients of major public contracts to deliver new training, employment and apprenticeship opportunities.

## **OPPORTUNITIES FOR GROWTH**

This Budget is being delivered at a time of ongoing uncertainty in the global economy. The recovery – across all advanced economies – has been much weaker than had been initially envisaged. As a small open economy, Scotland cannot expect to be immune from such pressures.

Although we continue to face significant challenges, there are also new and exciting opportunities – for example in our key sectors and through greater internationalisation – that offer considerable potential for Scotland. We are focusing our efforts on taking advantage of these opportunities to promote growth, create jobs and overcome any barriers which prevent people in Scotland from fulfilling their potential.

As highlighted in the *Government Economic Strategy*, one area where we have a tremendous opportunity is from the transition to a low carbon economy.

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# **CHAPTER 3**

## **Transition to a Low Carbon Economy**

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## INTRODUCTION

The low carbon economy offers an excellent opportunity to place Scotland in an advantageous position in the global economy, to secure new jobs and investment, and to ensure that these benefits are shared across the economy and our communities.

To reflect this opportunity, the *Government Economic Strategy* established a new Strategic Priority – **Transition to a Low Carbon Economy** – which will be central to maximising Scotland’s sustainable economic growth rate, particularly in the long term. This builds on the *Low Carbon Economic Strategy*, which highlights the economic opportunities and the role of government in supporting this fundamental transformation of the Scottish economy.

Scotland has a massive competitive advantage, with the natural resources and academic and engineering expertise to become a world leader in low-carbon activities. It offers the opportunity to re-industrialise the nation and create thousands of new jobs across Scotland.

We are already witnessing significant investment across Scotland. However, in this chapter, we set out the further actions that we will take by prioritising spending on the low carbon industry.

As well as boosting the economy, helping to tackle climate change is an exemplar of preventative spend. Our starting point is that the transition to a low carbon economy is an investment – not simply a public cost – and that this investment will help drive growth in the Scottish economy and provide a more sustainable future. Reducing our reliance on fossil fuels and imported energy should also strengthen the Scottish economy’s resilience by reducing our exposure to future volatility in world energy prices.

It will in turn also help us achieve our world-leading climate change targets, under the Climate Change (Scotland) Act 2009. In this way, we will continue to make significant progress in delivering on economic opportunities while tackling the environmental imperative of climate change.

## PROGRESS SINCE 2007

The Scottish Government’s vision is for a greener Scotland, which is low carbon and zero waste – where future prosperity rests not in depleting finite resources but in conserving and promoting the valuable assets that make Scotland an outstanding destination for visitors and investment, and in redeploying expertise and strengthening communities to develop economic opportunities based on our rich renewable resources and competitive advantages in the low carbon economy.

A key part of the transition to a low carbon economy is that we decouple trends in emissions levels from trends in economic growth. We are doing this through our shift towards renewable energy, our focus on energy and resource efficiency, and our commitment to the low carbon and environmental goods and services (LCEGS) sector.

This is vital if we are to deliver our ambitious greenhouse gas emissions reduction targets, against which we are making progress. Latest figures show that Scotland is

almost two thirds of the way to meeting our 2020 target of a 42 per cent reduction in greenhouse gas emissions. Over the last four years, we have worked hard to make progress, and we are on course to meet our annual targets. Investing in our climate change targets means investing in our economy, as well as tackling issues such as fuel poverty and reducing costs for hard-pressed businesses. Since 2007, our key achievements include:

- investing around £30 million to support householders and small businesses with a range of energy efficiency and micro-generation advice, grants and loans through the Energy Saving Trust (EST). Over 1 million householders and SMEs have received advice and support from the EST's local advice network, helping bring down costs during difficult times;
- continuing to deliver the Climate Challenge Fund, empowering 345 communities across Scotland to take forward their own solutions to reduce their carbon footprint;
- delivering our Energy Assistance Package, which has helped nearly 200,000 people on low incomes reduce their energy bills and keep their homes warm, as well as reducing greenhouse gas emissions;
- installing almost 30,000 insulation measures under our Universal Home Insulation Scheme. In addition, around 6,800 households received funding to replace old boilers with the latest energy efficient models - helping bring down fuel bills and carbon emissions by tackling fuel poverty head on;
- introducing new energy standards in October 2010 which are expected to deliver a 30 per cent reduction in carbon dioxide emissions from new buildings when compared to 2007 standards;
- delivering our business resource efficiency programme *Zero Waste*, which helped more than 800 Scottish businesses to reduce their waste and resource consumption in 2010, helping business and making better use of scarce resources;
- working to unlock Scotland's significant clean green energy potential. Over the past four years, we have significantly increased Scotland's share of renewables and we will continue to build on that success; and
- supporting a range of measures to promote low carbon alternatives within our transport system, including the Green Bus Fund, the Low Carbon Vehicle Procurement Scheme and support for cycling.

## **DELIVERING ON OUR ENERGY TARGETS**

Successfully exploiting Scotland's massive green energy potential will be a key part of our journey to a low carbon Scotland. Decarbonising our electricity generation will not only help to reduce Scotland's emissions over the long term, but it will also be an important element in ensuring our overall energy security.



We have set hugely ambitious energy targets, and we have backed these targets with sustained action. Our targets include:

- 100 per cent electricity demand equivalent from renewables by 2020 (up from 80 per cent);
- 11 per cent heat demand from renewables by 2020;
- reduction in Scottish final energy use by 12 per cent by 2020;
- a new target of at least 30 per cent of all energy demand from renewables by 2020; and
- a new target of 500 megawatt community and locally-owned renewable energy by 2020.

Achievement of our energy targets is being supported by the extra funding we are providing. There will be over £300 million investment in energy over the next 3 years, including over £200 million on supporting renewables. The enterprise agencies will maintain their commitment to supporting Scotland's economic opportunities in renewable energy, including support for infrastructure. A new £60 million capital budget will support the development of offshore wind and marine technologies, and our £70 million *National Renewables Infrastructure Plan* will unlock the investment needed to ensure that communities around Scotland are prepared for the opportunities presented by the increase in renewables generation.

We have committed to implementing the actions set out in our *2020 Routemap for Renewable Energy in Scotland*. Significant progress has been made already, with consent for 44 large-scale renewable electricity schemes to generate over 2.5 gigawatts having been given since 2007 – double the rate of the previous four years – and much more in the planning system.

Our commitment to green energy is positioning Scotland as a world leader in low carbon activities. There are already 70,000 people working in the low carbon economy across Scotland and, with the right incentives, we will add tens of thousands more. We are also already seeing significant investment from international companies such as Mitsubishi, Doosan Babcock and Gamesa as well as leading domestic firms – Scottish and Southern Energy and ScottishPower among others.

The investors creating these jobs need assurances that Scotland is the right place to do business, and we will provide those assurances: stable policy commitments which reflect and support our long-term statutory emissions targets; enabling supportive infrastructure; working with our partners to ensure that our policies are investment-friendly; further developing our international profile; and continuing to press the UK and EU in critical policy areas.

## **DELIVERING ON OUR CLIMATE CHANGE TARGETS**

We will continue to make progress in delivery of the policy framework set out in *Low Carbon Scotland: Meeting the Emissions Reductions Targets 2010 – 2022*, our first Report

on Proposals and Policies (RPP) under the Climate Change (Scotland) Act 2009. We will ensure that the annual targets agreed by Parliament will be met.

Our targets are ambitious, but achievable. Everyone – government, public sector, private sector and individuals – will need to play their part. As we deliver on the policy framework in the RPP, we will increase the focus on individual behaviour through our Public Engagement Strategy so that everyone in Scotland is prepared and understands how they can make their contribution to meeting this challenge while helping bring down costs to households and businesses.

Helping to tackle climate change is an exemplar of preventative spend. The transition to a low carbon economy is an investment in the future. It will cost far less to take action now to limit the degree to which global temperature may rise than it will to respond to its effects. Scotland is determined to make an appropriate contribution to global efforts to tackle this problem. Not taking the opportunity now also risks lost growth opportunities for our businesses and industries, especially given Scotland's built-in competitive advantage, as other countries embrace low carbon opportunities.

### **Prioritising low carbon spend**

In this Spending Review, building on the progress which has already been made, we have made a firm commitment across all portfolios to funding the policies set out in the RPP. Over the next three years, we will:

- **enhance our commitment to energy efficiency** – helping people use less energy will help to save them money and will be vital in tackling fuel poverty. We will invest almost £200 million through our Fuel Poverty and Domestic Energy Efficiency programmes over the next three years. These funds will also aim to maximise leverage of additional funding from energy companies and other sources;
- **invest in transport with £69 million** to reduce congestion and support better public transport, active travel, low carbon vehicles and freight modal shift;
- **use the Scottish Futures Fund to provide additional support for emissions reduction measures**, with £100 million for Warmer Homes and Future Transport over the course of this Parliament;
- **expand Scotland's woodland** – building to a planting rate of 10,000 hectares per year, supporting Forestry Commission Scotland with a budget of over £48 million for this purpose, supplemented by European funding;
- **enhance our commitment to district heating** – we will back innovative district heating projects as part of a new £5 million Loan Fund. Our expert commission on the delivery of district heating will advise on the steps needed to ensure a major move to district heating in Scotland;
- **transform the scale of community ownership of renewable energy developments**, by enhancing our Community Renewable Energy Scheme to aim to reach a target of 500 megawatts of community and locally-owned renewable energy by 2020;

- **improve the energy efficiency of the public estate and help further reduce costs** – for example the Scottish Prison Service (SPS) currently accounts for 61 per cent of all carbon emissions generated by the Scottish Government. The new HMP Grampian will reduce the total carbon emissions by 3 per cent per annum, and enable reductions in the Scottish Government’s overall emissions by almost 2 per cent per annum;
- **continue to enhance building standards**, with a review for 2013 looking at the potential to cut building emissions by up to 60% (domestic) and up to 75% (non-domestic) compared to 2007 standards;
- **deliver energy savings in school estate** – in an innovative pilot project supported by the Scottish Futures Trust, Eastwood High School and Lasswade High School will be replaced with high quality, sustainable designs which exceed the current Building Insulation Standards by 30 per cent and the air tightness specifications by 60 per cent. Construction will commence in early October 2011, and both schools will open by August 2013;
- **improve the efficiency of existing infrastructure** – for example, Scottish Water has identified the potential to save around 10,000 tonnes of CO<sub>2</sub> per year as a consequence of its continued programme to reduce leakage. Scottish Water is also working to increase significantly the amount of energy it generates by installing small-scale hydro generation turbines within existing water assets;
- **reduce waste and using materials more efficiently** – we will work towards a 70 per cent target for recycled waste and a maximum of 5 per cent to be sent to landfill by 2025. We will support businesses to use resources more efficiently, waste less and, as a result, reduce their costs and emissions while boosting profitability and productivity; and
- **help families and individuals to reduce their waste** - for example, by cutting avoidable food waste, and save each household on average £430 every year. We are investing £70.8 million in our *Zero Waste Scotland* programme to help Scotland unlock these savings and reduce its emissions by cutting its waste.

We will also remain flexible and ensure that we develop the most appropriate and cost-effective measures at the right time to reduce emissions. We will refine the policies set out in the RPP and continue to develop the proposals in that document or alternatives with equivalent effect. Where we can, we will deliver more, and we will continue to seek additional innovative ways in which we can maximise the impact of the investments we make as we continue Scotland’s low carbon journey throughout this Parliamentary term.

We will continue to benefit from the advice and commitment of the 2020 Group on Climate Change as well as the close, collaborative working with COSLA and local government through the Public Sector Climate Action Group.

In parallel, we will prepare the next RPP which will cover the targets from 2023 to 2027, and work closely with delivery agents and stakeholders to make sure that we continue to have the right package in place.

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**CHAPTER 4**  
**Capital and Infrastructure**

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Infrastructure investment is critical to the Scottish Government's Purpose of increasing sustainable economic growth and to supporting a strong recovery. Investment in infrastructure brings both immediate benefits to our economy through supporting the construction sector and its supply chains, and long-term benefits by driving productivity, competitiveness and economic growth.

The Spending Review includes a commitment to prioritise capital spending during a challenging period for public finances, with unprecedented levels of cuts to public spending by the UK Government. We will also ensure maximum value for money from Scotland's public infrastructure investment. The Infrastructure Investment Plan will provide a longer-term horizon to complement the investment plans set out here, and will be updated this autumn.

International studies<sup>1</sup> show that infrastructure investment is an essential contributor to productivity and economic growth. The accumulation of capital increases the potential output of an economy. 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. In the short term, this can provide a boost to economic activity and to employment, particularly in the construction sector.

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. 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.

As a result of the decisions taken by the UK Government in its 2010 Spending Review, the capital budgets available to the Scottish Government will fall by around 36 per cent in real terms by 2014-15 compared with 2010-11. This scale of reduction is unprecedented and will inevitably slow the pace of implementation of the Government's infrastructure programme.

The Scottish Government is doing all it can within our limited powers to maximise capital spend. However, we recognise that more needs to be done, which is why the Scottish Government is making the case for the UK Government to respond to the weakening economic outlook with a plan to protect the recovery.

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<sup>1</sup> See *Economic Policy Reforms: Going for Growth 2010*, available at: [www.oecd.org](http://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?"

## PRIORITISING CAPITAL SPENDING

We are focused on the delivery of high quality and ambitious investment programmes and projects, despite the severe cuts in capital spending imposed by the UK Government. This will enable us to:

- make key strategic capital investments, including the Forth Replacement Crossing, the New South Glasgow Hospitals and the Scottish Schools for the Future programme; and
- support maintenance of assets in our key public services and encourage a collaborative approach to asset management across the public sector.

We are maximising the funding available for investment, including tapping into new, innovative sources of finance, leveraging in private and European funding and using borrowing powers where available. Key actions include:

- taking forward a new pipeline of revenue-financed investment worth £2.5 billion, to be delivered through the **Non-Profit Distributing** (NPD) model, including major projects such as the package of improvements to the M8, the Aberdeen Western Peripheral Route and Balmedie project and the Royal Hospital for Sick Children in Edinburgh;
- maximising the use of Network Rail's **Regulatory Asset Base** (RAB) to fund new rail projects including the Edinburgh Glasgow Improvements Programme (EGIP);
- expanding the **Tax Incremental Financing** (TIF) pilot programme, with three new pilots due to be selected in the coming weeks;
- launching a second wave of the **National Housing Trust** (NHT) initiative, which leverages in private sector funding and council borrowing to support affordable housing;
- ensuring local authorities make maximum use of their **borrowing** powers within prudential limits, including to take forward TIF schemes and to support investment in housing;
- ensuring bodies such as **registered social landlords and further education colleges**, which have borrowing powers, are encouraged to use these, where appropriate, to support sustainable investment;
- ensuring **Scottish Water** continues to improve efficiency in delivering its £2.5 billion capital programme;
- preparing to make the first investments through the £50 million **JESSICA Fund**, managed by the European Investment Bank and jointly funded by EU and Scottish Government money;
- developing a new **Cities Strategy** that will support cities and their regions in attracting additional investment into priority projects;
- maximising receipts from **asset sales** and driving savings from improved asset management across the public sector;

- Using the **Scottish Futures Trust (SFT)** to enhance value for money from capital investment, support the development of innovative financing methods and facilitate collaborative procurement and asset management across the public sector;
- Continuing to make the case with HM Treasury for early **borrowing powers** and access to the **Fossil Fuel Levy** worth almost £200 million;
- Switching over £200 million a year of our resource budget to fund additional capital investment.

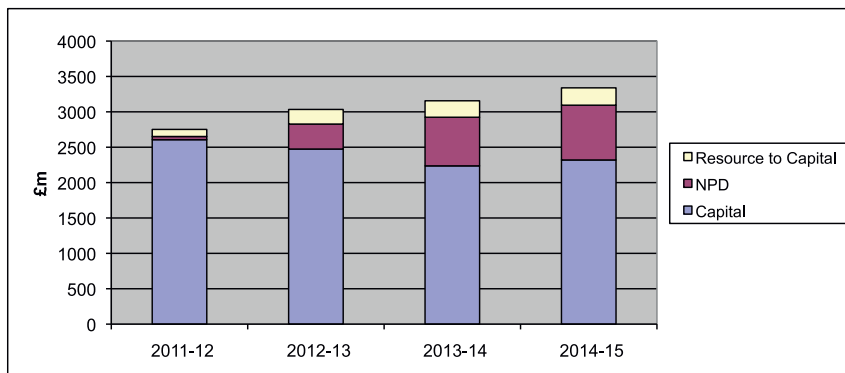
**USING EVERY POLICY LEVER TO EXPAND THE CAPITAL PROGRAMME**

Given our concern about the effect of the rapid and deep reductions in capital spending flowing from decisions in the UK Government 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 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.<sup>2</sup> Under the current public finance framework, the Scottish Government does not have the flexibility to borrow to fund additional capital expenditure. There is an overwhelming economic and financial case for providing this flexibility to borrow as soon as possible, and we continue to make the case with UK Ministers for early access to borrowing.

In the absence of borrowing and other financial powers, we are using all the resources at our disposal to help expand Scotland’s public infrastructure programme. While ensuring these levers are used sustainably and responsibly, the Scottish Government, will work closely with the Scottish Futures Trust and local authorities to maximise their positive impact. The graph below<sup>3</sup> shows how these steps are enabling us to grow investment even as our capital DEL falls:

**Figure 2: Capital Investment 2011-12 to 2014-15**



2 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.  
 3 Figures for resource to capital transfer and NPD projects are based on current plans, and the profile may vary as projects are delivered.

## 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). Over time a number of concerns<sup>4</sup> 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.

Since May 2007, based on value for money considerations, new revenue financed investments have been taken forward through the Non-Profit Distributing (NPD) model. 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.

As revenue budgets begin to recover in the medium term, there is an opportunity to use revenue finance effectively and judiciously. To ensure the future costs of revenue financed investments are sustainable, the Scottish Government will make investment decisions within a prudent and sustainable overall financial framework.

In addition to the 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 INFRASTRUCTURE INVESTMENT

Within the existing budgetary framework, the Scottish Government, in conjunction with the Scottish Futures Trust, has looked at innovative financing solutions such as Tax Incremental Financing, the National Housing Trust and the JESSICA Fund which will help lever in additional funds to help take forward key infrastructure investment projects.

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

<sup>4</sup> See recent reports from the House of Commons Treasury Select Committee at [www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1146/114602.htm](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1146/114602.htm) and the Public Accounts Committee on [www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1201/120102.htm](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1201/120102.htm)



The overarching goal of TIF is to support and guide the increasingly limited public finances by helping to lever in additional private sector capital. The TIF model allows 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.

Three proposals are already being developed. In March 2011, the Cabinet Secretary for Finance and Sustainable Growth approved the UK's first TIF scheme at Leith harbour in Edinburgh. Also in March 2011, provisional agreement was granted to North Lanarkshire Council to use TIF in the second phase of the regeneration of Ravenscraig (£73 million). The project has the potential to unlock an additional £425 million of private investment and create up to 4,500 new jobs – including 500 in the construction sector. Glasgow City Council is working with the Scottish Futures Trust to develop a TIF proposal for the Buchanan Quarter. A further round of TIF pilot projects will be announced in the coming weeks.

The Scottish Futures Trust and the Scottish Government have developed the **National Housing Trust** (NHT) model which has won plaudits across the UK. The first phase of procurement is nearing completion and is looking to produce up to 700 new affordable rented homes, generating around £100 million of investment and supporting over 1,000 jobs. Plans are currently being developed with partners for further phases and new variants.

By moving from grant funding to borrowing on the back of future property sales, the NHT aims to deliver affordable homes in return for less public subsidy. Successful developers build the homes, which are then purchased by Special Purpose Vehicles (SPVs). The SPVs are in turn jointly funded by local authorities and private partners. Participating local authorities' 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 ten 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.

**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 and 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 could further increase the economic impact of this policy.

### **MAXIMISING VALUE FOR MONEY FROM CAPITAL SPEND**

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 Scottish Government achieve better value for money from public infrastructure investment in Scotland. The importance of this work has grown, given the speed and scale of planned reductions in capital DEL budgets.

SFT is active across the public sector 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 Incremental Financing, which will lever significant additional investment for sustainable economic development and regeneration.

The Scottish Government is pursuing an integrated strategy for infrastructure investment, to support its Purpose of increasing sustainable economic growth. The key pillars of the 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 situated in communities around Scotland, which proposes funding plans for developing these sites. This is supported by a £70 million National Renewables Infrastructure Fund to help leverage private sector investment to develop the infrastructure across the country to support offshore renewables and ensure that Scotland becomes Europe's green energy powerhouse;
- 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 over the next decade.

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. Scotland's cities uniquely offer the potential to maximise the impact of our investments and, together with our cities, we are developing a Cities Strategy which will optimise investments across a range of portfolio responsibilities.

### **Asset management**

Improving the management of assets across the public sector is crucial to maximising value for money from our capital spend. As announced in the Draft Budget 2010-11, the SFT has produced two reports on improving asset management across the public sector, one focused on the central civil estate, and one on the local civil estate. The local civil estate report identifies £130 million or more of potential savings over five years in the South East hub territory alone through more collaborative asset management by hub partners (local authorities, NHS Boards and police and fire & rescue authorities).

The updated Infrastructure Investment Plan, which will be published in autumn 2011, will highlight the range of activities taking place across the public sector to improve asset management and release savings. For example, the Scottish Government's Health Directorate is compiling a "state of the NHS estate" report that will benchmark asset management performance, identify good practice and set targets for improvement.

The Scottish Government will continue to drive savings through improved asset management and will:

- work with the Scottish Futures Trust and other key stakeholders to develop a Scotland-wide implementation programme for asset management activity and accelerate roll-out, based on the experience of the South East hub territory;
- take forward an Asset Management Strategy for the central estate to reduce the size of the estate by at least 25 per cent by 31 March 2016 and to achieve similar reductions in operating costs;
- work with NHSScotland to explore opportunities to improve the quality of patient services and maximise resources available for the front line by reducing running costs, expanding collaborative procurement, rationalising the estate and disposing of surplus assets;
- use the updated Infrastructure Investment Plan to highlight asset management opportunities in other key sectors, including transport (collaborative IT asset system procurement), justice (release of surplus assets created by police and fire reform and modern prison developments), and further and higher education (maintaining existing estates to ensure building life is maximised); and
- work with SFT to address barriers to effective asset management, including in relation to disposals, office accommodation, capacity of smaller bodies to manage assets and benchmarking of data.

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# CHAPTER 5

## Renewing Public Services

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## INTRODUCTION

The people of Scotland attach the highest value to their public services, and the Government shares this view. High quality services play a crucial role in shaping a flourishing, productive and equitable society.

In challenging times, the power of public services to improve people's quality of life and enhance their opportunities is especially important. Protecting our vital health, education and community safety services will be the embodiment of our partnership with the Scottish people.

This Government is ambitious for Scottish public services at a time when incremental improvements will no longer be sufficient to meet the challenges set by the financial context and demographic trends. We will implement the bold and imaginative programme of renewal and reform necessary to maintain the quality of public services that the people of Scotland expect and want. In doing so, we will focus all of Scotland's public bodies on transforming their operations to deliver radical service improvements, targeted to secure better outcomes for individuals and their communities.

We are committed to:

- ensuring the future sustainability of services;
- reducing inequalities;
- identifying those at risk and intervening early to prevent risks from materialising;
- shifting the focus from service delivery to building the capacity of individuals, families and communities; and
- unlocking resources currently invested in dealing with acute problems.

Our programme of reform will draw on the best evidence available and continue to be informed by independent expert analysis and advice. In 2010, we asked the Independent Budget Review (IBR) Panel to report publicly on areas where savings might be made to help Scotland manage in a constrained financial environment.<sup>1</sup> Their authoritative analysis presented a wide range of savings options, many of which we have adopted. In June this year, the Commission on the Future Delivery of Public Services ("the Christie Commission") reported its findings, based on a longer-term analysis of the challenges facing public services.<sup>2</sup>

The Christie Commission made a significant contribution to the debate on the future direction of our public services by presenting a radical roadmap to better public services. Building on the Christie Commission's recommendations, we will reform our public services through:

- a decisive shift towards prevention;
- greater integration of public services at a local level, driven by better partnership, collaboration and effective service delivery;

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<sup>1</sup> The report of the IBR Panel is available at [www.independentbudgetreview.org](http://www.independentbudgetreview.org)

<sup>2</sup> The Christie Commission report is available at [www.scotland.gov.uk/About/publicservicescommission](http://www.scotland.gov.uk/About/publicservicescommission)

- workforce development; and
- significant enhancements to the transparency of performance reporting.

We are publishing a separate document alongside the Spending Review that describes in detail our approach to public service reform in light of the Christie Commission's conclusions, and highlights key early actions we are taking as part of our programme for renewal and improvement.

## **PROGRESS SINCE 2007**

We have invested in and improved our key public services – for example through record investment in health and our Healthcare Quality Strategy and putting 1,000 extra police officers on our streets. The public recognises improvements to their key public services.

Public satisfaction with the quality of key public services has increased since 2007 – over 85 per cent of people are now satisfied with the quality of their local health services, while 83 per cent are satisfied with the quality of their local schools.

People are feeling more comfortable and safer in their neighbourhoods – over 90 per cent of people rate their neighbourhood as a very or fairly good place to live, up from 2006. Scotland's crime rate is falling, and people recognise this: 71 per cent of people think that the crime rate has stayed the same or improved, compared to 65 per cent in 2006.

We have made Scotland fairer, through the introduction of measures such as abolishing prescription charges and freezing the council tax.

Our focus on value for money has delivered real efficiencies. In our 2007 Spending Review, we set clear annual efficiency targets that aimed to achieve in-year savings of at least £534 million (2 per cent of our 2007-08 DEL baseline) in 2008-09, £1,069 million (4 per cent) in 2009-10 and £1,603 million (6 per cent) in 2010-11. We were able to invest these back into communities and vital public services:

- In 2008-09, we delivered savings of £839 million (3.1 per cent of the baseline). This included: £160.4 million from improved Procurement; £81.9 million from better Asset Management; and £11.5 million from Shared Services.
- In 2009-10, savings rose to £1,470.5 million (5.5 per cent of baseline), with savings from improved Procurement rising to £312.2 million, Asset Management to £64.0 million and Shared Services to £25.4 million.
- The figure for efficiencies delivered in 2010-11 is £2,276 million (8.5 per cent of baseline). Savings from each workstream continue to rise, with improved Procurement delivering £375.0 million, Asset Management £81.0 million and Shared Services £71.3 million.
- The number of national devolved public bodies has already been reduced to 145, from a baseline of 199 in 2007. On present plans, this is expected to reduce further to around 114, exceeding the original commitment to a 25 per cent reduction. This will deliver estimated net savings of around £125 million by 2013 and estimated net recurring savings of around £39 million every year thereafter.

## **PRIORITISING SPEND TO SUPPORT AND RENEW PUBLIC SERVICES**

The strategic priorities informing our Spending Review allocations reflect our core values, as set out in the Programme for Government and the *Government Economic Strategy*. Our long-term approach has been to provide stability and resilience and to continue to support economic growth. Although our focus is on growth, it is not at any cost: that is why 'Equity' is one of the strategic principles in the *Government Economic Strategy* – we want to ensure that everyone has an opportunity to succeed.

Even in this period of constrained resources, we continue to take a distinctively Scottish approach to safeguarding essential services. Our spending plans reflect this commitment to maximise resources for those services which matter the most to people and which, in these harsh economic times, are relied upon most by the most vulnerable in our society.

### **Investing in health services**

We have protected health spending and the NHS budget in Scotland. The NHS will receive in full the resource budget consequential from increases in health spending in England. This will enable us to continue our focus under the Healthcare Quality Strategy on world class, safe, person-centred and effective care and to face up to the unprecedented challenges facing health and social care in Scotland, as elsewhere in the world. Our total healthcare funding in 2012-13 of £11.6 billion reflects an increase of £214.3 million.

Protecting this budget not only secures NHS services for all of Scotland – including some of the most vulnerable people in society – it also secures the livelihoods of thousands of people within the NHS workforce and supports Scotland's labour market. Within this overall support for health, we will:

- introduce an Alcohol Minimum Pricing Bill;
- deliver health and social care integration;
- deliver the Family Nurse Partnerships programme to first-time pregnant teenagers, thereby improving maternal health, child health and development and family economic self-sufficiency;
- aim to increase the number of cancers detected at the first stage of the disease by 25 per cent;
- further invest in dementia services; and
- ring-fence support for carers, implementing the commitments in our *Carers and Young Carers Strategy*.

### **Investing in services for our young people**

We are investing in Scotland's future by prioritising spend that benefits young people. We will introduce an Early Years Change Fund, we will keep higher education free and we will deliver an unprecedented package of skills and training support for our 16-19 year olds, including a record 25,000 Modern Apprenticeship opportunities.

The implementation of *Getting it right for every child* and *A Curriculum for Excellence* will continue, including the roll-out of new qualifications, maintaining smaller class sizes in the early years and continuing to develop the professionalism of the teaching workforce.

Our commitment to making record investment in our young people, and in their skills and training in particular, makes Scotland a highly attractive place to live, invest, employ and grow and supports Scotland's long-term economic growth.

### **Investing in services for fairer and safer communities**

We recognise the economic pressures on people, including rising prices and the costs of VAT. We are keeping our commitment to building a fair society, tackling discrimination and the barriers to equality of opportunity, and protecting families and individuals via the Social Wage. Council tax is frozen, and prescriptions and personal care are free.

The recent energy price rises have further increased pressure on household budgets, leaving many of the most vulnerable households facing fuel poverty. We will continue to support improvements to energy efficiency for Scottish households, and we will seek to maximise support from energy companies from their regulated obligations. We are also extending the Energy Assistance Package to Carers.

We are committed to delivering 30,000 affordable homes (including 5,000 council homes) over the life of the Parliament.

We are prioritising safety on our streets – recorded crime is at its lowest level since 1976, and down 23 per cent since 2006-07 – and our spending plans include funding to maintain the record level of frontline police officers on our streets.

### **A decisive shift to preventative spending**

The Scottish Government's spending plans are also designed to deliver a step change in the way in which we fund and deliver public services.

There is a growing body of evidence which demonstrates that spending on prevention can deliver better solutions and outcomes for individuals and avert future costs on the public sector. This starts with a focus on the first few years of life, where we know that a good start will bear dividends for a lifetime. Since 2007, the Scottish Government has taken work forward with our local authority partners and others to support this approach, including through the Early Years framework. But we are not limiting our efforts to early years: we are driving forward a range of policies – from shifting the balance of care to enable older people to remain at home, to our work to reduce offending and reoffending.

Now we need to take this work to the next stage. We have therefore identified significant funding to support a transition across public services away from dealing with the symptoms of disadvantage and inequality towards tackling their root causes. This will help deliver outcomes at reduced cost over the period of the Spending Review and this parliamentary term as a whole. The third sector has a crucial role to play in delivery, because of its specialist expertise, its ability to engage with vulnerable groups and its flexible and innovative approach.



As part of this approach, we are introducing three new funds to support preventative spending:

- a continuation of the **Change Fund** for older people's services. The fund currently amounts to £70 million within the NHS budget for 2011-12. This will increase to £80m/£80m/£70m within NHS budgets, supplemented by funding from local authority partners.
- an **Early Years and Early Intervention Change Fund**, to be overseen by the Early Years Taskforce, aimed at using evidence-based interventions to give our children the best start in life. The resourcing of this fund will be provided by NHS Boards and local authorities, working together to agree their local contributions and achieve maximum impact and value for money. As a central contribution to this, the Scottish Government will provide £50 million of resource over the parliamentary term through the Sure Start Fund component of the Scottish Futures Fund.
- a **Reducing Reoffending Change Fund**, focusing on preventative spend, will be created to bolster those interventions that we know can reduce reoffending. This work will take account of the particular contribution that can be made by third sector service providers. The fund will expand the coverage and impact of those interventions with a proven track record in reducing reoffending, as well as supporting innovation. This will help shift the focus of services, to get the correct balance between proactive and reactive services, as part of the next phase of the Government's Reducing Reoffending programme.

Taken together, these funds provide over £500 million of investment in preventative spending over the Spending Review period, bringing together new and existing expenditure. This continuing investment in preventative spend is directly aimed at improving outcomes and reducing the demand for a range of acute services over time. These funds will help drive the further integration of services and the sharing of vital resources. Corresponding budgets can therefore be reduced in future years, enabling us to manage costs across the Spending Review period as a whole.

### **Scottish Futures Fund – investment in jobs and a fairer future**

This Government will also take an innovative approach to investment in jobs and infrastructure. The Spending Review confirms that the Government will deliver on its commitment to establish a £250 million Scottish Futures Fund to be delivered over the lifetime of this Parliament. The fund will have five components:

- **Young Scots Fund** – this is a youth talent initiative focused on sport, enterprise and creativity, including funding to take forward skills development for young people and the new national Football Academy;
- **Next Generation Digital Fund** – this will support the rollout of superfast broadband, particularly in rural areas of Scotland;
- **Sure Start Fund** – this will act as a change fund to deliver effective intervention in a child's life, as part of the Government's action to lead a decisive shift towards increased preventative spending, overseen by the Early Years Task Force;

- **Warm Homes Fund** – this will support the Government’s concerted action to tackle fuel poverty and deliver renewable energy and energy-efficient homes in those communities worst affected by fuel poverty;
- **Future Transport Fund** – this will enable us to reduce the impact of transport on our environment, reducing congestion and supporting better public transport, active travel and low carbon vehicles.

Together, these funds provide substantial additional investment, working across Government portfolios, in support of key economic, social and environmental objectives. The Spending Review provides funding of more than £160 million over the next three years across these five funds, with a further £90 million to be delivered in 2015-16. Further detail is set out in the portfolio sections of this document.

### **Greater local service integration**

Evidence demonstrates clearly that improved outcomes for people and better use of resources can be achieved when local services are planned and delivered through effective, place-based partnerships. This Government will encourage and incentivise public service organisations to break through bureaucratic barriers and operate across organisational boundaries to produce integrated services that deliver better value for money and improve our social and economic wellbeing.

Community Planning partners will continue to play a significant role in identifying priority local outcomes and leading integration in their areas through the further development of Single Outcome Agreements and deployment of the Change Fund resources. We will champion effective local leadership among key players, which is critical in driving effective collaboration, and we will encourage all Partnerships to emulate the good practice of the best.

### **Workforce development**

Public service workers are key to the design and delivery of services which meet people’s needs. We are committed to enhancing the capability of the workforce, and we will continue to invest in workforce engagement and development and support leadership collaborations across public service organisations. Growing mutual understanding and shared purpose breaks down barriers between organisations and frees the front line to respond directly to the needs of individual service users.

Staff at all levels in public service organisations will be encouraged and supported to prepare for change; promote innovation; work flexibly; improve performance; and involve communities and service users in the design of services. Effective leaders will ensure that multi-disciplinary teams work across organisational boundaries, focused on outcomes and not on bureaucratic structures.

### **Greater transparency of performance reporting**

The scale of the fiscal challenge that we face means that we will need to maintain our focus on value for money over the coming years. Those who fund public services are entitled to know how public resources are used and to expect that maximum value is extracted from every pound.

The Government is committed to creating an open and rigorous performance culture within Scotland's public services, producing greater clarity about the objectives of public organisations and establishing clear lines of accountability that help to bolster standards of service and improve outcomes. We have asked all parts of the public sector to report publicly on their plans to improve the efficiency of public services, with details of actions undertaken and results achieved.

We will advance the performance improvement agenda further in this Parliament by intensifying our efforts to recognise and spread the benefits of good practice in service delivery, while also tackling any remaining sources of unexplained performance variation. As a part of this work, the Accounts Commission has been asked to develop proposals identifying how external scrutiny can support the delivery of better outcomes at the level of Community Planning Partnerships, through assessing performance and promoting effective practice.

### **Managing with constrained resources**

Our ambitious programme of public service reform and the promotion of a more preventative approach have a key part to play in ensuring that Scotland can live within its means. However, the scale of the budget reductions imposed on Scotland in last year's UK Spending Review is such that we have had to make some tough choices about short-term spending. This is a challenge that is shared by all Scottish Government portfolios and our partners in local government.

We have taken a strategic and collective approach to ensure that we have not compromised on our key priorities of investment, reform and preventative spend, or on our commitment to a Social Wage.

However, we have had to restrict our spending much more than we would have wished or thought reasonable:

- **Reducing organisational costs** – we are showing leadership by reducing Scottish Government administration costs by 18 per cent over the Spending Review period to free up resources for frontline services. We have already reduced the number of devolved public bodies by a third since 2007 and plan to make significant further reductions. In asking all public bodies to live within constrained budgets, we will expect them to take forward the recommendations of John McClelland's *Review of ICT Infrastructure in the Public Sector in Scotland* and protect the quality of the services they provide.
- **Reforming public services** – we have announced vigorous programmes of reform across Scotland's public services, including our police and fire services, our court service, adult social care and post-16 education, which will drive up the quality of outcomes, while delivering substantial cost reductions and value for money gains.
- **Restricting pay costs** – In asking staff across the public sector to work within very tight pay constraints and limiting new recruitment, we have renewed our commitment to No Compulsory Redundancy, and taken measures to support the lower paid. However, staff face very difficult issues as a result of the UK

Government's approach to pensions and the pressures that have been placed on the Scottish Government around this issue.

- **Maintaining investment in capital projects** – the UK Government has made savage cuts to capital investment, despite the impact this has on economic recovery. We have used all available levers to maximise investment, through a range of innovative funding mechanisms and a significant transfer from resource budgets into capital.
- **Business initiatives** – We are supporting business by maintaining the most competitive business rates regime in the United Kingdom. However, we are also proposing the introduction of a public health supplement on large retailers and taking forward the reform of empty property relief to bring empty premises back into use, as well as maximising income generated through asset sales.

Alongside these spending plans, we have published the Government's Public Sector Pay Policy for 2012-13, covering staff pay remits and senior appointments. Public sector pay is a significant element of our budget. In setting a pay policy for the forthcoming year, we need to balance difficult decisions on tight pay constraint with the need to sustain employment opportunities across the public sector. To help reduce the impact on staffing levels, it is essential that we control pay growth and keep pay at an affordable and sustainable level. This year's pay policy therefore includes the continuation of the pay freeze implemented in 2011-12 and suspension of bonuses. Within that tight constraint, we have again been able to provide measures to support the lower paid, by maintaining our commitment to the Scottish Living Wage which will be uprated for 2012-13 and ensuring that any employee earning less than £21,000 receives at least a £250 increase. Reflecting this commitment to fairness, Ministers will also be freezing their pay in 2012-13 for the fourth year running.

If the UK Government does not change its position on public sector pensions, then the Scottish Government will be forced reluctantly to take a decision to increase employee contributions in schemes funded by Scottish Government DEL budgets. To do otherwise would require large scale cuts to the Scottish Budget and reductions in staff numbers through job losses, and both of these alternative measures would have a significant detrimental effect on the Scottish economy. The Scottish Government will leave decisions on contributions to the Local Government Pension Schemes to those schemes.

At a time when households, businesses and public bodies across Scotland face challenging financial circumstances, it is essential that the Scottish Government shows leadership by reducing its own costs as much as possible, to free up resources for deployment within frontline public services. These spending plans therefore include cash reductions in the Scottish Government's Administration budget of 18 per cent over three years and reductions of 25 per cent in the cost of the Senior Civil Service in Scotland by 2014-15. We have also reduced the Government's central marketing budget by over a third and will continue to build on reductions to date in travel and printing costs.

Taking these measures across government will help us manage the reductions to our resources, but the scale of the financial challenge we face makes reductions in some expenditure programmes unavoidable.

We have set out the implications in the portfolio sections of this document, but key points include:

- settlements which will be challenging for a range of agencies and NDPBs across Government portfolios;
- prioritising capital projects set out in Budget Plans 2011;
- focusing our spending within a number of large expenditure programmes, including on support for agriculture and the college sector, funding for the cultural sector and research; and
- driving down the cost of a range of transport and roads expenditure, while supporting modal shift, maintaining safety and taking forward key infrastructure projects.



**SECTION 2**  
**PORTFOLIO PLANS AND**  
**DRAFT BUDGET 2012-13**



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# CHAPTER 6

## Introduction

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This section of the document provides greater detail on the Draft Budget for 2012-13 and the spending plans for the following two years for each portfolio. The Draft Budget 2012-13 will, subject to parliamentary consideration, form the basis of the Budget Bill 2012-13, which will be laid before the Scottish Parliament in January 2012.

## OUR SPENDING PLANS

The following four tables lay out the Scottish Government spending plans for the financial years 2011-12 to 2014-15.

The Scottish Government's Total Managed Expenditure (TME) amounts to £34 billion in 2012-13, including the Departmental Expenditure Limit (DEL) of £28.3 billion announced as part of the UK Government Spending Review in October 2010.

In order to manage our budgets over the Spending Review period, we will make use of the Budget Exchange Scheme agreed with HM Treasury, whereby we can carry forward underspends, within agreed limits, and draw them down in the following year.

**Table 6.01: Total Managed Expenditure by Portfolio**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Health, Wellbeing & Cities Strategy	11,466.3	11,687.9	11,966.8	12,184.4
Finance, Employment & Sustainable Growth	3,698.3	3,684.2	3,841.4	4,016.2
Education and Lifelong Learning	2,604.2	2,669.9	2,858.9	2,961.3
Justice*	1,264.3	1,344.1	1,294.8	1,243.9
Rural Affairs & the Environment	540.6	530.9	511.5	513.5
Culture & External Affairs	245.6	237.8	232.5	221.4
Infrastructure & Capital Investment	2,126.1	2,225.0	2,300.3	2,387.8
Administration	236.0	214.7	202.6	193.5
Parliamentary Business & Government Strategy	8.2	6.5	6.3	6.0
Crown Office & Procurator Fiscal Service	108.2	108.1	108.1	108.7
Local Government	11,226.0	11,153.8	11,108.1	11,350.5
<b>Total Scottish Government</b>	<b>33,523.8</b>	<b>33,862.9</b>	<b>34,431.3</b>	<b>35,187.2</b>
Scottish Parliament and Audit Scotland	95.9	95.5	95.5	95.5
<b>Total</b>	<b>33,619.7</b>	<b>33,958.4</b>	<b>34,526.8</b>	<b>35,282.7</b>

\*includes Police & Fire pensions

**Table 6.02: Departmental Expenditure Limits**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Health, Wellbeing & Cities Strategy	11,366.3	11,587.9	11,866.8	12,084.4
Finance, Employment & Sustainable Growth	467.9	483.4	466.2	460.5
Education and Lifelong Learning	2,501.7	2,544.1	2,569.1	2,613.5
Justice*	1,264.3	1,344.1	1,294.8	1,243.9
Rural Affairs & the Environment	540.6	530.9	511.5	513.5
Culture & External Affairs	245.6	237.8	232.5	221.4
Infrastructure & Capital Investment	2,126.1	2,225.0	2,300.3	2,387.8
Administration	236.0	214.7	202.6	193.5
Parliamentary Business & Government Strategy	8.2	6.5	6.3	6.0
Crown Office & Procurator Fiscal Service	108.2	108.1	108.1	108.7
Local Government	9,046.5	8,881.8	8,664.1	8,677.5
<b>Total Scottish Government</b>	<b>27,911.4</b>	<b>28,164.3</b>	<b>28,222.3</b>	<b>28,510.7</b>
Scottish Parliament and Audit Scotland	95.9	95.5	95.5	95.5
<b>Total</b>	<b>28,007.3</b>	<b>28,259.8</b>	<b>28,317.8</b>	<b>28,606.2</b>

\*includes Police & Fire pensions

**Table 6.03: Annually Managed Expenditure**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Health, Wellbeing & Cities Strategy	100.0	100.0	100.0	100.0
Finance, Employment & Sustainable Growth	3,230.4	3,200.8	3,375.2	3,555.7
Education and Lifelong Learning	102.5	125.8	289.8	347.8
Justice	-	-	-	-
Rural Affairs & the Environment	-	-	-	-
Culture & External Affairs	-	-	-	-
Infrastructure & Capital Investment	-	-	-	-
Administration	-	-	-	-
Parliamentary Business & Government Strategy	-	-	-	-
Crown Office & Procurator Fiscal Service	-	-	-	-
Local Government	2,179.5	2,272.0	2,444.0	2,673.0
<b>Total Scottish Government</b>	<b>5,612.4</b>	<b>5,698.6</b>	<b>6,209.0</b>	<b>6,676.5</b>
Scottish Parliament and Audit Scotland	-	-	-	-
<b>Total</b>	<b>5,612.4</b>	<b>5,698.6</b>	<b>6,209.0</b>	<b>6,676.5</b>

The table below provides detail on the Scottish Government's proposed budget for 2012-13.

