

Scottish Government's Draft Budget 2011-12

Budget Briefing

THE SCOTTISH GOVERNMENT'S BUDGET 2010: THE WINNERS AND LOSERS

This initial briefing aims to highlight the respective winners and losers arising from the Government's 2011-12 Draft Budget announcement. Table A in the appendix provides a detailed breakdown of the departmental spending for 2011-12, the reduction or increase in spending compared to the current financial year, 2010-11, and the percentage change this represents in both nominal terms and real terms (ie, taking into account the effects of inflation). Unless otherwise stated, the figures quoted are in real 2010-11 prices.

Overview

- As expected, the Scottish Government has provided detailed spending and revenue raising plans for only next year, 2011-12. This makes long-term planning for those in receipt of public funds extremely difficult. Do those who get a real terms increase assume they are safe for the rest of the spending review period and so plan accordingly? Do those with significant real terms cuts hang on in by spending whatever reserves they may have in the expectation (or hope) things may improve in the next round? The May election may well have focussed the Scottish Government's mind but the Christie Commission on public services provides little comfort for those who wish to make sensible long-term service commitments.
- The impact on the Scottish economy from this budget is unclear. Short-term jobs retention is a target via the hoped for imposition of a pay freeze. Longer-term growth measures are however open to question. The UK Government's Spending Review resulted in Scotland facing a -£803 million cut in its capital allocation next year. The actual cut is less and so some reallocation from resource to capital spending has taken place. Without the carryforward of the unspent £100 million of capital this year, the cash cut to Scotland's capital budget would have been -£786 million meaning the viring of funds appears to be in the order of £15-20 million.
- With capital hungry projects such as the Forth Crossing now requiring substantial levels of funding to proceed, the use of other financing mechanisms (such as PPPs, not-for-profit models, tax incremental financing (TIF), etc) is a now much needed and welcome move. The question of whether the financial sector is equally willing or indeed able to provide large quantities of new types of financing may provide Ministers with a further new challenge.

- More generally, what can be said about the implications of the budget for longer-term economic growth? The Scottish Government has been keen to indicate that they are protecting capital spending because this benefits growth more than resource spending. Is this really reflected in the budget where the largest cuts in capital allocations were in areas like the Scottish F&HE Funding Council; Scottish Water (a special case perhaps); the prison service; housing & regeneration; rail services; other lifelong learning; enterprise, energy & tourism? Apart from prisons, it might be argued that the others have an above average impact on long-term sustainable growth, so the evidence that this budget sets out to protect growth and/or jobs is not clear-cut.
- Large retailers will have to face a 3% real terms increase in their non-domestic rates (NDR) bills as over £60 million is being raised to support Scottish local authority spending. This measure may well undermine jobs growth as retailers are also having to absorb the effects of lower demand following these public spending cuts, the pay freeze and the rise in VAT.
- The local government settlement is relying on this NDR income and the £70 