**Table 6.04: Total Proposed Budget for 2012-13**

2012-13 Draft Budget	DEL resource £m	DEL capital £m	DEL total £m	AME & other £m	Total £m
Health, Wellbeing and Cities Strategy	11,128.4	459.5	11,587.9	100.0	11,687.9
Finance, Employment and Sustainable Growth	416.6	66.8	483.4	3,200.8	3,684.2
Education and Lifelong Learning	2,395.5	148.6	2,544.1	125.8	2,669.9
Justice	1,231.7	112.4	1,344.1	-	1,344.1
Rural Affairs and the Environment	495.8	35.1	530.9	-	530.9
Culture and External Affairs	222.9	14.9	237.8	-	237.8
Infrastructure and Capital Investment	1,168.0	1,057.0	2,225.0	-	2,225.0
Administration	207.2	7.5	214.7	-	214.7
Parliamentary Business and Government Strategy	6.5	-	6.5	-	6.5
Crown Office and Procurator Fiscal Service	104.5	3.6	108.1	-	108.1
Local Government	8,318.8	563.0	8,881.8	2,272.0	11,153.8
<b>Scottish Government</b>	<b>25,695.9</b>	<b>2,468.4</b>	<b>28,164.3</b>	<b>5,698.6</b>	<b>33,862.9</b>
Scottish Parliament and Audit Scotland	92.5	3.0	95.5	-	95.5
<b>Total Scotland</b>	<b>25,788.4</b>	<b>2,471.4</b>	<b>28,259.8</b>	<b>5,698.6</b>	<b>33,958.4</b>

All figures are in cash terms and presented on a full resource basis, and so include depreciation and impairment charges where appropriate.

## COMPARATIVE SPENDING

Comparative figures for spending in 2011-12 are included in the detailed spending plans set out in each portfolio chapter.

In order to aid comparison with previously published spending plans, Annex A Table 1 presents the 2011-12 Draft Budget (DEL) on the basis of the new portfolio structure and Annex E Table 5 provides a comparison from 2008-09 to 2014-15 on the new portfolio structure.

## BUDGET 2011-12

The budget figures detailed for 2011-12 in the portfolio chapters are those as published in the Draft Budget 2011-12.

**SCOTTISH VARIABLE RATE**

The Scottish Government confirms that it will not use these tax-varying powers.

**REAL TERM FIGURES**

Real terms figures have been calculated using the latest estimated GDP deflators published by HM Treasury of 2.5, 2.7 and 2.7 per cent in respect of 2012-13, 2013-14 and 2014-15.



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# CHAPTER 7

## Health, Wellbeing and Cities

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## **PORTFOLIO RESPONSIBILITIES**

The Health, Wellbeing and Cities portfolio is responsible for helping people to maintain and improve their health, especially in disadvantaged communities, and for delivering high quality healthcare. Our remit also includes tackling discrimination; promoting equality and sport; and working collaboratively with our cities to optimise their contribution to Scotland.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

Good mental and physical health and wellbeing is vital for individuals to participate fully in economic and social life. Investment in health improves the productivity of the individual and economic participation in general, and is also likely to support greater flexibility in the workplace and adaptability to changes at work.

Although healthy life expectancy is improving in Scotland, poor health is still one of the main factors for early retirement or for not working. Poor health and health behaviours have a cost to the economy through reduced productivity, absenteeism, unemployment and premature mortality.

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

NHSScotland takes a robust approach to promoting productivity and efficiency improvements in the delivery of health services. The programme of work for the period 2011-15 is outlined in the February 2011 publication *NHSScotland Efficiency and Productivity Framework for SR10*. Pursuit of the ultimate aim for NHSScotland to be a world leader in healthcare quality will be the longer term means by which maximum productivity and efficiency is achieved in all Scotland's health and care services.

We recognise the importance of sport to Scotland. Direct sports-related consumer spending alone amounts to over £1 billion a year and accounts for over 51,000 jobs. The portfolio's lead role in supporting the 2014 Commonwealth Games will stimulate investment of over £1 billion in infrastructure for Games venues and associated transport networks and support an estimated 1,200 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.

## **OUR NATIONAL OUTCOMES**

The policies, activities and expenditure of the Health, Wellbeing and Cities portfolio contribute to all of our National Outcomes and Programme for Government objectives. 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 have strong, resilient and supportive communities, where people take responsibility for their own actions and how they affect others; and
- our public services are of high quality, continually improving, efficient and responsive to local people's needs.

The portfolio makes the most significant contribution to ensuring that the people of Scotland live longer, healthier lives by providing high quality health and social care 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.

Our health and social care services provide a vast range of high quality services that improve the quality of life for many older people. The portfolio has a major role to play in achieving our aim to ensure older people in Scotland are valued, their voices are heard and older people are supported to enjoy full and positive lives in their own home or in a homely setting.

The portfolio has an important role to play in tackling the significant inequalities in Scottish society through building on the success of the *Keep Well Programme*. 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 also has a significant 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, maternity care, 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.

## **OUR ACHIEVEMENTS**

### **Health**

We have made a significant contribution to the marked reductions in mortality rates from the three big killers – cancer, heart disease and stroke. Between 1995 and 2010, 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.

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 for a first outpatient consultation and 9 weeks for inpatient and day case treatment. A new standard of six weeks for diagnostic tests has been introduced for the eight key diagnostic tests, such as MRI and CT scans. We have accelerated access to cancer treatment to 31 days from decision to treat to first treatment and ensured that urgently referred patients who present with a suspicion of cancer begin their treatment within 62 days.

We have removed the unfair tax on ill health with the abolition of prescription charges from 1 April 2011. This will ensure that cost is not a barrier to those needing to take the medication prescribed to them.

We have implemented the first phase of the Family Nurse Partnership programme in Lothian and Tayside. The programme improves maternal health, child health and development and the economic self sufficiency of families, and it is our intention to roll it out across Scotland.

Improvements in safety in our hospitals have resulted in a 7 per cent reduction in hospital standardised mortality rates since 2007.

Rates of both *Clostridium difficile* and *Staphylococcus aureus bacteraemia* (which include MRSA) in Scottish hospitals are now at their lowest ever levels, according to the latest report published on 6 July 2011 by Health Protection Scotland. By ensuring clinicians engage with the prescribing agenda, a near 20 per cent reduction across primary care has been achieved in the use of antibacterials associated with a higher risk of *Clostridium difficile*. We established the Healthcare Environment Inspectorate to scrutinise the healthcare environment and promote greater public confidence in health services. We tripled funding to tackle healthcare acquired infection (HAI) from £15 million to over £50 million over the three years 2008-11 and continue to fund and support a range of targeted HAI initiatives, including:

- the introduction of new minimum national MRSA screening policy across NHSScotland to be implemented by April 2012;
- the employment of key infection control and cleaning personnel; and
- a national zero-tolerance policy to non-hand hygiene compliance by NHS staff.

We have introduced the Patient Rights (Scotland) Act 2011 to improve patients' experience of using health services and to support people to become more involved in their health and healthcare.

From 2007 to July 2011, the initial *Keep Well* programme of inequalities-targeted health checks has successfully engaged more 113,000 people. Local outcomes of reductions in blood pressure, cholesterol and of people quitting smoking as a result of the programme are very positive and will 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.

This led to new statutory controls on the sale and display of tobacco, including bans on tobacco displays in shops and sales from vending machines. We have invested record sums in smoking cessation measures.

We have backed our radical action on alcohol misuse with a record £155 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 have delivered over 174,000 interventions to help people to reduce their risk of developing alcohol problems and requiring services in the future.

Improvements in care for people with long-term conditions have resulted in a significant reduction in the rates of emergency bed days in hospital for people aged over 65. The latest figures suggest that, in 2009-10, over 125,000 bed days for people aged over 65 have been avoided as a result of these improvements.

We introduced a new Change Fund which enhanced the partnership approach to delivering joined up services across health and social care, providing £70 million across Scotland for investment in new and improved ways of working and delivery of higher quality, more sustainable services.

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 began the implementation of the planned 25 per cent reduction of management staff in the NHS by 2014-15 and achieved a reduction of 8.1 per cent in 2010-11.

Nurse agency spend reduced from £25 million in 2005-06 to £4.1 million in 2010-11, a reduction of approximately 84 per cent.

We introduced pilot Health Board elections to the boards of NHS Dumfries and NHS Galloway and NHS Fife in June 2010. We believe that having elected representatives on NHS Boards will ensure that the views of local people are heard at the highest level and acted upon. An independent evaluation is currently taking place into the impact of these and we expect this to be completed in autumn 2012. It will be for the Scottish Parliament to decide if elections should roll out to all Health Boards.

We were at the forefront of the successful UK-wide response to the H1N1 flu pandemic. Measures we took included an effective 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 launched NHS Inform in August 2010. With almost half a million people accessing the site and well over 1.5 million page views in the first 12 months, NHS Inform has become Scotland's most trusted source of quality assured health information for the public.

We have met the dental health targets for Primary 1 and Primary 7 children. The target was that 60 per cent of these children should have no obvious decay. In addition, we have improved access to dental services, and the level of the Scottish population registered with a dentist under NHS arrangements as at June 2011 now stands at around 3.9 million, an increase of 1.2 million since March 2007. The number of dentists (headcount) providing general dental services as at March 2011 is 2,940, an increase of 466 since March 2007.

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 have now published a set of dementia standards, which will be used to ensure that support and care for people with dementia and their carers consistently reaches the high standards we all expect and deserve.

We made considerable progress in improving the quality of care, compassion and respect for people at the end of their lives by implementing *Living and Dying Well - a national action plan for palliative and end of life care in Scotland*. We published a follow-up report, *Building on Progress*, which described the positive impact of the implementation of the action plan, and highlighted further areas for improvement.

We have launched *Shaping Bereavement Care* - a framework for action for the development and delivery of quality bereavement care services within NHSScotland. The booklet *When Someone Has Died* has also been developed to support Health Boards in implementing a number of the proposals in *Shaping Bereavement Care*.

We have invested £2 million per year since 2009 to deliver faster access to specialist Child and Adolescent Mental Health Services (CAMHS) in the community. We have also invested £6.5 million over 2009-12 in the CAMHS workforce, which has seen the overall clinical workforce increase by 33 per cent since 2008. A strengthened target will ensure that by 2013 no one will wait longer than 26 weeks from referral to treatment for specialist CAMH Services.

We provided funding, through the *Survivor Scotland National Strategy*, to develop a range of support services for adult survivors of childhood abuse to improve their health and wellbeing and reduce the burden on health and social care services - in particular GP, mental health and addiction services. We piloted a Confidential Committee, *Time to be Heard*, to provide a forum for people who were abused in institutions during their childhood to recount their experiences and make submissions in confidence.

In the past year, NHS Research Scotland (NRS) has delivered major efficiencies for both non-commercial researchers and industry, with study start-up approvals times reduced to 20 working days. This is now attracting significant pharmaceutical industry interest in research in Scotland. In partnership with colleagues in industry, we are now trialling new ways to improve patient recruitment to trials.

In recognition of the important role that the life sciences sector plays in improving Scotland's economic performance in today's knowledge-based economy, we have published the *MedTech Roadmap* - a practical guide for industry to introducing new technologies to NHSScotland.

## Sport

We were successful in our bid to host the 2014 Commonwealth Games. In our drive to improve Scotland's level of participation in sport, we have started to roll out community sport hubs throughout Scotland, building on the 35 we have already identified to ensure there are 100 by 2014.

We have made considerable investment in upgrading and developing Scotland's sporting facilities infrastructure. Since 2007, we have invested over £33 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. This has delivered 12 new and upgraded swimming pools and 23 football pitches, including 9 new 3G all weather pitches. We have also developed new training facilities, such as a new Sports Village in Aberdeen, the Peak Centre in Stirling and new state-of-the-art sporting facilities at Ravenscraig in Motherwell. We are supporting the development of new competition venues, such as the Commonwealth Swimming Pool, Scotstoun Stadium and a new National Indoor Sports Arena and velodrome in Glasgow.

## Equalities

We introduced the Forced Marriage etc. (Protection and Jurisdiction) (Scotland) Act 2011 which will provide civil remedies for those at risk of forced marriages and for victims of forced marriage.

We have ensured the maintenance of a large programme of work and provision to tackle violence against women across Scotland and delivered a national programme to assist children and young people experiencing domestic abuse.

We have made significant investment in a range of equality activity and programmes to tackle the barriers to equality of opportunity, promoted equality and supported communities.

We have developed a *One Scotland* toolkit and resource for schools and communities to help develop local anti-racism campaigns.

We have established a shared vision around Independent Living for disabled people.

We have made real progress in the co-ordination and implementation of work around Lesbian, Gay, Bisexual and Transgender (LGBT) equality.

We published *Belief in Dialogue*, a good practice guide to promoting inter-faith relations.

We have continued to support the integration of asylum seekers and refugees.

## MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the real terms total reduction in the Scottish Government budget for 2012-13 to 2014-15 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 health revenue Barnett consequentials over this period – £249 million towards its resource budget in 2012-13, £293 million in 2013-14 and £284 million in 2014-15. This has lifted the resource budget by 2.3 per cent to more than £11.0 billion in 2012-13. 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 improving the quality of care by prioritising changes which also deliver greater efficiencies. Even after recognising the resource Barnett Consequentials arising from the Department of Health's 2010 UK Spending Review settlement, there will require to be an ongoing focus on delivering efficiency savings and increasing productivity building on past success. These savings will continue to be retained by NHS Boards for reinvestment in frontline services.

As a result of substantial reductions in the overall Scottish Government capital budget the health capital budget will also reduce over the Spending Review period. However, key projects such as the New South Glasgow Hospitals have been secured. In addition, the Scottish Government is delivering a number of initiatives to ensure that available capital resources are utilised as effectively as possible. The *Frameworks Scotland* national construction framework and the *hub Initiative* will ensure efficient delivery of new and refurbished buildings. Work has commenced to develop new collaborative approaches for the procurement of major items of medical equipment. In addition to the capital budget, the delivery of a £750 million pipeline of projects through the Non-Profit Distributing model together with the *hub initiative* will allow key projects to be developed and delivered across the Spending Review period and beyond.

## OUR PRIORITIES

The Health, Wellbeing and Cities portfolio will be responsible for public spending totalling £11.7 billion in 2012-13. Funding allocated to healthcare will be £11.6 billion, of which Territorial Boards and Special Boards will receive a core allocation of £8.8 billion. £73.7 million will be allocated to Sport, including Commonwealth Games 2014, £20.3 million to Equalities and £10.9 million to the Food Standards Agency.

Our total healthcare funding in 2012-13 of £11.6 billion reflects an increase of £214.3 million. This comprises Annually Managed Expenditure of £100 million, net capital funding of £453.5 million and resource funding of £11.0 billion. Resource funding has increased by £249 million in 2012-13, from £10,780.5 million to £11,029.5 million. This is the full amount of the budget consequentials arising from the increase to health spending in England and delivers on the Scottish Government's commitment to pass on the resource budget consequentials in full to NHSScotland.

Building on the firm foundations established over recent years, and reflecting the set of healthcare quality outcomes which have been established for Scotland, our key priorities for health from 2012-13 onwards will be:

- to continue to protect the most vulnerable people in our society through early intervention, by ensuring our children get the best start in life and by promoting equality;
- to achieve sustainable, world-leading quality in healthcare, ensuring that people are able to be in their own homes and communities when possible and appropriate, and that they have a safe and good experience of healthcare services; and
- to maximise value by supporting the people delivering health and care services; and through increased efficiency.

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 have piloted the Family Nurse Partnership programme and will roll it out across NHSScotland, and we will 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 and investing £20m/£45m/£50m over the Spending Review period in an Early Years and Early Intervention Change Fund.

Although we have made significant improvements in oral health for children, more than 50 per cent of the most deprived Primary 1 children in our most deprived communities have dental decay, and dental health problems are still the single most common reason to admit children to hospital. The *Childsmile* programme will continue to support this cohort of children to meet the target and to continue to improve child oral health in general. We will also bring forward plans to address the oral health improvement needs of the most vulnerable groups.

### **Keeping up the battle against the big killer diseases**

We will invest a total of £30 million (£27 million resource and £3 million capital) and establish new approaches to detecting cancer early. This will increase the number of people who benefit as quickly as possible from the world-leading treatment and support we have for cancer patients and their relatives and carers in Scotland, reducing the impact of cancer and, as a result, reducing premature mortality in Scotland.

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. In addition, we will continue the roll out of *Life Begins at 40* health checks.

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 all the people of Scotland and across government activity to tackle discrimination, prejudice and the barriers to equality of opportunity.

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; and
- 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 continue to implement the Healthcare Quality Strategy in partnership with local authorities, other stakeholders and the public, and we will report on the progress we are making towards achieving our Healthcare Quality Ambitions and our aim of becoming a world leader in healthcare quality.

We will be bold and innovative in facing up to the scale of the challenge we all face – not only in Scotland but throughout the world. We will not shy away from difficult conversations or decisions wherever the needs of the people of Scotland are at stake.

We will take every opportunity with the public, NHS staff and other partners to develop a compelling vision for the NHS and for care in Scotland. A vision of fully integrated care allowing everyone to live longer, healthier lives, for as long as possible at home or in the community. We will give importance to the role people themselves can play, supported as appropriate to play a fuller part in their own care.

As part of our approach to achieving sustainable, high quality healthcare services, we will provide a strengthened focus on supporting NHS Boards to increase efficiency and productivity through our NHS Efficiency and Productivity Framework, and we will prioritise approaches which increase the quality of our healthcare services by implementing evidence-based approaches which simultaneously increase the efficiency and effectiveness of healthcare services. We will maintain and improve quality by eradicating harmful and unwarranted variation and implementing key improvement programmes. We will reduce the number of senior managers in the NHS by 25 per cent by the end of this Parliament.

We will continue to focus on improving safety through the improvement and scrutiny work of the newly formed Healthcare Improvement Scotland. This will include the Healthcare Environment Inspectorate working in partnership with the revised HAI Task Force.

Providing high quality care and support for older people is a fundamental principle of social justice and is an important hallmark of a caring and compassionate society. The newly formed Care Inspectorate operates independently to scrutinise and improve care, social work and child protection services for the benefit of the people who use them.

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 will continue to provide a Change Fund for NHS Boards and partner local authorities to invest in partnership to redesign services to support the delivery of new approaches to improved quality and outcomes. £80 million will be allocated to the Change Fund in 2012-13. From 2012-13 onwards, at least 20 per cent of the Change Fund will be dedicated to supporting carers to continue to care. By ensuring that older people 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. This will result in better outcomes for older people and ease the pressure on acute hospital provision.

As part of our approach to achieving world-leading person-centred quality in our healthcare services, we will continue our focus on improving the patient experience through our *Better Together* programme and ensure that health services recognise and respond flexibly to each person as a unique individual, build trust and empathy, and engage people in decisions that affect their healthcare and wellbeing. We shall undertake further patient experience surveys to monitor the quality of the healthcare experience across a number of elements of the NHS, including inpatients and GP services. Recent surveys continue to report that most people have a positive experience of the care and services delivered by NHSScotland.

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. We will also proceed with plans to integrate health and social care.

We will enshrine in law new rights for people who need care and support, putting people at the heart of decision-making about their care packages. Treatment for those cared for will be improved by ensuring that unpaid carers are equal partners in health and social care. Strategies for carers and young carers will ensure that the commitments on information, respite and access to better support are fulfilled.

In 2010 we published jointly with COSLA *Carers and Young Carers Strategy* which sets a framework for action over five years aimed at supporting carers and sustaining them in their caring role, while enabling young carers to be children first and foremost. In 2011-12, we invested £3 million in short breaks provision by the voluntary sector and allocated £4.9 million to Health Boards for carer and young carer identification and support. Local government will continue to work with the Scottish Government towards maintenance of an extra 10,000 weeks of respite provision.



Together with COSLA, we also launched *Self-directed support: a national strategy for Scotland*. In 2011-12, the first year of the strategy – we allocated £3.6 million to local authorities, providers and user organisations, paving the way for new legislation set out in the Programme for Government.

NHSScotland will sustain the 18-week 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. The 18 week standard also reduces inequalities by addressing variations in waiting times across Scotland.

In the face of a 36 per cent real terms reduction in capital resources available to the Scottish Government over the Spending Review period, we continue to maintain a high level of investment in NHSScotland infrastructure. Contracts have been signed and construction commenced on major developments such as the £842 million New South Glasgow Hospitals Project the £43.6 million Royal Victoria Hospital Replacement in Edinburgh, the £110 million Emergency Care Centre in Aberdeen, the £8.3 million Migdale Community Hospital in Bonar Bridge, the £27 million Airdrie Resource Centre, the £27 million Acute Mental Health in Dumfries and £10.7 million Nuclear Medicine facilities at Ninewells Hospital in Dundee.

We will assess and then release a number of major projects for procurement including the Royal Hospital for Sick Children/Department of Clinical Neurosciences in Edinburgh, North Ayrshire Community Hospital, Dumfries and Galloway Royal Infirmary, the Balfour Hospital in Orkney and a national production centre for the Scottish National Blood Transfusion Service for delivery through revenue finance as part of the £750 million pipeline announced in November 2010. We will also complete the roll-out of the hub initiative by the end of 2012 which will support the development and delivery of community-based facilities for NHSScotland and other public sector partners across Scotland. In addition to the flow-through of previously-agreed primary care projects including those in Dumfries, Cupar, Renfrew, Barrhead, Possilpark, Airdrie, Musselburgh, Broadford, Portree, Stornoway, Ayr and Edinburgh, a £200 million pipeline of revenue funded projects will be delivered through the *hub initiative*. Hub companies are established in South East and North Scotland. Procurement for joint venture partners for the East Central, West and South West is underway.

## **Cities**

Cities are vital to the success of the Scottish economy. The more successful our cities and their city-regions are, the more successful Scotland will become. They are home to over half of our population (51 per cent in 2009); they provide well over half of our jobs (60 per cent of all private sector jobs in 2009); and they contribute a disproportionate amount to Scotland's economy (56 per cent of GVA in 2008). We will work with all of Scotland's cities, individually and collectively, to help them optimise their potential. In particular, we will ensure that, as far as possible, our policies are formed and our investment decisions are taken with due regard to the priorities set for our cities and city regions, whether this is in terms of: transport and infrastructure; how we invest in and fund regeneration; how we support the strong cultural identity that is crucial to

the success of our cities; or how we more effectively tackle some of the deep-seated problems that still exist in our cities, such as persistent poverty and health inequalities.

We recognise the benefits that improved connectivity will deliver for Scotland's cities, and that is why we are focusing our transport infrastructure investment 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 Aberdeen Western Peripheral Route (AWPR) and a number of specific improvements to the M8 (the M8 bundle), and we will also contribute to Glasgow's Clyde Fastlink in support of the Commonwealth Games.

We have committed to publishing a Cities Strategy by the end of 2011. As we work with our cities to develop the strategy, we will find opportunities for collaboration to create projects of sufficient scale to attract new and untapped sources of finance.

Spending Plans for 2012-13 to 2014-15 are set out below.

We will:

- invest in evidence-based care and treatment which improves the quality of healthcare services, and increases the value and sustainability of our healthcare system in Scotland;
- establish a major programme to increase the early detection of cancer;
- work in partnership and invest in early interventions in order to secure the best possible start in life for our children, and to support people to improve and maintain their health in order that they can enjoy longer healthy lives;
- work in partnership to establish the most effective, person-centred, safe and sustainable treatment and care for people when they are sick with long term conditions or at the end of their lives to ensure that they are able to live in their homes, or in the community, as long as possible and appropriate;
- support and enable those delivering healthcare services to deliver the highest quality healthcare services;
- provide maximum value in terms of healthcare services by continuously improving quality and efficiency;
- ensure the successful delivery of the 2014 Commonwealth Games; and
- develop a Cities Strategy to maximise the positive impact of investment across portfolios on cities and their regions given their importance to Scotland's economy.

**Table 7.01: Spending Plans (Level 2)**

Level 2	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
NHS and Special Health Boards	8,645.1	8,862.3	9,130.7	9,390.7
Other Health	2,723.6	2,720.7	2,672.3	2,554.8
Sport	66.4	73.7	132.6	207.7
Equalities	20.3	20.3	20.3	20.3
Food Standards Agency Scotland	10.9	10.9	10.9	10.9
<b>Total Portfolio</b>	<b>11,466.3</b>	<b>11,687.9</b>	<b>11,966.8</b>	<b>12,184.4</b>
<i>of which:</i>				
DEL Resource	10,862.2	11,128.4	11,468.3	11,841.4
DEL Capital	504.1	459.5	398.5	243.0
AME	100.0	100.0	100.0	100.0

**Table 7.02: Spending Plans (Level 2 real terms) at 2011-12 prices**

Level 2	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
NHS and Special Health Boards	8,645.1	8,646.1	8,673.8	8,686.3
Other Health	2,723.6	2,654.4	2,538.6	2,363.2
Sport	66.4	71.9	126.0	192.1
Equalities	20.3	19.8	19.3	18.8
Food Standards Agency Scotland	10.9	10.6	10.4	10.1
<b>Total Portfolio</b>	<b>11,466.3</b>	<b>11,402.8</b>	<b>11,368.1</b>	<b>11,270.5</b>
<i>of which:</i>				
DEL Resource	10,862.2	10,856.9	10,894.5	10,953.2
DEL Capital	504.1	448.3	378.6	224.8
AME	100.0	97.6	95.0	92.5

## Health

**Table 7.03: More Detailed Spending Plans (Level 3)**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
<b>Resource</b>				
NHS and Special Health Boards <sup>1</sup>	8,645.1	8,862.3	9,130.7	9,390.7
<b>Education and Training</b>				
Workforce	28.3	31.1	31.1	31.1
Nursing	148.5	148.5	148.3	147.9
<b>Primary and Community Care Services</b>				
General Medical Services <sup>2</sup>	710.4	710.4	710.4	710.4
Pharmaceutical Services Contractors' Remuneration	185.9	185.9	185.4	184.3

General Dental Services	398.7	398.7	398.7	398.7
General Ophthalmic Services	93.0	93.0	93.0	93.0
<b>Improving Health and Better Public Health</b>				
Health Improvement and Health Inequalities <sup>3</sup>	58.5	59.5	61.3	62.9
Pandemic Flu	5.4	7.3	10.0	16.1
Health Screening	3.6	3.0	4.0	4.0
Tobacco Control	12.3	12.3	12.3	12.3
Alcohol Misuse	42.3	42.3	42.3	42.3
Health Protection	40.0	40.0	39.9	39.8
Mental Wellbeing	6.0	6.0	6.0	6.0
Healthy Start	12.4	12.0	13.2	14.5
Mental Health Legislation and Services	16.2	16.2	16.2	16.2
Specialist Children's Services	21.4	21.4	21.4	21.4
Early Detection of Cancer	-	6.7	7.7	12.3
<b>General Services</b>				
Research	68.6	69.5	70.3	70.5
Distinction Awards	26.0	24.0	24.0	24.0
Access Support for the NHS <sup>4</sup>	101.3	27.1	29.1	31.1
Quality Efficiency Support <sup>5</sup>	18.9	18.9	18.9	18.9
Clean Hospitals/MRSA Screening Programme	28.4	28.4	28.4	28.4
eHealth	90.3	90.3	90.3	90.3
Self Directed Support Programme	2.0	5.5	12.0	7.0
Miscellaneous Other Services	115.4	114.0	114.1	115.6
Care Inspectorate	21.4	21.6	21.8	21.9
Provision for Transfer to Health Capital <sup>6</sup>	-	95.0	105.0	120.0
Resource Income	(119.8)	(121.4)	(123.3)	(125.1)
	10,780.5	11,029.5	11,322.5	11,606.5
<b>Capital</b>				
Investment	496.7	473.5	400.5	259.0
Income	(8.5)	(20.0)	(20.0)	(20.0)
Total Capital <sup>7</sup>	488.2	453.5	380.5	239.0
<b>Annually Managed Expenditure</b>				
<b>NHS Impairments</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Total Health	11,368.7	11,583.0	11,803.0	11,945.5
<i>of which:</i>				
DEL Resource	10,780.5	11,029.5	11,322.5	11,606.5
DEL Capital	488.2	453.5	380.5	239.0
AME	100.0	100.0	100.0	100.0

Notes:

1. The 2011-12 baseline has been restated reflecting a number of additional recurrent financial allocations confirmed to NHS Boards and Special Health Boards, funded from central budgets, and announced in February 2011. In addition, a small number of corporate transfers have been included including support funding in respect of Social Care and The Care Inspectorate and eCare.

2. Allocations for 2012-13 to 2014-15 for General Medical Services are still to be decided and are subject to UK pay negotiations with the professional groups concerned.

3. This includes the Physical Activity budget (£3.3 million per year).

4. £76.2 million transferred to NHS Boards from 2012-13

5. Quality Efficiency and Support was previously known as Improvement and Support of the NHS.

6. This provision will be for capital spend that is necessary to help Boards maximise efficiency in revenue benefits.

7. The core capital budget will be supplemented by £750 million of Non Profit Distributing (NPD) and projects through the HUB initiative.

**Table 7.04: Territorial and Special Health Boards spending plans (Level 4)**

Level 4	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
<b>Territorial Boards</b>				
NHS Ayrshire and Arran	574.7	588.0	607.4	626.1
NHS Borders	167.3	170.9	176.5	181.9
NHS Dumfries and Galloway	241.7	247.0	255.1	263.0
NHS Fife	507.1	521.5	538.7	555.3
NHS Forth Valley	402.8	418.8	432.7	446.0
NHS Grampian	691.1	714.3	737.9	760.6
NHS Greater Glasgow and Clyde	1,895.6	1,941.8	2,005.8	2,068.1
NHS Highland	484.8	496.7	513.1	528.8
NHS Lanarkshire	815.6	838.2	865.8	892.5
NHS Lothian	1,054.4	1,093.8	1,129.9	1,164.7
NHS Orkney	31.5	32.8	33.9	34.9
NHS Shetland	36.7	37.7	38.9	40.1
NHS Tayside	596.3	612.1	632.2	651.7
NHS Western Isles	57.7	59.2	61.1	63.0
	7,557.3	7,772.7	8,029.1	8,276.8
<b>Special Boards</b>				
NHS Waiting Times Centre	39.1	39.4	39.8	40.2
NHS Scottish Ambulance Service	197.6	202.0	204.0	206.1
NHS National Services Scotland	266.1	264.2	266.9	269.5
Healthcare Improvement Scotland	17.2	16.5	16.7	16.8
NHS State Hospital	33.2	33.4	33.8	34.1
NHS 24	59.4	59.9	60.5	61.1
NHS Education for Scotland	393.4	391.5	395.4	399.4
NHS Health Scotland	20.2	19.3	19.5	19.7
	1,026.2	1,026.3	1,036.6	1,046.9
Other Income	61.6	63.3	65.1	67.0
<b>Total Territorial and Special Boards</b>	<b>8,645.1</b>	<b>8,862.3</b>	<b>9,130.7</b>	<b>9,390.7</b>

Notes:

1. Budgets for 2012-13 include a recurrent transfer of £76.2 million in respect of access support (waiting times management). Budgets for the period 2012-13 to 2014-15 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 which includes a provision for progressing towards NHSScotland Resource Allocation Committee (NRAC) parity in baseline formula.

## 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 Territorial Boards will receive allocation increases of 2.9 per cent in 2012-13, 3.3 per cent in 2013-14 and 3.1 per cent in 2014-15. 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 in 2012-13, where a differential efficiency target has been set for Special Boards budgets which do not deliver direct patient care.

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 work in partnership to deliver accelerated improvements for key priorities through a continued focus on improving quality by, for example, 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 for statutory compliance and equipment replacement, the capital budget will support the continued 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; the Migdale Community Hospital in Highland; the Airdrie Resource Centre in Lanarkshire; and the Royal Victoria Hospital in Edinburgh.

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 as part of the programme of Non-Profit Distributing (NPD) projects outlined in Chapter 3.

In 2012-13 we will ensure high quality sustainable healthcare services for Scotland for the future and our priorities will be to:

- protect point of care healthcare services;
- implement the Healthcare Quality Strategy;
- continue to protect and enable the most vulnerable in our society by addressing health inequalities and, through early interventions, to support our children;

- 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 implementation of the Patient Rights (Scotland) Act 2010, including the delivery of a Patient Charter of Rights and Responsibilities;
- continue to focus on patient safety by rolling out our successful approaches across acute, mental health and primary care;
- continue to reduce Healthcare Associated Infection;
- support NHSScotland to achieve productivity and efficiency gains without compromising quality, through the implementation of the new *Efficiency and Productivity* plan;
- 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;
- 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 2010;
- implement the provisions of the Alcohol Minimum Pricing Bill which will be laid before the Scottish Parliament in autumn 2011. We believe minimum pricing is the most effective and efficient way of reducing alcohol consumption and hence alcohol related harm in Scotland;
- implement Scotland's first *National Dementia Strategy* and dementia standards in full and take forward the work to improve post-diagnostic information and support and to improve care in general hospital settings for the frail elderly;
- Improve the integration of health and social care. This will involve establishing integrated approaches to support older people and those with long term conditions to remain independent in their own homes or in the community, by a focus across NHS Boards and local authorities on supported self management, reducing unnecessary hospital admissions and speeding discharge after a crisis;
- continue to provide a Change Fund which will increase to £80 million for NHS Boards and partner local authorities to work in partnership to redesign services to support the delivery of new approaches to improved quality and outcomes;
- invest £10 million to implement the 26 recommendations of the Scottish Strategy for Autism. The Strategy will improve diagnosis, support, services and access to services for people with autism and their families;
- continue to address the variation in waiting times for IVF treatment – during this Parliament we will work to establish a maximum waiting time of 12 months;

- introduce the final phase of the *Childsmile* oral health improvement programme with all general dental practitioners participating, to further reduce the health burden of preventable dental disease;
- commence delivery of the three-week waiting time target for alcohol misuse services;
- deliver the Obesity Route Map Action Plan;
- continue to fund Free Personal Care;
- 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;
- maintain our preparedness for a flu pandemic;
- maintain our commitment to improvement innovation and research;
- continue the implementation of the 25 per cent reduction in senior NHS managers;
- continue investment in new and replacement health facilities, IT and equipment;
- continue to fund support for carers and young carers; and ensure carer's experience and knowledge is fully taken into account so that there are improvements in the treatment and care of those who are cared for;
- continue to build on the success of the Sensory Impairment 'one-stop-shop' model of providing centres of excellence for those with a sensory impairment by rolling out additional centres throughout Scotland. We will also develop a Sensory Impairment Strategy which will shape how we deliver sensory impairment provision in the years to come;
- evaluate *The same as you?* to help address the gaps in policy provision that still prevent those with a learning disability enjoying equity in the provision and delivery of healthcare services. It will provide a the map for effective and joined up policy development within the Scottish Government to ensure that those with a learning disability are able to access effective healthcare services; and
- continue to build on the success of the *SurvivorScotland* national strategy by providing further funding for a range of support services for adult survivors of childhood sexual abuse to improve their health and wellbeing and prevent the need to access health and social care services (in particular GP, mental health and addiction services). We will consult on and develop legislation to establish a National Confidential Forum for adult survivors of childhood abuse. This will contribute to the Government's commitment to recognise the rights of victims.



## Sport

**Table 7.05: More Detailed Spending Plans (Level 3)**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Sport	39.2	36.3	35.3	38.3
Glasgow 2014: Delivery of Commonwealth Games	27.2	37.4	97.3	169.4
<b>Total</b>	<b>66.4</b>	<b>73.7</b>	<b>132.6</b>	<b>207.7</b>
<i>of which:</i>				
DEL Resource	50.5	67.7	114.6	203.7
DEL Capital	15.9	6.0	18.0	4.0
AME	-	-	-	-

### What the Budget Does

The Scottish Government is the principal funder (67 per cent) and ultimate guarantor of the Glasgow 2014 Commonwealth Games. The Sport budget, augmented by contributions from Glasgow City Council and commercial income, will provide the operational costs over the Budget period required to stage the 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 success of the Games is also about securing a range of benefits before during and after the Games. In the run-up to the Games, to reach and secure maximum benefit across a wide range of groups, clubs, communities and businesses, we will work to heighten awareness of, and involvement in, legacy activity.

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 as a catalyst to encourage Scotland to become a healthier, fitter and more active nation.

We will continue to use the investment into sport to increase participation levels and medal success. But we will also build on the range of programmes and interventions funded through other portfolios which contribute towards increasing physical activity and encouraging everyone to lead a more active lifestyle, using the power and excitement of the Games and Ryder Cup as a catalyst to get more people active. The new school curriculum will include two hours of PE for all primary school aged children and two periods of PE for secondary school aged 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 used sport as a mechanism to engage young people through diversionary activities.

## Equalities

**Table 7.06: More detailed spending plans (Level 3)**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Promoting Equality	20.3	20.3	20.3	20.3
<b>Total</b>	<b>20.3</b>	<b>20.3</b>	<b>20.3</b>	<b>20.3</b>
<i>of which:</i>				
DEL Resource	20.3	20.3	20.3	20.3
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the Budget Does

The equality budget is used to promote equality and fair treatment for the wellbeing of the people of Scotland. It helps to support the mainstreaming of equality across Government activity and the public sector more broadly, and it is directed at tackling discrimination prejudice and the barriers to equality of opportunity.

In 2012-13, our priorities will be to:

- improve outcomes for the people of Scotland by promoting equality across the range of protected groups and providing support to help eliminate the significant inequalities in Scottish society;
- invest in equality activity and interventions that can make a difference and which contribute to the prevention of inequality and improve the life chances of those experiencing discrimination, prejudice and inequality. This will involve work in relation to addressing violence against women, the integration of asylum seekers and refugees, promoting religious tolerance and understanding, improving outcomes for minority ethnic communities including Gypsies/Travellers, and addressing issues of gender, age, LGBT and disability equality;
- increase the capacity of communities and the engagement of equality groups with mainstream providers and public institutions so that they can contribute to shaping policy and service delivery;
- implement the Forced Marriage etc. (Protection and Jurisdiction) (Scotland) Act 2011; and
- take forward the development and implementation of the public sector equality duties which will provide a robust framework for the delivery and mainstreaming of equality.

In 2012-13 we will:

- sustain and improve participation in sport;
- contribute to the successful delivery of the 2014 Commonwealth Games;
- generate and maintain support for a wide range of games legacy activities among communities and stakeholders;
- implement a network of Community Sports Hubs which will bring together local people to participate in sport and physical activity in their own community;
- support the development of elite athletes focusing on the 17 Commonwealth Games sports to increase our chances of medal success; and
- seek bids for a National Indoor Football Centre to support the development of grassroots football and improve our National game.

## Food Standards Agency Scotland

**Table 7.07: More Detailed Spending Plans (Level 3)**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Food Safety	7.3	7.3	7.3	7.3
Eating for Health	2.0	2.0	2.0	2.0
Choice (making it easier for consumers to make informed choices)	1.6	1.6	1.6	1.6
<b>Total Level 2</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>
<i>of which:</i>				
DEL Resource	10.9	10.9	10.9	10.9
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the Budget Does

The main purpose of the Food Standards Agency in Scotland (FSAS) is to improve food safety, standards and encourage a healthy balanced diet. The primary focus of its work is to protect the Scottish public from the risk of consuming contaminated food, thereby contributing to the Scottish Government's Healthier Strategic Objective. We develop, deliver and implement effective policies, projects, scientific research and consumer engagement events to achieve the Strategic Objectives of the FSA and Scottish Government. In 2012-13, FSAS will continue to deliver against our Strategic Outcomes to achieve the following:

- food produced or sold in Scotland and rest of the UK is safe to eat;
- imported food is safe to eat;
- food producers and caterers give priority to consumer interests in relation to food;
- consumers have the information and understanding they need to make informed choices about where and what they eat;
- regulation is effective, risk-based and proportionate, is clear about the responsibilities of food business operators and protects consumers and their interest from fraud and other risks; and
- enforcement is effective, risk-based and proportionate and is focused on improving public health.



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**CHAPTER 8**  
**Finance, Employment and**  
**Sustainable Growth**

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## PORTFOLIO RESPONSIBILITIES

The Finance, Employment and Sustainable Growth (FESG) portfolio seeks to deliver the Government's Purpose of sustainable economic growth with opportunities for all of Scotland to flourish. Excluding local government (discussed separately) and pensions, the majority of the portfolio's spend is focused on 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 forms a central part of the government's refreshed economic strategy by *maintaining and further developing a supportive business environment and focusing on infrastructure development and place*. The *Government Economic Strategy* sets out in detail the measures that we are taking, across all portfolios, to accelerate Scotland's recovery and support jobs. It also has a key role to play in *Effective Government and Transition to a Low Carbon Economy*. The *Transition to a Low Carbon Economy* is a central component of our new *Government Economic Strategy*<sup>1</sup>. Increasing resources for energy and enterprise demonstrates this Government's commitment to deliver jobs and green energy for business and communities throughout Scotland. It also reinforces Scotland's ambition to be a world leader in developing a low carbon economy.

The portfolio also contributes towards ensuring that we achieve balanced economic growth that provides the most disadvantaged in society with the opportunity to prosper. **Equity**, whether it be social, regional, inter-generational or a combination of these factors, is also seen as a key driver of economic growth. Creating a fairer society, as we stimulate growth and create jobs, is central to this portfolio's focus.

### Maintaining and Further Developing a Supportive Business Environment

We are doing everything within our existing powers to strengthen the growth of the economy as Scotland recovers from the recession; through increasing overall productivity across the Scottish economy; making the transition to a low carbon economy; and boosting jobs and growth.

Scottish businesses are the primary driver of sustainable economic growth. Our ability to succeed as a nation depends critically on the competitiveness of our businesses – both large and small.

Our Programme for Government sets out our approach to delivery. We want to provide a business environment attractive to international growth companies, target support on Scottish companies to internationalise and in particular focusing on those growth companies, sectors and markets which have the potential to drive further growth.

Targeting support to help Scottish companies internationalise is a key priority. Exports are a vital source of growth and will be essential to our future prosperity as world trade

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<sup>1</sup> The Government Economic Strategy can be accessed at <http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy>.

- particularly from emerging economies - continues to expand. We have set a target for Scottish businesses to deliver a 50 percent increase in the value of international exports by 2017, and the efforts of our Enterprise bodies will be directed toward achieving this ambition.

We recognise it is essential for all businesses to easily access the support they need. That is why we are working with our local government partners to ensure that the services provided through Business Gateway can be accessed easily and are joined up effectively with those offered by Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and VisitScotland.

We are also prioritising our efforts to support small businesses. Small and medium enterprises (SMEs) are the bedrock of our economy, accounting for 295,000 of our enterprises and employing over one million people across the country. In addition to continuing with the Small Business Bonus Scheme and the most generous package of business rates relief in the UK, we are taking forward a range of policies to help SMEs grow and take on new workers.

We are looking to streamline the approach to supporting innovation and commercialisation in the coming year to ensure that the support to businesses and universities offered through the FESG and Enterprise and Lifelong Learning (ELL) portfolios is better aligned.

We will continue to work to address the demand for risk capital by companies with the greatest opportunity for sustained growth and exports, using the loan and equity finance provided through the Scottish Investment Bank's Scottish Co-Investment Fund and Scottish Loan Fund to unlock additional funding from banks and other private sector sources.

We are working to introduce four Enterprise Areas in Scotland, including sites with a particular focus on low carbon manufacturing opportunities so as to maximise their economic impact and attractiveness to investment. We will make decisions about the introduction of Enterprise Areas later this year.

We are continuing to support the third sector and encourage the social enterprise model, ensuring its important role in developing programmes of preventative spend in order to improve employability prospects, support better care for the elderly and provide opportunities for young people. The funding for the third sector continues to support equity by strengthening the capacity of the sector to respond at a local level, complementing the work funded by the Health, Wellbeing and Cities Strategy portfolio.

To enable a single regeneration budget to be created, the budget previously held by Scottish Enterprise for assisting development in the Urban Regeneration Companies will now form part of the Regeneration support contained within the Infrastructure and Capital Investment portfolio.

### **Focusing on Infrastructure Development and Place**

In Chapter 13 the investment we are making on improving connections internationally and within Scotland is highlighted.



Improved connections will increase opportunities and allow our communities to flourish. In particular, investment in digital and broadband infrastructure is key to improving access to services and markets across Scotland.

Creating a dynamic infrastructure for research and innovation alongside this will also enable Scotland to compete in those industries such as low carbon, life sciences and digital set to drive the global economy in the years ahead.

Cities are vital to our economy's success. The more successful our cities and city regions, the more successful Scotland will be. That is why we will publish later this year a Cities Strategy to act as the catalyst for collaborative action: between the government and cities; between cities themselves; and between the public and private sectors. We will provide strategic leadership where necessary to galvanise city growth. This renewed focus on cities is being led by the Deputy First Minister in recognition of the significant contribution our cities make towards achieving our Purpose.

### **Effective Government**

Effective government is critical to successful implementation of our Economic Strategy. Closer collaboration across the public sector to deliver priority outcomes can maximise the impact of our actions. We will continue with our public service reforms and improvements to align activities and deepen collaboration, optimising delivery and impact.

Priorities include implementing the recommendations of the *Review of ICT Infrastructure in the Public Sector in Scotland* by John F McClelland, CBE. Simplification and better alignment of information and communications technology (ICT) provides potential savings of around £870 million to the public sector.

The third sector has an important part to play in reforming public services at the local level. We will continue to support the increasing engagement of the third sector in Community Planning Partnerships (CPPs) so that its skills, knowledge and expertise provide the fullest possible support to the delivery of the Single Outcome Agreement benefitting local communities, especially the most vulnerable in each local authority area.

### **Transition to a Low Carbon Economy**

Scotland's competitive advantage in the low carbon economy offers significant business and economic opportunities helping to meet the environmental imperative of reducing carbon emissions. We have set out wide ranging plans to achieve Scotland's low carbon ambitions in: *Low Carbon Scotland: Meeting the Emissions Reductions Targets 2010-2022* (2011); *Conserve and Save* – our Energy Efficiency Action Plan (2010); *A Low Carbon Economic Strategy* (2010); and the *2020 Routemap for Renewable Energy in Scotland* (2011). Our ambitious energy and climate change targets include:

- 42 per cent reduction on emissions between 1990 and 2020;
- 100 per cent of electricity demand from renewable sources by 2020;
- 11 per cent of Scotland's heat demand from renewables by 2020;

- At least 30 per cent of Scotland's overall energy demand (i.e. heat, transport and electricity) from renewables by 2020; and
- 12 per cent decrease in energy consumption by 2020.

Government is delivering on its commitment in the *2020 Routemap for Renewable Energy* by focusing new resource on securing the benefits of renewable energy in Scotland. To propel Scotland towards a low carbon future, we intend to invest a further £60 million of new capital in renewables over the next three years bringing the planned total on renewables to £200 million, and our overall energy related spend to £300 million. The majority of this will be channelled through our enterprise bodies to maximise the support to business, and we will also explore ways to address gender and other inequalities issues in this sector in line with the *Government Economic Strategy* commitment to tackle gender stereotyping and occupational segregation.

We are already witnessing a positive impact with tens of thousands of jobs as well as hundreds of millions in investment.

- Since 2007, we have invested around £30 million to support householders and small businesses with a range of energy efficiency and micro-generation advice, grants and loans through the Energy Saving Trust. Over one million householders and SMEs have received advice and support from the Energy Saving Trust's local advice network since 2007.
- We continue to deliver the Climate Challenge Fund, empowering 345 communities across Scotland to take forward their own solutions to reduce their carbon footprint.
- Our Energy Assistance Package has helped nearly 200,000 people on low incomes reduce their energy bills and keep their homes warm, as well as reducing greenhouse gas emissions.
- The introduction of new energy standards in October 2010 are expected to deliver a 30 per cent reduction in carbon dioxide emissions from new buildings when compared to 2007 standards.
- Through the provision of technical and scientific advice, Historic Scotland is leading on improving the energy efficiency of Scotland's 460,000 traditional buildings.
- Our business resource efficiency programme Zero Waste, has helped more than 800 Scottish businesses to reduce their waste and resource consumption in 2010.
- Working together, the farming sector, Scottish Government and the Scottish Environment Protection Agency have made significant progress in managing diffuse pollution issues in 14 priority catchments. The related Water Environment Restoration Fund also provided funding for 40 projects to address adverse impacts on the water environment resulting from past human activities.

Delivering reductions in energy demand is securing financial savings to hard pressed families and businesses. Through the Spending Review this Government will streamline the delivery landscape for energy efficiency to ensure more effective action at local level. Complementing the significant investment in renewable energy, we will be investing £75 million over the next three years in low carbon technologies and energy efficiency for businesses.

## **OUR NATIONAL OUTCOMES**

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

- 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 have reduced the significant inequalities in Scottish society;
- 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 focusing our efforts on growth companies, growth markets and growth sectors, as set out in the *Government Economic Strategy*, and by enhancing their international competitiveness, we will realise our full economic potential with more and better employment opportunities for our people.

Scotland's energy ambition is to be a world leader in sustainable energy production and use so that Scotland is a leading location for investment in the low carbon economy. Our prime objectives are to deliver more secure and affordable energy supplies to the people of Scotland to help deliver more effectively on fuel poverty and demand reduction targets. 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, better aligned and more efficient government.

Through our portfolio spend; we will contribute to reducing inequalities by developing more responsive services through community engagement, widening access and opportunity and addressing discrimination where it persists. The balanced economic growth we seek draws upon the potential of all in Scotland, and our investment in the improvement of public services and the third sector will provide us with opportunities to explore best practice moving forward.

## **OUR ACHIEVEMENTS**

### **Maintaining and Further Developing a Supportive Business Environment**

Working with our enterprise bodies we have invested in growth companies, growth sectors and growth markets to improve employment opportunities across Scotland.

Scottish Development International, in partnership with Scottish Chambers International and with funding from the European Social Fund, launched Smart Exporter in September 2010. Smart Exporter will deliver a programme of free and subsidised export support to Scottish companies who want to internationalise regardless of size or export experience.

The Scottish Government recently announced the launch of a new online toolkit which will be the first in a range of services to encourage and assist companies as they move into international markets. The online diagnostic tool, delivered through <http://www.sdi.co.uk/> will encourage and assist companies seeking to access international markets.

The new Export Support Initiative, which has been supported by the Scottish Government with £2.5 million, will accelerate the international development of at least 100 companies which currently have zero, or low level exports, and have the potential to reach £0.5 million over a five year period.

More than 80 companies have been contacted over a four week period and the first 50 companies who will participate in the Initiative have been recruited. The next step is to begin a series of export review activities that will reflect on where their export ambitions lie, what they want to achieve and how they will go about this.

This will help businesses make the most of their current skills and expertise in exporting and direct them to the services and advice that they need to expand further. It will allow new exporters to identify and quickly take their first steps towards moving into international markets as well as help existing exporters to grow their activity.

We are also investing in growth sectors. At Edinburgh Bioquarter for example we have invested £52 million so far with the capacity for around 6,000 jobs in life sciences to be created over the next 25 years.

In the Highlands and Islands area we continue to invest in such projects as the Inverness Campus - the Highlands and Islands Enterprise Board has approved up to £25 million to deliver over five years the first phase of the Inverness Campus. An economic impact assessment showed that Inverness Campus could support up to 6,000 jobs over the next 30 years, attract investment of up to £300 million and generate more than £38 million for the regional economy every year.

We continue to provide by far the most generous rates relief for SMEs in the UK. Current figures show 74,000 premises benefit and to date the Small Business Bonus Scheme has reduced the tax burden for Scottish businesses by £300 million providing a major boost during difficult times.

In the third sector we have focused on actions set out in the Enterprising Third Sector Action Plan and have delivered a programme of business support that has led to greater collaborative working and third sector success in tendering and winning contracts. Examples of these are £28.8 million of investment awarded to over 50 organisations from the Scottish Investment Fund and £10.9 million Third Sector Enterprise Fund grant provided to 186 organisations to secure a transformational change in their financial sustainability.

147 individuals have also been assisted in establishing their social enterprise through the Social Entrepreneurs Fund.

We continue to support the delivery of local advice and services to business through Business Gateway and will continue to work with all of our partners to explore how collaboration and joined up services can be further improved. We, along with the enterprise bodies and the Business Gateway Scotland Board, are aware of some stakeholders' views of the need to widen the qualifying criteria for more intensive support to equalise opportunities and address any identified gaps in provision. We are exploring potential approaches as part of the Business Gateway review.

We are entering the second phase of the Scottish Business Portal Programme, which the Scottish Government established to oversee the development of the Business Gateway website into a primary 'portal' for government business advice and services in Scotland. The portal aims to provide a Scottish website where businesses can access all relevant regulation, information and advice from across the public sector from one place, including reserved UK matters, such as the taxation regime.

To make it easier for private and public stakeholders we have modernised our planning system to support our priority of sustainable economic growth, by improving planning performance and delivering an ePlanning programme. We have also ensured that effective and proportionate support is in place for environmental assessments.

We have published our second *National Planning Framework* which sets out a clear strategy for Scotland's long-term spatial development.

Tourism continues to grow and our first Year of Homecoming in 2009 was a great success with over 400 events and more than 95,000 visitors influenced to travel to Scotland. The year delivered a return on investment of nearly 10:1 and exceeded its target by generating £53.7 million in additional tourism revenue for Scotland in what was a difficult year for global tourism.

VisitScotland won four Gold Awards and was given the title Brand Owner of the Year 2011 at the Institute of Promotional Marketing annual awards. We intend to build on this and utilise the marketing expertise within VisitScotland to support other areas of the public sector.

## **Effective Government**

Our *Efficient Government Programme* exceeded its target by £300 million in 2008-09 and by £400 million in 2009-10, and by £600 million in 2010-11, whilst demonstrating our commitment to public sector staff by maintaining a policy of no compulsory redundancies. This meant that we were able to free up finances for investment into key services.

Our *Simplification Programme* has reduced the number of national, devolved public bodies from a baseline of 199 in 2007 to 145, and on present plans this will reduce further to around 114, delivering estimated net savings of around £125 million by 2013 and estimated net recurring savings of £39 million per annum thereafter.

We have audited performance of all 32 local authority building standard verifiers and strengthened governance and local leadership following the reform of Architecture and Design Scotland (A+DS), extending its remit to run a cultural programme on architecture at The Lighthouse architecture centre in Glasgow.

## **Transition to a Low Carbon Economy**

We have already made good progress towards delivering on our ambition to become a low carbon economy that is already bringing in jobs and investment to communities across Scotland.

We have increased by a third the proportion of electricity consumption met by renewables between 2007 and 2009.

We have doubled the proportion of Scotland's heat demand met by renewables between 2009 and 2010. We are on track to meet the target of 11 percent by 2020.

We announced a £70 million National Renewables Infrastructure Fund to leverage private sector investment to develop ports and manufacturing facilities for offshore renewables.

Our £13 million WATERS fund is supporting development and testing of new marine energy prototypes in Scottish waters.

We expect ten wave and tidal energy devices to be grid connected at the EMEC on Orkney by the end of 2011.

Also on tidal energy £2.95 million was awarded on 22 November 2010 to create six new industrial units in Kirkwall for tidal energy developers using the test site at Eday, supporting the European Marine Energy Centre (EMEC) and creating up to 35 jobs.

Our support to the industry continues with the Scottish Energy Laboratory (SEL) launched on 9 February 2011 to strengthen collaboration across 50 energy research, test and demonstration facilities for Scotland's low carbon energy development. In addition on 18 May the First Minister officially launched a new Scottish offshore wind web portal to provide up-to-the-minute signposting for all information relating to this rapidly-emerging industry.

We have successfully promoted the use of well-designed, sustainable places through the ground breaking Scottish Sustainable Communities Initiative (SSCI) and associated Charrette series; and have supported innovative low carbon housing through Scotland's first Housing Expo. Work continues on delivering the recommendations of the Low Carbon Buildings Standards Strategy for Scotland (The Sullivan Report) to improve energy efficiency. We have improved the energy standards for new buildings by over 70 percent when compared to buildings built in 1990.

Our international arm, Scottish Development International (SDI), has helped secure major inward investment in Scotland's renewables sector from world-leading firms Mitsubishi, Gamesa and Doosan.

In March 2011 Doosan Power Systems announced investment of £170 million in Scottish wind power over the next ten years. An R&D centre will be set up near Glasgow, creating 200 jobs, following which the company is looking to establish a manufacturing and assembly facility in Scotland. Doosan expects its offshore wind plans in Scotland to create up to 1,700 new jobs.

In January 2011 the Spanish company Gamesa announced its intention to establish an offshore wind technology centre in Glasgow. Dundee could also benefit from plans to establish a manufacturing and maintenance base in the city. This could represent a further investment of around £40 million in Scotland and the creation of 300 jobs. In June 2011 Gamesa announced it was to create its offshore wind technology centre at Strathclyde Business Park with plans to create up to 180 jobs at the centre over the next three years.

In December 2010 Mitsubishi Power Systems Europe Ltd announced its intention to invest in an engineering facility in Edinburgh to carry out R&D into offshore wind turbine technology. Their presence in Scotland is likely to create up to 200 jobs over the next five years and lever up to £100 million investment into the economy.

In June 2011, Alstom, one of the world's leading power generation and transmission companies acquired a 40 percent stake in Inverness based AWS Ocean Energy Ltd. This is Alstom's first ever investment in the wave energy sector.

In November 2010, Aquamarine announced £8 million investment from ABB, one of the world's leading power and automation technology companies. In September 2011, Aquamarine announced a £3.4 million loan with Barclays Corporate. This is the first ever loan secured by a marine energy project.

The Scottish Government allocated £16 million for over 800 community renewables projects and raised the bar for community benefits from commercial renewables developments by requiring a rate of £5,000 per MW from new wind and hydro developments on the National Forest Estate – twice the standard industry rate.

On 2 June 2011, HSBC's Future of Business report named Glasgow as a green energy "super city", and a leading international force in renewable energy. The world-class electrical engineering department at Strathclyde University, work by scientists at Glasgow University on the use of hydrogen fuels, and decisions by Iberdrola, SSE and Gamesa to locate offshore wind centres of excellence in the city are cited as examples of Glasgow's success.

Steel Engineering, based at Westway, will create a least 120 new jobs, supported by £1.8 million Regional Selective Assistance through Scottish Enterprise - to double its full-time workforce and expand its business, servicing a range of clean energy sectors, including offshore wind, wave and tidal power.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

The reduction of the Scottish Budget for 2012 through to 2015 is unprecedented and this coupled with the impact of recession across the globe and the UK Government's austerity measures has required us to make some tough decisions on our expenditure and priorities.

Within the FESG portfolio, resource and capital budgets are set out at Table 7.01. The portfolio faces real challenges in the period 2012 through to 2015 to ensure that our Enterprise bodies and VisitScotland are resourced to support economic recovery and to provide adequate support to develop a low carbon economy in Scotland that will deliver on our ambitions. We are working to develop and introduce our four Enterprise Areas, host the 2014 Ryder Cup, deliver Themed Focus Years in the lead up to Homecoming in 2014, implement public sector pension reform, and deliver on Local Government Elections commitments.

To deliver these commitments and maximise efficiency and value for money across not only the portfolio but the wider public sector. We are looking to move towards greater alignment, collaboration and shared services with an emphasis on working across organisational boundaries to collectively reduce costs and drive out inefficiencies.

Within the FESG portfolio we will use the Account Management expertise within Scottish Enterprise and Highlands and Islands Enterprise and the marketing expertise within VisitScotland to help maximise income and reduce costs within other public bodies, starting a process that we expect will continue across the public sector.

We are also investing in developing the third sector in order that it can play a full role in reforming our public services; through greater involvement in service design and delivery with an emphasis on developing programmes with a focus on preventative spend. The third sector has a key role to play in delivering the Christie Commission's recommendations on place, collaborative spend in localities and preventative spend. We will be working across Government and the public sector to ensure that the third sector's role can be maximised, supporting greater collaboration between the public and the third sectors both at the local and national levels.

Taking these challenges and possible contributing approaches into account, we have considered the scope for efficiencies and the contribution that spending programmes make to sustainable economic growth and the delivery of portfolio priorities in all areas of expenditure within the FESG portfolio. This is reflected in our allocation of resources across the portfolio.



## **OUR PRIORITIES**

### **Maintaining and Further Developing a Supportive Business Environment**

We will in 2012-13:

- support growth companies, growth sectors and growth markets through maintaining the budgets of our three key business support bodies – SE, HIE and VisitScotland;
- provide support to increase international trade and exports and attract visitors to Scotland;
- better integrate our support for innovation and commercialisation; and
- better align our resources with European Funds to support our growth agenda across the whole of Scotland.

### **Focusing on Infrastructure Development and Place**

We will in 2012-13:

- develop a coherent approach to assisting our cities and city regions in being the engines of growth for the Scottish economy; and
- continue to implement the modernisation of the planning system.

### **Effective Government**

We will in 2012-13:

- continue to progress our public sector reforms;
- encourage the greater use of shared services between public bodies;
- promote the use of skills held by Agencies and NDPBs for the benefit of the wider public sector; and
- implement our response to the John McClelland's *Review of ICT infrastructure in the Public Sector in Scotland*.

### **Transition to a Low Carbon Economy**

We will in 2012-13:

- increase the priority given to securing the opportunities provided by renewable energy;
- implement our *2020 Routemap for Renewable Energy*;
- implement our *Energy Efficiency Action Plan*; and
- invest in action to meet our world leading climate change targets.

Spending plans for 2012-15 are set out below.

**Table 8.01: Detailed Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Public Pensions Agency	3,241.6	3,212.8	3,388.2	3,569.5
Committees, Commissions & Other	11.7	19.9	10.4	10.4
Planning	4.1	3.8	3.6	3.5
Enterprise, Energy & Tourism	410.7	421.2	412.7	406.3
Third Sector	27.0	24.5	24.5	24.5
Accountant in Bankruptcy (AiB)	3.2	2.0	2.0	2.0
Registers of Scotland (RoS)	-	-	-	-
<b>Total Level 2</b>	<b>3,698.3</b>	<b>3,684.2</b>	<b>3,841.4</b>	<b>4,016.2</b>
<i>of which:</i>				
DEL Resource	379.2	416.6	416.8	414.6
DEL Capital	88.7	66.8	49.4	45.9
AME	3,230.4	3,200.8	3,375.2	3,555.7

**Table 8.02: Detailed Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Public Pensions Agency	3,241.6	3,134.5	3,218.6	3,301.8
Committees, Commissions & Other	11.7	19.4	9.9	9.6
Planning	4.1	3.8	3.4	3.2
Enterprise, Energy & Tourism	410.7	410.9	392.0	375.9
Third Sector	27.0	23.9	23.3	22.7
Accountant in Bankruptcy (AIB)	3.2	2.0	1.9	1.8
Registers of Scotland (RoS)	-	-	-	-
<b>Total Level 2</b>	<b>3,698.3</b>	<b>3,594.5</b>	<b>3,649.1</b>	<b>3,715.0</b>
<i>of which:</i>				
DEL Resource	379.2	406.4	395.9	383.5
DEL Capital	88.7	65.4	46.9	42.5
AME	3,230.4	3,122.7	3,206.3	3,289.0

## Scottish Public Pensions Agency

**Table 8.03: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Agency Administration	11.2	12.0	13.0	13.8
Scottish Teachers Pension Scheme	1,424.3	1,434.2	1,500.0	1,568.0
NHS in Scotland Pension Scheme	1,806.1	1,766.6	1,875.2	1,987.7
<b>Total</b>	<b>3,241.6</b>	<b>3,212.8</b>	<b>3,388.2</b>	<b>3,569.5</b>
<i>of which:</i>				
DEL Resource	10.7	11.5	11.9	12.6
DEL Capital	0.5	0.5	1.1	1.2
AME	3,230.4	3,200.8	3,375.2	3,555.7

### 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 develops the regulations covering the National Health Service in Scotland, the Scottish Teachers Superannuation, and the Local Government, Police and Fire pension schemes in Scotland. It determines appeals made by members of these schemes; and provides 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.

On pensions, the UK Government has made it clear that if we do not implement their short-term proposals to increase employee contributions by an average of 3.2 per cent of pay for the unfunded schemes covering the NHS, Teachers, Police and Fire, they will make corresponding reductions in the Scottish Budget over the Spending Review period. This would have a direct detrimental impact upon our ability to support public services.

In 2012-13 we will:

- maintain our core service standards for approximately 450,000 members, pensioners and dependants for the Scottish NHS and Teachers' superannuation schemes; and
- contribute to the development of policy arising from the pension reform agenda in respect of the Scottish Teachers, NHS, Police, Fire and Local Government Schemes; and to commence implementing the necessary administrative arrangements for the NHS and Teachers' schemes.

## Committees, Commissions and Other

**Table 8.04: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Improving Public Services	3.3	3.3	3.5	3.5
Public Sector ICT Policy*	4.7	4.7	4.7	4.7
Local Governance*	1.4	1.4	1.4	1.3
Commissions	0.1	0.2	0.4	0.5
Local Government Elections	2.1	10.2	0.3	0.3
Council of Economic Advisers (CEA)	0.1	0.1	0.1	0.1
<b>Total</b>	<b>11.7</b>	<b>19.9</b>	<b>10.4</b>	<b>10.4</b>
<i>of which:</i>				
DEL Resource	8.7	19.9	10.4	10.4
DEL Capital	3.0			
AME	-	-	-	-

\*note: previously part of 'Improving Public Services'

### What the budget does

The Improving Public Services, Public Sector ICT Policy and Local Governance budgets provide support to programmes and projects designed to improve public sector efficiency and effectiveness. The aim is improved services for people and communities, through a focus on outcomes, good governance and effective accountability. 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 simpler and more efficient government.

The Commissions budget funds the work of the Local Government Boundary Commission for Scotland (LGBCS) which is an advisory NDPB created by Section 12 of the Local Government (Scotland) Act 1973. The LGBCS is responsible for statutory and ad hoc reviews of electoral and administrative arrangements.

The Local Government Elections budget will meet the costs associated with the Scottish Government's initiatives on improving the co-ordination and administration of elections. These initiatives have been introduced to address the problems identified by the independent Gould Report into the 2007 joint local government and Scottish Parliament elections. Spending on elections is cyclical by its nature and larger sums are required in preparation for an election (local government elections are due in May 2012) than in the years between.

The main purpose of the Council of Economic Advisers budget is to support the provision of economic advice to Ministers, both privately in meetings and publicly through its Annual Report. The majority of the costs incurred are due to travel expenses and

subsistence for the members attending meetings. Members are not paid. A small portion of the budget is used to pay for the production of the Annual Report.

In 2012-13 we will:

- implement our response to the John McClelland's *Review of ICT infrastructure in the Public Sector in Scotland*. If fully implemented, this has the potential to deliver a cumulative saving of between £870 million to £1 billion over five years;
- continue the development and operation of enhanced National ICT infrastructure, for example through development of the DirectScot Portal and Customer First programmes to support key public services, such as the National Entitlement Card;
- ensure delivery of local outcomes, which in turn help to achieve Scotland's National Outcomes, by supporting Community Planning and wider community engagement. The 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;
- continue to support the development of Business Improvement Districts across Scotland;
- provide an electronic counting system to all local authority areas in Scotland to enable the accurate and timely counting of ballot papers in the May 2012 local elections;
- work with the Electoral Commission to develop and deliver a public awareness and information campaign ahead of the local government elections;
- fund the recently established Electoral Management Board for Scotland;
- support the Electoral Commission in the exercise of its statutory activities in relation to local government elections (conferred by the Local Electoral Administration (Scotland) Act 2011); and
- support local authorities with the costs of running a local government election separately from a Scottish Parliament election in line with the commitment made by the Scottish Government during the passage of the Scottish Local Government (Elections) Act 2009.

## Planning

**Table 8.05: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Planning	1.5	1.2	1.2	1.2
Building Standards	0.3	0.3	0.2	0.2
Architecture and Place	1.6	1.6	1.5	1.4
Planning and Environmental Appeals	0.7	0.7	0.7	0.7
<b>Total</b>	<b>4.1</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>
<i>Of which:</i>				
DEL Resource	3.9	3.7	3.5	3.4
DEL Capital	0.2	0.1	0.1	0.1
AME	-	-	-	-

### What the budget does

The Planning budget supports key elements of the planning modernisation programme including: 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 (PAS); the Planning Development Programme which is designed to ensure the planning services have the skills and competences required to make the system work effectively; and monitoring delivery of the development strategy set out in the National Planning Framework. This budget also supports PAS in carrying out equality impact assessments focusing on engaging individuals and communities across Scotland.

The Building Standards budget provides for the preparation and updating of 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 budget provides sponsorship to the NDPB, A+DS, which carries out a variety of advisory roles to improve the quality of Scotland's built environment and to support sustainable place-making. It also provides funding that supports the National Outcome that *we value and enjoy our built and natural environment*, including efforts aimed at mainstreaming sustainable design and supporting the 'greener' objectives of government.

Planning and Environmental Appeals budget provides for determination of 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 2012-13 we will:

- continue the implementation of a modernised planning system to support sustainable economic growth and ensure the right development is located in the right place. This will include: further reform of domestic and non-domestic permitted development; promotion of good practice; and refining aspects of the planning legislation based on emerging experience;
- continue to support planning's role in sustainable economic growth and recovery. This will include: ensuring greater focus on development delivery and viability through development plan action programmes; better liaison with the business community; examining innovative ways of funding infrastructure including development charges; concluding a best practice programme on CPO use; culture change and skills development;
- continue progress towards a well resourced planning system with an appropriate system of fees and charges in the context of a new performance framework agreed across local and central government, agencies and the private sector;
- continue to focus on the delivery of better places through mainstreaming the Scottish Sustainable Communities Initiative (SSCI) and other exemplars such as the 2014 Commonwealth Games Village. The SSCI encourages development that provides economic, social and environmental, including health benefits, to new and regenerated communities;
- support the work of A+DS in championing the highest standards in architecture and placemaking across all sectors, advocating a better understanding of the importance and economic value of quality design in both the public and private sectors;
- reduce the local and global environmental impact of our consumption and production;
- prepare legislation to increase the energy efficiency of existing non-domestic buildings and review energy standards for new buildings for 2013;
- continue to provide support to facilitate robust but proportionate environmental assessment of development plans;
- through A+DS we will also promote sustainable, low carbon design in the built environment;
- 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; and

- continue to support engagement in the planning system, including through the grant funding of Planning Aid for Scotland for its core services to communities and individuals across Scotland.

## Enterprise, Energy and Tourism

**Table 8.06: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Enterprise Bodies	283.4	322.0	326.2	330.2
Industry and Technology Grants	45.2*	-	-	-
Energy	34.6	64.3	56.2	60.0
Tourism	41.0	49.1	49.5	50.3
Innovation and Industries	5.8	5.8	5.8	5.8
Scottish Development International	0.7*	-	-	-
Strategic Forum	-	-20.0	-25.0	-40.0
<b>Total</b>	<b>410.7</b>	<b>421.2</b>	<b>412.7</b>	<b>406.3</b>
<i>of which:</i>				
DEL Resource	325.7	355.0	364.5	361.7
DEL Capital	85.0	66.2	48.2	44.6
AME	-	-	-	-

Note: Industry and Technology Grants and Scottish Development International from 2012 onwards are contained within the Enterprise Bodies budget line

## What the budget does

The Enterprise budget is focused on supporting growth companies, sectors and markets. Scottish Enterprise and Highlands and Islands Enterprise will have the flexibility to use resource budget to support capital programmes in pursuit of these objectives.

The Enterprise bodies' budget funds SE and HIE and from 2012 onwards includes the Scottish Development International (SDI) budget element for supporting local SDI services to companies that wish to internationalise. 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, providing finance through the Scottish Investment Bank 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 area, HIE also plays an important role in strengthening local communities, particularly in some of Scotland's most fragile areas. Our enterprise bodies actively embrace the opportunities that an equality and diversity approach provides, ensuring that their projects and work with local communities in particular benefits from this.



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. Responsibility for both grants transferred to SE on 1 April 2011 and are included in the enterprise bodies budget line from 2012-13.

The Energy budget supports activities that contribute towards the achievement of Scotland's energy ambition which is to be a world leader in sustainable energy production and use so that Scotland is a leading location for investment in the low carbon economy.

Targeted investment in renewable energy in partnership with our enterprise bodies will act as a key motor of the Scottish economy. Scotland is blessed with abundant energy resources and we are committed to taking full advantage of the opportunities that exist in transforming to a low carbon economy. Renewable energy and low carbon technologies are two growth sectors, and through our renewable wealth we will reindustrialise Scotland as we research, develop, engineer, fabricate, install, export, and service the new energy systems and clean technologies that will power this century.

Over the course of the Spending Review period, there will be £300 million spent on energy related projects, of which £200 million will be spent on supporting renewables. As part of this, a new £60 million capital budget will be allocated to renewable energy proposals, including to SE and HIE over and above their agreed expenditure lines, to support inward investment developments in offshore wind and support for marine energy projects and infrastructure.

The Tourism budget supports VisitScotland, enabling it to continue to undertake award-winning campaigns to promote Scotland as a tourism destination, both within the UK and in key overseas markets. As part of wider equalities actions, VisitScotland is working with partners to boost *accessible tourism*, with a particular focus on disabled and older people.

Our continuing levels of support to VisitScotland reflect the scale of the opportunity that events like the Ryder Cup, the Olympic and Commonwealth Games and the next Year of Homecoming present to grow tourism in Scotland and realise significant short term economic return.

We are seeking 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. We are looking to streamline the approach to supporting innovation and commercialisation in the coming year to ensure that the support to businesses and universities is better aligned. The Innovation and Industries budget in FESG funds Scottish Executive Expertise, Knowledge and Innovation Transfer

(SEEKIT) and Knowledge Transfer Partnerships (which will be managed by the Scottish Funding Council going forward) and Innovators Counselling and Advisory Service for Scotland (which is managed by SE).

The aim has been to try to maintain enterprise bodies and VisitScotland's operating budget despite the tight overall Spending Review settlement for Scotland so that they can continue the important work they undertake in implementing the *Government Economic Strategy* and increasing sustainable economic growth. Ministers have challenged the bodies included in the Strategic Forum (SE, HIE, VisitScotland, Skills Development Scotland and the Scottish Funding Council) to work together, and with other public bodies, to achieve savings of £20m/£25m/£40m over the Spending Review period. It is anticipated that they will do this through greater collaboration and alignment, including further work to integrate and streamline back-office and corporate services and potential asset sales. They are also being asked to use their expertise to assist other public bodies to achieve savings and/or increased income – for example, VisitScotland will use its acknowledged expertise in marketing to help other public bodies to improve the efficiency and effectiveness of their marketing and SE and HIE will use their expertise in delivering business and commercial advice to assist other public bodies to explore the potential for increased income generation.

In 2012-13 we will:

- support more companies to trade overseas and look to attract new inward investment;
- support businesses and social enterprises to shape and realise their growth aspirations;
- capitalise on existing competitive advantage in renewables to attract investment
- and establish a strong supply chain. We published an updated and expanded Routemap on 30 June 2011, built around the challenge of our new targets; in particular to meet an equivalent of 100 per cent demand for electricity from renewable energy by 2020, as well as our target of 11 per cent renewable heat;
- create the conditions for a competitive and low carbon economy. We will continue to pursue efficiencies (e.g. through the creation of a single Scottish Energy and Resource Efficiency Service) and explore alternative sources of funding such as EU, private finance and local authority funding;
- develop growth sectors and look to maximise distinctive regional opportunities;
- streamline investment in innovation and commercialisation to boost productivity and translate great business ideas into great business practice;
- consider how best to introduce four Enterprise Areas in Scotland, including exploring the creation of sites with a particular focus on low carbon manufacturing opportunities so as to maximise their economic impact and attractiveness to investment. We will make decisions about the introduction of Enterprise Areas later this year; and

- provide core grant to VisitScotland to allow it to :
  - deliver high yield marketing campaigns overseas and in the UK and harness the potential for tourism over the next three years by maximising the opportunities presented by major events taking place in the run up to, and during, 2014;
  - deliver major conferences via the VisitScotland Bid Fund;
  - grow Scotland's reputation as a quality destination through VisitScotland's Quality Assurance advisory services;
  - deliver the Themed Years and Homecoming 2014; and
  - strengthen and promote Scotland's events industry and help deliver the *National Events Strategy*.

### Third Sector

**Table 8.07: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Third Sector	24.0	23.5	23.5	23.5
Scottish Investment Fund	3.0	-	-	-
Reducing Re-offending Change Fund	-	1.0	1.0	1.0
<b>Total</b>	<b>27.0</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>
<i>of which:</i>				
DEL Resource	27.0	24.5	24.5	24.5
DEL Capital	-	-	-	-
AME	-	-	-	-

Note: Scottish Investment Fund was originally set up to run from 2008 – 2011; we extended this to the end of 2011-12.

### What the budget does

The Third Sector budget helps to grow and strengthen the sector. From 2012-13 Scottish Investment Fund will be incorporated within the Third Sector budget. This will enhance the sector's ability to play a full role in the Scottish economy and in the reform of public services. It will better position the third sector to ensure that individual users, social enterprises and communities are at the centre of service design so that opportunities are maximised in the development of preventative programmes.

Third Sector activity centres on support for the development of a thriving third sector that is a key social partner in decisions around the design and delivery of public services. This will be achieved by focusing on building the capacity and credibility of third sector input to public policy, ensuring that it can respond positively to a stronger and growing role in public life. More specifically to increase its potential economic contribution we will encourage the social enterprise model, whilst ensuring its

important role in developing programmes of preventative spend are realised enhancing its potential for improving employability prospects, better care for the elderly and providing opportunities for young people.

The Reducing Re-offending Change Fund is a fund that will support innovation and increase the impact and coverage of interventions that help to reduce reoffending and supports work within the Justice portfolio.

In 2012-13 we will:

- provide strategic support to encourage effective engagement between third sector and Community Planning Partnerships;
- provide business development support that delivers third sector growth, skills development and opening public sector markets;
- direct investment in enterprising third sector organisations and the development of new finance models; and
- work across the Scottish Government to identify and exploit opportunities for third sector engagement and to increase the role of the third sector in the transformation of public service delivery.

## Accountant in Bankruptcy

**Table 8.08: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Accountant in Bankruptcy	3.2	2.0	2.0	2.0
<b>Total</b>	<b>3.2</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<i>of which:</i>				
DEL Resource	3.2	2.0	2.0	2.0
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the budget does

Accountant in Bankruptcy (AiB) is an Executive Agency of the Scottish Government. 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. 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 2012-13 we will:

- deliver, in conjunction with stakeholders, a range of options for individuals seeking debt relief and debt management;
- support Ministers to develop and refine policy; and
- supervise the process of debt relief.

## Registers of Scotland

**Table 8.09: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Registers of Scotland	-	-	-	-
<b>Total</b>	-	-	-	-
<i>of which:</i>				
DEL Resource	-	-	-	-
DEL Capital	-	-	-	-
AME	-	-	-	-

## 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.

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**CHAPTER 9**  
**Education and Lifelong**  
**Learning**

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## **PORTFOLIO RESPONSIBILITIES**

The Education and Lifelong Learning portfolio is responsible for government policy related to improving outcomes for children, young people and, in collaboration with Health and Social Care Directorates, 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 and Gaelic language and broadcasting. The majority of the budget is, however, contained within the local government settlement which provides for local authority delivery of school education.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

Education and lifelong learning are key contributors to economic recovery and the long-term economic growth in which we want everyone across Scotland to share.

We are enabling people 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 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. Evidence shows us that this is where we can make the biggest impact, improving the life chances for our most vulnerable children.

Investment to support the implementation of the *Curriculum for Excellence* will ensure that our young people will have the capacity to flourish in the labour market of the future. The *Curriculum for Excellence* will enhance the prospects of a generation of our young people, providing them with the skills and behaviours they will need in order 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 level skills which lead to individual prosperity and which will underpin our future economic growth. The *Opportunities for All* initiative will offer all 16-19 year olds not already in learning or a job, a training or education opportunity appropriate to their needs. This supports our ambition to develop the skills of all of our young people to ensure they are equipped to make a successful move into the world of work. Our long term economic success depends on having highly skilled people who can capitalise confidently on opportunities, adapt to changing demands, create and develop new knowledge and harness the potential of technological advances.

The portfolio also supports a range of measures to promote Gaelic and Scots which have an important cultural and economic impact.

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 on prosperity. The portfolio supports our collective efforts across Government to advance Scotland's position as an environmental leader, and to ensure that we make the most of the economic opportunity that this provides. Over a thousand Scottish schools now have 'Green Flag' status, and the portfolio continues to support sustainability and 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.

## NATIONAL OUTCOMES

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

- 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.
- 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.
- We realise our full economic potential with more and better employment opportunities for our people.
- We take pride in a strong, fair and inclusive national identity.
- We have tackled the significant inequalities in Scottish society.

In partnership with other portfolios, the portfolio 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 the delivery of effective, child-centred services that prevent adverse outcomes and provide early and effective support to children and their families. We also work in partnership with other portfolios in development of the workforce capacity and leadership needed to improve outcomes for users of social services.

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 national support and challenge through the newly established Education Scotland.

Covering all aspects of education and lifelong learning, including employability and skills, community learning and development and science, the portfolio supports our efforts to both *realise our full economic potential with more and better employment opportunities for our people* and *tackle the significant inequalities in Scottish society*. This is particularly important at a time when we are continuing to secure sustainable 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 by pressure on public spending. By investing in education and skills, and promoting innovation in research, we are preparing individuals for the modern Scottish labour market, and using the talents and skills of all our people, which will help build solid foundations for longer term growth.

The portfolio supports and funds a range of Gaelic and Scots policies and programmes which make a significant contribution to *a strong, fair and inclusive national identity*. Our support for Gaelic through education, media and other sectors will seek to create a secure future for Gaelic in Scotland.

## ACHIEVEMENTS

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. This has included the appointment of 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, which culminated in her *Joining the Dots* report. We backed this with investment of £6.8 million in an Early Years Early Action Fund, supporting the third sector to help improve life chances and ensure our children get the best possible start in life. We are also:

- improving child protection practice through inspections of each of Scotland's 30 Child Protection Committees and the published new national guidance;
- implementing the Protection of Vulnerable Groups (Scotland) Act 2007, protecting both children and vulnerable adults;
- delivering legislation through Parliament to strengthen and modernise the Children's Hearings System;
- strengthening choice and decision-making for looked-after children;
- raising the minimum age of prosecution from 8 to 12 and investing in early intervention to reduce the number of young people subject to the criminal justice system.

To support delivery of these priority areas, we are continuing to roll out the business, systems and culture change approach of *Getting it Right for Every Child*.

The last parliamentary session saw *Curriculum for Excellence* introduced in all publicly funded schools, from August 2010. Evidence from Inspectors shows that schools up and down the country are making strong progress in implementation. Among other improvements, the development of literacy and numeracy skills is now clearly the responsibility of all teachers, with work underpinned by the first ever national *Literacy Action Plan*.

We have also successfully set up Education Scotland, our new quality and improvement agency, tasked with ensuring the best possible national support and challenge for educational professionals as we drive forward *Curriculum for Excellence*.

As well as ensuring that the learning opportunities that our children experience are of the highest quality, we have also been working in partnership with local government so that the education system provides the best possible environment and resources to support their learning:

- delivering all time low class sizes. The 2010 Schools Census shows that the average primary school class size is the lowest ever, at 23.1; and 21.6 per cent of P1-P3 pupils are in classes of 18 or fewer;
- those smaller classes are being taught by increasingly high quality teachers. We have established a National Partnership Group to implement the recommendations in the Donaldson Review of Teacher Education in Scotland;
- 330 school building projects (12.5 per cent of all schools) were completed in the last Parliament. This helped to ensure that the number of pupils in good or satisfactory condition schools increased from 426,000 (61 per cent) in 2006-07 to 548,000 (82 per cent) in 2009-10;
- We have launched the Commission on Rural Education with COSLA to revitalise delivery of high quality education for young people in rural communities.

Parents' satisfaction with the education provided by their child's school remains very high; over 90 per cent of parents agree with the statement 'I am satisfied with the education provided by the school' in the *Scottish Household Survey*. We are committed to maintaining and improving these high standards.

We have continued to support the Gaelic language. We have supported the establishment of BBC ALBA, to make an important contribution to the vitality of the Gaelic language.

We launched the *Skills for Scotland* strategy and refreshed it in response to the changing economic environment; established Skills Development Scotland (SDS) to ensure Scotland has a focal point for the skills and training response to economic recovery; and reviewed and invested additional resources in vital Modern Apprenticeships.

To improve wealth creation and equity and make full use of people's skills, we abolished the graduate endowment fee in 2008. We also invested an additional £30 million in a new package of student support from 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 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.

To respond to feedback from employers, we have introduced Flexible Training Opportunities in 2010-11, providing a further 7,000 places in 2010-11 to help employers with less than 150 employees continue to invest in staff development.

We have contributed to improving access to employment opportunities too. For example, our investment in training and skills support – we have invested £150 million to help thousands of individuals and hundreds of employers through the recession.

We continue to invest in Scotland's young people, giving them access to a wide range of opportunities and support to get the skills they need for employment, including:

- driving the modernisation of Scotland's career services, particularly SDS's *My World of Work* – the first tangible example of how an online service can complement the vital career Information Advice and Guidance (IAG) support SDS's offers individuals;
- new and improved provision for vulnerable young people – investing £10 million in Activity Agreements pilots in 10 local authorities between 2009-11;
- investing £13.4 million over the period 2008-11 to support 22 Inspiring Scotland ventures across Scotland;
- providing places for over 21,000 new apprentices to start training in 2010-11 and creating 25,000 new Modern Apprenticeship opportunities for 2011-12. Most of these opportunities will be taken up by young people;
- putting in place support for 14,500 places to help all unemployed people access jobs; and
- maintaining the number of core university and college places for academic year 2011-12, and maintaining living costs support for students in higher education.

We are providing significant financial investment in 2011-2012 to ensure the opportunities and support for all our young people are available to enable them to progress into jobs:

- **£2 billion** investment in colleges, universities and national training programmes for a wide range of client groups. Young unemployed people and young people at risk of unemployment identified as a priority group in guidance to both the Scottish Funding Council and Skills Development Scotland;
- **£31.6 million** – continuing our support for Education Maintenance Allowances;

- **£2.8 million** – to support our *More Choices More Chances* strategy and to ensure delivery of 16+ Learning Choices as a universal offer to all young people (up to age 19) whenever they leave post-16 learning;
- **£4 million** – to local authorities as part of a national roll out to deliver Activity Agreements on the back of the successful pilots; and
- **£4 million** – to Inspiring Scotland’s 14-19 Fund to support organisations delivering programmes for young people at risk of disengaging or who have disengaged from learning.

## MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

The scale of the total reduction in the Scottish Government’s budget for this Spending Review has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. There will be a variety of demands on the portfolio’s resources throughout the Spending Review period.

Taking these 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.

This publication makes clear some substantial adjustments to the Scottish Funding Council’s further education provision. We will accommodate these through savings realised through our review of post-16 learning, *Putting Learners at the Centre*. This review will re-focus colleges towards supporting young people (and take account of the falling numbers of the 16-24 cohort in the years ahead) and those who need up-skilling to get a job. Additionally, we shall rationalise provision associated with qualifications that lack currency in the labour market and have had no testing against national standards for employer or vocational need; and we will tighten up funding arrangements in respect of those who leave their course early. Finally, we will generate efficiencies through a programme of collaboration and merger, predicated on a move towards regional commissioning.

In addition, we have made a modest reduction in Skills Development Scotland’s allocation for 2012-13, but this reflects the fact that we expect SDS to continue its drive for greater efficiencies and continue to redesign the services it offers. We are committed to delivering 46,500 new training opportunities in 2012-13 and beyond. Despite the constraints on our budgets, we are again guaranteeing that no existing student will see their living costs support decrease in academic year 2012-13.

## OUR PRIORITIES

In this Spending Review period we will:

- continue to focus resources on supporting improved outcomes for children, young people and, in collaboration with Health and Social Care Directorates, users of social care. We will continue to prioritise investment in the first years of life – where we will have the biggest impact – and preventative spend at the earliest point where problems emerge. 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;
- continue to give priority to early years and early intervention through ongoing investment of £6.8 million in our Early Years Early Action Fund. This will make additional funding available to the third sector for early years and early intervention activities. In these difficult economic times, this fund will work to improve life chances, building 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 the funding that we provide to the third sector to support children and young people facing the greatest difficulties, including those with disabilities or those living with substance abuse in their families;
- continue to invest to improve life chances. We will support continued delivery of the *Early Years Framework*, the ongoing reform of the children’s hearings systems; and the continued roll-out of *Getting it Right for Every Child* to ensure that every child and family gets the support and help they need when they need it. We will prepare for the introduction of a Rights of Children and Young People Bill in 2012 and a Children’s Services Bill later in the Parliament;
- work with partners to implement the *Curriculum for Excellence*. A key aspect of this will be our funding of the development of a new generation of national qualifications for introduction from 2013-14 which will retain the strengths of the current arrangements and better prepare young people for the challenges of the 21st century;
- continue to support the thousands of excellent teachers who are delivering the *Curriculum for Excellence* to improve outcomes for children and young people. We will work with Education Scotland and other key partners to support schools, ensure the ambitious challenges set out in Professor Graham Donaldson’s Review of Teacher Education are met and consider the outcomes of Professor Gerry McCormac’s Review of Teacher Employment in Scotland;

- continue to invest in the school estate across the length and breadth of the country. We will reduce the number of children in poor condition schools by half again during this Parliament and, working with local authorities, build on the 37 school building projects already announced – at least one in every local authority area – from the £1.25 billion *Scotland's Schools for the Future* programme;
- continue, primarily through the Scottish Social Services Council, to drive and support the development of a competent, confident and valued social services workforce;
- in line with our manifesto commitments we will continue to invest in a range of measures to support the Gaelic language. Our aim in this is to create a secure future for Gaelic in Scotland, and our focus is to create a stable population of Gaelic speakers;
- ensure support is provided for the unemployed, young people, making the transition into work and upskilling within the existing workforce, by delivering 100,000 training opportunities;
- invest in 25,000 modern apprenticeship new starts, the highest ever number. We will maintain this throughout the period of the Spending Review;
- maintain free access to higher education by ensuring that the opportunity to learn is based on ability to learn, not the ability to pay. We will invest significant sums in higher education over the period of this Spending Review. This settlement for universities, when taken together with our proposals on fees for students from the rest of the UK and the measures to improve efficiency across our institutions, will ensure that we maintain a university sector that is internationally competitive and truly excellent in world terms;
- reform post-16 education to produce a better learner journey that equips people with the right skills to enter and stay in work. We have published *Putting Learners at the Centre*, a pre-legislative paper setting out our plans for skills, further and higher education. As part of this, we will deliver our manifesto commitment for a minimum student income in higher education of £7,000 starting with the poorest students. The aim of our programme of reform is to best support jobs and growth, improve life chances and deliver better outcomes with the resources we have. As part of this, we have already begun separate reviews of university and college governance;
- support local partnerships to deliver our *Opportunities for All* initiative and the roll out of Activity Agreements to support our most vulnerable 16-19 year olds;
- continue to provide Education Maintenance Allowances and implement our new Careers Strategy with more and better support for those who need it most;
- support employers and help people find jobs to support themselves and their families by seeking the best possible outcomes for Scotland's people and the Scottish economy from the UK Government's Welfare Reform programme; and

- refresh our approach to employability to reflect the significant changes in both the economy and the delivery landscape. Working closely with Jobcentre Plus to create a more coherent offer of support to both jobseekers and employers.

Spending plans for 2012-13 are set out below.

**Table 9.01: Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Learning	177.2	193.2	180.0	172.5
Children & Families	95.5	100.6	96.5	93.0
Employability Skills & Lifelong Learning	244.4	240.4	248.0	244.5
Scottish Further & Higher Education Funding Council	1,570.3	1,577.7	1,590.0	1,596.7
Higher Education Student Support	516.6	558.0	744.4	854.6
<b>Total</b>	<b>2,604.0</b>	<b>2,669.9</b>	<b>2,858.9</b>	<b>2,961.3</b>
<i>of which:</i>				
DEL Resource	2,338.3	2,395.5	2,460.3	2,505.4
DEL Capital	163.2	148.6	108.8	108.1
AME	102.5	125.8	289.8	347.8

**Table 9.02: Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft budget £m	2013-14 Plans £m	2014-15 Plans £m
Learning	177.2	188.5	171.0	159.6
Children & Families	95.5	98.2	91.7	86.0
Employability Skills & Lifelong Learning	244.4	234.5	235.6	226.2
Scottish Further & Higher Education Funding Council	1,570.3	1,539.2	1,510.4	1,476.9
Higher Education Student Support	516.6	544.4	707.2	790.5
<b>Total Portfolio</b>	<b>2,604.0</b>	<b>2,604.8</b>	<b>2,715.9</b>	<b>2,739.2</b>
<i>of which:</i>				
DEL Resource	2,338.3	2,337.1	2,337.2	2,317.5
DEL Capital	163.2	145.0	103.4	100.0
AME	102.5	122.7	275.3	321.7

## Learning

**Table 9.03: Learning More Detailed Spending Plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
People & Infrastructure	65.3	88.4	72.7	66.0
Strategy & Performance	16.3	16.2	15.2	14.2
Learning & Support	46.5	43.3	47.7	49.1
Gaelic	20.3	20.6	21.1	21.2
Education Scotland	28.8	24.7	23.3	22.0
<b>Total Level 3</b>	<b>177.2</b>	<b>193.2</b>	<b>180.0</b>	<b>172.5</b>
<i>of which:</i>				
DEL Resource	111.3	109.8	118.5	121.7
DEL Capital	65.9	83.4	61.5	50.8
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 15.

The Learning Directorate budget delivers national challenge and improvement support for education. It funds Education Scotland and the Scottish Qualifications Authority.

In 2012-13, working with national partners and local government, we will:

- deliver national support for local delivery of *Curriculum for Excellence* including development of new qualifications and implementation of the assessment framework, ensuring that all children are able to benefit and their needs met;
- focus on improving attainment for all our children and young people.
- continue to implement the Donaldson review of teacher education, in order to develop excellent learning and teaching, supported by improved educational leadership;
- invest in a fit-for-purpose school estate through the *Scotland's Schools for the Future* programme.
- support the vitality of Gaelic, working with Bòrd na Gàidhlig and with MG ALBA.



## Children and Families

**Table 9.04: Children and Families – More Detailed Spending Plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Care & Justice	35.7	36.3	34.8	33.1
Children's Rights & Wellbeing	7.8	7.4	7.0	6.6
Disclosure Scotland	10.0	10.3	7.2	6.1
Early Years & Social Services Workforce	34.4	43.3	43.9	44.3
Education Analytical Services	3.5	3.3	3.6	2.9
Former SWIA Budget*	4.1			
<b>Total</b>	<b>95.5</b>	<b>100.6</b>	<b>96.5</b>	<b>93.0</b>
<i>of which:</i>				
DEL Resource	89.6	96.5	95.5	92.5
DEL Capital	5.9	4.1	1.0	0.5
AME	-	-	-	-

\*the role of the Social Work Inspection Agency (SWIA) has now been incorporated into Social Care and Social Work Improvement Scotland – Care Inspectorate

### What the budget does

Most of the expenditure on children's services is channelled through local authorities.

The Children and Families budget primarily supports the functions of the Scottish Children's Reporters Administration and Scottish Social Services Council and, from this financial year, the establishment of Children's Hearings Scotland, building on the reform of the children's hearings system. It provides support for specific workforce development activities for the social services sector and also for Centres for Excellence, providing training and support for the workforce on specialist areas such as residential child care and youth justice. It also supports a broad range of activity to improve children's services, including commitments shared with local government, such as the development of strategic commissioning strategies and improvements to care and permanence planning for looked after children.

In 2012-13 we will:

- i) **Have a greater focus on early years by:**
  - introducing legislation on the rights of the child and young people;
  - consulting on legislation for the early years and early intervention – a draft Children's Services Bill for introduction later in this parliamentary term;
  - introducing an Early Years and Early Intervention Change Fund and working with partners to focus Scottish public sector spend on early intervention, accelerating the implementation of the *Early Years Framework*;
  - delivering the next phase of the *PlayTalkRead* programme and developing a national parenting strategy that encourages agencies to work together to support new parents, giving parents the skills they need to best support their children; and

- In addition, we will develop support for families to meet a range of needs, including a new generation of family centres, flexible childcare options, and support for families in conflict.

ii) Help improve the life chances of vulnerable children and young people by:

- continuing the implementation of *Getting it Right for Every Child*, ensuring that universal services deliver for the most vulnerable children;
- implementing the Children's Hearings (Scotland) Act 2011 to improve outcomes for children and young people, and their families, who experience the Children's Hearings System;
- working with partners to strengthen strategy and practice around looked after children and young people, children and young people at risk of going into care and young people who offend, giving a greater focus to earlier and more effective interventions to improve outcomes for some of our most vulnerable children and young people, and their families and communities, and to reduce the bureaucratic burdens on those working with them;
- driving and supporting the development of a competent, confident, valued social services workforce, primarily through the Scottish Social Services Council.
- working with the Care Inspectorate to develop a new integrated children's services inspection, ready for piloting in 2012; and
- improving guidance for frontline child protection professionals: - on working with children affected by parental substance misuse; in families where disability is a key factor; on assessing the risks for vulnerable children; and on training.

## Employability Skills & Lifelong Learning

Table 9.05: More detailed spending plans (Level 3)

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Colleges & Adult Learning	9.1	7.9	7.7	7.0
Employability & Tackling Poverty	1.2	1.2	1.0	1.0
Higher Education	2.2	2.0	2.0	2.0
Office of the Chief Scientific Adviser	6.4	6.0	5.5	5.5
Youth Employability & Skills	44.2	46.9	44.4	44.0
Skills Development Scotland	181.3	176.4	187.4	185.0
<b>Total</b>	<b>244.4</b>	<b>240.4</b>	<b>248.0</b>	<b>244.5</b>
<i>of which:</i>				
DEL Resource	244.4	240.4	248.0	244.5
DEL Capital	-	-	-	-
AME	-	-	-	-

## What the budget does

These 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 2012-13 we will:

- maintain access to free higher education;
- continue to fund the Education Maintenance Allowances for young people in school and college;
- deliver 25,000 Modern Apprenticeship opportunities;
- implement *Opportunities for All* an initiative which will offer an education or training place to every young person under 19 who is not already in a modern apprenticeship, job or learning; and
- maximise our science spending against Government outcomes. Our priorities will be Scotland's four science centres, its family of science festivals, its science engagement outreach programmes and certain programmes delivered by the Royal Society of Edinburgh.

## Scottish Funding Council

**Table 9.06: More detailed spending plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Funding Council FE Programme	544.7	506.9	494.7	470.7
Scottish Funding Council HE Programme	926.2	1,002.2	1,041.5	1,061.7
Scottish Funding Council FE/HE Capital	91.0	60.7	45.9	56.4
Scottish Funding Council Administration	8.4	7.9	7.9	7.9
<b>Total</b>	<b>1,570.3</b>	<b>1,577.7</b>	<b>1,590.0</b>	<b>1,596.7</b>
<i>of which:</i>				
DEL Resource	1,479.3	1,517.0	1,544.1	1,540.3
DEL Capital	91.0	60.7	45.9	56.4
AME	-	-	-	-

## What the budget does

The Scottish Funding Council budgets fund strategic investment in Scotland's 41 colleges and 19 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. The funding will also continue to support college provision and help colleges deliver their valuable contribution to *Opportunities for All*.

In 2012-13 we will:

- invest in our universities so that they maintain their world class reputation;
- embark on an ambitious programme of reform of post-16 education;
- in particular, re-focus college provision towards those who need it most – young people and those looking for a job and towards learning that better meets the needs of employers, and therefore of the Scottish economy.

## Higher Education Student Support

**Table 9.07: More detailed spending plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
<b>DEL</b>				
Student Support and Tuition Fee Payments	329.4	325.9	302.4	307.0
Student Loan Company Administration Costs	5.6	5.0	5.0	5.0
Student Loan Interest Subsidy to bank*	-	4.5	4.5	4.5
Cost of Providing Student Loans (RAB Charge) <b>(Non-Cash)</b>	71.4	88.4	134.0	181.6
<b>AME</b>				
Net Student Loans advanced	208.0	241.3	408.3	468.3
Capitalised Interest	(60.0)	(47.0)	(50.0)	(52.0)
Student Loans Fair Value Adjustment	(46.0)	(69.0)	(69.0)	(69.0)
Student Loan Sale Subsidy Impairment Adjustments	0.5	0.5	0.5	0.5
<b>DEL</b>				
Student Awards Agency for Scotland Operating Costs	7.7	8.4	8.7	8.7
<b>Total</b>	<b>516.6</b>	<b>558.0</b>	<b>744.4</b>	<b>854.6</b>
<i>of which:</i>				
DEL Resource	413.7	431.8	454.2	506.4
DEL Capital	0.4	0.4	0.4	0.4
AME	102.5	125.8	289.8	347.8

\*was shown outside DEL in Draft Budget 2011-12

### What the budget does

Higher Education Student Support provides financial support 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 Funding Council funds institutions. Student loans are provided at a cost to the Scottish Government which is calculated using the gross value of loans advanced in the year. The Student Loan Company administers the borrowers' loan accounts on behalf of the Scottish Government.

The Higher Education Student Support budget meets the costs of running the Student Awards Agency for Scotland (SAAS) (running costs, IT systems and capital charges). SAAS administers schemes covering student support for higher education students (at college and university) as well as bursaries for nursing and midwifery students. SAAS administers the Individual Learning Accounts Scotland scheme in partnership with Skills Development Scotland.

The AME figures for 2012-15 are forecasts and relate to the amount of AME funding for student loans which HM Treasury made available to the Scottish Government through the 2010 UK Spending Review. In 2012, we will develop proposals for a minimum student income of £7,000, starting with the poorest students, with a view to implementing this alongside a simpler system of higher education student support from 2013-14. The actual amounts of student loans required by the Scottish Government will be determined as part of developing that policy. The associated AME forecasts set out above will therefore be subject to revision during the Spending Review period.

### Local Government Gaelic

**Table 9.08: More detailed spending plans (Level 3)**

	2011-12 Budget	2012-13 Draft Budget	2013-14 Plans	2014-15 Plans
	£m	£m	£m	£m
Local Government Gaelic Specific grant	4.5	4.5	4.5	4.5
<b>Total</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
<i>of which:</i>				
DEL Resource	4.5	4.5	4.5	4.5
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the budget does

This budget, together with other Gaelic funding lines, supports the additional costs attached to the delivery of Gaelic education and Gaelic medium education in Scotland. This funding supports Gaelic education through a wide range of Gaelic education programmes and projects.

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# CHAPTER 10

## Justice

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## **PORTFOLIO RESPONSIBILITIES**

The role of the Justice portfolio is to create a safer and stronger Scotland by protecting individuals and communities, whatever people's identity, age or background, from threats to their safety and prosperity. The portfolio works to tackle underlying problems like drug misuse, to prevent crime, to rehabilitate those who commit crime and to deliver a fairer society by ensuring access to justice. It has responsibility for the civil and criminal justice systems which include Scotland's courts, police, fire and rescue, and prison services, the legal aid system and criminal justice social work services.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

The Justice portfolio's contribution to supporting economic recovery and increasing sustainable economic growth is critical. It provides the framework through which people and businesses are protected from threats to their economic wellbeing. It helps to ensure that Scotland has the resilience to respond to natural, technological or man-made crises, which can impact on a well-functioning economy. In addition, by improving the condition, quality and capability of existing infrastructure and new capital investment it helps to maintain economic growth, investing across the country and supporting construction and other industries.

Our capital investment programme will also contribute to the Scottish Government's aim of a low-carbon economy. Through a combination of improving the existing estate's energy efficiency, reducing the need for travel (through greater use of video conferencing) and ensuring that new assets are as energy efficient as possible, we are investing in a way that aligns with our ambitions on climate change.

## **OUR NATIONAL OUTCOMES**

The Justice portfolio contributes directly and in partnership with other portfolios to the achievement of a number of our national outcomes. The key focus is on 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 and tribunals. Key to this is our support for the legal aid system to ensure fair access to justice.

The portfolio provides resources to the NHS to deliver better drug treatment and support services to promote recovery from drug addiction in our communities, under the leadership of local Alcohol and Drug Partnerships. 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 which tackle the drug dealers and organised criminals who have blighted too many of our communities for too long.

We are also helping to ensure that *our public services are high quality, continually improving, efficient and responsive to local people's needs* by improving the way that our police and fire services are organised across the country. By reforming structures and improving the way in which they are held to account locally and nationally, we will ensure that our communities get the best from both services despite the difficult financial context.

Delivery of the *Making Justice Work* programme of reform, which brings together the Scottish Government, the Crown Office and Procurator Fiscal Service, the Association of Chief Police Officers in Scotland (ACPOS), the Scottish Court Service (SCS) and the Scottish Legal Aid Board (SLAB) on a range of projects to improve the efficiency and effectiveness of the justice system, will also contribute to this outcome.

## **OUR ACHIEVEMENTS**

Scotland's crime rate is falling. Recorded crime in Scotland is at its lowest level since 1976 and is down 23 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. Reoffending rates are at their lowest level in 11 years.

In 2009-10, homicides were at their lowest levels since the early 1980s. Despite a two per cent increase between 2009-10 and 2010-11, violent crime is still 19 per cent lower than in 2006-07. Seven out of ten people (71 per cent) think crime levels in their local area are either falling or stable, up two per cent from the previous year, and 94 per cent of people rated their local neighbourhood as a good place to live in 2009, the highest level since devolution. Recorded youth crime fell by 12 per cent between 2008-09 and 2009-10 and the young offender prison population for both remand and direct sentenced prisoners fell by 14 and 17 per cent respectively between 2009-10 and 2010-11.

Scottish communities feel safer and are safer. We have invested across the Justice portfolio to achieve this since 2007.

Between 2006-07 and 2011-12, police funding was increased by 16 per cent in cash terms. That significant investment ensured, among other things, that the Scottish Government's pledge to deliver 1,000 additional police officers over the term of the last Parliament was met. We know the importance of front-line policing in our communities. Officers in our communities, tackling crime and reassuring our citizens and businesses, are the priority. We have set in motion a process of reform, which will ensure that the police service is sustainable despite the financial cuts we face across all portfolios.

The number of fires in Scotland has fallen by 20 per cent since 2006-7 and fire fatalities are at their second lowest level since devolution.



We have invested in the capacity of our fire and rescue services, in particular, providing funding for a high quality and resilient radio communications system (Firelink), which became operational in every fire appliance in Scotland in April 2010.

We have worked with partners to strengthen strategy and practice around young people who offend, minimising the damage and costs of crime to communities and public services, while improving outcomes for some of our most vulnerable young people and their families and communities, and to reduce the bureaucratic burdens on those working with them.

We have taken significant steps to remove knives from our streets. There are fewer people carrying knives and the number of crimes of handling an offensive weapon is at its lowest level in a decade. Of those who do carry knives, more are being caught and given longer sentences. The average length of custodial sentences for carrying an offensive weapon is at its highest for a decade. We doubled the funding for the award-winning *No Knives, Better Lives* campaign for 2011-12 to £0.5 million. This is changing attitudes to knife carrying among more and more young people in Scotland. This innovative youth engagement campaign, launched in March 2009, has seen significant reductions in knife carrying among young people in Scotland, with the overall level of knife crime falling by 38 per cent since 2007, including a 43 per cent reduction in both Inverclyde and in Renfrewshire.

We have invested in tackling antisocial behaviour and continue to support work in communities to provide long term, permanent solutions for our young people. We want to ensure that young people have opportunities to learn and express themselves rather than damaging communities through crime and antisocial behaviour. We have ensured that the proceeds of crime are reinvested in our communities through *CashBack for Communities*. This scheme has engaged with over 600,000 young people since 2008 and has committed until July 2014 in excess of £42 million for a wide range of positive activities and opportunities in sports, arts and community projects.

We have prioritised work to tackle sectarianism and the associated damage caused to our communities. We have introduced the Offensive Behaviour at Football and Threatening Communications (Scotland) Bill to enable the criminal justice system to take swift and decisive action to deal with the worst instances of sectarianism and have established the Football Coordination Unit for Scotland to ensure a strategic approach is taken to policing the problems associated with football. We are working to embed anti-sectarian policies, practices and principles across society, including cradle to grave education, throughout the public, private and voluntary sectors and into the hearts of our communities. We want to create an environment where everyone can celebrate their cultural identity in an inclusive and non-threatening way and build resilient communities, which cannot be undermined by fear, prejudice and antisocial behaviour.

We have invested in breaking the cycle of offending and imprisonment, and tough community-based sentences. We want to build on the progress that has resulted in Scotland having the lowest level of reoffending rates in over a decade. We have introduced a credible and effective alternative to short-term custodial sentences through the creation of the community payback order. Community sentences have been shown to

be more effective at reducing reoffending and they also allow for constructive work to be done for communities, such as clearing snow or renovating care homes. 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.

At the same time, we have invested in our prisons estate with the modernisation of HMP Edinburgh, HMP Glenochil, HMP Perth, HMYOI Polmont and first phase of HMP Shotts. In addition, HMP Addiewell was opened in 2009 and the new prison in Bishopbriggs, HMP Low Moss, is on schedule for completion in Autumn 2011. We have also committed to delivering HMP Grampian and the second phase of HMP Shotts. The most dangerous offenders are going to prison for longer.

We have supported the police and other agencies to tackle serious and organised crime, including the investment of additional resources in the Scottish Crime and Drug Enforcement Agency (SCDEA) to boost their capability and capacity, and by establishing the Scottish Intelligence Coordination Unit (at the SCDEA), which will become the recognised single point for the coordination and sharing of intelligence and information on serious organised crime groups across Scotland.

We have also strengthened the Proceeds of Crime Act to provide law enforcement agencies with additional tools to tackle organised criminality in Scotland and since 2007, just over £43 million has been recovered from criminals using this legislation. Over £42 million of this recovered money has been reinvested in a wide range of projects under the CashBack for Communities programme, which has provided an imaginative and varied choice of activities for over 600,000 young people across Scotland.

Construction of the Scottish Crime Campus at Gartcosh is well underway and will enhance our ability to tackle serious organised crime.

Since 2007-08, the Scottish Government has worked with ACPOS to review the way in which counter terrorism (CT) activity is delivered, to ensure best value. A three year process of growth in police CT capacity and capability has been implemented as a result. In 2011-12 the Scottish Government is providing more than £15 million in dedicated funding to Scottish forces from the Police Central Government Grant - an increase of 85 per cent (£6.9 million) compared to 2006, resulting in significantly enhanced effectiveness and coordination in the police's contribution to Scottish and UK national security.

We have prioritised the protection of our communities from sex offenders by investing in the Multi Agency Public Protection Arrangements, modernising our sexual offences laws and tightening controls on sex offenders. The Sexual Offences (Scotland) Act 2009 came into force in December 2010, replacing a complex patchwork of common law and statutory provision with one statutory framework which more accurately reflects the values of a modern society. We have also legislated to strengthen Sexual Offences Prevention Orders and the *Keeping Children Safe* scheme has been rolled out across the country, supporting parents and carers to protect their children from the risk of harm. We have also legislated to allow the retention of DNA from young people who commit serious sexual and violent crimes, strengthening protection for our communities.

We have prioritised victims within the justice system. Courts now have more powers to require offenders to pay for compensation for victims, including increasing the amount to be paid to victims if an offender subsequently comes into money after the original award of compensation has been made. Vulnerable witnesses have been protected by enabling courts to grant them anonymity more easily. We have passed the Double Jeopardy (Scotland) Act 2011 to allow a second trial in certain serious cases where compelling new evidence emerges and the Forced Marriage Protection (Scotland) Act 2011, which provides civil remedies for those at risk of forced marriage and for victims of forced marriage.

Drug use is falling in Scotland. Levels of self-reported drug use in the last year have fallen from 12.6 per cent in 2006 to 9.8 per cent in 2009-10. We are implementing 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. 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.

We have legislated to allow new forms of business structure in the legal services market, helping Scotland's leading law firms to compete internationally, and increasing choice at home. We have established the Scottish Arbitration Centre to promote Scotland as a place to conduct commercial arbitrations.

We have secured judicial independence and clarified the accountability of the courts system by the creation of an independent Scottish Court Service under the leadership of the Lord President. We have unified the administration of Scotland's courts by bringing courts previously run by local authorities under the control of the Scottish Court Service and we are investing in the refurbishment of Parliament House, improving the Scottish Court Service's capacity to meet its statutory obligations and to manage demand for essential first instance courts within the Court of Session.

We have established the Scottish Tribunals Service to provide efficient and integrated support to tribunals, beginning with a number of devolved tribunals.

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 helped the third sector to establish innovative new services to help people with legal problems, including those associated with the economic downturn.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

The Justice portfolio has identified savings opportunities in a number of areas where it directly controls spending. Over the period of this Spending Review we will drive out significant short-term efficiencies from within existing structures. We have also set in motion a programme of reform which will protect service levels while realising sustainable efficiencies in the medium and longer term. Most significantly, we can realise sizeable recurring savings from the reform of our police and fire services, reduced cost of courts and tribunals, and driving down the costs of legal aid. Estimated annual recurring cash savings of £130 million will be delivered from police and fire reform by the end of the programme of change.

Action is underway across the Justice portfolio to generate efficiency savings by delivering the same services with fewer resources and by adjusting structures and practices to create more effective and efficient ways of working:

- We are delivering earlier treatment and support for people with drugs problems by setting ambitious targets for waiting times. To meet this target, services have had to examine the entire experience of people coming forward for help and re-design more personally-focused services with more rapid assessment and entry into treatment.
- The *Making Justice Work* programme contains a range of projects which justice delivery bodies are working on jointly to deliver efficiencies. These include work led by police forces to improve witness attendance at court; work led by the Crown Office to refine the summary justice system model to ensure that cases are settled as early as possible; work led by Scottish Legal Aid Board (SLAB) to increase the availability and use of video conferencing; and work led by the Scottish Court Service (SCS) to examine centralising and sharing services with Crown Office and Procurator Fiscal Service (COPFS) for citing jurors and witnesses.
- Through its ICT strategy, SLAB has achieved efficiency savings of £387,000 in 2011-12. The development of Legal Aid Online will continue to provide savings to the Board, but will also provide a faster, more effective service to legal businesses and their clients.
- The SCS and COPFS have secured recurring cash savings through a shared service agreement under which the Court Service is managing the COPFS estate.
- The SCS has cut its annual costs by closing four “split site” court buildings in Paisley, Kilmarnock, Perth and Ayr, in each case transferring the business into the main Sheriff Court building in the town. Equality issues were taken into account when undertaking this reorganisation, which was the first step by the Scottish Court Service in a wider review of how the court estate is used. Equality issues will be fully taken into account as longer term decisions are taken.
- We have extended the electronic monitoring of offenders contract for two further years and have renegotiated the terms to further improve the value it provides.

We have also invested to save in the longer term. We have increased funding for diversionary activity in 2011-12, to help identify those whose offences and behaviours make them suitable for diversion from prosecution. This frees up capacity in the criminal justice system and evidence shows better outcomes in terms of lower rates of reoffending for those committing minor offences where they receive an alternative to prosecution, such as a fiscal work order, that addresses their behaviour without going through the full court process.

A reducing reoffending change fund, focussing on preventative spend, will be created to bolster those interventions that we know can reduce reoffending. This work will take account of the particular contribution that can be made by third sector service providers. The fund will expand the coverage and impact of those interventions with a proven track

record in reducing reoffending, as well as supporting innovation. This will help shift the focus of services, to get the correct balance between proactive and reactive services, as part of the next phase of the Government's reducing reoffending programme.

Building safer and stronger communities and reducing crime and the fear of crime are not outcomes which can be achieved by the Justice portfolio alone. Justice has worked with other portfolios across government to develop proposals which will achieve greater long-term impact, improve outcomes and reduce spend during this and future Spending Review periods. Therefore, the establishment of an early years and early intervention fund to support preventative spend across government will include initiatives related to reducing offending and reoffending. This is based on the evidence of the effectiveness of early intervention with those at risk of offending or reoffending and the importance of tackling problems at an early stage.

We will commit funding to build community cohesion based on mutual respect and empowerment, improving the capacity of communities to work with professionals to tackle antisocial behaviour. We will invest in preventing people going to prison in the first place and in reducing reoffending for those already inside the criminal justice system. This will include investment in rehabilitation services for adults diverted from prosecution, mentoring schemes and targeted offender programmes such as the Persistent Offender Project in Glasgow which saves up to £14 in wider costs for every £1 of public money spent.

It makes sense to help people recover from drug problems. The report *Assessing the Scale and Impact of Illicit Drugs Market in Scotland* estimated that in 2006 the total economic and social costs associated with illicit drug use were around £3.5 billion. It also showed that the average annual cost to society amounts to around £65,000 per problem drug user if not in treatment, but that this reduces to £37,000 when in treatment for up to one year, and £20,000 after one year of treatment.

## **OUR PRIORITIES**

The Justice portfolio will spend £1,344.1 million on making Scotland safer in 2012-13. This is £79.8 million or 6 per cent more than in 2011-12. Scottish communities feel safer and are safer. We have invested across the Justice portfolio to achieve this since 2007 and we are focusing our funding over this Spending Review period on the areas which will make the greatest impact in the future. The increase in the cash being made available to the portfolio will allow us to deliver our planned capital programme, meet the expected increases in the cost of police and fire pensions and pay for the short-term net costs associated with reforming our police and fire services. However, the portfolio still faces significant financial pressures across its areas of responsibility in order to support the services that our people expect.

We plan to radically reshape many significant areas and delivery mechanisms funded by the Justice portfolio's budget. In police and fire, our plans for reform will protect and improve local services and outcomes in communities and strengthen the connection with the public, delivering stronger accountability and ensuring that local services work effectively in partnership to deliver locally determined priorities. The reforms to the Scottish Courts following the recommendations of the Scottish Civil Courts (Gill) Review

will free up the higher courts for the most serious and complex civil and criminal business, give judges the powers to manage cases efficiently, and introduce more accessible and informal procedures to resolve lower value disputes. We have already begun a major refocusing of legal aid and will set out plans for further reforms shortly, which will include legislation to require accused persons to make contributions to their defence where they can afford this. We have already delivered efficiencies in our spending on tribunals through bringing together administrative support in our new Scottish Tribunals Service. Consideration is also being given to devolution of currently reserved tribunals which would result in further efficiencies.

As the Christie Commission Report points out, the costs to Scotland and its public services of negative outcomes such as excessive alcohol consumption, drug addiction, violence and criminality are substantial. We will continue to invest in the prison estate so that those who need to be in custody are kept in conditions that ensure security and promote rehabilitation, including a commitment to build a new HMP Grampian. We will also support preventative spending focused on the early years while working to break the cycle of criminality later in life by investing in services that support offenders to choose a life free from crime. We will work to reduce offending and reoffending, through our investment in drug treatment and support, through continued support for the use of community payback orders, through the diversionary activity funded from *CashBack for Communities*, and through investment in a fit-for-purpose prison estate that allows early intervention amongst offenders. We will continue to work with the police, prisons and local authorities to reduce overcrowding in prisons, to meet the criteria set out in the Scottish Prisons Commission report thus allowing us to end automatic early release.

Over the Spending Review period we will invest in:

- maintaining 1,000 extra police officers in our communities;
- delivering a single Fire and Rescue Service and a single Scottish Police Service;
- creating a prison estate that is fit-for-purpose and provides a humane regime capable of contributing to maintaining public safety and reducing reoffending;
- delivering the Scottish Crime Campus at Gartcosh;
- delivering the Parliament House project;
- continued funding for police and fire pensions;
- supporting the Scottish Court Service in improving the effectiveness of the collection of court fines;
- extending the *CashBack for Communities* scheme;
- community payback orders;
- addressing the increasing female prison population;
- the creation of the Civil Justice Council;
- extending the *No Knives Better Lives* campaign;

- taking forward the recommendations of the Gill Review and investing in Scottish Court Service ICT;
- introducing serious and organised crime prevention orders;
- tackling sectarianism by continuing the work of the Joint Action Group (JAG) on tackling unacceptable and offensive behaviour in football and funding a National Football Policing Unit, as well as supporting initiatives to tackle sectarianism across the board as part of a coordinated strategy;
- supporting victims and witnesses;
- further refining the Proceeds of Crime Act;
- developing more innovative and effective ways of reducing reoffending through a new change fund;
- supporting criminal justice social work services;
- supporting and targeting access to legal aid;
- continuing to fund services to help people recover from drug problems; and
- reforming the law of damages.

In 2012-13 we will invest our resources in the following areas:

### **Policing**

We know how important it is to have police officers on our streets. Communities, businesses and individuals need to feel safe and confident that crime will be tackled wherever and whenever it occurs and visible policing is helping to make Scotland's communities safer – recorded crime is at a 35 year low.

In 2012-13, we will maintain the level of funding currently available to police authorities and joint police boards through the Central Government Police Grant to local authorities (£480.3 million). The remainder of the funding for police authorities and joint police boards is funded by local authorities from General Revenue Grant (historically approximately 49 per cent of total police budget).

Maintaining the level of the Central Government Police Grant to local authorities, an agreement from COSLA that individual local authorities will pass on their share of the agreed level of funding to allow Police Boards to maintain police officers at at least 17,234, together with the funding provided through the Police Central Government budget for the 1,000 additional officers, will enable our commitment to maintain the 1,000 additional officers to be met.

Scotland currently has eight police forces. Police reform will see the move to a single service produce estimated annual recurring cash savings of £106 million by the end of the programme of change. Reform requires up-front investment to deliver future savings

and an allocation for the net cost of police reform is included within the Police Central Government budget.

We are also committed to continue to meet the cost of police and fire pensions, which are expected to cost £281.9 million in 2012-13.

We will invest £242.4 million in the Police Central Government budget. As well as paying for the 1,000 additional officers and the net costs of police and fire reform, this will support a range of policing functions including forensics services, police training and ICT provided by the Scottish Police Services Authority, the work of the Scottish Crime and Drug Enforcement Agency, dedicated counter terrorism officers and specific policing services provided across the UK and agreed with the Home Office. The Police Central Government budget also funds the building of the Scottish Crime Campus at Gartcosh.

### **Fire and rescue services and resilience**

The Scottish Government is committed to delivering modern, effective and sustainable fire and rescue services responsive to the needs of local communities and giving all parts of Scotland access to national specialist fire and rescue services. Scotland has a strong and widely respected fire and rescue service – fire deaths are almost 50 per cent lower than they were 10 years ago. However, Scotland's public sector is facing unprecedented financial challenges and reform of the fire service is the only way to sustain these hard-won gains and sustain the local fire and rescue services that communities depend on.

Scotland's fire and rescue services play a crucial role in supporting local and national resilience. They have seen funding increase by 20 per cent over the four years to 2011-12.

The majority of funding to the fire and rescue service comes from local government. In addition in 2012-13 we will continue to honour Ministers' prerogative within the Fire (Scotland) Act 2005 to provide a central training establishment, the Scottish Fire Services College, and invest £6.1 million in the provision of training for recruits and the development of personnel in specialist roles to nationally agreed standards. We will also invest £4.7 million in Firelink, a highly resilient telecommunications platform for enabling the services to mobilise to and manage incidents.

The 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 invest in supporting the work of the eight regional Strategic Co-ordinating Groups (SCGs). A major priority in 2012-13 will also 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**

Despite a two per cent increase between 2009-10 and 2010-11, violent crime is still 19 per cent lower than in 2006-07, with the number of recorded crimes which involve the handling of an offensive weapon, including knives, at its lowest level in Scotland in a decade. We want to maintain that record of success.

In 2012-13 we will invest £3.4 million in community safety.

### **Tackling sectarianism**

During 2012-13 we will work to embed anti-sectarian policies, practices and principles across society from cradle to grave through education, throughout the public, private and voluntary sectors and into the hearts of our communities. Our aim is to create a society where everyone can celebrate their cultural identities in inclusive and non-threatening ways. To achieve that we also need to build resilient communities which cannot be undermined by fear prejudice and antisocial behaviour.

In 2012-13 we will invest £3 million in tackling sectarianism.

### **Victims and Witnesses**

In recent years, we have introduced victim statements for victims of serious crimes and extended the scope of the Victim Notification Scheme. We are determined to build on this progress to ensure that the rights of victims are always a priority in the justice system. That is why we are committed to introducing a victims rights' Bill during this parliamentary term to enshrine in law a victim's right to damages and compensation. It will also give victims input into sentencing policy and parole decisions, so that those most affected by crime have a say in how criminals are dealt with.

In 2012-13 we will invest £28.4 million in victims and witnesses.

### **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 2012-13 we will continue to build capacity in Alcohol and Drug Partnerships to drive delivery reform in service provision and to ensure the focus remains on recovery.

In 2012-13 we will invest £31.9 million in continuing to tackle drug problems across Scotland.

### **Making offenders repay their debt to communities**

We legislated for a presumption against short sentences of three months or less in order to end the revolving door of reoffending. We will maintain funding in the Community Justice Services budget in 2012-13 to provide local authorities with stability as they continue to implement the new community payback order and as we assess how the new measures are being used.

The new community payback orders are tougher and swifter than previous measures and address the underlying causes of offending as well as forcing offenders to pay back to the communities they have harmed through unpaid work.

### **Ensuring that serious and dangerous offenders are off our streets**

Prison will always be the right place for serious and dangerous offenders. We are committed to ensuring that our prison estate is fit-for-purpose and provides a humane regime capable of contributing to maintaining public safety and reducing reoffending.

HMP Low Moss will open by the end of 2011-12 and the redevelopment work at HMP Shotts will be completed in 2012-13. The construction of HMP Grampian will commence and be completed during this period and further work will be undertaken on the modernisation of the remainder of the prison estate. A site will be acquired for HMP Highland, work will commence on constructing HMP Inverclyde and modernising the female prison estate. Work will also be taken forward to plan the replacement of HMP Barlinnie beyond this Spending Review period.

In 2012-13 we will invest £400.6 million in the Scottish Prison Service.

### **Continuing to invest in the Justice Estate**

During 2012-13, work will continue on the Scottish Crime Campus at Gartcosh and the redevelopment of the Parliament House complex to provide fit-for-purpose and more accessible facilities for the Court of Session.

In 2012-13 we will invest £25.9 million in the Scottish Crime Campus and £7.5 million in Parliament House.

### **Ensuring access to justice**

Our Programme for Government sets out the Government's intention to maintain and improve access to justice in the current economic climate. We will set out shortly a series of carefully assessed planned reforms to legal aid which will, over the Spending Review period, take costs to a sustainable level, while maintaining as much as possible a system that enables people who could not otherwise pursue or defend their rights to do so.

Those reforms will include: legislation to require accused persons in criminal cases to contribute towards the costs of their defence where they are able to do so; changes to fee structures for solicitors and advocates; the development of new models of procuring and delivering legal services; reductions in expenditure on outlays and reports; and measures to ensure that legal aid is targeted on cases where other sources of support are not reasonably available, and the nature of the case justifies public funds being used.

Even with such reforms, the legal aid system faces considerable pressures, including potential costs arising from judgements such as that of the UK Supreme Court in *Cadder*.

In 2012-13 we will invest £11.7 million in the grant funding of the Scottish Legal Aid Board, to administer the legal aid system and protect taxpayers' interests, help ensure access to justice and support the justice system.

## Ensuring an efficient and responsive courts and tribunals system

We will continue to work with the Scottish Court Service, which is an independent body, accountable to a Board chaired by the Lord President, to support the effective and efficient operation of Scotland's courts and the Office of the Public Guardian. Through the *Making Justice Work* programme, the Scottish Government, the Scottish Court Service, and other justice partners will drive forward reforms to the structures and processes of the courts. The programme will include a range of measures to improve efficiency, including use of video technology to reduce costs and save time, and steps to ensure that cases go ahead when planned, with less inconvenience to witnesses and fewer police hours wasted. Subject to parliamentary approval, the creation of the Civil Justice Council will support implementation of Lord Gill's major reforms to the civil courts, which will ensure that cases are managed effectively and at the right level.

We will review the level of fees charged towards the cost of accessing the courts and Public Guardian services, consistent with a policy that fees should recover the costs to public funds of providing these services.

The Scottish Tribunals Service will take forward, as part of *Making Justice Work*, the integration of Scottish tribunals to deliver a more efficient and responsive service.

In 2012-13 we will invest £77 million in the Scottish Court Service and £11.8 million in the Scottish Tribunals Service.

## Spending Plans

**Table 10.1: Spending plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Community Justice Services	30.3	31.3	31.8	32.3
Courts, Judiciary and Scottish Tribunals Service	50.0	52.4	51.4	50.9
Criminal Injuries Compensation	25.5	25.5	20.5	17.5
Scottish Resilience	18.3	17.9	17.7	17.8
Legal Aid	154.1	155.8	149.3	142.8
Police Central Government	210.4	242.4	236.9	165.5
Drugs and Community Safety	35.3	38.3	38.3	39.3
Police and Fire Pensions	273.5	281.9	291.8	309.8
Scottish Prison Service	365.5	400.6	364.5	378.7
Miscellaneous	18.2	17.9	16.2	16.8
Scottish Court Service	79.9	77.0	73.4	69.5
Office of the Scottish Charity Regulator	3.3	3.1	3.0	3.0
<b>Total Justice</b>	<b>1,264.3</b>	<b>1,344.1</b>	<b>1,294.8</b>	<b>1,243.9</b>
<i>of which</i>				
DEL Resource	1,193.4	1,231.7	1,244.6	1,223.6
DEL Capital	70.9	112.4	50.2	20.3
AME	-	-	-	-
Central Government Grants to Local Authorities*	587.0	566.8	566.8	566.8

\*The 2011-12 budget total includes Fire Capital Grant, which is excluded from subsequent years on the table above, as the split between Support for Capital and Specific Capital Grants is to be agreed in discussion between the Scottish Government and COSLA. The allocation for the Fire Capital Grant will be confirmed in the 2012-13 Local Government Finance Circular which will be issued in December 2011.

**Table 10.2: Spending plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Community Justice Services	30.3	30.5	30.2	29.9
Courts, Judiciary and Tribunals Support	50.0	51.1	48.8	47.1
Criminal Injuries Compensation	25.5	24.9	19.5	16.2
Scottish Resilience	18.3	17.5	16.8	16.5
Legal Aid	154.1	152.0	141.8	132.1
Police Central Government	210.4	236.5	225.0	153.1
Drugs and Community Safety	35.3	37.4	36.4	36.4
Police and Fire Pensions	273.5	275.0	277.2	286.5
Scottish Prison Service	365.5	390.9	346.4	350.2
Miscellaneous	18.2	17.5	15.4	15.5
Scottish Court Service	79.9	75.1	69.7	64.3
Office of the Scottish Charity Regulator	3.3	3.0	2.8	2.8
<b>Total Justice</b>	<b>1,264.3</b>	<b>1,311.43</b>	<b>1,230.0</b>	<b>1,150.6</b>
<i>of which</i>				
DEL Resource	1,193.4	1,201.7	1,182.3	1,131.8
DEL Capital	70.9	109.7	47.7	18.8
AME	-	-	-	-
Central Government Grants to Local Authorities*	587.0	553.0	538.4	524.3

\*The 2011-12 budget total includes Fire Capital Grant, which is excluded from subsequent years on the table above, as the split between Support for Capital and Specific Capital Grants is to be agreed in discussion between the Scottish Government and COSLA. The allocation for the Fire Capital Grant will be confirmed in the 2012-13 Local Government Finance Circular which will be issued in December 2011.

## Community Justice Services

**Table 10.3: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Offender Services	23.8	24.8	25.3	25.8
Victim/Witness Support	5.6	5.6	5.6	5.6
Miscellaneous	0.9	0.9	0.9	0.9
<b>Total</b>	<b>30.3</b>	<b>31.3</b>	<b>31.8</b>	<b>32.3</b>
<i>of which</i>				
DEL Resource	30.3	31.3	31.8	32.3
DEL Capital	-	-	-	-
AME	-	-	-	-

## What the Budget Does

This programme provides funding for: electronic monitoring of offenders (e.g. through Restriction of Liberty Orders) across Scotland; non local government spend on Drug and Youth Courts; supporting the Multi Agency Public Protection Arrangements (MAPPA) in relation to sex offenders and restricted patients; covering the running costs of Community Justice Authorities; section 10 funding of voluntary organisations operating in the criminal justice social work field; implementation of measures that assist victims of crime, including funding for support of organisations such as Victim Support Scotland, and improving support for vulnerable witnesses, including provision of equipment to visually record joint investigative interviews with child witnesses in serious cases. These resources are in addition to resources for the support of community justice services provided by local authorities.

In 2012-13 we will focus our resources on:

- Supporting initiatives to address the cycle of repeat offending through our Reducing Reoffending Change Fund.
- Implementation of community payback orders.
- Work to address the female prison population.
- Supporting third sector organisations that work with victims and witnesses, including Victim Support Scotland.
- Preparing for a victims' rights Bill during this Parliament.

## Courts, Judiciary and Scottish Tribunals Service

**Table 10.4: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Courts, Judiciary and Scottish Tribunals Service	20.2	-	-	-
Judicial costs	0	10.8	10.3	10.0
Scottish Tribunals Service	0	11.8	10.8	10.3
Judicial Salaries *	29.8	29.8	30.3	30.6
<b>Total</b>	<b>50.0</b>	<b>52.4</b>	<b>51.4</b>	<b>50.9</b>
<i>of which</i>				
DEL Resource	50.0	52.4	51.4	50.9
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 provides for 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 Scottish Tribunals Service provides support to a range of tribunals operating in Scotland.

In 2012-13 we will focus our resources on:

- Providing a more efficient and effective service to Scottish tribunals supported by the Scottish Tribunals Service.
- Ensuring an independent and effective judiciary and timely and appropriate judicial appointments.
- Developing the Scottish Tribunals Service through the proposed Tribunals (Scotland) Bill and the potential devolution of powers from the UK Government.

## Criminal Injuries Compensation

**Table 10.5: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Administration Costs	2.7	2.7	2.7	2.7
CIC Scheme	22.8	22.8	17.8	14.8
<b>Total</b>	<b>25.5</b>	<b>25.5</b>	<b>20.5</b>	<b>17.5</b>
<i>of which</i>				
DEL Resource	25.5	25.5	20.5	17.5
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. The current Scottish contribution is 10.9 per cent. CICAP is administered as part of the HM Courts and Tribunals Service, an Executive Agency of the Ministry of Justice.

In 2012-13 we will focus our resources on:

- Maintaining support to blameless victims of violent crime.

## Scottish Resilience

**Table 10.6: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Fire Services College	6.5	6.1	6.0	5.9
Firelink	4.5	4.7	5.1	5.3
Other Functions	7.3	7.1	6.6	6.6
<b>Total</b>	<b>18.3</b>	<b>17.9</b>	<b>17.7</b>	<b>17.8</b>
<i>of which</i>				
DEL Resource	18.0	17.7	17.5	17.6
DEL Capital	0.3	0.2	0.2	0.2
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 2012-13 we will focus our resources on:

- Working in partnership with the fire and rescue services to implement a single fire and rescue service for Scotland.
- Supporting the fire and rescue services to deliver a more targeted, holistic and multi-agency approach to community fire safety in partnership with other stakeholders.
- Continuing to support the training needs of our firefighters.
- Investing in a resilient telecommunication system for our eight Strategic Coordinating Groups (SCGs) designed to function should the main networks fail.
- Supporting effective government and multi-agency response to emergencies through provision of SCG coordination capacity, multi-agency training & development and the delivery of policy and doctrine supporting national and community resilience.
- Continuing to fund Firelink, a highly resilient telecommunications platform for mobilising to and managing incidents.

## Legal Aid

**Table 10.7: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Administration	11.8	11.7	11.2	10.7
Fund	142.3*	144.1	138.1	132.1
<b>Total</b>	<b>154.1</b>	<b>155.8</b>	<b>149.3</b>	<b>142.8</b>
<i>of which</i>				
DEL Resource	153.9	155.7	149.2	142.7
DEL Capital	0.2	0.1	0.1	0.1
AME	-	-	-	-

\*The Fund figure for 2011-12 includes £368k for Depreciation which has been subsequently moved to the Administration budget, at a reduced level (£238k). These monies cannot be used by the Board for its running costs.

### 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 and has responsibility for the settlement of all legal aid accounts. In addition, the Board funds a range of specialist legal advice services, including in-court advisers. The Board also 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. Finally, the Board delivers criminal legal advice and representation to accused persons through its funding of the Public Defence Solicitors Office network.

In 2012-13 we will focus our resources on:

- Maintaining access to justice as much as possible, focusing on those most in need.
- Ensuring that legal aid expenditure supports the efficient operation of the wider justice system.



## Police Central Government

**Table 10.8: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Police Support Services	112.2	119.8	111.7	89.0
National Police Funding and Reform	98.2	122.6	125.2	76.5
<b>Total</b>	<b>210.4</b>	<b>242.4</b>	<b>236.9</b>	<b>165.5</b>
<i>of which</i>				
DEL Resource	197.9	214.3	215.5	162.0
DEL Capital	12.5	28.1	21.4	3.5
AME	-	-	-	-

### What the Budget Does

General spending by police forces is met through the local authority settlement. This programme covers spending on:

Police Support Services – including:

- Centrally provided resources for the Scottish Police Services Authority (SPSA) which provides common police services such as training, ICT, forensics and criminal records.
- Centrally provided resources for the Scottish Crime and Drug Enforcement Agency (SCDEA).
- Building the new Scottish Crime Campus at Gartcosh .

National Police Funding and Reform – including:

- Funding for the additional 1,000 police officers.
- Police Information and Communications Technology.
- Counter Terrorism.
- The Police Complaints Commissioner for Scotland.
- Miscellaneous expenditure, including payments to the Home Office for services provided on an GB or UK basis (e.g. National Police Improvement Agency).
- The Scottish Safety Camera Programme.

In 2012-13 we will focus our resources on:

- Maintaining our commitment to 1,000 additional police officers in Scotland's communities.

- Supporting the SPSA and SCDEA.
- Development of the Scottish Crime Campus at Gartcosh.
- Preparing for the establishment of single services in police and fire in 2013-14.

## Drugs And Community Safety

**Table 10.9: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Community Safety	3.4	6.4	6.4	7.4
Drug Misuse	31.9	31.9	31.9	31.9
<b>Total</b>	<b>35.3</b>	<b>38.3</b>	<b>38.3</b>	<b>39.3</b>
<i>of which</i>				
DEL Resource	35.3	38.3	38.3	39.3
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the Budget Does

The bulk of this budget is provided to the NHS for Alcohol and Drug Partnerships to provide services to promote recovery from drug addiction. This budget also supports the strategic operation of Alcohol and Drug Partnerships and Community Safety Partnerships, along with a range of initiatives to tackle sectarianism, drug problems, 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 use this to invest in positive opportunities for young people and divert them from crime and antisocial behaviour.

In 2012-13 we will focus our resources on:

- Creating a sectarian-free Scotland which is inclusive, fair and celebrates the positive identity of our many diverse communities; tackling sectarian behaviour through the Offensive Behaviour at Football and Threatening Communications (Scotland) Bill; and more focused activity at grassroots community level and around specific areas like football.
- Reducing problem drug use by supporting people to recover from drug problems and sustain recovery in our communities.
- Reducing crime, violence and antisocial behaviour by tackling its root causes including rolling out *No Knives Better Lives*, funding anti violence initiatives, promoting positive behaviour and building strong and resilient communities.

- Continuing to develop and grow the *CashBack for Communities* programme to provide positive opportunities for our young people.

## Police And Fire Pensions

**Table 10.10: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Police Pensions	217.3	222.6	231.0	249.6
Fire Pensions	56.2	59.3	60.8	60.2
<b>Total</b>	<b>273.5</b>	<b>281.9</b>	<b>291.8</b>	<b>309.8</b>
<i>of which</i>				
DEL Resource	273.5	281.9	291.8	309.8
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the Budget Does

This budget provides funding to police and fire authorities to meet the pension costs of retired police and fire officers.

The figure for 2011-12 includes £6.2m for police injury benefits payments which was subsequently moved to overall police funding.

## Scottish Prison Service

**Table 10.11: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Current expenditure	318.0	325.1	342.0	366.2
Capital spending	47.5	75.5	22.5	12.5
<b>Total</b>	<b>365.5</b>	<b>400.6</b>	<b>364.5</b>	<b>378.7</b>
<i>of which</i>				
DEL Resource	318.0	325.1	342.0	366.2
DEL Capital	47.5	75.5	22.5	12.5
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.

In 2012-13 we will focus our resources on:

- Opening HMP Low Moss, which will provide 700 prisoner places.
- Opening the second phase of the redevelopment of HMP Shotts.
- Taking forward the construction of HMP Grampian.
- Working with Community Justice Authorities and other partners to reduce the risk of prisoners reoffending on release from custody.

## Miscellaneous

**Table 10.12: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Residential Accommodation for Children	3.5	5.5	5.5	5.5
Other Miscellaneous	14.7	12.4	10.7	11.3
<b>Total</b>	<b>18.2</b>	<b>17.9</b>	<b>16.2</b>	<b>16.8</b>
<i>of which</i>				
DEL Resource	18.2	17.9	16.2	16.8
DEL Capital	-	-	-	-
AME	-	-	-	-

## What the Budget Does

This budget covers a wide range of smaller justice related spending areas such as residential accommodation for children, Parole Board for Scotland, Scottish Law Commission, Scottish Criminal Cases Review Commission and the Risk Management Authority.

It also includes provision for Her Majesty's Inspectorate of Prisons for Scotland and Her Majesty's Inspectorate of Constabulary for Scotland.

## Scottish Court Service

**Table 10.13: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Operating Expenditure	69.5	68.5	67.4	65.5
Capital	10.4	8.5	6.0	4.0
<b>Total</b>	<b>79.9</b>	<b>77.0</b>	<b>73.4</b>	<b>69.5</b>
<i>of which</i>				
DEL Resource	69.5	68.5	67.4	65.5
DEL Capital	10.4	8.5	6.0	4.0
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 (OPG).

The budget allows for the funding of core operating costs (excluding judicial salaries) and covers the running, maintenance and development of court buildings, the employment of around 1,500 staff and court operational costs such as jurors' expenses.

The budget from 2012-13 includes a transfer of £0.47m/0.46m/0.45m from the Miscellaneous (Level 2) line in respect of lay justice training, appraisal and related matters which are now the responsibility of SCS.

In 2012-13 we will focus our resources to work with the judicially-led SCS on:

- Balancing the demands on the courts with the available staffing and capacity.
- Developing reforms to the structure and processes of the court through *Making Justice Work*.
- Working with other justice bodies to deliver a more efficient and lower-cost criminal justice system.
- Enhancing the use of technology in how services are delivered.
- Reviewing the level of court fees which offset the costs to public funds of providing civil justice and OPG services.
- Continuing the essential redevelopment of the historic Parliament House court complex.
- Reviewing the distribution of business across the wider court estate.

## Office of the Scottish Charity Regulator

**Table 10.14: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Office of the Scottish Charity Regulator	3.3	3.1	3.0	3.0
<b>Total</b>	<b>3.3</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>
<i>of which</i>				
DEL Resource	3.3	3.1	3.0	3.0
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 2012-13, we will focus our resources on:

- Introducing more extensive on-line services for charities and the public, building on earlier capital investment.
- Improving the long term sustainability of the charity sector by developing greater competence and better governance in the sector, primarily through our outreach programme.
- Further developing modern, effective, risk based regulation by evaluating and reviewing our comprehensive monitoring programmes.

## Central Government Grants To Local Authorities

**Table 10.15: More detailed spending plans (Level 3) <sup>(1)</sup>.**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Police Grant <sup>(2)(3)</sup>	489.7	480.3	480.3	480.3
Criminal Justice Social Work	86.5	86.5	86.5	86.5
Fire Capital Grant	20.2	tbc	tbc	tbc
<b>Total</b>	<b>596.4</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
<i>of which</i>				
DEL Resource	576.2	566.8	566.8	566.8
DEL Capital <sup>(4)</sup>	20.2	tbc	tbc	tbc
AME	-	-	-	-

### Notes

(1) These figures currently include funding for police and fire which will be removed from the local government finance total under the planned reform.

(2) Does not include police loan charges (£9m) which are also provided as part of the Local Government Settlement.

(3) The figures for 2011-12 shown in this document are the original planned figures from 2011-12 Draft Budget – the police grant figure agreed as part of the 2011-12 Budget Bill was £480.3m.

(4) The split between Support for Capital and Specific Capital Grants is yet to be agreed in discussion between the Scottish Government and COSLA. The allocation for the Fire Capital Grant will be confirmed in the 2012-13 Local Government Finance Circular which will be issued in December 2011.

## What the Budget Does

Following the Concordat agreement between the Scottish Government and local authorities, most of the previous budget for ring-fenced grant was added to the budget for general support to local authorities. This table shows the three remaining areas where there are ring-fenced grants to local authorities (or similar bodies) for justice purposes.

### Police Grant

In 2012-13, we will maintain the level of funding currently available to police authorities and joint police boards through Central Government Police Grant (£480.3 million). The remainder of the funding for police authorities and joint police boards is funded by local authorities from General Revenue Grant (historically approximately 49 per cent of total police budget).

Maintaining the level of the Central Government Police Grant, an agreement from COSLA that individual local authorities will pass on their share of the agreed level of funding to allow Police Boards to maintain police officers at at least 17,234, together with the funding provided to forces through the Police Central Government budget, will enable our commitment to maintain the 1,000 additional officers to be met.

**Criminal Justice Social Work**

This funding goes to local authorities through Community Justice Authorities and is ring-fenced for spend on criminal justice social work. These amounts, along with the budgets for Community Justice Services, fund the criminal justice social work interventions and statutory monitoring undertaken by local authorities. The funding assists local authorities in reducing reoffending in their local areas and helps create a safer and stronger Scotland. This money helps fund community sentences, including the community payback order, which is a robust, community-based sentence introduced as an alternative to custody for low level offenders.

**Fire Capital Grant**

The Fire Capital Grant is a ring-fenced grant that forms part of the local government settlement. It funds local priorities including maintenance of and investment in each of the fire and rescue services' equipment and properties, and is also used for investment in national fire and rescue priorities such as resilience and training facilities.





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# **CHAPTER 11**

## **Rural Affairs and the Environment**

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## 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 that includes the Scottish Government lead on climate change and covers agriculture, marine management and policy, aquaculture, forestry, rural development and environmental policy. Our overarching aim is to grow the rural economy through:

- community empowerment;
- improving rural connectivity;
- building up our world class food and drink industry; and
- supporting renewables, enhancing our natural resources, and tackling climate change.

## 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. Delivering this Purpose in the face of significant cuts in public expenditure is an enormous challenge. Our strategy has been to prioritise economic growth in our spending decisions. These include more than doubling the food and drink industry budget; establishing a new Next Generation Digital Fund to enhance digital connectivity in rural areas; supporting community empowerment by creating provisions for a new land fund; maintaining and increasing resources for the Land Managers' Renewables Fund; and continuing to invest in the rural economy through the Scottish Rural Development Programme (SRDP) and the European Fisheries Fund (EFF). While we have had to make savings across the portfolio, and all of our public bodies will have to deliver efficiency savings, we have limited the impact in key areas such as our science and research capability, protected key programmes such as *Zero Waste* and LEADER, and prioritised food processing and marketing grants within the SRDP.

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. As set out in *Scotland's Digital Future: A Strategy for Scotland*<sup>1</sup>, improving connectivity in our most rural and remote communities will play a critical role in driving rural economic growth and competitiveness, creating more and better jobs and opening up new opportunities for a different way of living and working that encourages strong and growing rural towns and villages and respects and protects our environment.

The portfolio 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.

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1 [www.scotland.gov.uk/Resource/Doc/981/0114237.pdf](http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf)

Scotland's successful farming, aquaculture, fishing and forestry businesses depend on the sound management of our natural assets and in turn underpin our tourism, recreation, food and drink industries. Our natural assets of air, water, soils and biodiversity are important public goods and make a vital contribution to sustainable economic growth.

This portfolio leads the government's work on emissions reduction, and works with all other government portfolios, which are charged with delivering on our climate change targets. It directly supports 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.
- 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 Natural Heritage (SNH) we aim to improve access to the outdoors, especially for those who face barriers to do so. The Government will implement the Marine (Scotland) Act 2010, 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 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 and that our rural areas are digitally connected and able to compete in the global economy. The government will continue to assist these industries through rural development and through the EFF. It also distributes a further £455 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 making 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**

In 2010-11 we paid £455 million in EU funding to over 20,000 producers through the Single Farm Payment and Scottish Beef Calf Schemes. Public subsidy plays a vital role in ensuring the continuity of food supply, environmental benefits and the delivery of wider public benefits. We paid 94 per cent of eligible Single Farm Payment claims by 31 December 2010, well ahead of the European deadline of 30 June 2011.

The Less Favoured Area Support Scheme (LFASS) is a funding mechanism under the SRDP, designed to compensate for the challenges faced by those farming in Scotland's most disadvantaged areas. Of Scotland's agriculture land, 85 per cent has EC Less Favoured Area status, and of this 98 per cent is classified as severely disadvantaged. Under the 2010 LFASS, we had paid £63 million to 11,422 farmers by 31 August 2011.

We are continuing to support rural communities and agriculture through the Rural Priorities element of the SRDP. Since the launch of Rural Priorities in 2008 we have awarded over £450 million to more than 6,000 projects across Scotland.

We have made enormous progress on the delivery of our national food and drink policy. Our work across the public sector has been significant. Scottish Enterprise and Highlands and Islands Enterprise support hundreds of food companies across the country. Food processing grants of some £30 million have safeguarded and created jobs, often in rural communities. The Scottish Funding Council have facilitated a multi-million pound collaboration package with universities. Working with Skills Development Scotland they have created the Scotland Food and Drink Skills Academy. Scottish Enterprise have put in place the Food Health and Innovation Service based at Aberdeen University. Our SRDP, EFF, LEADER and Climate Challenge Funds have also supported businesses and communities to deliver food and drink projects to an unprecedented level. We have delivered for the industry, but our ambition remains undimmed.

In 2010-11 we commissioned our Strategic Research programme for 2011-16 which aims to build a platform of knowledge that strengthens policy and contributes to sustainable economic growth. In 2011-12, we are investing £44.8 million in support of two major programmes on 'Environmental Change' and 'Food, Land and People'. A further £2.2 million has been provided to two strategic partnerships on Animal Science and Food and Drink Science. Investment of £6.6 million has been made in new, virtual Centres of Expertise on Climate Change, Animal Diseases and Water, which have been established to develop innovative approaches to these important policy areas. Our funding has helped attract over £20 million per annum of additional research funding to Scotland from other UK and European sources.

Basic broadband availability in Scotland is now over 99 per cent. This follows completion of the Broadband Reach Project in 2010, which provided over 2,400 broadband connections to predominantly rural areas using wireless and satellite. This is a major increase from only 43 per cent availability in 2001, when Scotland lagged behind the UK level of 63 per cent.

In partnership with BT, over 2010-11 we secured upgrades to 81 remote and rural telephone exchanges across Scotland for improved broadband connectivity.

In October 2010, we secured the Highlands and Islands region as one of the first areas of the UK to benefit from a share of £530 million of UK Government funding for broadband. This project will deliver next generation broadband to around 50 towns and communities geographically spread across the Highlands and Islands. The project entered procurement in June 2011 and delivery of connectivity improvements is expected to begin within 12-18 months.

To date, we have secured £68.8 million for Scotland from the UK Government for next generation broadband. We will continue to work with the UK Government to ensure that we get the best possible deal for Scotland.

We have published a first draft of Scotland's National Marine Plan covering 450,000 square kilometres of sea which will ensure that we are well placed to take advantage of the growth in marine renewables and offshore wind, creating opportunities for investment – potentially £7 billion by 2020.

We have continued to support the European Fisheries Fund programme and, to date, we have awarded grant funding of some £50 million to over 540 projects, which has generated £114.5 million of investment and supported up to 6,636 jobs in the fishing, aquaculture and fish processing industries.

Funding has:

- delivered a Fleet Resilience Grant Scheme, enabling the Scottish fishing fleet to dispose of vessels and restructure itself, becoming more economically viable;
- provided £15 million support to the fish processing sector, supporting the growth of our food and drink industry, making food available and affordable to all and ensuring that people understand more about the food they eat;

- helped develop Scotland's aquaculture industry to become the third largest producer of farmed Atlantic salmon in the world; and
- underpinned sustainable economic growth in rural and coastal communities by supporting direct and indirect jobs, for example in construction, and developing and sustaining new and existing markets.

We have continued to improve the efficiency and effectiveness of our risk based fisheries enforcement, which in turn is maintaining a culture of compliance across the industry and encouraging more sustainable fisheries. This has been achieved through the use of innovative practices such as the introduction of a ground breaking pilot in 2010 to tackle the hugely challenging problem of discards in the white fish fleet, resulting in the level of discards in the Scottish whitefish fleet falling by over a third since 2009. Since the Marine Stewardship Council (MSC) certification of North Sea haddock, the proportion of Scottish fisheries certified or under full assessment for MSC certification now exceeds 50 per cent by value, with Scotland now having five per cent of the global total of certified fisheries.

Scottish aquaculture has continued to thrive with figures to be published later this year expected to show a further increase in farmed Atlantic salmon production over the £400 million that the sector was worth in 2009. Meanwhile, mussel production increased by 50 per cent in volume and 56 per cent in value over the last three years and generated £6.7 million for the economy in 2010.

Scottish Natural Heritage (SNH) has made substantial efficiency savings and has completed a restructuring to reduce management costs. It has continued to provide expert advice to the Scottish Government and local authorities, focused on optimising the socio-economic benefits derived by the Scottish people from sustainable management of the nation's natural heritage.

SNH has contributed to a wide range of government objectives, including supporting tourism and stimulating rural economic development through the delivery of parts of the Scottish Rural Development Programme and by leveraging private and third sector investment in rural Scotland. Improvements have been made to the range of planning guidance available to developers and advice has been provided on habitat management to reduce the impact of extreme climatic events.

Scotland's international reputation continues to be enhanced through SNH activity in the continuing development of EU NATURA and Marine (Scotland) Act 2010 protected site networks; their work on species reintroductions; and their contribution to policy development and research at UK and EU levels.

The Loch Lomond and the Trossachs National Park and the Cairngorms National Park have continued to manage and protect the natural heritage, land and water resources in these special places, provided enhanced visitor experience in two of Scotland's premier sustainable tourism destinations, and contributed to the growth of the rural economy. The Scottish Government's strategic review of National Parks Authorities in 2008-09 recommended closer alignment and harmonisation between the two National Parks and good progress has been made in establishing collaborative working arrangements between the organisations and reducing running costs.

Our National Parks will continue to work collaboratively with communities and public, private and third sector organisations to conserve and enhance the environment, which is central to the aims of the National Parks and is integral to the sustainable development approaches needed to support communities and businesses to protect these special areas for future generations.

Our National Parks are national tourism assets and the sustainable approach to visitor management will continue to be developed to balance the needs of visitors, communities and conservation to deliver high quality destinations. As Scotland's largest designated landscapes, our National Parks will continue to play a role in mitigating and adapting to climate change.

The Scottish Environment Protection Agency (SEPA) took significant steps forward with the programme of organisational change on which it embarked two years ago. Highlights of the year include realising corporate changes and meeting key environmental targets, along with dealing with outside factors such as the severe winter weather and the Icelandic volcanic eruption. SEPA has reduced its staff complement by around 230 posts and through its transformational change programme this allowed SEPA to make almost 23 per cent savings.

At a time of continuing economic challenge and public sector reform, and in the context of the significant savings already achieved, SEPA has been identifying further opportunities to simplify and improve the way Scotland's environment is understood, protected and improved. SEPA's proposals for Better Environmental Regulation were well received by industry sectors and environmental organisations when consulted on last year. SEPA will be more sharply focused on core activities, delivering better, more customer-friendly regulation, and supporting sustainable economic growth (around 10,000 businesses have already benefited from waived or reduced SEPA charges, totalling almost £3 million).

SEPA's *Step Change in Science* programme for transforming its approach to science and strategy has delivered on some major milestones, including the establishment of a risk-based national environmental monitoring programme and the partnership that is developing a new portal for environmental information – 'Scotland's Environment Web'. SEPA has also announced its intention to move to a major new science facility in the central belt, part of its progress towards a two laboratory 'centre of excellence' model and complementing its new laboratory in Aberdeen which was opened in May 2010.

SEPA will continue to work effectively with government, local authorities and other partners to integrate efforts on flood risk management, climate change, land use planning and contributing to the further development of a recovering Scottish economy.

The *Zero Waste Scotland* programme has been set up to take Scotland towards its goal of being a Zero Waste Nation. Successes so far include:

- A total of £7 million has been invested in six anaerobic digestion (AD) and composting facilities through the large scale organics support programme delivered by Zero Waste Scotland. Collectively these projects will provide new annual processing capacity for up to 167,000 tonnes of organic waste, including food waste collected from homes and businesses. Funded projects include the



largest AD facility in Scotland, a 75,000 tonnes per annum site developed by Scottish and Southern Energy at Barkip in Ayrshire. As well as recycling food waste into useful fertiliser or soil additive, anaerobic digestion also produces a biogas that can be used to generate energy.

- Zero Waste Scotland's business resource efficiency programme helped more than 800 Scottish businesses to reduce their waste and resource consumption in 2010. If taken forward, the recommendations could save an estimated £17 million to the businesses involved as well as cutting consumption by 28,000 tonnes and waste by 47,000 tonnes. Engagement through the Courtauld Commitment has led to reductions to packaging and food waste in Scotland amounting to 120,000 tonnes.

The Government is working in close partnership with local authorities and other responsible authorities such as Scottish Water to implement the Flood Risk Management (Scotland) Act 2009. This is the most significant change in half a century and leads to a risk-based approach to flood protection. As part of this work to protect the people and businesses of Scotland from the risk of flooding, the government published, in June 2011, *Delivering Sustainable Flood Risk Management*, a blueprint upon which SEPA, local authorities and Scottish Water and any other future responsible authorities will deliver their flood risk management responsibilities.

Other important milestones over the past four years include:

- the creation of a new flood forecasting service for Scotland;
- the launch of a new £8.6 million system to provide advance flood warnings to the public; and
- a national assessment of flood risk across the whole of Scotland carried out by SEPA with a public consultation on the results.

The Climate Change (Scotland) Act 2009 sets world leading targets of at least 42 per cent emissions cuts by 2020 and at least 80 per cent cuts by 2050, compared to 1990.

We are already more than halfway to achieving our target of reducing emissions by 42 per cent by 2020: Scotland's emissions have fallen by 27.6 per cent from 1990 (including international aviation and shipping figures and our participation in the EU emissions trading system). *Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010-2022*, our first climate change Report on Proposals and Policies, published in March 2011, puts in place the annual markers and sets the strategic direction to take us to our 42 per cent target for 2020.

We are working with the UK Government and other forward-thinking countries seeking to persuade the EU to raise its 2020 targets for emissions cuts from 20 per cent to 30 per cent. The global low carbon economy is inevitable and many countries are already beginning to seize the opportunities despite the lack of international agreement. We have committed to plant 100 million trees by 2015 as part of an international initiative by The Climate Group to plant 1 billion trees as an endowment for Copenhagen. Scotland has less than 0.1 per cent of the global population, but has offered to meet 10

per cent of the target by planting four trees for each person in Scotland for each year to 2015. As well as our Maldives Partnership around marine energy, we announced international partnerships with the Inter-American Development Bank, the Global Carbon Capture and Storage Institute and work with Malawi at the UN Conference in Cancun in December 2010.

Our Public Engagement Strategy, published on 30 December 2010, shows how the Scottish Government will work with others to drive forward to the low carbon economy, and on 1 January 2011 a climate change duty on public bodies came into force. We are also working with the UK Government to implement the CRC Energy Efficiency Scheme (CRC). The CRC started in April 2010, with around 200 participants in Scotland, and will reduce emissions from large commercial and public sector organisations, including the Scottish Government, most local authorities and NHS Boards, banks and retailers.

Despite the economic downturn, confidence in the forestry sector remains high. The last five years have seen record levels of investment in excess of £250 million, supporting the 31,000 jobs and £670 million contribution to the economy that the sector currently generates. The Scottish Government's commitment to reduce our carbon emissions and tackle the effects of climate change has meant challenging targets for woodland creation, leading to creative ways to encourage new woodlands, including the introduction of the Carbon Code and the leasing of land from farmers by Forestry Commission Scotland (FCS). The national forest estate's contribution to Scotland's climate change and renewable energy commitments took a leap forward with the signing of agreements with industry partners to develop the wind and hydro energy potential of the forestry land managed on behalf of Scottish Ministers. It is estimated that some 2GW of additional wind and hydro capacity could be installed on the national forest estate by 2020. These agreements also bring leading edge payments to communities along with the ability to invest in the projects. The Central Scotland Green Network is a Scottish Government priority, led by FCS with the aim of changing the face of central Scotland, to make it a more attractive place to live in, to do business in and to visit; to help absorb carbon dioxide, and enhance biodiversity; and to promote active travel and healthier lifestyles. It builds on the work of the successful *Woods In and Around Towns* (WIAT) programme which has helped more than 610,000 people gain access to their local woodland. In addition, local communities now have the opportunity to lease parts of the national forest estate following the decision to enhance the National Forest Land Scheme.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

The scale of the total reduction in the Scottish Government Budget for 2012-13 has required tough decisions. All of our public bodies, including the Scottish Government's own agencies, will have to make significant efficiency savings in both administration and programme budgets. Nevertheless, within this context, we have been able to: maintain our world class science and research base; increase investment in support of the food industry and supply chain development; invest in better rural connectivity; protect core parts of the SRDP such as LEADER; protect farm advice and veterinary surveillance services to remote and rural areas; protect our ambitious *Zero Waste* programme; make new provision for meeting EU environmental directives; increase investment in our National Parks; and embed and increase the value of our Land Managers Renewables Fund.

## OUR PRIORITIES

Our priorities are to:

- increase further our commitment to Scotland's food and drink industry, more than doubling the ongoing budget for food industry support over the Spending Review period;
- empower communities through a range of measures, including the Climate Challenge Fund, the creation of a new land fund, and investment in renewables and rural broadband;
- invest to create the framework required for the sustainable economic development of Scotland's offshore wind and marine renewables sector;
- establish a Next Generation Digital Fund to support the roll-out of next generation broadband across Scotland, with a particular focus on rural and remote areas;
- provide financial support for our rural economy through payments to farmers, fishermen and land managers, so often the mainstay of fragile rural communities. 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);
- invest 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 that contribute significantly to the Scottish economy and that directly support many rural economies;
- work actively to reform the Common Fisheries Policy and the post-2014 European Marine and Fisheries Fund to: enable more sustainable fishing, which tackles discards; ensure the continued viability of the fishing industry; help conserve marine ecosystems; achieve economically viable, competitive and green aquaculture; help sustain vibrant fishing-dependent communities; and support cross-cutting priorities, which have real potential to generate savings and growth in coastal areas;
- continue the negotiations that began in 2011, between the European Commission, Member States and the European Parliament, on the EU budget for 2014-2020 – including the budget for the Common Agricultural Policy (CAP) – and on the detailed rules for making CAP payments during that period. Scotland is well placed to influence these negotiations thanks to the *Inquiry into Future Farm Support* which we commissioned in 2009-10, chaired by Brian Pack OBE, and we are working closely with stakeholders. The Government's position on the future CAP is guided by the principles of fairness, flexibility and simplicity;

- maintain our investment in flood protection and our programme of work to implement the Flood Risk Management (Scotland) Act 2009. This is a major programme of work for the Government and responsible authorities such as individual local authorities and Scottish Water. These actions will provide reassurance to communities and businesses at risk of flooding and could save costs in the future. We will continue to invest in ensuring that we have clean air and water and the portfolio will spend £5.2 million on natural assets and flooding in 2012-13;
- develop our River Basin Management Plans further, recognising the multiple benefits that promotion of our water environment can have, for example supporting natural flood management, supporting biodiversity and protecting our soils; and
- aim to increase woodland planting to 10,000 hectares per year, recognising that forestry continues to be an area of major importance for climate change. The government will invest £65.5 million in the Forestry Commission and Forest Enterprise in 2012-13.

Spending plans for 2012-15 are set out below.

**Table 11.01: Detailed Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
EU Support and Related Services	139.7	116.4	105.4	103.3
Research, Analysis and Other Services	81.4	77.1	74.2	73.2
Marine and Fisheries	61.3	59.2	58.4	61.7
Environmental and Rural Services	169.6	193.2	190.0	192.8
Climate Change	17.6	19.5	19.5	19.4
Forestry Commission	45.2	42.4	41.3	41.4
Forest Enterprise	25.8	23.1	22.7	21.7
<b>Total Level 2 *</b>	<b>540.6</b>	<b>530.9</b>	<b>511.5</b>	<b>513.5</b>
<i>of which:</i>				
DEL Resource	491.0	495.8	484.3	482.6
DEL Capital	49.6	35.1	27.2	30.9
AME	-	-	-	-

\*Since the publication of the 2011-12 Draft Budget there have been some changes in responsibility within the portfolio. Moving towards the launch of the Crofting Commission on 1 April 2012, part of the work undertaken by the Crofters Commission has transferred to the Rural Payments and Inspections Directorate. Climate Change Policy Development and Implementation transferred from the former Finance and Sustainable Growth portfolio and a new Level 2 has been created to accommodate this budget along with the Sustainable Action Fund (previously within Environmental and Rural Services) and the Land Managers' Renewables Fund which has been created from other Level 3 budgets within the portfolio. Within Forestry Commission Scotland the capital lines under Forestry Commission and Forest Enterprise have been amalgamated under Forest Enterprise. Environmental and Rural Services includes budgets recently devolved from the UK Government for Animal Health and Welfare from 2012-13 onwards.

**Table 11.02: Detailed Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
EU Support and Related Services	139.7	113.6	100.1	95.6
Research, Analysis and Other Services	81.4	75.2	70.5	67.7
Marine and Fisheries	61.3	57.8	55.5	57.1
Environmental and Rural Services	169.6	188.4	180.5	178.3
Climate Change	17.6	19.0	18.5	17.9
Forestry Commission	45.2	41.4	39.2	38.3
Forest Enterprise	25.8	22.5	21.6	20.1
<b>Total Level 2</b>	<b>540.6</b>	<b>517.9</b>	<b>485.9</b>	<b>475.0</b>
<i>of which:</i>				
DEL Resource	491.0	483.7	460.1	446.4
DEL Capital	49.6	34.2	25.8	28.6
AME	-	-	-	-

**EU Support and Related Services****Table 11.03: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Single Farm Payment Scheme *	434.0	434.0	434.0	434.0
Scottish Beef Calf Scheme	21.0	21.0	21.0	21.0
Business Development	43.8	43.8	36.8	42.5
Less Favoured Area Support Scheme	65.5	65.5	65.5	65.5
Agri Environment Measures	48.9	40.0	38.0	38.0
Forestry	4.3	3.5	2.7	2.4
Rural Enterprise	14.6	9.2	9.0	9.0
Rural Communities	6.5	5.0	4.0	4.0
LEADER	10.5	10.5	10.5	10.5
Technical Assistance	0.3	0.3	0.3	0.3
Crofting Assistance	0.7	0.7	0.7	0.7
Payments and Inspections Administration Costs	38.5	36.6	34.7	33.6
CAP Compliance Improvements	3.3	3.3	3.3	3.3
EU Income	(552.2)	(557.0)	(555.1)	(561.5)
<b>Total</b>	<b>139.7</b>	<b>116.4</b>	<b>105.4</b>	<b>103.3</b>
<i>of which:</i>				
DEL Resource	109.3	97.3	89.5	88.1
DEL Capital	30.4	19.1	15.9	15.2
AME	-	-	-	-

\* Includes Energy Crop Payments

## What the budget does

The EU Support and Related Services budget provides support to the rural economy through the Common Agricultural Policy. Agriculture is an important element of the Scottish economy with a large number of people in rural areas directly employed in agricultural activities. The direct support measures (Single Farm Payment and the Scottish Beef Calf Scheme, £455 million in 2012-13) support 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) funding running over the period 2007 to 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.

Through the Payments and Inspections Administration Costs, we deliver regulatory functions in relation to national and international legislation. This includes carrying out inspections to enforce marketing standards for our eggs, fresh fruit and vegetables. We also provide expert scientific and technical advice and information services on agricultural crops and aspects of the environment.

The CAP Compliance Improvements budget funds projects to prepare for the new Common Agricultural Policy and to enable improved compliance with EU regulations relating to support and development measures e.g. by upgrading our mapping systems to meet new regulations.

In 2012-13 we will:

- distribute a further £434 million through the Single Farm Payment to approximately 20,000 farmers. We will continue to ensure the prompt and efficient payment of this vital support for Scotland's agriculture industry. In the longer term, we are 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; and
- continue to support rural communities and land managers under the Scotland Rural Development Programme 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.

## Research Analysis and Other Services

**Table 11.04: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Programmes of Research	62.7	58.7	56.7	55.7
Royal Botanic Garden Edinburgh	11.9	11.1	11.1	11.1
Contract Research Fund	5.3	5.9	5.0	5.0
Economic and Other Surveys	1.5	1.4	1.4	1.4
<b>Total</b>	<b>81.4</b>	<b>77.1</b>	<b>74.2</b>	<b>73.2</b>
<i>of which:</i>				
DEL Resource	78.1	75.1	72.2	71.2
DEL Capital	3.3	2.0	2.0	2.0
AME	-	-	-	-

### What the budget does

The Research Analysis and Other Services budget funds short and long-term scientific research to support the work of government and its advisory bodies in policy development and implementation; maintains a Scottish-based scientific capability of international standard at our Main Research Providers (MRPs)<sup>2</sup> adapting and evolving the infrastructure and skills base to meet future challenges.

In addition, the budget supports the Royal Botanic Garden Edinburgh's work on national and international plant biodiversity, and builds links and partnerships with other funders and providers of research including the UK Research Councils and the University sector.

In 2012-13 we will:

- continue to support five-year programmes of strategic research, 'Environmental Change' and 'Food, Land and People', at our MRPs;
- fund policy-facing Centres of Expertise in 'Climate Change', 'Water' and 'Animal Disease';
- target development of the Food and Drink and Animal Health sectors by supporting Strategic Partnerships with the university sector; and
- invest in collaborations and partnerships with other science funders, increasing the opportunities for our MRPs to access and bring additional sources of research income to Scotland from the UK and overseas.

<sup>2</sup> University of Aberdeen's Rowett Institute of Nutrition and Health, Royal Botanic Garden Edinburgh, The James Hutton Institute, Moredun Research Institute, and the Scottish Agricultural College

## Marine and Fisheries

**Table 11.05: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Marine Scotland	55.9	54.3	53.5	52.5
EU Fisheries Grants	11.0	10.0	10.0	18.5
Fisheries Harbour Grants	0.4	0.4	0.4	0.4
EU Income	(6.0)	(5.5)	(5.5)	(9.7)
<b>Total</b>	<b>61.3</b>	<b>59.2</b>	<b>58.4</b>	<b>61.7</b>
<i>of which:</i>				
DEL Resource	57.7	55.6	54.6	53.6
DEL Capital	3.6	3.6	3.8	8.1
AME	-	-	-	-

### What the budget does

The Marine and Fisheries 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 is the key body with the job of managing the sea. The need for marine expertise and capability is growing with the new commitments on renewable energy and increased international requirements. We have increased resources and capacity dedicated to offshore energy, creating new licensing and planning teams with scientific support, but we recognise that these areas continue to develop and we will strengthen these areas further in the years ahead. In particular, within the Marine Scotland budget we are increasing the resources for renewables and seafood science activities. In addition to the established programme of work developed with Ministers since 2007, there are substantial new manifesto commitments which Marine Scotland will contribute to delivering.

In 2012-13 we will:

- develop the National Marine Plan for Scotland and regional marine planning to ensure balanced use of the seas within a wider ecosystems approach;
- promote sustainable marine renewable developments;
- through Common Fisheries Policy reform, work towards radical reform of EU fisheries policy and discard-free fisheries;
- support expansion of exports of Scottish fish and continue efforts to secure Marine Stewardship Council sustainability for Scottish fish stock;
- increase the value of Scottish seafood through a new body focusing on the supply chain from net to plate;



- continue to support the sustainable development of the Scottish fisheries, aquaculture and fish processing industries through grants awarded through the European Fisheries Fund;
- improve the frameworks within which the aquaculture industry and recreational fisheries operate through the planned Aquaculture and Fisheries Bill; and
- work towards the Scottish Parliament taking responsibility for the management of the Crown Estate in Scotland so that resources generated in Scotland are used to support Scottish communities and the development of offshore renewables.

## Environmental and Rural Services

**Table 11.06: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Natural Heritage	60.7	57.8	55.2	53.0
National Park Authorities	12.4	13.1	12.9	12.9
Natural Resources	0.3	0.3	0.3	0.3
Scottish Environment Protection Agency	39.4	38.0	37.5	37.5
Zero Waste	26.4	26.4	26.4	26.4
Natural Assets and Flooding	5.7	5.2	5.3	5.7
Next Generation Digital Fund	0.0	8.0	12.0	15.0
Crofting Commission	5.2	4.0	1.0	2.5
Rural Cohesion	2.7	3.4	3.6	3.8
Agricultural and Horticultural Advice and Support	4.1	4.1	4.0	4.1
Veterinary Surveillance	5.2	5.2	5.2	5.2
Animal Health	1.3	20.0	18.9	18.2
Food Industry Support	2.0	4.5	4.5	5.0
Private Water	3.8	2.8	2.8	2.8
Drinking Water Quality Regulator	0.4	0.4	0.4	0.4
<b>Total</b>	<b>169.6</b>	<b>193.2</b>	<b>190.0</b>	<b>192.8</b>
<i>of which:</i>				
DEL Resource	160.5	184.8	186.1	188.8
DEL Capital	9.1	8.4	3.9	4.0
AME	-	-	-	-

### What the budget does

The Environmental and Rural Services 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 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 to ensure that new developments

take proportionate account of our valuable natural heritage. It also includes top priorities such as our budgets that support the food and drink industry and the empowerment of rural communities.

In 2012-13 we will:

- support Scottish Natural Heritage's work on providing advice on all of Scotland's natural environment and wildlife; delivering Scotland's biodiversity targets; the continued delivery of the requirement of relevant EC Directives; and helping to ensure that new developments take proportionate account of our valuable natural heritage;
- fund the National Park Authorities to enable them to consult on and publish new National Park Plans for 2012-17. The National Park Plans will be approved by Scottish Ministers and will set the direction and framework for those involved in managing the National Parks as well as setting clear targets and outcomes to which relevant public bodies and partners will commit to delivering;
- implement the Wildlife and Natural Environment (Scotland) Act 2011 to help deal with some of the most pressing issues in Scotland's countryside in order to maximise the associated environmental and economic benefits, while minimising irresponsible or damaging practice. The Act updates wildlife and natural environment legislation in relation to a number of areas including: game law; deer; invasive non-native species; species management; snaring; wildlife crime and the enforcement thereof; and muirburn;
- work with partners to implement the Land Use Strategy in order to achieve a more integrated approach to land use, maintaining the future capacity of Scotland's land. The Land Use Strategy action plan sets out how the proposals of the strategy will be taken forward. This action plan will be maintained in the light of progress, stakeholder feedback and other developments. The Government will also provide an annual progress statement;
- 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 2003. SEPA is also responsible for supporting the implementation of the Flood Risk Management (Scotland) Act 2009 and provision is included to support the continued development of the Floodline system and the Scottish Flood Forecasting Service. Since 2009, SEPA has embarked on a significant programme of transformational change. The biggest element of the change proposals is Better Regulation. SEPA plays a lead role and will continue to support government in delivering a more risk-based, targeted and proportionate form of regulation and associated scrutiny;

- support through the Zero Waste budget 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;
- support our actions to protect the land, air and water environment, and to protect communities from pollution, flooding, noise and nuisance through the Sustainable Action Fund (within the Climate Change Level 2) and the Natural Assets and Flooding budgets. 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;
- establish a Next Generation Digital Fund, as part of the Scottish Futures Fund, to accelerate the roll out of superfast broadband across Scotland, with a particular focus on rural areas. The fund will seek to optimise public sector investment in broadband infrastructure and leverage maximum levels of private sector investment to improve broadband coverage in Scotland. We will develop a roll-out strategy with funding proposals by the end of March 2012. (Responsibility for the fund rests with the Infrastructure and Capital Investment portfolio; however, as much of the investment will be targeted in rural areas, the spending plans for the Next Generation Digital Fund are shown in this portfolio chapter);
- continue to implement the provisions in the Crofting Reform (Scotland) Act 2010. The Act aims to make crofting fit for the 21st century, so that it can make an ongoing contribution to the development of a thriving rural Scotland. In particular, a new Crofting Commission, with a majority of members elected by crofters themselves, will replace the Crofters Commission in 2012;
- ensure that farm and other land management businesses have access to expert advice and support on a wide range of issues. In 2012-13 we will ensure these services are focused on the key priorities of climate change, sustainability, and overall business performance;
- deliver continuing improvements in the health and welfare of Scotland's livestock, working with industry partners on a new animal health strategy that fits the distinctive circumstances of our livestock sector, including the industry-led programme to control bovine viral diarrhoea. The animal health budget for the Spending Review now includes the budgets devolved from Westminster that cover the activities of the Animal Health and Veterinary Laboratories Agency as well as our contribution to the British Cattle Movement Database;
- continue to invest in Scotland's food and drink industry, increasing this budget by 150 per cent over the Spending Review period, supporting effective and efficient

supply chains and collaborative ventures and working with stakeholders to ensure that sales of Scotland's food and drink continue to grow;

- continue our investment in rural cohesion, including the creation of a new Scottish land fund to support community land purchase;
- ensure that 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; and
- support the Drinking Water Quality Regulator for Scotland (DWQR) in carrying out its duties under the Water Industry (Scotland) Act 2002.

## Climate Change

**Table 11.07: More detailed categories of spending (Level 3)**

	2011-12 Budget	2012-13 Draft Budget	2013-14 Plans	2014-15 Plans
	£m	£m	£m	£m
Climate Change Policy Development and Implementation	1.2	1.2	1.2	1.1
Sustainable Action Fund	14.0	15.3	15.3	15.3
Land Managers' Renewables Fund	2.4	3.0	3.0	3.0
<b>Total</b>	<b>17.6</b>	<b>19.5</b>	<b>19.5</b>	<b>19.4</b>
<i>of which:</i>				
DEL Resource	17.6	19.5	19.5	19.4
DEL Capital	-	-	-	-
AME	-	-	-	-

## What the budget does

The Climate Change budget supports the development and implementation of the government's climate change policy and provides resources for both the Sustainable Action Fund and the Land Managers' Renewables Fund.

In 2012-13 we will:

- contribute to funding for the Committee on Climate Change, support both improvement work on the Greenhouse Gas Inventory and outreach work with the Intergovernmental Panel on Climate Change, and fund other costs associated with implementing the requirements of the Climate Change (Scotland) Act 2010. We will also support engagement with the business community, including a contribution to the work of the Mayday Network;

- continue the work of the Sustainable Action Fund (SAF), driving progress towards sustainability outcomes, of which climate change action is a crucial aspect. The SAF includes the flagship Climate Challenge Fund, and we will build on its success in empowering communities to come forward with their own solutions to make a significant reduction in their carbon emissions. The SAF will also support implementation of the climate change Public Engagement Strategy and the continuing development of guidance on the Public Bodies Duties provisions of the Climate Change (Scotland) Act 2010; and
- continue to offer and increase the funding for the Land Managers' Renewables Fund which was established in 2011-12 to address the costs associated with the pre-planning stage of renewable energy projects for farmers and land managers. The Fund will facilitate the development of renewables on farm and support the aims of the Renewables Routemap and the future Agri-Renewables Strategy;

## Forestry Commission

**Table 11.08: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Woodland Grants	36.0	36.0	36.0	36.0
Policy, Regulation and Administration	5.1	5.1	5.1	5.1
Programme Costs	22.0	21.0	19.9	20.0
Depreciation	0.1	0.1	0.1	0.1
EU Income	(18.0)	(19.8)	(19.8)	(19.8)
<b>Total</b>	<b>45.2</b>	<b>42.4</b>	<b>41.3</b>	<b>41.4</b>
<i>of which:</i>				
DEL Resource	45.2	42.4	41.3	41.4
DEL Capital	-	-	-	-
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, sustainably managing the Scottish Ministers' national 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 that reduce the impact of timber transport operations. Climate change will continue to be an area of major importance for forestry, with the aim of increasing woodland planting to 10,000 hectares per year. Along with Scottish Natural Heritage, Forestry Commission Scotland is a lead partner for the Central Scotland Green Network;

In 2012-13, we will:

- continue support for woodland expansion, drawing on the work of the Woodland Expansion Advisory Group to identify which types of land are best for tree planting;
- promote predictable and stable timber supplies to help the Scottish economy;
- invest in research on timber product development and use of timber in construction;
- use woodland access to help improve physical and mental health in Scotland;
- champion the Central Scotland Green Network and catalyse action on the ground;
- stimulate management of native and ancient woods using information from the *Native Woodland Survey of Scotland*;
- work with other portfolios to further promote the development of biomass for heat;
- provide information to help forest managers consider how best to adapt to climate change when planning future management of forests;
- 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 11.09: More detailed categories of spending (Level 3)**

	2011-12 Budget	2012-13 Draft Budget	2013-14 Plans	2014-15 Plans
	£m	£m	£m	£m
Operating Costs	22.6	21.1	21.1	20.1
Land Purchases and Woodland Creation	10.0	10.0	10.0	10.0
Capital Expenditure	3.2	2.0	1.6	1.6
Land Sales	(10.0)	(10.0)	(10.0)	(10.0)
<b>Total</b>	<b>25.8</b>	<b>23.1</b>	<b>22.7</b>	<b>21.7</b>
<i>of which:</i>				
DEL Resource	22.6	21.1	21.1	20.1
DEL Capital	3.2	2.0	1.6	1.6
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 enhance biological diversity cultural heritage and landscape quality, and increases the opportunities for all to visit, enjoy and learn from the estate.

In 2012-13, we will:

- advance the next phase of renewables developments on the national forest estate in support of the Scottish Government's renewable energy targets;
- sustain at least three million cubic metres of timber production on the national forest estate through the economic downturn;
- implement an integrated skills programme for the jobless;
- create over 1,000 hectares of new woodlands each year on the national forest estate;
- fully open the Short Term Leasing Scheme for productive woodland creation; and
- invest in the upgrading of visitor facilities critical to the rural tourism economy.

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# **CHAPTER 12**

## **Culture and External Affairs**

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## **PORTFOLIO RESPONSIBILITIES**

The Culture and External Affairs portfolio includes policy on culture, the built and historic environment, Scotland's documentary heritage and European and International affairs.

The portfolio seeks to promote Scotland's interests and identity at home and abroad and contributes to delivering Scotland's economic ambition. It aims to enhance the quality of life for Scotland's communities through maximising access to high-quality cultural events and opportunities. It promotes, protects and provides access to Scotland's historic environment through Historic Scotland and it promotes the delivery of high-quality places and buildings to support Scotland's communities.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

The Scottish Government is developing strong relationships with a carefully selected number of countries to bring a sharp economic focus to our work and to strengthen Scotland's position in the world. Our International Framework is supported by a series of targeted plans with China, India, Pakistan, South Asia, Canada 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 promotes 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 Action Plan on European Engagement, which also supports the International Framework and sits along side the targeted plans for countries outside of Europe, highlights the EU policy priorities of energy and climate change; marine environment; research and creativity; and freedom, security and justice where the Scottish Government has a key role to play in enhancing Scotland's profile in Europe. This focuses Scotland's engagement where we have specific devolved interest, clear expertise and can benefit fully from the opportunities available. The EU provides Scotland with access to the world's largest trading market – the Single Market of almost half a billion consumers – and is our most important overseas export market worth £9.6 billion in 2009.

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 cultural National Collections and Performing Companies and for Creative Scotland, Historic Scotland and the National Records of Scotland makes a vital contribution to this and to increasing numbers of visitors for Scotland's tourism industry.

Historic Scotland also 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. Locally sourced traditional skills and materials have much potential to contribute to carbon reduction. The other cultural bodies are also taking steps to reduce their carbon emissions. Furthermore there is a role for culture in promoting the climate change agenda and stimulating debate and behavioural change through cultural performances, literature, art and broadcasting.

The role of architecture in supporting and developing Scotland's communities is a key element of the portfolio. Scottish architecture reflects our creativity, innovation and sense of cultural identity and adds to economic growth through the export value of services. The importance of innovation in Scottish architecture is key to developing a sustainable future, creating green jobs, reducing carbon emissions and contributing to Scotland's reputation as the green powerhouse of Europe.

## **OUR NATIONAL OUTCOMES**

The policies, activities and expenditure of the Culture and External Affairs 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, fair and inclusive national identity through its support for cultural and heritage organisations to tell Scotland's story on the ground 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 and by managing Scotland's reputation as a distinctive global identity through 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 times of economic turbulence.

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

The portfolio contributes to protecting and enhancing our natural and built environment, supporting innovative and sustainable approaches to new Scottish architecture and, through the work of Historic Scotland, by providing advice and guidance on the protection of Scotland's historic environment.

Through its coordination of European engagement across government, the portfolio contributes to making Scotland the most attractive place for doing business in Europe – for example by helping Ministers and officials develop economic opportunities with bilateral partners and suggesting improvements to the implementation of single market measures.

## OUR ACHIEVEMENTS

Since 2007 the portfolio has made significant strides in promoting Scotland at home and abroad as an attractive place to live and work and in making the most of Scotland's rich and diverse culture and history. Historic Scotland has invested £63 million of grant aid in protecting and enhancing the historic environment, supporting the regeneration of our cities and rural areas, and has grown its income from visitors from £26 million to a forecast outturn figure of £31 million for 2011-12, with Edinburgh Castle achieving record-breaking visitor numbers in July and August 2011. Historic Scotland has also invested in a £12 million project to conserve and present James V's royal palace at Stirling Castle. This project, which opened to the public in June 2011, provides a major new attraction.

Creative Scotland, established in July 2010, launched its corporate plan with a series of highly successful roadshows across Scotland in spring 2011. It also launched its programme of 15 new investment streams (replacing the previous 100-plus grant funds), aimed at investing in Scotland's creative future across the spectrum of arts, culture and creative industries. Creative Scotland is an energetic champion and advocate for the arts. For example, in partnership with The List, Creative Scotland published the first comprehensive Guide to Scottish Festivals for 2011, a very well received guide to over 280 festivals from distinctive local events to world-renowned international festivals.

Our £8 million Edinburgh Festivals Expo Fund in 2007-11 has showcased and raised the profile of Scottish talent. Thousands of artists and performers have played to audiences of over 1 million at the Festivals and beyond. The Edinburgh Festivals generated £261 million for the Scottish economy in 2010 and supported 5,242 new jobs in Edinburgh.

In 2009-10 the five National Performing Companies gave nearly 700 performances and delivered over 4,000 education events to around 500,000 people across Scotland.

Since they began in 2009, our Winter Festivals programmes have had a positive impact on Scots' pride in their identity through the celebration of their national days, as well as demonstrating that Scotland is open for business through the winter period.

The opening, at the National Records of Scotland, of the world-leading ScotlandsPeople Centre for family history in 2009 has provided a continuing attraction to ancestral tourists. We will work in cooperation with local authorities to create a network of similar centres across the country, encouraging more tourist visits. The user experience will be enhanced with the inclusion of digitised records from national collections. The freely available online Dictionary of Scottish Architects, maintained by Historic Scotland, is a global resource connecting genealogists and historians world-wide to their built heritage. The *Scottish Sustainable Communities Initiative* has focused the potential of architecture and design towards creating places that are inspiring, distinctive and sustainable. The initiative supports ambitious and innovative projects across Scotland, each dedicated to raising standards and developing skills in design, architecture and sustainable construction, and encouraging communities to participate actively in the creative process.

Building design of major architectural significance, such as the V&A at Dundee, reflects Scotland's sense of cultural identity as a diverse, creative and innovative nation as well as supporting positive transformation for our communities.

Scotland's Housing Expo 2010, the first event of its kind in Scotland, demonstrated an approach to innovative, sustainable architecture and place-making that reflects a distinctive and modern Scottish identity. It has helped to change attitudes in the construction industry towards house and place design and has already inspired the creation of new jobs around the use of Scottish building materials and components.

We have continued to develop Scotland Week, which provides a major platform to promote modern Scotland in two of its most important business and tourism markets (USA and Canada) in the context of the government's key economic and strategic objectives. The primary focus of Scotland Week 2011 was a range of business meetings and other engagements, in a total of nine cities across Canada and the USA, with a Ministerial programme of around 30 engagements in five cities, aimed at promoting Scotland as an internationally competitive and innovative business location.

We have supported and enhanced Scotland's cultural reputation and experiences by providing £22 million towards the redevelopment of the National 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. The redevelopment of the National Museum has been hugely successful, welcoming over 460,000 visitors in its first month of opening, more than four times the previous record number of visitors for August.

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 Pakistan floods and Haiti earthquake, and to deliver humanitarian relief to drought stricken East Africa – vital work that has saved lives.

The Fresh Talent initiative, including support for the Relocation Advisory Service has encouraged people from a range of countries across the world to choose Scotland as a place to work, live, learn and remain to support economic growth.

We have also built Scotland's reputation and engagement on an international level. In China we have seen our relationship strengthen and 2011 has already seen significant milestones reached in our relationship which symbolise China's valued friendship with Scotland: the opening up of the Chinese market to Scottish products including salmon; the award of geographical indication status for Scotch whisky; and an agreement to lend two giant pandas to Edinburgh Zoo.

We are also committed to developing our relationship with India, particularly in the areas of trade and investment, education and science, tourism and culture. In education and science several educational Memoranda of Understanding have been signed between Scottish and Indian Universities to promote collaboration, four during the First Minister's visit to India in October 2010. Cultural links continue to deepen and were given added impetus by the Commonwealth Games handover process in 2010.

Since 2007 the Scottish Government has increased its attendance at EU Council meetings, positively contributing to the EU climate-change agenda in particular. We are also continuing to press for a statutory right to be included in the UK delegations to Council proceedings through changes to the Scotland Bill.

The Scottish Government has been successful in securing the agreement of the British-Irish Council to the location of its Standing Secretariat in Edinburgh. The Scottish Government will meet the set-up costs for the Standing Secretariat and has been successful in driving down the estimated annual running costs.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

In 2012-13 we will prioritise access to world class cultural performances and exhibitions by protecting the operating budgets for the National Performing Companies and National Collections bodies. We will look to decrease reliance on direct government funding through a number of measures including a return to “normal” activity at National Records of Scotland following the census activity and through plans to expand income generation across the cultural bodies, particularly at Historic Scotland. We will also continue our important international development work by maintaining the £9 million per annum International Development Fund to support the vulnerable in developing countries.

We will minimise reductions to Creative Scotland core grant in aid and maintain the ring-fenced funding provided to Creative Scotland and will deliver minor reductions across the Europe and External Affairs budget to achieve savings and create budgetary space for our new commitments on the British-Irish Council and Canadian engagement.

## **OUR PRIORITIES**

The Culture and External Affairs portfolio will spend £232.4 million in 2012-13 on portfolio priorities, including maintaining cultural and heritage assets and widening access to these, and the promotion of Scotland on the world stage. This is £13.2 million or 5.4 per cent less than in 2011-12. In addition, the new Young Scots Fund will provide £5.4 million in 2012-13 (£50 million over four years) for investment in emerging young talent in creativity, enterprise and sport.

We will manage the budget reductions in such a way as to protect the provision of front-line services across the portfolio. In particular Historic Scotland is confident in managing the reductions in its budget by growing existing income, investigating new income streams and securing efficiencies from its operations.

The impact of this is that there will be a significant reduction in the government’s ability to respond to the many and various requests for funding which it receives throughout the year for both cultural and international spend.

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 maximise, within available resources, the economic and cultural benefits of Scotland’s national cultural assets through, for example, continued funding for the National Collections and National Performing Companies. We will argue the case for the

establishment of a new Scottish public service broadcaster, the Scottish Digital Network, to provide a sustainable choice of quality television programming. We will work in partnership with the wider public sector, the third sector and private companies to boost rates of digital participation in Scotland. This will deliver one of the key ambitions in the Scottish Government's digital strategy, published in March 2011, and will enable everyone in Scotland to have the opportunity to benefit fully from the digital age.

With its streamlined investment programmes and organisational structure, and its integrated business systems, Creative Scotland is maximising its support for artists and creative practitioners of all kinds across Scotland. This support promotes Scotland's cultural strengths and provides a boost for the creative economy and for tourism both nationally and locally. This has even greater resonance in 2012, the themed Year of Creative Scotland and Scotland's cultural activities celebrating the Olympic and Paralympic Games, building our legacy for Glasgow's Commonwealth Games in 2014. Following its protection in the 2011-12 budget, we have reduced Creative Scotland's core budget by two per cent, in the knowledge that significant efficiencies have already been made through moving to a single body. We have maintained ring-fenced funding for the Youth Music Initiative (£10 million) to provide free music tuition for school children and for Arts and Business (£0.3 million) to help maximise private sector investment in the arts.

The portfolio capital budget will contribute to the development of the V&A at Dundee project which is key in the regeneration of the Dundee waterfront. The budget also supports redevelopment of the Glasgow Theatre Royal and the Glasgow Royal Concert Hall in time for the Commonwealth Games in 2014.

Historic Scotland, with £45.3 million in Scottish Government funding, will deliver key projects such as the Bannockburn Battlefield and Visitor Centre project. It will continue to protect and enhance the historic environment and will invest in the representation of Edinburgh Castle and the Honours of Scotland. 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; promote understanding and appreciation of the rich heritage through designation and outreach; drive forward the development and application of new digital technologies; and lead on the contribution of Scotland's traditional buildings to meeting climate change targets. Historic Scotland will deliver budget reductions by growing income from existing sources and exploiting new areas of income generation; introducing effective workforce planning to ensure the Agency's structure supports its priorities and protects front-line services; and by actively pursuing efficiencies through shared service or partnership projects with VisitScotland, the National Records of Scotland and other sector partners.

We will use the Major Events and Themed Years budget of £1.5 million to support the development of Scotland's events industry, building on the success of Homecoming Scotland 2009 which, with over 400 events, generated £53.7 million in additional tourism revenue for Scotland. The budget will support the themed Year of Creative Scotland in 2012 and the Year of Natural Scotland in 2013, and will support some of the initial activity in relation to Scotland's staging its next Year of Homecoming in 2014, when Scotland will welcome the world for the Commonwealth Games, the Ryder Cup and the Edinburgh Festivals.

The International Relations budget of £14.4 million will promote Scotland internationally and contribute aid where it is most needed. The International Development Fund, which is maintained at £9 million, 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 our offering for visitors and residents through Scotland's Winter Festivals.

In 2012-13 we will:

- provide a further contribution towards the V&A at Dundee project and to two National Performing Companies cultural capital projects in Glasgow;
- expand the reach of the Edinburgh Festivals Expo fund by continuing our annual £2 million investment;
- develop and deliver manifesto commitments for a film investors night and a national book week;
- continue our contribution to the Bannockburn Battlefield and Visitor Centre project;
- maintain revenue funding for the cultural National Collections and National Performing Companies to ensure the provision of access to high quality performances, exhibitions and services;
- maintain our annual £9 million International Development Fund;
- work with EventScotland to maximise the promotional value of the Ryder Cup 2012 in Chicago so as to promote Scotland's Year of Homecoming in 2014 and the Ryder Cup at Gleneagles;
- contribute to the cultural aspects of Scotland's programme of activity for the Olympic and Paralympic Games in 2012, the Year of Creative Scotland in 2012 and the Commonwealth Games in 2014;
- increase the number of apprentices pursuing traditional building skills by at least 30;
- continue our commitment to the principle of free public access to the national collections; and
- begin our investment of the Young Scots Fund to support emerging youth talent.

Spending plans for 2012-15 are set out below.

**Table 12.01: Detailed Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Europe and External Affairs	16.1	15.9	15.7	15.5
Culture	154.6	149.2	143.8	143.2
Historic Scotland	47.0	45.3	40.3	35.7
National Records of Scotland	27.9	22.0	20.2	19.5
Young Scots Fund	-	5.4	12.5	7.5
<b>Total Level 2</b>	<b>245.6</b>	<b>237.8</b>	<b>232.5</b>	<b>221.4</b>
<i>of which:</i>				
DEL Resource	225.7	222.9	223.8	212.9
DEL Capital	19.9	14.9	8.7	8.5
AME	-	-	-	-

**Table 12.02: Detailed Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Europe and External Affairs	16.1	15.5	14.9	14.3
Culture	154.6	145.5	136.6	132.6
Historic Scotland	47.0	44.2	38.3	33.0
National Records of Scotland	27.9	21.5	19.2	18.0
Young Scots Fund	-	5.3	11.9	6.9
<b>Total Level 2</b>	<b>245.6</b>	<b>232.0</b>	<b>220.9</b>	<b>204.8</b>
<i>of which:</i>				
DEL Resource	225.7	217.5	212.6	196.9
DEL Capital	19.9	14.5	8.3	7.9
AME	-	-	-	-

## Europe and External Affairs

**Table 12.03: More detailed categories of spending**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Major Events and Themed Years	1.7	1.5	1.6	1.7
International Relations	14.4	14.4	14.1	13.8
<b>Total</b>	<b>16.1</b>	<b>15.9</b>	<b>15.7</b>	<b>15.5</b>
<i>of which:</i>				
DEL Resource	16.1	15.9	15.7	15.5
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 our 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 EU, and builds on mutually beneficial links with other countries including Canada, the USA, India and China. The budget supports the attraction of fresh talent to live, study and work in Scotland. It also supports activity to stimulate growth within our events industry.

In 2012-13 we will:

- maintain the International Development Fund at £9 million;
- take forward the manifesto commitment to implement the USA, Canada and South Asia Country Plans as well as updating and implementing the China Plan;
- deliver another Scotland Week programme on budget and at half the cost of previous Tartan Weeks;
- work with Scottish Development International, VisitScotland, EventScotland and other partners to design, fund and deliver a programme of promotional activity around the 2012 Ryder Cup in Chicago;
- support the Year of Creative Scotland in 2012 and the Year of Natural Scotland in 2013;
- capitalise on the Olympic and Paralympics Games in 2012 and also the Commonwealth Games in 2014 to develop and create a cultural programme and a long-lasting, meaningful cultural legacy that: reinforces the contribution that a strong, vibrant cultural offer brings to the lives of people across Scotland; boosts tourism; and enhances Scotland's international image;
- support activity in the planning, development and promotion of our next Year of Homecoming in 2014;
- contribute to the running costs of the British-Irish Council Standing Secretariat in Edinburgh;
- deliver a successful 2012 British-Irish Council summit, attracting Ministers and delegates from the eight members' administrations to Scotland;
- establish and maintain relations with other European countries;
- establish a programme of Brussels events promoting Scottish Government sectoral priorities and projecting Scotland as a dynamic contributor to EU policy making; and
- maintain productive and proactive engagement with key EU stakeholders focused on delivering Scottish Government EU priorities.

## Culture

**Table 12.04: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Creative Scotland and Other Arts	53.0	51.9	50.7	50.4
Cultural Collections	77.0	73.4	69.5	69.6
National Performing Companies	24.6	23.9	23.6	23.2
<b>Total</b>	<b>154.6</b>	<b>149.2</b>	<b>143.8</b>	<b>143.2</b>
<i>of which:</i>				
DEL Resource	139.1	137.9	136.2	135.2
DEL Capital	15.5	11.3	7.6	8.0
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.

In 2012-13 we will:

- continue our capital funding contribution to the V&A at Dundee project and the redevelopment of two key cultural venues in Glasgow in advance of the Commonwealth Games in 2014;
- maintain revenue budgets for the National Collections bodies and the National Performing Companies at 2011-12 levels, enabling the provision of public access to and enjoyment of the national collections and supporting the artistic and educational work of the Companies;
- maintain ring-fenced funding for the Youth Music Initiative (£10 million) to provide free music tuition for school children and 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
- continue our commitment to the principle of free public access to the national collections.

## Historic Scotland

**Table 12.05: More detailed spending plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Staff Costs	28.6	28.6	27.2	26.7
Other Running Costs	6.4	6.2	5.8	5.6
Programme	35.4	34.7	34.4	32.1
Capital Charges	3.3	3.3	3.3	3.3
Capital Expenditure	2.1	3.1	0.6	-
Less income	-28.8	-30.6	-31.0	-32.0
<b>Total</b>	<b>47.0</b>	<b>45.3</b>	<b>40.3</b>	<b>35.7</b>
<i>of which:</i>				
DEL Resource	44.9	42.2	39.7	35.7
DEL Capital	2.1	3.1	0.6	-
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 special interest and management of the most important parts of Scotland's wider historic environment, including listed buildings, scheduled monuments, wreck sites, gardens and designed landscapes and battlefields, far beyond the 345 properties. It promotes cultural identity and associated community regeneration through designations, through educational programmes and through the Historic Environment Grants Programme. This Programme 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.

Historic Scotland, as Scotland's largest employer of stonemasons also protects and supports traditional skills through its employment of skilled crafts people and its work with colleges, Sector Skills Councils and others. This support is underlined by its commitment to employ 30 additional apprentices over the next three years. Through the provision of technical and scientific advice Historic Scotland is leading on improving the energy efficiency of Scotland's 460,000 traditional buildings and making a significant contribution to the government's carbon reduction targets. In its regulatory role it is continuing to improve and simplify the planning system, and working in partnership with Glasgow School of Art, it is enhancing Scotland's reputation for innovation and excellence at home and internationally through the 3D laser scanning of five international sites as well as the five World Heritage Sites in Scotland - the Scottish Ten project.

In 2012-13 we will:

- progress key projects such as the Battle of Bannockburn Project (£5 million) which has been successful in securing first-stage approval for Heritage Lottery Fund support (£3.8 million), and deliver the manifesto commitment on the Scottish Ten (£1.5 million);
- progress work on establishing the National Conservation Centre;
- invest in local regeneration across Scotland through our grants schemes, refresh our properties to improve our visitor offering, conserve and maintain our properties, provide guidance on energy efficiency and on maintaining traditional buildings drawing on our research and the experience of managing our estate;
- explore all possible means of increasing income from alternative sources including our tourism and commercial activities, sponsorship, and donations, and using our estate creatively;
- look at the scope to share services and simplify the landscape across the heritage management and tourism landscape;
- ensure that we get maximum value from all our running costs expenditure through an ongoing efficiency programme, and from our IT, digital, people and training strategies, with a view to releasing resources to front-line delivery; and
- evidence the wider economic contribution of the historic environment to Scotland's growth and economy.

## National Records of Scotland

**Table 12.06: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Administration Costs	30.9	26.8	25.0	24.3
Less retained income	(7.5)	(7.5)	(7.5)	(7.5)
Depreciation Charges	2.2	2.2	2.2	2.2
Capital Expenditure	2.3	0.5	0.5	0.5
<b>Total</b>	<b>27.9</b>	<b>22.0</b>	<b>20.2</b>	<b>19.5</b>
<i>of which:</i>				
DEL Resource	25.6	21.5	19.7	19.0
DEL Capital	2.3	0.5	0.5	0.5
AME	-	-	-	-

### **What the budget does**

The National Records of Scotland plays an important role in cultural and economic life and its holdings are central to the nation's sense of identity.

- The budget, together with generated income, funds the statutory functions of both the Registrar General and the Keeper of the Records – 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; to preserve and make available public registers and records about individuals and properties; and operate the ScotlandsPeople Website and Centre which provide information for family historians and encourage inbound tourism, building on the Homecoming legacy.

By improving access to the nation's records, National Records of Scotland 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, National Records of Scotland advises Scottish public authorities on the creation and management of their records, promoting streamlined and more effective government.

In 2012-13 we will:

- begin publishing the results from Scotland's 2011 Census, in parallel with censuses in the other parts of the UK;
- commence preliminary work into the development of a data linkage service (alongside other government departments), which will over time increase secure and acceptable data sharing. This will result in a more joined-up and efficient delivery of services, including the combating of fraud and providing more frequent small-area population statistics;
- continue to expand the resources available through ScotlandsPeople, in particular adding the records from the 1911 Census; and
- continue to make our records available to ScotlandsPeople customers, in order to stimulate further ancestral tourism visits.

## Young Scots Fund

**Table 12.07: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Young Scots Fund	-	5.4	12.5	7.5
<b>Total</b>	-	<b>5.4</b>	<b>12.5</b>	<b>7.5</b>
<i>of which:</i>				
DEL Resource	-	5.4	12.5	7.5
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the budget does

The Young Scots Fund is a new initiative that will invest over the next four years in emerging young talent in sport, enterprise and creativity. This investment in our young people is an investment in a better future for Scotland. It will range across a number of projects, including a National Indoor Football centre. It will provide opportunities for developing, encouraging and building talent, for Young Scots to excel and realise their potential as our future entrepreneurs, creative practitioners and sports champions.

In 2012-13 we will:

- begin investment in our youth talent initiative with specific programmes and projects to support and encourage our young people to realise their potential in sport, enterprise and creativity.



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**CHAPTER 13**  
**Infrastructure and**  
**Capital Investment**

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## **PORTFOLIO RESPONSIBILITIES**

The Infrastructure and Capital Investment portfolio is responsible for transport policy and delivery, housing and regeneration, digital infrastructure, European Structural Funds, Scottish Water, Scottish Government procurement and the Scottish Futures Trust.

In line with the *Government Economic Strategy* the majority of the portfolio spend is focused on investment in transport and water infrastructure, providing good quality, sustainable and affordable housing, tackling homelessness and helping regenerate our communities. Overall, the portfolio will look to support a renewed focus on cities and their regions, given the critical contribution they make as drivers of economic growth.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

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 faster sustainable economic 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 2010-11, 95 per cent of Transport Scotland's £1.8 billion budget was invested back into the private sector, supporting 25 per cent of civil engineering contracts in Scotland and 11,000 jobs.

Housing is a key part of our physical, economic and social fabric. Whilst housing quality is a key factor in the quality of individual and family life, it has important economic impacts as well. In the shorter term, government funded house construction can be an extremely valuable support to industry in times of economic downturn and typically around two jobs are supported for each house constructed. A significant programme of enhancement of the energy efficiency of the existing housing stock, including renewable energy, is required to meet our climate change targets and will also assist in tackling fuel poverty. This programme of work will also provide a valuable boost to local economies.

As well as this immediate contribution to economic growth, the availability and affordability of housing is a key factor in the existence of flexible and deep labour markets. In the longer term, a well functioning housing system is a key component of society's infrastructure and a large stock of good quality, appropriate housing will help us achieve the country's full potential through better educational and employment opportunities, healthier lives and a more prosperous and equal society.

Alongside this, we will produce a regeneration strategy which responds to the challenges faced by our most disadvantaged communities and helps create a Scotland where all places are sustainable and where people want to live, work and invest. It is clear that regeneration makes an important contribution to growing Scotland's economy, creating jobs and prosperity and improving the life chances of Scotland's people. Continued

investment in physical regeneration projects will play an important part in supporting delivery of key infrastructure across Scotland, particularly in areas that need additional support. Wider infrastructure investment decisions need to be considered alongside regeneration outcomes and as part of a wider economic and social plan. Successful delivery can help improve the economic performance of areas which have historically suffered from market failure.

As set out in *Scotland's Digital Future: A Strategy for Scotland*<sup>1</sup>, we want to ensure that all of Scotland's citizens, regardless of age, health, income or location, are equipped to take advantage of the digital revolution. Improving connectivity across Scotland will support future innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. It will also play a critical role in driving economic growth and competitiveness, creating more and better jobs. It will shape public service delivery, increasing the number of services to be delivered online which can be more effective and lower cost. It will support the transition to a low carbon economy, opening up new opportunities for a different way of living and working that encourages strong and growing rural towns and villages and respects and protects our environment.

European Structural Funds provide significant support for improving business infrastructure and creating new employment and higher skills in Scotland, helping us to reach our full economic potential. The programmes follow the seven-year cycle set by the EU budget, and run until the end of 2013 with some activity continuing through 2014. By 2013, the current European Structural Funds programme will have secured training and improved skills for 135,000 individuals and will have delivered 30,000 new jobs for Scotland. It will also have invested over £10 million in upgrades to harbour infrastructure, in preparation for, and in support of, a larger and stronger renewables industry in Scotland.

Scottish Water provides nearly two billion litres of high quality drinking water every day to 2.4 million homes and 130,000 businesses. Nearly one billion litres of wastewater is taken away from homes and businesses and treated before being returned to the rivers and seas. With an annual turnover of £1.1 billion, it is one of Scotland's twenty largest businesses. It employs some 3,500 staff and sustains a further 20 per cent of the Scottish civil construction industry.

We are committed to ensuring that Scotland's drinking water meets stringent quality standards and that the environment is protected from the effects of pollution from our wastewater networks and treatment works. Modern, efficient and affordable services are key to driving economic growth, ensuring competitiveness and ensuring that Scotland's environment is protected for future generations.

We set out the investment required for the current regulatory settlement period 2010-2015 in October 2009. This is available on the Scottish Government's website<sup>2</sup> and sets out the improvements that Scottish Water is required to make with regard to drinking water quality, the environment, customer service, enabling new connections, and mitigating and adapting to climate change. The cost of this programme has been

1 [www.scotland.gov.uk/Resource/Doc/981/0114237.pdf](http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf)

2 <http://www.scotland.gov.uk/Topics/BusinessIndustry/waterindustryscot/latest-news/swdirections>

determined by the economic regulator, the Water Industry Commission for Scotland, at £2.5 billion. This will be financed by customers and by government lending.

With an annual spend of around £9 billion each year, public sector procurement in Scotland can help support sustainable economic growth and contribute to many of the Scottish Government's strategic priorities. For example, thinking creatively about how we develop procurement strategies and set up specific contracts can help ensure a level playing field for small and medium enterprises (SMEs). We can also encourage innovation by, wherever possible, specifying the outcomes we want to achieve through our procurement, rather than a particular method of achieving them.

The Scottish Futures Trust (SFT) was established in 2008 with the central aim of helping the Scottish Government to achieve better value for money from public infrastructure investment in Scotland. The importance of this work has grown, given the speed and scale of planned reductions in capital budgets.

SFT is active across the public sector and is delivering innovative new ways of working that will result in improved value for money, including:

- the Non-Profit Distributing (NPD) pipeline of infrastructure projects;
- the hub initiative for collaborative procurement of community infrastructure;
- the National Housing Trust, releasing much needed affordable housing;
- Tax Incremental Financing (TIF), which will lever significant additional investment for regeneration; and
- smarter procurement through the schools programme, enabling more schools to be built across Scotland for less money.

## **OUR NATIONAL OUTCOMES**

The portfolio contributes to all National Outcomes and to the following 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 value and enjoy our built and natural environment and protect it and enhance it for future generations.
- We live longer, healthier lives.
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

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

## OUR ACHIEVEMENTS

### Transport

We have invested in improving transport infrastructure and 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 completing 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 lifeline ferry and air services; by removing unfair tolls on the Tay and Forth bridges; and by fully supporting the concessionary fares scheme.

The results of the most recent Scottish Household Survey show that nearly three quarters of adults are very or fairly satisfied with public transport – up 5 percentage points since 2007. The percentage of people who are very satisfied (26.8 per cent) has increased by 8.2 percentage points since 2007.

We have also supported approaches that contribute to the climate change agenda, such as the promotion of active travel with investment in cycling and walking networks; investment in more fuel-efficient trains and buses; the ‘Smarter Choices, Smarter Places’ demonstration programme promoting sustainable transport in communities; support for the development of the low carbon vehicles agenda; 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 over the last four years.

### Housing and Regeneration

Over the period 2008-11, the Scottish Government invested a record £1.7 billion in affordable housing and achieved its target to approve around 21,500 new or improved affordable homes.

£100 million has been invested to reverse decades of decline in council house building and support the construction of almost 4,000 new council homes across Scotland.

In 2009 the Energy Assistance Package was launched, which has delivered over 20,000 heating installations, and two area-based home insulation schemes have been developed offering a package of energy efficiency measures to over half a million Scottish householders to help householders reduce their fuel bills and cut carbon emissions.

In 2011-12 our £400 million housing investment budget will generate around £850 million of economic activity estimated to support over 15,000 jobs directly and indirectly across the Scottish economy, and a new Innovation and Investment Fund (£50 million in 2011-12) is ensuring that government funding levers in the maximum possible investment from other sources to maximise new supply.

Procurement of new affordable homes for rent has been progressed through the groundbreaking National Housing Trust (NHT) initiative working with local authorities, housing associations and private developers across Scotland – generating around £100 million of investment and support for over 1,000 jobs from every 700 homes built.

Over £90 million has been invested in Urban Regeneration Companies (URCs) since 2008, which has delivered a wide range of regeneration outcomes, and a £50 million Scottish Joint European Support for Sustainable Investment in City Areas (JESSICA) fund has been developed in conjunction with the European Commission and European Investment Bank (EIB), to assist the delivery of regeneration projects in Scotland. The JESSICA fund may also be a source of investment capital or loan finance for housing providers who are developing innovative emissions reductions and renewables measures.

Over £45 million of funding has been provided through the Vacant and Derelict Land Fund (VDLF) since 2008 to tackle vacant and derelict land in five local authority areas.

## **Digital**

Basic broadband availability in Scotland is now over 99 per cent. This is following completion of the Broadband Reach Project in 2010, which provided over 2,400 broadband connections using satellite and wireless technology. This is a major increase from only 43 per cent availability in 2001, when Scotland lagged behind the UK level of 63 per cent.

In partnership with BT, over 2010-11 we secured upgrades to 81 telephone exchanges across Scotland for improved broadband connectivity.

In October 2010, we secured the Highlands and Islands region as one of the first areas of the UK to benefit from a share of £530 million of UK Government funding for broadband. This project will deliver next generation broadband to around 50 towns and communities geographically spread across the Highlands and Islands. The project entered procurement in June 2011 and delivery of connectivity improvements is expected to begin within 12 to 18 months.

To date, we have secured £68.8 million for Scotland from the UK Government for next generation broadband roll-out. We will continue to work with the UK Government to ensure that we get the best possible deal for Scotland.

## **European Union Funds**

We have capitalised the Scottish Investment Bank's Loan Fund with a total investment of £50 million, including £20 million of European Structural Funds, ensuring better access to finance and creating a better environment for business.

We have worked with the European Investment Bank to create a JESSICA fund, with £50 million aimed at unlocking the delivery of Integrated Urban Development Plans,

creating strong, resilient and supportive communities, and helping to tackle the inequalities in Scottish society.

We have invested significantly in transport hubs, with £10 million committed to harbour improvements and upgrades at Scrabster, Lyness, Campbeltown and Hatston to prepare these sites for private sector investment in the renewable energy sector, and cementing the legacy of the Commonwealth Games in East Glasgow by supporting the upgrade to Dalmarock Station.

Scottish Government advice on state aid issues has ensured that key projects can proceed without the risk of complaint to the European Commission – for example, Scottish Investment Bank, Edinburgh Bioquarter, Saltire Prize, Road Equivalent Tariff and Community Jobs Scotland.

### **Scottish Water**

We have shown that a public sector utility can be incentivised to deliver services at the levels of efficiency and effectiveness of those companies operating in the private sector. We are therefore committed to retaining Scottish Water in public hands.

Since its formation in 2002, Scottish Water has made major strides in improving efficiency and customer service. It has made efficiencies, resulting in a saving of £105 on the annual average household water and sewerage bill. As a consequence, average household water and sewerage charges in Scotland during 2011-12, at £324, are nearly ten per cent lower than in England and Wales.

We invested some £2.4 billion in the period 2006-10. This produced dramatic improvements to services including:

- a 76 per cent improvement in the standards of service provided to customers;
- 400 million litres of water a day saved through leakage measures – enough to supply half of Scotland’s households each day;
- additional capacity made available to serve new developments;
- 69 per cent of Scotland’s population benefiting from improvements to drinking water; and
- significant improvements made to the environment as a result of investment in wastewater treatment works and combined sewer overflows.

Further details of the improvements are available in the Scottish Government report *Investing in Scotland’s water industry: Improvements delivered in 2006-10*.

### **Procurement**

Through the *Public Procurement Reform Programme* we have generated savings of more than £800 million since 2006. We are mindful, however, that work to generate savings should not exclude SMEs from public sector work. Indeed, three-quarters of all suppliers winning contracts through Public Contracts Scotland, the online advertising portal, are SMEs.

Collaborative contracting has enabled us to maximise the buying power of the public sector. For example, the national contracts for electricity cover 99 per cent of the public sector and deliver benefits of some £10 million a year. They also ensure that power is available from renewable sources, provide access to energy reduction technology, and allow for significant improvements in data quality for public bodies to help them meet carbon reduction commitments.

### **Scottish Futures Trust**

In its first two years of operations, SFT has delivered net future benefits and savings of £240 million. It does this by working in partnership with public sector organisations. It is committed to delivering at least £7 of benefits for every £1 of cost of the organisation.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

The scale of the total reduction in the Scottish Government budget for 2012-13 to 2014-15 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios.

We have undertaken a comprehensive equalities impact assessment of all of our options and, in taking these tough decisions, have looked to ensure that wherever possible, our priorities protect and meet the needs of the most vulnerable.

## **MAXIMISING VALUE FOR MONEY FROM CAPITAL INVESTMENT**

We will lead action across the Scottish Government to drive improved value for money in capital spending, tight management of contingency funds and better asset management, including the sale of surplus assets. Savings released from these actions by 2014-15 will be used to support the Government's investment programme.

### **Transport**

Key transport pressures within the portfolio 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; the cost of bringing in new services, such as the Airdrie to Bathgate rail link, and new improved roads such as the M80 Stepps to Haggs, and maintaining Scottish Ministers' single biggest asset, the trunk road network, in a safe and serviceable condition. 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 Infrastructure and Capital Investment budget.

With a few notable exceptions such as the Forth Replacement Crossing, on capital spend we will prioritise consolidation over new projects. We will, however, exploit the opportunities afforded by funding via Network Rail's Regulatory Asset Base (RAB) and the NPD model to take forward major projects such as the Edinburgh Glasgow Improvements Programme, Borders Railway, the Aberdeen Western Peripheral Route (AWPR) and Balmedie project, and the M8 Baillieston to Newhouse motorway upgrade, together with improvements to the M74 Raith Interchange and the M8 associated improvements (M8 bundle).

## Housing and Regeneration

Key pressures within housing include 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.

Recent price rises by energy companies have also increased the pressure on household budgets already being squeezed through rising inflation, placing increasing numbers of Scots in fuel poverty. Investment in domestic energy efficiency to mitigate fuel poverty is a key priority and this should also help draw in support from energy companies under their regulatory obligations. We will also continue to engage with the UK Government and the Office of Gas and Electricity Markets (OFGEM) to ensure the energy market works effectively for consumers.

Pressures on the regeneration budget hasten our intention to bring together available sources of funding to secure better alignment of strategic regeneration objectives and greater strategic match between Scottish Government and other potential sources of funding. We are also considering a range of innovative models to finance regeneration activity, such as JESSICA.

## Digital

Key pressures in digital economy and infrastructure include delivering the ambition as set out in *Scotland's Digital Future* for next generation broadband to all by 2020, with significant progress by 2015. Scotland has some of the most challenging and rural geography, and public sector action will be required to facilitate and extend the roll-out of next generation broadband across the whole of Scotland to ensure that rural and remote communities are not left behind.

Achieving this ambition with more limited funding will be challenging. That is why our Next Generation Digital Fund will seek to optimise public sector investment in broadband infrastructure and leverage maximum levels of private sector investment to improve broadband coverage in Scotland. We are also assessing the potential for innovative procurement and financing models, and other sources of investment. As much of the investment will be targeted in rural areas, the spending plans for the Next Generation Digital Fund are set out in the Rural Affairs and Environment portfolio chapter.

We have already made significant investment in high-speed broadband across the public sector in Scotland with the Pathfinder, Interconnect and Joint Academic Networks (JANET) projects. The Scottish Government is investing £90 million in Pathfinder alone (over the period 2007-08 to 2013-14). This provides an ideal opportunity to ensure the impact of existing public sector investments in networks and services is maximised so as to deliver benefits across the wider community, particularly in rural areas.

We will explore how to achieve greater alignment between the deployment of broadband infrastructure and other policy and infrastructure investments which may provide greater efficiencies and reduce overall costs. We will develop a national plan that will bring together the ambition and actions in the digital strategy and our response



to the McClelland recommendations on broadband. We will consider the options available to us when we bring together our digital ambition for Scotland as a whole with our purchasing power as a consumer of digital services. We are determined that the approach we take will deliver the best outcomes for Scotland in the most cost effective manner. The private sector has an important role to play too, and we need to find new ways of working effectively together to achieve the shared benefits of a digital age.

Between now and the end of March 2012, we will investigate different roll-out options (including technical specifications, financing and procurement models) and consult with a range of industry and public sector stakeholders on those options to ensure we bring forward the right delivery solution for Scotland. Before the end of this year we will set out the main components of the plan.

### **European Union Funds**

We will put EU funding to work for Scotland, working with the European Commission to focus the remaining funds so that they can help deliver on major investment priorities, such as the roll-out of rural broadband access, an investment potentially worth £25 million over the next two years.

Scotland is already leading the way in using European Union funding to lever in private investment to major projects. For example, we have capitalised the Scottish Investment Bank's Loan Fund with a total investment of £50 million, including £20 million of European Structural Funds, ensuring better access to finance for Scottish businesses. We have also set up a £50 million fund aimed at delivering the Integrated Urban Development Plans, and will continue to use European money in financial engineering funds to increase their value to the Scottish economy.

### **Scottish Water**

We recognise that effective economic regulation is key to ensuring that Scottish Water operates with maximum efficiency thereby ensuring that charges to customers are the minimum necessary.

In its *Performance Report*<sup>3</sup>, the economic regulator, the Water Industry Commission for Scotland, calculated that efficiency measures implemented by Scottish Water have generated around £1 billion of savings in operating costs and a further £2 billion in capital costs since 2002.

Going forward we recognise that there is less scope for further significant savings but will expect Scottish Water to remain at least as efficient as its private sector counterparts.

In 2009, we set the investment priorities for the period 2010-15. In doing so, we recognised the need to set a programme that would optimise the efficiency of delivery and that was affordable. As a consequence, we reduced the capital programme to £500 million from £600 million per year in 2006-10. This reduced the need to increase charges for customers and reduced the Government's contribution.

We have examined the cash reserves held within the Scottish Water group and the scope for further exploiting additional cost savings over the remainder of the regulatory

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<sup>3</sup> <http://www.watercommission.co.uk/UserFiles/Documents/WICSPerformanceReport2010.pdf>

period. We have concluded that we are able to reduce our original contribution of £560 million over the spending review years by £120 million. In doing so, we accept that there are risks – in particular to the pace of delivery of the capital programme. With the Board of Scottish Water, we will monitor the situation closely and will make adjustments if necessary.

## **OUR PRIORITIES**

### **Transport**

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 Infrastructure and Capital Investment portfolio.

Our key infrastructure priority, central to Scotland's long term economic success, is to progress the construction of the Forth Replacement Crossing, the largest civil engineering project in a generation in Scotland, worth up to £1.6 billion and securing economic turnover of more than £1.3 billion and over 3,000 jobs.

To improve journey times and connections, we will take forward rail programmes such as the Edinburgh Glasgow Improvements Programme and Borders Railway; progress trunk road schemes such as the AWPR and M8 bundle; contribute to Glasgow's Fastlink in support of the Commonwealth Games; and continue to invest in the maintenance and safe operation of the trunk road network.

To support the most vulnerable elderly people and to keep money in people's pockets when they need it most we will spend £745.8 million to fund the Concessionary Fares scheme and the Bus Services Operators' Grant.

To improve quality, accessibility and affordability, we will invest £19 million in airport infrastructure at ten airports in the Highlands and Islands and at Dundee and in lifeline air services to Barra, Campbeltown and Tiree. We will maintain spending on ferry services to ensure the retention of existing services and progress the construction of the next generation of vessels and essential pier and harbour works, and we will roll out the Road Equivalent Tariff (RET) fares scheme in line with manifesto commitments.

### **Scottish Futures Fund**

We will also act to reduce the impact of transport on our environment, reducing congestion and supporting better public transport, active travel and low carbon vehicles. The Scottish Futures Fund will deliver these priorities through the creation of a Future Transport Fund.

With rises in energy prices likely to continue in the future driven by the fluctuations in world fuel markets, many households in Scotland are vulnerable to fuel poverty. The Scottish Futures Fund will support the creation of a Warm Homes Fund to increase the impact we are already making through our fuel poverty and energy efficiency programmes.

### **Housing and Regeneration**

In regeneration, we are engaging with key stakeholders to ensure that our new regeneration strategy will deliver a long term sustainable approach to improving the

wellbeing of all our communities. We will provide the leadership and direction needed to enable key players at national and local level to respond to and address the decline in our cities, towns and communities. A key part of the strategy will consider how our funding streams can best support this work.

We will also look towards innovative funding models which can further augment this.

In housing, our vision is for a housing system that provides an affordable home for all. We are committed to increasing the supply of housing across all tenures, to provide homes for our growing population and to boost economic recovery through the construction industry. We have made a decisive change in the way we support new housing developments, using government funding to lever in the maximum possible investment from other sources. We recognise the vital role of social housing in providing people with an affordable home and a platform for getting on in life, and we will also support intermediate products such as shared equity and homes for intermediate rent. Overall, our commitment is to deliver 30,000 affordable homes over the life of this parliament, including 5,000 new council homes over the next five years. The growth in numbers of older people poses particular issues for housing, and we will publish a national strategy on housing for older people.

We will also continue to improve the quality of Scotland's housing stock. This will include investing in initiatives to improve energy efficiency, which will help reduce carbon emissions and reduce household fuel bills. We will continue to tackle fuel poverty through the *Energy Assistance Package (EAP)*, *Universal Home Insulation Scheme*, and *Boiler Scrappage Scheme*. Households receiving assistance through EAP have together seen annual fuel bill savings of £12 million since its introduction. In addition, our £50 million Warm Homes Fund will deliver renewable energy and energy-efficient homes in those communities worst affected by fuel poverty. Our *Boiler Scrappage Scheme* has also proved very popular and we shall continue to fund the scheme, providing support for 30,000 new boilers over the course of the next parliament.

## **Digital**

Our key priorities for the Spending Review period are:

- to deliver the ambition for next generation broadband to all by 2020, with significant progress by 2015, as set out in *Scotland's Digital Future: A Strategy for Scotland*; and
- to ensure that businesses across Scotland have the skills and aspiration to enable them to innovate and compete in the global digital economy.

## **European Union Funds**

The bulk of the European Structural Funds allocation for 2007-13 is already committed, and the projects benefiting from this funding have supported economic recovery by delivering more jobs and better skills. We are now seeking to allocate the remaining funding towards key priorities which can contribute to our long-term economic prospects and creating opportunities throughout Scotland, such as the potential £25 million investment in rural broadband, which we are working with the European Commission to deliver within the current programme.

The next European programmes will start in 2014, and it will be critical for Scotland to be able to access this funding as early as possible, so that this important additional funding can help with the economic recovery. We will ensure that all European funding is better integrated, and that we have a strong focus on key priorities which can help drive a transformational change in the Scottish economy and society, including renewable energy, research and innovation, digital connectivity, social inclusion, access to finance, business support and urban and rural community development.

### Scottish Water

The delivery of the 2010-15 investment programme is already underway and is delivering further improvements to water and wastewater services. Monitoring reports on Scottish Water's progress are published quarterly on the Government's website.<sup>4</sup> The report for the fourth quarter of 2010-11 shows that Scottish Water's capital programme is ahead of schedule and that, in 2010-11, levels of service improved and levels of leakage reduced by a further 39 million litres a day (leakage is now 37 per cent less than in 2006). Further details of the improvements delivered in 2010-11 are available in *Scottish Water's Annual Report 2010-11*<sup>5</sup>.

Together with Scottish Water's regulators we will ensure that the investment programme is delivered to time and to budget. Furthermore, we will start work to define the investment programme for the next regulatory period 2015-20, providing clarity to Scottish Water, its regulators and the construction industry of the scale and type of investment that will be required.

### Procurement

The public sector in Scotland spends around £9 billion each year buying goods, works and services, and can, through its procurement policy, exert a significant influence on delivering the Purpose framework. We will continue to lead the *Public Procurement Reform Programme*, and to deliver efficiency savings from collaborative procurement. Improved Scottish Government-led procurement is intended to deliver savings of £61 million in 2011-12, and over the next three years some £200 million from the Scottish Government family, and £400 million from the wider public sector procurement. More detail can be found in *Efficiencies from Procurement*.

Our actions will include:

- using public procurement to maximum effect so that the public sector makes better use of its purchasing power to help deliver sustainable economic growth. Specifically, whilst European Commission rules do not allow us to discriminate in favour of Scottish firms, we will help public bodies to design their contracts in a way which gives Scottish firms, particularly SMEs, a fair chance to compete;
- continuing to develop the suite of e-commerce shared services which underpin procurement reform. We are working closely with the private and third sectors to introduce improvements – for example, to allow increased use of Quick Quote (an electronic system which allows buyers to ask for competitive quotes for low value purchases, without the need to go through a full European-style procurement exercise). Further improvements will include a standard pre-qualification system for use across the Scottish public sector;

<sup>4</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/waterindustryscot/publications/deliveryprogress>

<sup>5</sup> [http://www.scottishwater.co.uk/portal/page/portal/SW\\_PAGE\\_GROUP\\_PS\\_ADMIN/SW\\_PUB\\_SCHEME\\_ADMIN\\_HOLDING/TAB65572/ScottishWaterAnnualReportAccounts201011.pdf](http://www.scottishwater.co.uk/portal/page/portal/SW_PAGE_GROUP_PS_ADMIN/SW_PUB_SCHEME_ADMIN_HOLDING/TAB65572/ScottishWaterAnnualReportAccounts201011.pdf)

- using public procurement to encourage innovation in both the public and private sectors – allowing bidders for work to come up with new ideas wherever possible;
- encouraging a broad consideration of sustainability in contracting, for example by using community benefit clauses in contracts to provide training opportunities for local people, or by reserving contracts for supported businesses; and
- lobbying for changes to the European Commissions procurement rules which will allow public bodies to consider local economic impact in their contract award decisions.

### Scottish Futures Trust

Maximising investment to support the economy and getting better value for money from capital spend are key priorities for the Government. SFT has a key role to play in this, developing and helping to deliver innovative new financing mechanisms such as the Non-Profit Distributing model, National Housing Trust and Tax Incremental Finance. SFT also plays an important role in driving value for money in capital spend, supporting collaborative procurement through hub and more standardised and cost-effective design through the schools programme.

Spending plans for 2012-13 are set out below.

**Table 13.01: Detailed Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Air Services	35.3	34.5	30.4	30.5
Concessionary Fares and Bus Services	255.3	248.6	248.6	248.6
Ferry Services	109.0	107.1	109.0	114.7
Motorways and Trunk Roads	557.6	655.4	664.2	700.2
Other Transport Policy, Projects and Agency Administration	67.1	57.7	66.3	55.9
Rail Services	779.4	780.9	837.6	836.3
Scottish Futures Fund	-	6.5	15.5	37.5
Housing and Regeneration	389.6	300.8	265.0	272.7
Digital Economy	11.6	10.6	4.0	1.0
European Regional Development Fund – 2007-13 Programmes	-	-	-	-
European Social Fund – 2007-13 Programmes	-	-	-	-
Other Expenditure	10.4	10.2	10.0	(15.1)
Scottish Water	(89.2)	12.7	49.7	105.5
<b>Total Level 2</b>	<b>2,126.1</b>	<b>2,225.0</b>	<b>2,300.3</b>	<b>2,387.8</b>
<i>of which:</i>				
DEL Resource	1,120.7	1,168.0	1,233.6	1,296.2
DEL Capital	1,005.4	1,057.0	1,066.7	1,091.6
AME	-	-	-	-
<b>Central Government Grants to Local Authorities</b>	<b>158.8</b>	<b>159.6</b>	<b>148.1</b>	<b>152.1</b>

**Table 13.02: Detailed Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Air Services	35.3	33.7	28.9	28.2
Concessionary Fares and Bus Services	255.3	242.4	236.2	230.0
Ferry Services	109.0	104.5	103.5	106.1
Motorways and Trunk Roads	557.6	639.4	631.0	647.7
Other Transport Policy, Projects and Agency Administration	67.1	56.3	63.0	51.7
Rail Services	779.4	761.9	795.7	773.6
Scottish Futures Fund	-	6.3	14.7	34.7
Housing and Regeneration	389.6	293.5	251.7	252.2
Digital Economy	11.6	10.3	3.8	0.9
European Regional Development Fund - 2007-13 Programmes	-	-	-	-
European Social Fund - 2007-13 Programmes	-	-	-	-
Other Expenditure	10.4	10.0	9.5	(14.0)
Scottish Water	(89.2)	12.4	47.2	97.6
<b>Total Level 2</b>	<b>2,126.1</b>	<b>2,170.7</b>	<b>2,185.2</b>	<b>2,208.7</b>
<i>of which:</i>				
DEL Resource	1,120.7	1,139.5	1,171.9	1,199.0
DEL Capital	1,005.4	1,031.2	1,013.3	1,009.7
AME	-	-	-	-
<b>Central Government Grants to Local Authorities</b>	<b>158.8</b>	<b>155.7</b>	<b>140.7</b>	<b>140.7</b>

## Air Services

**Table 13.03: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Highlands and Islands Airports Limited	26.6	22.9	22.9	22.9
Support for Air Services	8.7	11.6	7.5	7.6
<b>Total</b>	<b>35.3</b>	<b>34.5</b>	<b>30.4</b>	<b>30.5</b>
<i>of which:</i>				
DEL Resource	25.3	25.5	25.4	25.5
DEL Capital	10.0	9.0	5.0	5.0
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, Colonsay 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 2012-13 to 2014-15 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
- continue to fund the ADS.

### Concessionary Fares and Bus Services

**Table 13.04: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Smartcard Programme	9.5	2.8	2.8	2.8
Concessionary Fares	185.0	192.0	192.0	192.0
Support for Bus Services	60.8	53.8	53.8	53.8
<b>Total</b>	<b>255.3</b>	<b>248.6</b>	<b>248.6</b>	<b>248.6</b>
<i>of which:</i>				
DEL Resource	245.8	246.6	246.6	246.6
DEL Capital	9.5	2.0	2.0	2.0
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 2012-13 to 2014-15 we will:

- contain payments under the concessionary travel scheme as a result of a negotiated settlement with the bus sector; and
- continue to make efficiency savings in the operation of the scheme and the validation of bus operator claims.

## Ferry Services

**Table 13.05: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Support for Ferry Services	94.4	97.4	99.0	104.9
Vessels and Piers	8.1	5.2	5.5	5.3
Road Equivalent Tariff	6.5	4.5	4.5	4.5
<b>Total</b>	<b>109.0</b>	<b>107.1</b>	<b>109.0</b>	<b>114.7</b>
<i>of which:</i>				
DEL Resource	100.9	101.9	103.5	109.4
DEL Capital	8.1	5.2	5.5	5.3
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 contract.

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 this approach to ferry fare setting on the services to the Western Isles, Coll and Tiree.

In 2012-13 to 2014-15 we will:

- maintain ferry services on the Clyde and Hebrides, Gourock-Dunoon and Northern Isles routes;
- bring in to service the first of a series of innovative new low carbon small hybrid vessels and complete pier and harbour works at Ullapool and Brodick; and
- roll out the RET in line with manifesto commitments.

### Motorways and Trunk Roads

**Table 13.06: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Structural Repairs	30.0	30.0	30.0	30.0
Network Strengthening and Improvement	15.0	27.0	30.0	31.0
Private Finance Initiative (PFI) Payments	58.9	74.5	76.8	84.7
Routine and Winter Maintenance	61.5	68.5	70.5	72.5
Other Current Expenditure	4.8	4.8	4.8	4.8
Roads Improvements	24.2	19.2	14.2	14.2
Capital Land and Works	60.2	42.4	56.7	3.2
Forth Replacement Crossing	200.0	282.0	281.0	359.0
Roads Depreciation	80.6	89.0	89.0	89.0
Forth and Tay Road Bridge Authorities	22.4	18.0	11.2	11.8
<b>Total</b>	<b>557.6</b>	<b>655.4</b>	<b>664.2</b>	<b>700.2</b>
<i>of which:</i>				
DEL Resource	212.6	268.3	247.9	257.8
DEL Capital	345.0	387.1	416.3	442.4
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 construction of the Forth Replacement Crossing.

In 2012-13 to 2014-15 we will:

- continue construction of the Forth Replacement Crossing as programmed;

- 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 and bring forward to procurement as soon as the legal issues surrounding the AWPR are resolved;
- continue to progress the A82 Crianlarich Bypass, A82 Pulpit Rock Improvement and A96 Inveramsay Bridge;
- 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 13.07: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Transport Information	2.2	1.2	1.2	1.2
Agency Administration Costs	14.8	17.7	17.3	16.9
Strategic Transport Projects Review	4.6	3.6	3.6	3.6
Support for Freight Industry	2.9	1.1	1.1	1.1
British Waterways Scotland	10.0	10.0	10.0	10.0
Support for Sustainable and Active Travel	25.1	16.0	25.0	15.0
Travel Strategy and Innovation	5.1	5.1	5.1	5.1
Road Safety	2.4	3.0	3.0	3.0
<b>Total</b>	<b>67.1</b>	<b>57.7</b>	<b>66.3</b>	<b>55.9</b>
<i>of which:</i>				
DEL Resource	43.8	43.7	44.0	44.2
DEL Capital	23.3	14.0	22.3	11.7
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 Strategic Transport Projects Review (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 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 delivers support for more sustainable travel choices, including support for the actions in the Cycling Action Plan for Scotland. It includes funding for the Park and Ride scheme at Halbeath and the core Fastlink scheme in Glasgow.

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 third lowest rate of road fatalities in Europe and we will continue to strive to make the roads safer.

In 2012-13 to 2014-15 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 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 and accessibility interest groups such as MACS;
- contribute funding for Glasgow's Fastlink, in support of the Commonwealth Games;

- complete funding for a Park and Ride for the Forth Replacement Crossing; and
- continue to support road safety initiatives in support of the Road Safety Framework.

## Rail Services

**Table 13.08: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Rail Franchise	299.5	447.4	511.5	530.9
Rail Infrastructure	426.1	290.7	283.2	277.7
Rail Development	0.8	3.0	3.5	9.0
Major Public Transport Projects	53.0	39.8	39.4	18.7
<b>Total</b>	<b>779.4</b>	<b>780.9</b>	<b>837.6</b>	<b>836.3</b>
<i>of which:</i>				
DEL Resource	420.4	450.4	515.0	539.9
DEL Capital	359.0	330.5	322.6	296.4
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 paid to Network Rail relating to rail services are set by the Office of Rail Regulation (ORR).

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), the Borders Railway and the City of Edinburgh tram project.

In 2012-13 to 2014-15 we will:

- increase expenditure on rail services and maintain the current rail network;
- continue advanced works and procurement for the Borders Railway to open in 2014;
- continue design and development of the Edinburgh Glasgow Improvements Programme;
- let the next contract for the provision of Scotland's rail passenger services; 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.

## Scottish Futures Fund

**Table 13.09: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Warm Homes and Future Transport Funds	-	6.5	15.5	37.5
<b>Total</b>		<b>6.5</b>	<b>15.5</b>	<b>37.5</b>
<i>of which:</i>				
DEL Resource	-	6.5	15.5	37.5
DEL Capital	-	-	-	-
AME	-	-	-	-

### What the Budget Does

The Future Transport Fund will enable us to reduce the impact of transport on our environment, reducing congestion and supporting better public transport, active travel and low carbon vehicles.

The Warm Homes Fund will support addressing fuel poverty in the most vulnerable communities. The Fund will support take up of renewable energy and energy efficiency measures to reduce energy costs and provide the opportunity to generate energy and income to support local community projects. It will be designed to help maximise leverage of all funding sources to support energy efficiency and renewables.

Whilst the budget is resource in nature, over the Spending Review period up to £50 million is likely to be transferred to capital to increase investment.

In 2012-13 to 2014-15 we will:

- develop the low carbon vehicle technology agenda, including progress to deliver vehicle charging infrastructure through the UK *Plugged in Places* initiative;
- continue to promote active travel choices, through support for cycling and walking initiatives;
- continue to support freight modal shift; and
- take forward our commitment to our £50 million Warm Homes Fund announced in the manifesto, which will deliver energy efficiency, district heating, and other measures to the fuel poor over the next five years.

## Housing and Regeneration

**Table 13.10: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Supporting Economic Growth/Housing Supply*	268.5	155.3	133.5	160.0
Supporting Sustainability	83.9	118.3	114.0	95.0
Supporting Transitions	57.2	32.2	22.5	22.7
Less income	(20.0)	(5.0)	(5.0)	(5.0)
<b>Total</b>	<b>389.6</b>	<b>300.8</b>	<b>265.0</b>	<b>272.7</b>
<i>of which:</i>				
DEL Resource	149.7	101.2	115.0	118.9
DEL Capital	239.9	199.6	150.0	153.8
AME	-	-	-	-

\*Additional funding for Housing Supply is contained within the local government budget

### What the Budget Does

The budget enables us to meet the commitments for housing and regeneration capital investment and continue to support the economy and protect the supply of new homes. This can be achieved with partners by using less taxpayer investment for each new home and leveraging more funding from other sources.

In addition there is further funding for housing supply within the local government capital settlement.

In 2012-13 to 2014-15 we will:

- take forward our commitment to deliver 30,000 affordable homes over the life of this parliament (including 5,000 new council homes);
- maintain our successful Energy Assistance Package and Home Insulation Scheme;
- use the £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.

## Digital Economy & Infrastructure

**Table 13.11: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Digital Economy & Infrastructure	11.6	10.6	4.0	1.0
<b>Total</b>	<b>11.6</b>	<b>10.6</b>	<b>4.0</b>	<b>1.0</b>
<i>of which:</i>				
DEL Resource	1.0	1.0	1.0	1.0
DEL Capital	10.6	9.6	3.0	0.0
AME	-	-	-	-

### What the Budget Does

The digital economy and infrastructure budget will provide high bandwidth services to rural local authorities and support innovation and growth in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment.

In 2012-13 to 2014-15 we will:

- provide support to business to up-skill and encourage better use of the internet through a programme delivered by Scottish Enterprise, Highlands and Islands Enterprise and Business Gateway;
- continue to honour our existing legal commitments for the delivery of high bandwidth connectivity services to nearly 1,200 local authority and schools sites in rural areas across the Highlands and Islands and South of Scotland; and
- work with the Rural Affairs and the Environment portfolio to establish a Next Generation Digital Fund, as part of the Scottish Futures Fund, to accelerate the roll-out of superfast broadband across Scotland, with a particular focus on rural areas. The fund will seek to optimise public sector investment in broadband infrastructure and leverage maximum levels of private sector investment to improve broadband coverage in Scotland. We will develop a roll-out strategy with funding proposals by the end of March 2012. Responsibility for the fund rests with the Infrastructure and Capital Investment portfolio; however, as much of the investment will be targeted in rural areas, the spending plans for the Next Generation Digital Fund are set out in the Rural Affairs and the Environment portfolio chapter.

## European Regional Development Fund – 2007-13 Programmes

**Table 13.12 More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Grants to Local Authorities	13.3	9.0	10.0	10.8
Central Government Spend	40.0	78.5	75.0	97.0
Grants to Local Authorities – EC Income	(13.3)	(9.0)	(10.0)	(10.8)
Central Government – EC Income	(40.0)	(78.5)	(75.0)	(97.0)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<i>of which:</i>				
DEL Resource	-	-	-	-
DEL Capital	-	-	-	-
AME	-	-	-	-

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

## European Social Fund – 2007-13 Programmes

**Table 13.13: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Grants to Local Authorities	8.4	16.0	15.2	18.9
Central Government Spend	25.3	26.0	26.0	33.0
Grants to Local Authorities – EC Income	(8.4)	(16.0)	(15.2)	(18.9)
Central Government – EC Income	(25.3)	(26.0)	(26.0)	(33.0)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<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. It is not possible to split out the grants to local government at this stage, as they are dependent on project proposals; however, the bulk of European Social Fund spending is directed at the Community Planning Partnerships.



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, infrastructure, skills improvement and the promotion of lifelong learning across a wide range of sectors, underpinning a number of our Strategic Priorities in delivery of the Scottish Government's Purpose. The 2007-13 programmes are administered by two intermediate administration bodies under three-year contracts to the Scottish Government.

## Scottish Water

**Table 13.14: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Interest On Voted Loans	(89.2)	(87.3)	(90.3)	(94.5)
Voted Loans	-	100.0	140.0	200.0
<b>Total</b>	<b>(89.2)</b>	<b>12.7</b>	<b>49.7</b>	<b>105.5</b>
<i>of which:</i>				
DEL Resource	(89.2)	(87.3)	(90.3)	(94.5)
DEL Capital	-	100.0	140.0	200.0
AME	-	-	-	-

## What the Budget Does

In 2012-13 to 2014-15 Scottish Water will continue to deliver the improvements required by Ministers. This will be financed through customer charges and new loans from the Scottish Government as set out above. The budget also recognises the receipt of interest to the resource budget from the loans issued to Scottish Water.

In 2012-13 to 2014-15 Scottish Water plans to deliver the outputs as set out in Chapter 10 "Monitoring Performance" of its Delivery Plan and as agreed with Ministers. The Delivery Plan and its updates may be viewed on Scottish Water's website.<sup>6</sup>

We have set up a specific group, the Output Monitoring Group (OMG), to ensure that the improvements that we require are delivered. The OMG brings together all major stakeholders in the Scottish water industry including the Scottish Government, Scottish Water, Water Industry Commission for Scotland, Drinking Water Quality Regulator, Scottish Environment Protection Agency and Consumer Focus Scotland. This group is chaired by the Scottish Government. It produces quarterly reports summarising the progress made by Scottish Water in each quarter of the financial year. The report summarises progress in delivering Ministers' objectives by reference to the targets and milestones shown in Scottish Water's Delivery Plan.

<sup>6</sup> [http://www.scottishwater.co.uk/portal/page/portal/SWE\\_PGP\\_PUBLICATIONS/SWE\\_PGE\\_PUBLICATIONS/SWE\\_2\\_PUB\\_FOI\\_SEA](http://www.scottishwater.co.uk/portal/page/portal/SWE_PGP_PUBLICATIONS/SWE_PGE_PUBLICATIONS/SWE_2_PUB_FOI_SEA)

## Other Expenditure

**Table 13.15: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Housing Regulator	4.2	4.0	3.8	3.7
Scottish Futures Trust	4.7	4.7	4.7	4.7
ESF Programme Operation	1.5	1.5	1.5	1.5
Asset Management				(25.0)
<b>Total</b>	<b>10.4</b>	<b>10.2</b>	<b>10.0</b>	<b>(15.1)</b>
<i>of which:</i>				
DEL Resource	10.4	10.2	10.0	9.9
DEL Capital	-	-	-	(25.0)
AME	-	-	-	-

### What the Budget Does

The Scottish Housing Regulator, the new independent body established by the Housing (Scotland) Act 2010, has the statutory objective of safeguarding and promoting the interests of the 600,000 households in social rented housing. The budget will allow the Regulator to continue to drive up the quality of services delivered to tenants, homeless people and other service users.

In 2012-13 to 2014-15, the Scottish Futures Trust will continue to work to enhance value for money for infrastructure investment across the public sector in Scotland. It will, in particular, progress delivery of the pipeline of new investment through the Non-Profit Distributing model, working in partnership with others in transport, education and health; support innovative new ways of working, including through collaborative procurement and management of assets through the hub initiative; support the National Housing Trust to create affordable housing; and use Tax Incremental Financing pilots to lever in additional investment for regeneration.

European funds have been used to support economic recovery and future growth. By the end of March 2012, 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.

We will lead action across the Scottish Government to drive improved value for money in capital spending, tight management of contingency funds and better asset management, including the sale of surplus assets. Savings released from these actions by 2014-15 will be used to support the Government's investment programme.



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**CHAPTER 14**  
**Administration and  
Parliamentary Business and  
Government Strategy**

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## **PORTFOLIO RESPONSIBILITIES: THE ADMINISTRATION BUDGET**

The Administration budget covers the costs of running the core administration required to support the Scottish Government's Purpose and Strategic Objectives. These costs comprise primarily staffing, but also accommodation, information technology, travel and training. The budget contributes to the achievement of all the Strategic Objectives across each of the Ministerial portfolios and to the delivery of our 15 National Outcomes.

### **OUR ACHIEVEMENTS**

We have consistently exceeded our Efficient Government targets over the period since 2007. Specific achievements relating to the Administration budget and the management of the costs of Government operations include:

- a reduction in Scottish Government core staff numbers of 10 per cent in the course of 2010-11, delivering a more efficient service to Ministers;
- significant progress towards cutting the costs of the Senior Civil Service, delivering an estimated saving of 13 per cent by the end of 2011-12, and we will deliver a reduction of at least 25 per cent by 2014-15;
- a reduction of a further 20 per cent (around £1 million) in travel expenditure in 2010-11 compared to 2009-10, freeing resources for front-line services (building on a saving of 20 per cent in 2009-10 compared to 2008-09);
- consistently achieving our 10-day target for paying bills to businesses in Scotland who supply the Scottish Government. We paid over 98 per cent of invoices within 10 days in 2010-11, helping to support firms' cash flow and economic recovery;
- continuing to make more information on Scottish Government activity widely available. In addition to publishing online details of all items of Government expenditure over £25,000 we will soon make available additional information highlighting our annual spend on areas including public relations, consultancy, hospitality and entertainment as part of our commitment to public service reform. We also now routinely publish salary and cost information about our Directorate structure and details of any gifts and hospitality received by Strategic Board members; and
- savings on printing costs (around 20 per cent of expenditure) as a result of the central government sector collaborative competition to put in place a framework agreement for design, print, publicity and associated services.

### **DELIVERING FOR SCOTLAND**

We will also continue to ensure the Scottish Government is an efficient, effective and networked organisation, focused on improved outcomes. We have adopted a business strategy to guide the development of our organisation and its working practices, focusing on four key imperatives: supporting the making of choices for Scotland, ensuring effective delivery, promoting creativity and supporting and developing our staff in line with our values. We will continue to deliver the Government's Purpose,

support Ministers in their work, and ensure the proper stewardship of public money. The Business Strategy and its four key imperatives provide a framework for the Administration budget.

## **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 total expenditure on Administration in the period from 2012-13 to 2014-15 will decrease from £236 million per annum to £193 million. This is a reduction of £43 million over three years. To achieve this significant reduction, we will:

- put in place a rolling voluntary early severance programme to reduce staff numbers;
- continue with our plan to cut the costs of the Senior Civil Service by at least 25 per cent by 2014-15 (with 2010-11 as the base year);
- re-prioritise tasks to ensure alignment with key Ministerial priorities over the forthcoming Spending Review period and to stop activities that contribute less to these priorities;
- maintain firm downward pressure on pay rates, in accordance with Ministerial pay policy, with a pay freeze extended into 2012-13 for all staff earning over £21,000 and further extension of the pay freeze for Senior Civil Service staff from 2010-11 for a third year; and
- continue to engage with staff and their representatives to discuss how best to manage the budget and headcount reductions required.

We will continue to re-shape and refine our organisational structure to maximise the effective delivery of policies highlighted in this Spending Review, and we will work to deliver savings and greater efficiency across all portfolios. The Administration portfolio's priorities are:

- setting up the capability and mechanisms to drive forward on the constitutional agenda and the implementation of new powers for Scotland;
- building a central capacity and testing models for the flexible deployment of our resources;
- continuing to review our business processes; including risk management, attendance and wellbeing, Ministerial correspondence and Freedom of Information;
- to ensure that we continue to show we are an exemplar in diversity and equality. The Scottish Government's equality and diversity initiatives will play a key role in supporting the delivery of all National Outcomes. Our overall approach focuses on these key themes: behaviour and culture change; leadership and accountability; talent management; and representation and capability;

- 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 over £21 million in 2012-13 compared to 2011-12, followed by further reductions of £12 million and £9 million in the years 2013-14 and 2014-15. This follows a reduction of £26 million in 2011-12 compared with 2010-11;
- to ensure that the percentage of total expenditure devoted to Administration costs, across the core Scottish Government and its agencies, remains at least 25 per cent below the comparable percentage for the UK Government; and
- to implement a range of both behavioural and technical measures to deliver a reduction in carbon emissions across the Scottish Government. Technical measures introduced to date include the ongoing upgrade to the building controls and management systems infrastructure across the estate to enable monitoring of energy profiles to facilitate targeted reductions through optimisation of building lighting, heating, ventilation and cooling systems. The network of environmental performance advisers throughout the estate plays a key role in influencing colleagues to consider their ways of working and to move to more sustainable practices. More information about the measures to be implemented is set out in the *Scottish Government Carbon Management Plan 2009*, and a revision for 2011 is due to be published before the end of the year.

Spending plans for 2012-15 are set out below.

**Table 14.01: Detailed Spending plans (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Government Staff	152.0	139.9	132.9	126.3
Accommodation	17.8	15.1	14.3	13.6
Other Office Overheads <sup>1</sup>	38.6	32.8	31.2	29.6
Training	4.9	4.2	4.0	3.8
Office of the Queen's Printer for Scotland	0.1	0.1	0.1	0.1
Capital Charges	15.1	15.1	15.1	15.1
Capital ICT Projects	5.5	5.5	3.7	3.7
Other Capital Expenditure	2.0	2.0	1.3	1.3
<b>Total<sup>2</sup></b>	<b>236.0</b>	<b>214.7</b>	<b>202.6</b>	<b>193.5</b>
<i>of which:</i>				
DEL Resource	228.5	207.2	197.6	188.5
DEL Capital	7.5	7.5	5.0	5.0
AME	-	-	-	-

1. Includes ICT projects and minor non-pay items e.g. travel, transport, stationery, hospitality, etc.

2. The breakdown of spending plans for 2012-13 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.

**Table 14.02: Detailed Spending plans (Level 3 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Scottish Government Staff	152.0	136.4	126.3	116.8
Accommodation	17.8	14.7	13.6	12.6
Other Office Overheads	38.6	32.0	29.6	27.4
Training	4.9	4.1	3.8	3.5
Office of the Queen's Printer for Scotland	0.1	0.1	0.1	0.1
Capital Charges	15.1	14.7	14.3	14.0
Capital ICT Projects	5.5	5.4	3.5	3.4
Other Capital Expenditure	2.0	2.0	1.2	1.2
<b>Total</b>	<b>236.0</b>	<b>209.4</b>	<b>192.4</b>	<b>179.0</b>
<i>of which:</i>				
DEL Resource	228.5	202.1	187.7	174.4
DEL Capital	7.5	7.3	4.7	4.6
AME	-	-	-	-



## PORTFOLIO RESPONSIBILITIES: PARLIAMENTARY BUSINESS AND GOVERNMENT STRATEGY BUDGET

The Parliamentary Business and Government Strategy budget supports a range of central analytical services and strategic communications activity. This portfolio supports the alignment of all public sector activity towards the delivery of the Government's Purpose and, in particular, help create a strong evidence base and increase understanding of the key strategic, economic and social challenges across the Scottish Government.

### NATIONAL OUTCOMES

This portfolio includes key analytical activity which supports all of our 15 National Outcomes, and allows Ministers to communicate and engage with people in the delivery of these Outcomes.

### MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

In light of the tight fiscal environment, this portfolio will reduce its budget by 20.7 per cent in 2012-13, and by a total of 26.8 per cent by 2014-15. This will be achieved through efficiencies and careful prioritising of work, to ensure that the key outputs are maintained as pressure on budgets increases.

### SUMMARY OF KEY SPENDING PRIORITIES

In 2012-13 we will:

- continue to support the delivery of our National Outcomes, and support our local delivery partners through the provision of high quality local data; and
- drive down the costs of providing these services, through efficiencies and by improvements in the way we work.

**Table 14.03: More Detailed Spending Plans (Level 3)**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Strategic Communications	4.3	3.1	2.9	2.7
Crown Office and Procurator Fiscal Service Inspectorate	0.3	0.3	0.3	0.3
Royal and Constitution	0.3	0.3	0.3	0.3
Office of the Chief Statistician	1.6	1.5	1.5	1.4
Strategic Research and Analysis Fund	1.0	0.9	0.9	0.9
Office of the Chief Economic Adviser	0.7	0.4	0.4	0.4
<b>Total Level 2</b>	<b>8.2</b>	<b>6.5</b>	<b>6.3</b>	<b>6.0</b>
<i>of which:</i>				
DEL Resource	8.2	6.5	6.3	6.0
DEL Capital	-	-	-	-
AME	-	-	-	-

**Table 14.04: Detailed Spending Plans (Level 3 real terms) at 2011-12 prices**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Strategic Communications	4.3	3.0	2.8	2.5
Crown Office and Procurator Fiscal Service Inspectorate	0.3	0.3	0.3	0.3
Royal and Constitution	0.3	0.3	0.3	0.3
Office of the Chief Statistician	1.6	1.4	1.3	1.2
Strategic Research and Analysis Fund	1.0	0.9	0.9	0.8
Office of the Chief Economic Adviser	0.7	0.4	0.4	0.4
<b>Total Level 2</b>	<b>8.2</b>	<b>6.3</b>	<b>6.0</b>	<b>5.5</b>
<i>of which:</i>				
DEL Resource	8.2	6.3	6.0	5.5
DEL Capital	-	-	-	-
AME	-	-	-	-

**What the budget does**

The central analytical budgets, which include the Offices of the Chief Statistician and the Strategic Research and Analysis Fund, provide data and related analysis to support the evidence base on delivery and increasing our understanding of key strategic, economic and social challenges across Scotland.

The Office of the Chief Economist programme budget is used for procurement of data and various pieces of economic analysis to strengthen understanding of key issues around the economy and provide advice/support to the First Minister and Cabinet Secretary for Finance, Employment and Sustainable Growth.

The Strategic Communications budget allows Scottish Ministers to communicate to various audiences. Activity includes research and evaluation and calls to action.

The Crown Office and Procurator Fiscal Service Inspectorate (COPFSI) reports and is answerable to the Lord Advocate, and produces a number of office, area and thematic inspection reports.



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**CHAPTER 15**  
**Crown Office and**  
**Procurator Fiscal Service**

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## **PORTFOLIO RESPONSIBILITIES**

The overarching responsibility of the Crown Office and Procurator Fiscal Service (COPFS) is to serve the public interest, prosecuting cases independently, fairly and effectively.

The Crown Office and Procurator Fiscal Service 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.

COPFS has 3 main functions:

- the investigation and prosecution of crime;
- the investigation of sudden or suspicious deaths; and
- the investigation of complaints of criminal conduct against the police.

Our objectives are:

- to deliver swift, effective justice, giving priority to serious crime, including sexual offending, serious violence, organised crime and drug trafficking;
- to work with the police, local communities and others to solve problems caused by persistent offending, helping people live their lives free from crime, disorder and danger;
- to ensure that all deaths reported to the Procurator Fiscal are investigated appropriately;
- to provide services that meet the information needs of victims, witnesses and nearest relatives, in cooperation with other agencies; and
- to respect and protect diversity and to promote tolerance.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

An effective, independent prosecution service is essential to the achievement of sustainable economic growth because it is fundamental to Scotland as an attractive place to do business. Our work and achievements in targeting serious crime and in targeting and disrupting serious and organised crime in Scotland over recent years is of particular note in this context.

## **OUR NATIONAL OUTCOMES**

While our functions and objectives contribute directly to the National Outcome *We live our lives safe from crime, disorder and danger*, our work contributes to most of the National Outcomes and to the achievement of the government's Purpose. In particular, support of the government's manifesto commitments is provided by: our contribution to disrupting serious and organised crime in Scotland; our targeting of knife crime, domestic violence, hate crime, drug misuse and youth crime; and our work supporting victims – all of which are designed to prevent adverse economic and social impacts.

## OUR ACHIEVEMENTS

All the services we deliver protect victims of crime from further harm from perpetrators; ensure justice and safer environments for individuals and communities; and contribute towards responses to deep-seated problems such as those associated with knife crime, domestic violence, hate crime, drug misuse and youth crime. COPFS is an operational front-line delivery organisation without which the criminal justice system would not function.

In 2010-11 all COPFS performance targets were exceeded.

Business Area	Target		Performance
Bail Cases: Serve Indictment	Serve 80% in nine months	High Court	94%
	Serve 80% in eight months	Sheriff and Jury	90%
Take/Implement Decision	Process 75% within four weeks		86%
Investigation of Deaths	Investigate 80% within 12 weeks		88%
Complaints against the police	Close in 12 weeks - 90% <u>of cases</u>		92%

Confiscation orders secured by the Serious and Organised Crime Division totalled £16.5 million in 2010-11 bringing the total over the last eight years to £35.9 million while Civil Recoveries totalled £9.3 million in 2010-11 bringing the total over the past eight years to £22.8 million.

## MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE

Pressures that COPFS will face over the Spending Review period include:

- continuing to deliver current or improved standards of service with fewer staff;
- pay;
- increasing contract costs such as post mortems and rent;
- potential increases in the number of solemn cases if the law on corroboration alters as a result of the Carloway Review;
- implementing any further changes arising as a result of legislative or case law alterations; and
- responding to changes in police and Scottish Court Service structures and capability.

Dealing with these pressures has demanded, and will continue to demand, tough decisions.

## OUR PRIORITIES

Our main priority will be to maintain operational delivery in what we recognise is a very challenging financial context. Our main functions will continue to be:

- the investigation and prosecution of crime;
- the investigation of sudden or suspicious deaths; and
- the investigation of complaints of criminal conduct against the police.

Operational delivery will include:

- The prosecution of serious, complex and organised crime, whether in the High Court or before a sheriff and jury, including the prosecution of terrorism, murder, serious assaults, sexual offences, drug and people trafficking, fraud and organised crime and recovering the proceeds of crime.
- Efficient and timely action in respect of summary casework, which comprises in numerical terms the large majority of the 280,000 crime reports submitted each year. These cases relate to offending behaviour that would not attract a disposal at jury court level but merits imposition of a direct measure or prosecution in the justice of the peace and sheriff courts without a jury.
- The investigation of deaths, discharging the public function to investigate relevant categories of deaths promptly, appropriately and with sensitivity to the needs of the bereaved.
- the support of victims of crime and vulnerable witnesses.

Capital expenditure will primarily be invested in maintaining and, where possible, improving our information technology systems to increase case-processing efficiency.

Spending plans for 2012-15 are set out below.

**Table 15.01: Detailed Spending Plans (Level 2)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Crown Office and Procurator Fiscal Service	108.2	108.1	108.1	108.7
<b>Total Level 2</b>	<b>108.2</b>	<b>108.1</b>	<b>108.1</b>	<b>108.7</b>
<i>of which:</i>				
DEL Resource	105.5	104.5	104.5	105.1
DEL Capital	2.7	3.6	3.6	3.6
AME	-	-	-	-

**Table 15.02: Detailed Spending Plans (Level 2 real terms) at 2011-12 prices**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Crown Office and Procurator Fiscal Service	108.2	105.5	102.7	100.5
<b>Total Level 2</b>	<b>108.2</b>	<b>105.5</b>	<b>102.7</b>	<b>100.5</b>
<i>of which:</i>				
DEL Resource	105.5	102.0	99.3	97.2
DEL Capital	2.7	3.5	3.4	3.3
AME	-	-	-	-

### Crown Office and Procurator Fiscal Service

**Table 15.03: More detailed categories of spending (Level 3)**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
Staff Costs	69.0	67.2	67.1	67.1
Office Costs	4.4	4.4	4.4	4.4
Case Related	12.1	12.5	12.8	13.1
Centrally Managed Costs	20.0	20.4	20.2	20.5
Capital Expenditure	2.7	3.6	3.6	3.6
<b>Total</b>	<b>108.2</b>	<b>108.1</b>	<b>108.1</b>	<b>108.7</b>
<i>of which:</i>				
DEL Resource	105.5	104.5	104.5	105.1
DEL Capital	2.7	3.6	3.6	3.6
AME	-	-	-	-

### What the budget does

COPFS is the sole public prosecution authority in Scotland. It is responsible for making decisions about, and bringing prosecutions for, all criminal offences. COPFS also has the duty to investigate all sudden, suspicious or unexplained deaths and is responsible for deciding whether criminal proceedings or a Fatal Accident Inquiry should be held and for conducting such proceedings and inquiries.

Responsibility for investigating complaints against the police, involving allegations of criminal conduct, rests with the Area Procurators Fiscal. Prosecution of police officers is undertaken on the instruction of Crown Counsel.



The Serious and Organised Crime Division and Civil Recovery Unit investigate and recover proceeds of drug trafficking and other serious crime.

COPFS also provides a Victim Information and Advice service across Scotland.

COPFS works closely with its criminal justice partners to help make Scotland a safer place and plays a pivotal role in maintaining the security and confidence of all communities of Scotland in the justice system, making the system more accessible and responsive.

The key aims of COPFS are to:

- secure the confidence of Scotland's diverse communities by improving the delivery of justice through the timely, efficient and effective prosecution of crime;
- give priority to prosecution of serious crime, including serious and organised crime, drugs trafficking, serious violence and sexual crimes and persistent offenders;
- provide services that meet the information needs of victims, witnesses and next of kin, in co-operation with other agencies; and
- ensure that all deaths reported to the Procurator Fiscal are investigated appropriately and speedily.

In this way, COPFS contributes to a safer and stronger Scotland by ensuring that cases are brought to a conclusion in the most appropriate way, as quickly as possible. By tackling crime quickly and using a range of measures appropriate for specific offences, the COPFS portfolio will help to reduce crime and the fear of crime, improve the conditions which support economic development and social capital in communities, and enhance the quality of life of all Scottish people.

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# **CHAPTER 16**

## **Local Government**

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## **PORTFOLIO RESPONSIBILITIES**

Local government provides a wide range of services and leads local partnerships that are essential to the delivery of the outcomes that matter to the people of Scotland. The partnership between the Scottish Government and local government established in 2007 remains a cornerstone of our approach to government in Scotland. Building on that partnership, the Scottish Government and local government have agreed as Joint Priorities the delivery of better outcomes, and will work together on a programme of public service reform building on the findings of the *Commission on the Future Delivery of Public Services*.

Through this partnership and through leadership of community planning partnerships, local government makes a substantial contribution to the delivery of the Government's programme, as set out in *Renewing Scotland: the Government's programme for Scotland 2011-2012* and the *Government Economic Strategy*.

## **BETTER PUBLIC SERVICES**

*Renewing Scotland* sets out an agenda for public service reform founded on key principles of:

- A decisive shift towards prevention;
- A greater focus on 'place' to drive partnership, collaboration and local delivery;
- Investing in people who deliver services through enhanced workforce development and effective leadership; and
- A more transparent public service culture which improves standards of performance.

Local government has a key role to play in this agenda and this is reflected in the funding settlement for 2012-15. A new change fund to support preventative spend in the early years has been established and the existing change fund to enable independent living for older adults has been expanded. Together it is anticipated that national and local government and their community planning partners will invest up to £500 million through these change funds to support the greater alignment of budgets across the public sector on a preventative and outcomes-focused basis. This approach will be led by Community Planning Partnerships, embedded within Single Outcome Agreements and gives expression to our overall commitment to finding innovative ways of working together on our Joint Priorities.

## **SUPPORTING RECOVERY AND INCREASING SUSTAINABLE ECONOMIC GROWTH**

In 2012-13, the Scottish Government will provide a total baseline package of resource and capital funding of £11.478 billion in support of local authorities' services. This figure includes income from business rates. However, it does not include the Council tax, or income from fees and charges which local 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 delivery of our Joint Priorities: growing the Scottish economy and protecting front-line services and the most

vulnerable in our society, including through a greater focus on prevention. This total funding package for 2012-13 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 frontline services and as a result provide protection to the most vulnerable in our society. 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 a 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 economies through their purchases of goods and services.

Cities are vital to our economy's success. The more successful our cities and the regions in which they sit, the more successful Scotland will become. That is why we are working with our cities and other stakeholders to develop a Cities Strategy to act as the catalyst for more effective collaborative action: between the Government and cities; between cities themselves where appropriate; and between the public, private and third sectors. Local government will have a very important role to play in this.

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. 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 and national 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 continues to be more difficult because of the spending cuts, but local and national government agree that decisions needed to balance the budget must take full account of their needs. The Scottish Government's commitment to a more equal Scotland include in this portfolio, the council tax freeze and the commitment to the extension of exemption from the council tax to articulating students. The council tax freeze, although providing welcome relief to all council tax payers in these difficult economic times, has been shown to provide the greatest benefit, as a proportion of net household income, to households in the lower deciles. The preventative spending change funds covering early years and independent living for older adults will also bring about positive impacts on vulnerable groups and will support the greater alignment of budgets more generally. The Scottish Government will continue to 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.

Empty property relief will be reformed to provide strong incentives to bring vacant premises back into use, reducing the prevalence of empty shops in town centres and supporting urban regeneration.

The health and social problems associated with alcohol and tobacco use are well documented and we are firmly committed to addressing them. These not only affect the health of the population, but create additional burdens on policing; business; local authorities and the NHS. In order to address these, the business rates paid by large retailers who sell tobacco and alcohol products will be increased by a supplement from 1 April 2012. The estimated income raised from this supplement will contribute to the decisive shift in the Spending Review to preventative spend measures to be taken forward by local authorities and their partners in NHS and Scottish Government.

## **OUR NATIONAL OUTCOMES**

Local government remains committed to and contributes directly to the delivery of all 15 national outcomes which embody our Joint Priorities. These are given expression in the agreement and implementation of 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.

## **OUR ACHIEVEMENTS**

A great deal 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 2012-13.

- Following decisions by all 32 councils to freeze council tax rates in 2008-09, 2009-10, 2010-11 and 2011-12 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 4 years to 2011-12, the Scottish Government has provided a total of £700 million to support the council tax freeze.
- Single Outcome Agreements 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 less than £1.1 billion in 2011-12. Excluding the police ring-fenced funding, the total in 2011-12 was £0.3 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.

## **MANAGING PRESSURES AND CUTS IN PUBLIC EXPENDITURE**

The scale of the real terms reduction in the Scottish Government budget for 2012-13 has required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. Key pressures falling on local government funded from within the portfolio in 2012-13 include general inflationary pressures and greater service demands in the light of demographic changes. The overwhelming majority (86%) 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 real terms of 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.

The Scottish Government acknowledges the funding pressures faced by local authorities and is fully committed to ongoing discussion of the delivery of our Joint Priorities.

## **OUR PRIORITIES**

In 2012-13 we will make available to local government a total funding package amounting to £11.478 billion. This total includes the Government's best estimate of non domestic rate income to be collected during 2012-13. The final non domestic rates figure cannot be confirmed until later in the year as it is linked to the September Retail Price Index (RPI) figure. To access the full amount of this package, each local authority will require to agree formally to work with the Scottish Government to deliver a council tax freeze for the fifth consecutive year. How the financial support is to be distributed to authorities will be the subject of consultation with COSLA and set out in a Scottish Local Government Finance Circular in early December 2011.

Given the significant financial constraints on the Scottish Budget, this represents a challenging but fair settlement for local government which builds upon the financial commitment demonstrated in settlements over the previous four years.

Within the Local Government portfolio, the existing cash settlement has been maintained for (NDRI/RDEL). The capital settlement, although calculated on maintaining share of the reduced capital share, (-£8.8 million/-£74.5 million/-£52.1 million), has been further reprofiled with reductions in 2012-13 and 2013-14 of £120 million and £100 million respectively with a corresponding increase in 2014-15 of £120 million, with the remaining £100 million to be added back in 2015-16. In the light of the very constrained capital position, the Government wishes to maximise the availability of capital spending. The Government recognises that local government has the power to borrow in order to supplement capital budgets and we will work with colleagues in local government to see to what extent this can sensibly be used to maximise capital expenditure, which is critical to economic recovery. By the end of the Spending Review period, local government's share of DEL/NDRI will have been maintained above the level inherited in 2007.

As part of an agreement to focus on Joint Priorities, the Scottish Government and local government will each do what is required to ensure delivery of specific commitments in the areas described below. In addition, the Scottish Government and local government are committed to working together to ensure that our collective capital resources are used to best effect to support economic growth.

### **Council tax**

As part of the overall funding package, the Scottish Government will provide a further £70 million in 2012-13 to those councils which freeze their council tax rates at 2007-08 levels for a fifth consecutive year. In the light of current continuing tough economic circumstances, extending the council tax freeze in 2012-13 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

Individual local authorities will pass on all Police Grant in full to Police Boards, as a contribution to maintaining the number of police officers at least at 17,234 throughout the three-year period 2012-15. As a result, police grant will be subject to a cash freeze in 2012-13. The number of police officers has an impact on crime. It is clear that less crime makes our communities safer and the latest reported crime statistics show that the 323,000 crimes recorded in 2010-11 represents a four per cent reduction on the previous year and the lowest level in 35 years.

## Education

Local government will maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme.

## Level 3 Local Government

**Table 16.01: Detailed Spending Plans (Level 3)**

Level 3	2011-12 Draft Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
General Resource Grant	7,754.8	7,747.6	7,575.6	7,346.6
Non-Domestic Rates (NDR) and other AME Grants	2,179.5	2,272.0	2,444.0	2,673.0
Support for Capital**	520.9	563.0	517.3	759.7
Specific Resource Grants*	599.9	571.2	571.2	571.2
Specific Capital Grants*	170.9	0.0**	0.0**	0.0**
<b>Total Local Government portfolio</b>	<b>11,226.0</b>	<b>11,153.8</b>	<b>11,108.1</b>	<b>11,350.5</b>
Other Local Government*	322.0	323.9	333.8	351.8
<b>Total Local Government Level 3</b>	<b>11,548.0</b>	<b>11,477.7</b>	<b>11,441.9</b>	<b>11,702.3</b>
<i>of which:</i>				
DEL Resource	8,354.7	8,318.8	8,146.8	7,917.8
DEL Capital	691.8	563.0	517.3	759.7
AME	2,179.5	2,272.0	2,444.0	2,673.0

\* Held within other portfolio chapters includes both resource and capital specific grants and ring-fenced funding for police numbers and police and fire pensions.

\*\* The split between Support for Capital and Specific Capital Grants to be agreed in discussion between the Scottish Government and COSLA. The split will be shown in the 2012-13 Local Government Finance Circular which will be issued in December 2011. The 2012-15 capital allocations have been reprofiled (-£120m/-£100m/+£120m with the remaining £100m to be added back in 2015-16).

Notes:

1. The Scottish Government guarantees the combined General Resource Grant plus the distributable Non Domestic Rates (NDR) Income figures. The figures above are provisional as the NDR figure cannot be finalised until the September RPI figure is known and a decision taken on whether to increase the non-domestic rates poundage by the full increase in RPI. Any increase in NDR will be matched by the same reduction in General Resource Grant and vice versa.
2. The 2011-12 Draft Budget figures are as published in Scotland's Spending Plans and Draft Budget 2011-12. They do not include the changes between the Draft Budget and the final local government finance settlement of £11,553.4 million. The changes were an additional one-off £5 million for Supporting people and £0.4 million for the Edinburgh Capital City Supplement. There was also a switch of £11.5 million between General Resource Grant and NDR.
3. These figures currently include the funding for the police and fire services which may be removed from the local government finance total if the planned reform proceeds. This would also include funding for police and fire pensions and the cost of funding the additional police officers.



### Level 3 Local Government

**Table 16.02: Detailed Spending Plans (Level 3 real terms) at 2011-12 prices**

Level 3	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
General Resource Grant	7,754.8	7,558.6	7,196.5	6,795.5
Non-Domestic Rates (NDR) and other AME Grants	2,179.5	2,216.6	2,321.7	2,472.5
Support for Capital**	520.9	549.3	491.4	702.7
Specific Resource Grants*	599.9	557.3	542.6	528.4
Specific Capital Grants*	170.9	0.0	0.0	0.0
<b>Total Local Government portfolio</b>	<b>11,226.0</b>	<b>10,881.8</b>	<b>10,552.2</b>	<b>10,499.1</b>
Other Local Government*	322.0	316.0	317.1	325.4
<b>Total Local Government Level 3</b>	<b>11,548.0</b>	<b>11,197.8</b>	<b>10,869.4</b>	<b>10,824.5</b>
<i>of which:</i>				
DEL Resource	8,354.7	8,115.9	7,739.1	7,323.9
DEL Capital	691.8	549.3	491.4	702.7
AME	2,179.5	2,216.6	2,321.7	2,472.5

**Table 16.03: Specific Grant Funding and other Local Government Funding 2011-2015**

	2011-12 Budget £m	2012-13 Draft Budget £m	2013-14 Plans £m	2014-15 Plans £m
<b>Justice</b>				
<i>Resource Specific</i>				
Police	489.7	480.3	480.3	480.3
Criminal Justice Social Work	86.5	86.5	86.5	86.5
<i>Resource Other</i>				
Police Numbers	39.5	33.0	33.0	33.0
Police Pensions	217.3	222.6	231.0	249.6
Police Loans Charges	9.0	9.0	9.0	9.0
Fire Pensions	56.2	59.3	60.8	60.2
<i>Capital Specific</i>				
Fire	20.2	tbc	tbc	tbc
<b>Health, Wellbeing and Cities Strategy</b>				
<i>Resource Specific</i>				
Housing Support Grant (AME)	1.2	1.2	1.2	1.2
Hostels Grant (AME)	6.9	7.8	7.8	7.8
<i>Capital Specific</i>				
Vacant and Derelict Land	10.0	tbc	tbc	tbc
Transfer of Management of Development Funding (TMDF)	97.7	tbc	tbc	tbc
Assistance to Owners affected by Glasgow Stock Transfer	15.0	tbc	tbc	tbc
<b>Education and Lifelong Learning</b>				
<i>Resource Specific</i>				
Determined to Succeed	19.2	0	0	0
Gaelic	4.5	4.5	4.5	4.5
<b>Finance Employment and Sustainable Growth</b>				
<i>Capital Specific</i>				
Regional Transport Partnership	20.5	tbc	tbc	tbc
Cycling, Walking and Safer Routes	7.5	tbc	tbc	tbc
<b>Total</b>	<b>1,100.9</b>			
<i>of which:</i>				
Total Specific Revenue Grants (DEL)	599.9	571.2	571.2	571.2
Total Specific Revenue Grants (AME)	8.1	9.0	9.0	9.0
Total Other Resource	322.0	323.9	333.8	351.8
Total Specific Capital Grants	170.9	tbc	tbc	tbc

tbc The split between Support for Capital and Specific Capital Grants to be agreed in discussion between the Scottish Government and COSLA. The split will be shown in the 2012-13 Local Government Finance Circular which will be issued in December 2011.

The figures for 2011-12 shown in this document are from the 2011-12 Draft Budget - the police grant figure agreed as part of the 2011/12 Budget Bill was £480.3m.

The 2011-12 Police Numbers figure included an estimate for police pensions that has for 2012-15 been taken out and shown as part of the police pensions figures.

Provision for Determined to Succeed was rolled up in the general revenue element of the budget from 1 April 2011 following publication of the 2011-12 Draft Budget.

## Local Government's Spending Plans 2011-12

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 15.04.

**Table 16.04: Local Government Revenue Expenditure plans 2011-12**

2011-12 Budget Estimate – Net Revenue Expenditure	2011-12 Budget £m
Education	4,622.7
Social Work	2,859.4
Police	951.2
Fire	264.4
Roads and Transport	475.4
Environmental Services	693.4
Planning and Development Services	279.8
Culture and Related Services	606.8
Emergency Planning	4.3
Administration of Housing and Council Tax Benefits	26.0
Private Sector Housing Renewal	25.9
Housing Benefits	2.5
Non Housing Revenue Account Housing	44.1
Homelessness	83.5
Housing Support Services	226.7
Welfare Services	6.7
Licensing	1.1
Elections	10.4
General Grants, Bequests and Donations	9.5
Registration of Births Marriages and Deaths	6.9
Local Tax Collection (including Non Domestic Rates)	40.8
Council Tax and Non Domestic Lands Valuation	34.1
Non-Road Lighting	11.0
Corporate and Democratic Core	177.8
Statutory Repayment of Debt	1,159.6
Equal Pay/Single Status (prior year cost provision only)	1.0
Other Miscellaneous Services	48.5
Non Distributed Costs	85.9
<b>Total Budgeted 2011-12 Net Revenue Expenditure</b>	<b>12,759.4</b>

Note:

The difference between the individual figures and the total is due to rounding.

In addition, Scotland's local authorities are planning a capital expenditure programme for 2011-12 as set out in table 15.05. The capital resources available to them to fund this programme come from grants from the Scottish Government and its agencies; self financed borrowing, capital receipts from the sale of assets and other sources.

**Table 16.05: Local Government Capital Expenditure plans 2011-12**

2011-12 Budget Estimate – Gross Capital Expenditure (Figures taken from 2011-12 Quarter 1 forecasts)*	2011-12 £m
Police	41.1
Fire	43.5
Non Housing Revenue Account Housing	158.7
Roads and Transport	514.6
Education	699.7
Social Work	87.2
Environmental Services	148.8
Culture and Related Services	302.0
Planning and Economic Development	181.0
Trading Services	12.8
Central Services	175.7
Other Services	42.9
Capitalisation of Equal Pay	4.7
Capitalisation of Other Revenue Expenditure	2.6
Capital Grants to Community Groups	2.9
<b>Total Estimated 2011-12 Capital Expenditure</b>	<b>2,418.2</b>





**SECTION 3**  
**ANNEXES**

## Annex A

**Table 1a: Restructuring of Portfolios – Departmental Expenditure Limit**

2011-12 DRAFT BUDGET DEL	Total £m
Office of the First Minister	255.1
Finance & Sustainable Growth	2,219.2
Health and Wellbeing	11,758.4
Education & Lifelong Learning	2,481.1
Justice	1,267.5
Rural Affairs & the Environment	539.4
Administration	236.0
Crown Office & Procurator Fiscal	108.2
Local Government	9,046.5
<b>Total Portfolios</b>	<b>27,911.4</b>
Scottish Parliament & Audit Scotland	95.9
<b>Total Scottish Government</b>	<b>28,007.3</b>

**Table 1b: Restructuring of Portfolios – Departmental Expenditure Limit (cont.)**

Main Transfers		Total £m
F&SG	Transport to Infrastructure and Capital Investment	1,803.7
F&SG	Scottish Water to Infrastructure and Capital Investment	-89.2
F&SG	Scottish Futures Trust to Infrastructure and Capital Investment	4.7
F&SG	General Register office to Culture & External Affairs	19.0
F&SG	ESF Prog Administration and Consultation to ICI	1.5
F&SG	Part Innovation and industries to ICI	11.6
F&SG	Climate Change to Rural Affairs & the Environment	1.2
H&W	Housing & Regeneration to Infrastructure and Capital Investment	393.8
OFM	Gaelic to Education & Lifelong Learning	20.3
OFM	Corporate and Central Budgets to Parliamentary Business and Government Strategy	8.2
OFM	Culture, Historic Scotland, Europe & External Affairs and National Archives of Scotland to Culture & External Affairs	226.6
Justice	Accountant in Bankruptcy to Finance, Employment & Sustainable Growth	3.2
Miscellaneous baseline transfers between portfolios (FESG (-£2m), ELL (£0.3m) and Health (£1.7m))		0.0

Table 1c: Restructuring of Portfolios – Departmental Expenditure Limit (cont.)

First Minister	Health, Wellbeing & Cities Strategy	Finance, Employ't & Sustainable Growth	Education and Lifelong Learning	Parly Business & Gov't Strategy	Justice	Rural Affairs and Environment	Culture & External Affairs	Infrastructure & Capital Investment	Admin-istration	COPFS	Local Govern-ment	Total 2011-12 Draft Budget DEL (Table 1a)
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
			20.3	8.2			226.6					255.1
	2.0	464.7				1.2	19.0	1,732.3				2,219.2
	11,364.3		0.3					393.8				11,758.4
			2,481.1									2,481.1
		3.2			1,264.3							1,267.5
						539.4			236.0			539.4
										108.2		236.0
											9,046.5	108.2
												9,046.5
<b>0.0</b>	<b>11,366.3</b>	<b>467.9</b>	<b>2,501.7</b>	<b>8.2</b>	<b>1,264.3</b>	<b>540.6</b>	<b>245.6</b>	<b>2,126.1</b>	<b>236.0</b>	<b>108.2</b>	<b>9,046.5</b>	<b>27,911.4</b>



## Annex B

**Table 2: Departmental Expenditure Limits**

	2011-12	2012-13	2013-14	2014-15
	Budget	Draft Budget	Plans	Plans
	£m	£m	£m	£m
Health	11,268.7	11,483.0	11,703.0	11,845.5
Other Health, Wellbeing & Cities Strategy	97.6	104.9	163.8	238.9
<b>Total Health, Wellbeing &amp; Cities Strategy</b>	<b>11,366.3</b>	<b>11,587.9</b>	<b>11,866.8</b>	<b>12,084.4</b>
Finance, Employment & Sustainable Growth	467.9	483.4	466.2	460.5
Education and Lifelong Learning	2,501.7	2,544.1	2,569.1	2,613.5
Justice*	1,264.3	1,344.1	1,294.8	1,243.9
Rural Affairs & the Environment	540.6	530.9	511.5	513.5
Culture & External Affairs	245.6	237.8	232.5	221.4
Infrastructure & Capital Investment	2,126.1	2,225.0	2,300.3	2,387.8
Administration	236.0	214.7	202.6	193.5
Parliamentary Business & Government Strategy	8.2	6.5	6.3	6.0
Crown Office & Procurator Fiscal	108.2	108.1	108.1	108.7
Local Government	9,046.5	8,881.8	8,664.1	8,677.5
Scottish Parliament and Audit Scotland	95.9	95.5	95.5	95.5
<b>Total</b>	<b>28,007.3</b>	<b>28,259.8</b>	<b>28,317.8</b>	<b>28,606.2</b>

\*includes Police & Fire pensions

## Annex C

**Table 3: Annually Managed Expenditure**

	2011-12	2012-13	2013-14	2014-15
	Budget	Draft Budget	Plans	Plans
	£m	£m	£m	£m
Health, Wellbeing & Cities Strategy	100.0	100.0	100.0	100.0
Finance, Employment & Sustainable Growth	3,230.4	3,200.8	3,375.2	3,555.7
Education and Lifelong Learning	102.5	125.8	289.8	347.8
Justice	-	-	-	-
Rural Affairs & the Environment	-	-	-	-
Culture & External Affairs	-	-	-	-
Infrastructure & Capital Investment	-	-	-	-
Administration	-	-	-	-
Parliamentary Business & Government Strategy	-	-	-	-
Crown Office & Procurator Fiscal	-	-	-	-
Local Government	2,179.5	2,272.0	2,444.0	2,673.0
Scottish Parliament and Audit Scotland	-	-	-	-
<b>Total</b>	<b>5,612.4</b>	<b>5,698.6</b>	<b>6,209.0</b>	<b>6,676.5</b>

## Annex D

Table 4: Departmental Expenditure Limits: Capital/Resource Split

Level 2	2011-12			2012-13			2013-14			2014-15		
	Budget		Draft Budget	Plans		Plans	Capital		Capital	Resource		Resource
	Capital	Resource		Capital	Resource		Capital	Resource				
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Health	488.2	10,780.5	453.5	11,029.5	380.5	11,322.5	239.0	11,606.5				
Equalities	-	20.3	-	20.3	-	20.3	-	20.3				
Sport	15.9	50.5	6.0	67.7	18.0	114.6	4.0	203.7				
Food Standards Agency	-	10.9	-	10.9	-	10.9	-	10.9				
<b>Total Health, Wellbeing &amp; Cities Strategy</b>	<b>504.1</b>	<b>10,862.2</b>	<b>459.5</b>	<b>11,128.4</b>	<b>398.5</b>	<b>11,468.3</b>	<b>243.0</b>	<b>11,841.4</b>				
Scottish Public Pensions Agency	0.5	10.7	0.5	11.5	1.1	11.9	1.2	12.6				
Committees, commissions & other expenditure	3.0	8.7	-	19.9	-	10.4	-	10.4				
Planning	0.2	3.9	0.1	3.7	0.1	3.5	0.1	3.4				
Enterprise, Energy & Tourism	85.0	325.7	66.2	355.0	48.2	364.5	44.6	361.7				
Accountant in Bankruptcy	-	3.2	-	2.0	-	2.0	-	2.0				
Third Sector and Social Economy	-	27.0	-	24.5	-	24.5	-	24.5				
<b>Total Finance, Employment &amp; Sustainable Growth</b>	<b>88.7</b>	<b>379.2</b>	<b>66.8</b>	<b>416.6</b>	<b>49.4</b>	<b>416.8</b>	<b>45.9</b>	<b>414.6</b>				
Learning	66.0	111.3	83.4	109.8	61.5	118.5	50.8	121.7				
Children, & Families	5.9	89.7	4.1	96.5	1.0	95.5	0.5	92.5				
Higher Education Student Support	0.4	413.7	0.4	431.8	0.4	454.2	0.4	506.4				
Scottish Further & Higher Education Funding Council	91.0	1,479.3	60.7	1,517.0	45.9	1,544.1	56.4	1,540.3				
Employability Skills & Lifelong Learning	-	244.4	-	240.4	-	248.0	-	244.5				
<b>Total Education &amp; Lifelong Learning</b>	<b>163.3</b>	<b>2,338.4</b>	<b>148.6</b>	<b>2,395.5</b>	<b>108.8</b>	<b>2,460.3</b>	<b>108.1</b>	<b>2,505.4</b>				
Community Justice Services	-	30.3	-	31.3	-	31.8	-	32.3				
Courts, Judiciary & Tribunal support	-	50.0	-	52.4	-	51.4	-	50.9				
Criminal Injuries Compensation	-	25.5	-	25.5	-	20.5	-	17.5				

Level 2	2011-12			2012-13			2013-14			2014-15		
	Budget		Draft Budget	Plans		Plans	Capital		Resource	Capital		Resource
	Capital	Resource		Capital	Resource		Capital	Resource		Capital	Resource	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Legal Aid	0.2	153.9	0.1	155.7	0.1	149.2	0.1	142.7	0.1	142.7	0.1	142.7
Miscellaneous	-	18.2	-	17.9	-	16.2	-	16.8	-	16.8	-	16.8
Police Central Government	12.5	197.9	28.1	214.3	21.4	215.5	3.5	162.0	3.5	162.0	-	162.0
Drugs and Community Safety	-	35.3	-	38.3	-	38.3	-	39.3	-	39.3	-	39.3
Scottish Resilience	0.3	18.0	0.2	17.7	0.2	17.5	0.2	17.6	0.2	17.6	-	17.6
Police and Fire Pensions	-	273.5	-	281.9	-	291.8	-	309.8	-	309.8	-	309.8
Scottish Court Service	10.4	69.5	8.5	68.5	6.0	67.4	4.0	65.5	4.0	65.5	-	65.5
Scottish Prison Service	47.5	318.0	75.5	325.1	22.5	342.0	12.5	366.2	12.5	366.2	-	366.2
Office of the Scottish Charity Regulator	-	3.3	-	3.1	-	3.0	-	3.0	-	3.0	-	3.0
<b>Total Justice</b>	<b>70.9</b>	<b>1,193.4</b>	<b>112.4</b>	<b>1,231.7</b>	<b>50.2</b>	<b>1,244.6</b>	<b>20.3</b>	<b>1,223.6</b>	<b>20.3</b>	<b>1,223.6</b>	-	<b>1,223.6</b>
EU Support and Related Services	30.4	109.3	19.1	97.3	15.9	89.5	15.2	88.1	15.2	88.1	-	88.1
Research, Analysis & Other Services	3.3	78.1	2.0	75.1	2.0	72.2	2.0	71.2	2.0	71.2	-	71.2
Marine & Fisheries	3.6	57.7	3.6	55.6	3.8	54.6	8.1	53.6	8.1	53.6	-	53.6
Environmental and Rural Services	9.1	160.5	8.4	184.8	3.9	186.1	4.0	188.8	4.0	188.8	-	188.8
Climate Change	-	17.6	-	19.5	-	19.5	-	19.4	-	19.4	-	19.4
Forestry Commission Scotland	-	45.2	-	42.4	-	41.3	-	41.4	-	41.4	-	41.4
Forest Enterprise Scotland	3.2	22.6	2.0	21.1	1.6	21.1	1.6	20.1	1.6	20.1	-	20.1
<b>Total Rural Affairs and the Environment</b>	<b>49.6</b>	<b>491.0</b>	<b>35.1</b>	<b>495.8</b>	<b>27.2</b>	<b>484.3</b>	<b>30.9</b>	<b>482.6</b>	<b>30.9</b>	<b>482.6</b>	-	<b>482.6</b>
Europe and External Affairs	-	16.1	-	15.9	-	15.7	-	15.5	-	15.5	-	15.5
Culture	15.5	139.1	11.3	137.9	7.6	136.2	8.0	135.2	8.0	135.2	-	135.2
Historic Scotland	2.1	44.9	3.1	42.2	0.6	39.7	-	35.7	-	35.7	-	35.7
National Records of Scotland	2.3	25.6	0.5	21.5	0.5	19.7	0.5	19.0	0.5	19.0	-	19.0
Young Scots Fund	-	-	-	5.4	-	12.5	-	7.5	-	7.5	-	7.5
<b>Total Culture &amp; External Affairs</b>	<b>19.9</b>	<b>225.7</b>	<b>14.9</b>	<b>222.9</b>	<b>8.7</b>	<b>223.8</b>	<b>8.5</b>	<b>212.9</b>	<b>8.5</b>	<b>212.9</b>	-	<b>212.9</b>
Rail Services in Scotland	359.0	420.4	330.5	450.4	322.6	515.0	296.4	539.9	296.4	539.9	-	539.9
Concessionary Fares and Bus Services	9.5	245.8	2.0	246.6	2.0	246.6	2.0	246.6	2.0	246.6	-	246.6

Level 2	2011-12		2012-13		2013-14		2014-15	
	Budget		Draft Budget		Plans		Plans	
	Capital £m	Resource £m	Capital £m	Resource £m	Capital £m	Resource £m	Capital £m	Resource £m
Other Transport Policy, Projects and Agency	23.3	43.8	14.0	43.7	22.3	44.0	11.7	44.2
Motorways and Trunk Roads	345.0	212.6	387.1	268.3	416.3	247.9	442.4	257.8
Ferry Services in Scotland	8.1	100.9	5.2	101.9	5.5	103.5	5.3	109.4
Air Services in Scotland	10.0	25.3	9.0	25.5	5.0	25.4	5.0	25.5
European Structural Funds - local authorities 2007-2013	-	-	-	-	-	-	-	-
European Structural Funds - central government 2007-2013	-	-	-	-	-	-	-	-
Scottish Water and Climate Change	-	-89.2	100.0	-87.3	140.0	-90.3	200.0	-94.5
Scottish Futures Fund	-	-	-	6.5	-	15.5	-	37.5
Other Expenditure	-	10.4	-	10.2	-	10.0	-25.0	9.9
Digital Economy & Infrastructure	11.6	-	9.6	1.0	3.0	1.0	-	1.0
Housing and Regeneration	238.9	150.7	199.6	101.2	150.0	115.0	153.8	118.9
<b>Total Infrastructure &amp; Capital Investment</b>	<b>1,005.4</b>	<b>1,120.7</b>	<b>1,057.0</b>	<b>1,168.0</b>	<b>1,066.7</b>	<b>1,233.6</b>	<b>1,091.6</b>	<b>1,296.2</b>
<b>Total Administration</b>	<b>7.5</b>	<b>228.5</b>	<b>7.5</b>	<b>207.2</b>	<b>5.0</b>	<b>197.6</b>	<b>5.0</b>	<b>188.5</b>
Corporate and Central Budgets	-	8.2	0.0	6.5	0.0	6.3	0.0	6.0
<b>Total Parliamentary Business &amp; Government Strategy</b>	<b>-</b>	<b>8.2</b>	<b>0.0</b>	<b>6.5</b>	<b>0.0</b>	<b>6.3</b>	<b>0.0</b>	<b>6.0</b>
<b>Total Crown Office &amp; Procurator Fiscal</b>	<b>2.7</b>	<b>105.5</b>	<b>3.6</b>	<b>104.5</b>	<b>3.6</b>	<b>104.5</b>	<b>3.6</b>	<b>105.1</b>
<b>Total Local Government</b>	<b>691.8</b>	<b>8,354.7</b>	<b>563.0</b>	<b>8,318.8</b>	<b>517.3</b>	<b>8,146.8</b>	<b>759.7</b>	<b>7,917.8</b>
<b>Total Scottish Parliament &amp; Audit</b>	<b>2.8</b>	<b>93.1</b>	<b>3.0</b>	<b>92.5</b>	<b>3.0</b>	<b>92.5</b>	<b>3.0</b>	<b>92.5</b>
<b>Total DEL</b>	<b>2,606.7</b>	<b>25,400.6</b>	<b>2,471.4</b>	<b>25,788.4</b>	<b>2,238.4</b>	<b>26,079.4</b>	<b>2,319.6</b>	<b>26,286.6</b>

## Annex E

Table 5: Comparison 2008-09 to 2014-15

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Est Outturn	Budget	Budget	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Health	10,479.8	10,909.9	11,208.4	11,368.7	11,583.0	11,803.0	11,945.5
Equalities	22.3	22.9	20.1	20.3	20.3	20.3	20.3
Sport	45.5	55.5	55.0	66.4	73.7	132.6	207.7
Food Standards Agency	10.3	10.2	9.6	10.9	10.9	10.9	10.9
<b>Total Health, Wellbeing &amp; Cities Strategy</b>	<b>10,557.9</b>	<b>10,998.5</b>	<b>11,293.1</b>	<b>11,466.3</b>	<b>11,687.9</b>	<b>11,966.8</b>	<b>12,184.4</b>
Scottish Public Pensions Agency	2,535.0	2,390.7	3,253.3	3,241.6	3,212.8	3,388.2	3,569.5
Committees, commissions & other expenditure	9.3	13.3	12.2	11.7	19.9	10.4	10.4
Planning	9.1	7.5	4.9	4.1	3.8	3.6	3.5
Enterprise, Energy & Tourism	460.3	497.8	440.0	410.7	421.2	412.7	406.3
Accountant in Bankruptcy	4.8	4.3	2.0	3.2	2.0	2.0	2.0
Third Sector and Social Economy	19.3	33.4	36.1	27.0	24.5	24.5	24.5
Registers of Scotland	-4.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Finance, Employment &amp; Sustainable Growth</b>	<b>3,033.5</b>	<b>2,947.0</b>	<b>3,748.5</b>	<b>3,698.3</b>	<b>3,684.2</b>	<b>3,841.4</b>	<b>4,016.2</b>
Learning	117.2	121.0	106.2	177.3	193.2	180.0	172.5
Children & Families	98.5	94.7	92.8	95.6	100.6	96.5	93.0
Higher Education Student Support	387.9	521.2	478.0	516.6	558.0	744.4	854.6
Scottish Further & Higher Education Funding Council	1,730.4	1,871.2	1,865.8	1,570.3	1,577.7	1,590.0	1,596.7
Employability Skills & Lifelong Learning	247.3	260.1	264.9	244.4	240.4	248.0	244.5
<b>Total Education &amp; Lifelong Learning</b>	<b>2,581.3</b>	<b>2,868.2</b>	<b>2,807.7</b>	<b>2,604.2</b>	<b>2,669.9</b>	<b>2,858.9</b>	<b>2,961.3</b>
Student Loans - net new lending (outside TME)	-	-	2.2	4.5	-	-	-

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Est Outturn	Budget	Budget	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Community Justice Services	11.4	26.6	29.2	30.3	31.3	31.8	32.3
Courts, Judiciary & Tribunal Services	41.8	53.2	51.1	50.0	52.4	51.4	50.9
Criminal Injuries Compensation	29.4	28.4	28.0	25.5	25.5	20.5	17.5
Fire Central Government	-	-	-	-	-	-	-
Legal Aid	160.6	163.5	216.9	154.1	155.8	149.3	142.8
Miscellaneous	20.8	16.2	22.2	18.2	17.9	16.2	16.8
Police Central Government	238.2	265.0	230.9	210.4	242.4	236.9	165.5
Drugs and Community Safety	5.7	6.7	5.4	35.3	38.3	38.3	39.3
Scottish Resilience	17.4	44.5	17.6	18.3	17.9	17.7	17.8
Police and Fire Pensions	-	-	245.7	273.5	281.9	291.8	309.8
Scottish Court Service	85.2	87.5	92.7	79.9	77.0	73.4	69.5
Scottish Prison Service	409.2	356.7	450.5	365.5	400.6	364.5	378.7
Office of the Scottish Charity Regulator	3.0	3.0	3.0	3.3	3.1	3.0	3.0
<b>Total Justice</b>	<b>1,022.7</b>	<b>1,051.3</b>	<b>1,393.2</b>	<b>1,264.3</b>	<b>1,344.1</b>	<b>1,294.8</b>	<b>1,243.9</b>
EU Support and Related Services	130.3	172.7	151.6	139.7	116.4	105.4	103.3
Research, Analysis & Other Services	85.7	76.5	79.6	81.4	77.1	74.2	73.2
Marine & Fisheries	63.8	55.2	78.3	61.3	59.2	58.4	61.7
Natural Heritage & Rural Services	104.1	-	-	-	-	-	-
Environment Protection, Sustainable Development & Climate Change	68.1	-	-	-	-	-	-
Water Quality	2.9	-	-	-	-	-	-
Environmental and Rural Services	-	181.7	178.1	169.6	193.2	190.0	192.8
Climate Change	-	-	-	17.6	19.5	19.5	19.4
Forestry Commission	55.5	50.7	75.0	71.0	65.5	64.0	63.1
<b>Total Rural Affairs and the Environment</b>	<b>510.4</b>	<b>536.8</b>	<b>562.6</b>	<b>540.6</b>	<b>530.9</b>	<b>511.5</b>	<b>513.5</b>

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Est Outturn	Budget	Budget	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Europe and External Affairs	11.9	10.0	11.2	16.1	15.9	15.7	15.5
Culture	159.5	166.2	190.5	154.6	149.2	143.8	143.2
Historic Scotland	47.4	47.6	50.4	47.0	45.3	40.3	35.7
National Records of Scotland	27.5	23.2	38.0	27.9	22.0	20.2	19.5
Young Scots Fund	-	-	-	-	5.4	12.5	7.5
<b>Total Culture &amp; External Affairs</b>	<b>246.3</b>	<b>247.0</b>	<b>290.1</b>	<b>245.6</b>	<b>237.8</b>	<b>232.5</b>	<b>221.4</b>
Rail Services in Scotland	702.9	638.9	773.9	779.4	780.9	837.6	836.3
Concessionary Fares and Bus Services	257.0	264.8	248.5	255.3	248.6	248.6	248.6
Other Transport Policy, Projects and Agency	180.9	201.9	47.7	67.1	57.7	66.3	55.9
Motorways and Trunk Roads	498.9	655.2	574.6	557.6	655.4	664.2	700.2
Ferry Services in Scotland	92.9	103.9	127.6	109.0	107.1	109.0	114.7
Air Services in Scotland	36.2	36.0	42.1	35.3	34.5	30.4	30.5
European Structural Funds - local authorities 2000-2006	-	-	-	-	-	-	-
European Structural Funds - central government 2000-2006	-	-	-	-	-	-	-
European Structural Funds - local authorities 2007-2013	-	-	-	-	-	-	-
European Structural Funds - central government 2007-2013	-	-	-	-	-	-	-
Scottish Water and Climate Change	145.9	138.0	28.1	-89.2	12.7	49.7	105.5
Other Expenditure	6.9	9.8	15.1	10.4	10.2	10.0	-15.1
Scottish Futures Fund	-	-	-	-	6.5	15.5	37.5
Digital Economy and Infrastructure	40.1	45.7	10.7	11.6	10.6	4.0	1.0
Housing and Regeneration	481.7	693.3	466.5	389.6	300.8	265.0	272.7
<b>Total Infrastructure &amp; Capital Investment</b>	<b>2,443.4</b>	<b>2,787.5</b>	<b>2,334.8</b>	<b>2,126.1</b>	<b>2,225.0</b>	<b>2,300.3</b>	<b>2,387.8</b>



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Est Outturn	Budget	Budget	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Administration	249.4	278.5	275.9	236.0	214.7	202.6	193.5
<b>Total Administration</b>	<b>249.4</b>	<b>278.5</b>	<b>275.9</b>	<b>236.0</b>	<b>214.7</b>	<b>202.6</b>	<b>193.5</b>
Corporate and Central Budgets	13.9	13.2	13.0	8.2	6.5	6.3	6.0
<b>Total Parliamentary Business &amp; Government Strategy</b>	<b>13.9</b>	<b>13.2</b>	<b>13.0</b>	<b>8.2</b>	<b>6.5</b>	<b>6.3</b>	<b>6.0</b>
Total Crown Office & Procurator Fiscal	107.4	118.3	117.6	108.2	108.1	108.1	108.7
<b>Total Crown Office &amp; Procurator Fiscal</b>	<b>107.4</b>	<b>118.3</b>	<b>117.6</b>	<b>108.2</b>	<b>108.1</b>	<b>108.1</b>	<b>108.7</b>
Local Government	11,168.3	11,804.3	11,696.4	11,226.0	11,153.8	11,108.1	11,350.5
<b>Total Local Government</b>	<b>11,168.3</b>	<b>11,804.3</b>	<b>11,696.4</b>	<b>11,226.0</b>	<b>11,153.8</b>	<b>11,108.1</b>	<b>11,350.5</b>
<b>Total Scottish Government Budget</b>	<b>31,934.5</b>	<b>33,650.6</b>	<b>34,532.8</b>	<b>33,523.8</b>	<b>33,862.9</b>	<b>34,431.3</b>	<b>35,187.2</b>

## Annex F

**Table 6: Estimated payments under PPP Contracts**

	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Health, Wellbeing & Cities Strategy	198.0	221.0	227.0	231.0
Finance, Employment & Sustainable Growth <sup>1</sup>	344.0	360.0	368.0	382.0
Education and Lifelong Learning	314.0	322.0	328.0	335.0
Justice	46.0	48.0	48.0	50.0
Rural Affairs and the Environment	-	-	-	-
Culture & External Affairs	-	-	-	-
Infrastructure & Capital Investment	-	-	-	-
Administration	1.0	-	-	-
<b>Total</b>	<b>903.0</b>	<b>951.0</b>	<b>971.0</b>	<b>998.0</b>

1. FE&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 G Glossary**

### **Annually Managed Expenditure (AME)**

Annually Managed Expenditure is spending that does not fall within Departmental Expenditure Limits (DEL). 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.

### **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.

### **Budget Exchange Scheme**

The HM Treasury Budget Exchange Scheme enables the Scottish Government to carry forward DEL underspends and draw down these underspends in the following year within agreed maxima.

### **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 support agricultural production, provide a fair standard of living for farmers and make sure that food is available at reasonable prices.

### **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 departments, offices or office-holders, that have functions exercisable in or as regards Scotland that do not relate to reserved matters (GB/UK bodies that deal only with reserved matters in Scotland cannot be cross-border public authorities). Examples include the Forestry Commission, the National Criminal Intelligence Service and the British Waterways Board.

### **Departmental Expenditure Limit (DEL)**

The Departmental Expenditure Limit (DEL) forms the majority of the Scottish Government's budget. This is budget provision that the Scottish Government can plan and control over the Spending Review period. The DEL budget is presented for both resource DEL and capital DEL. Resource DEL consists of fiscal DEL and non-cash ring-fenced DEL. Non-cash ring-fenced DEL covers depreciation and impairments and does not represent spending power for the Scottish Government.

**Depreciation**

A depreciation charge is a non-cash item which measures the wearing out, consumption or other reduction in useful life of a non-current asset.

**European Structural Funds**

European Structural Funds 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.

**Non-Departmental Public Body (NDPB)**

A body that operates independently of Ministers, although Ministers have ultimate responsibility for it. 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, maximises value for money and allows shareholder transparency.

**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.

### **Real Terms**

Any price or value adjusted for the effect of inflation.

### **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).



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Government**

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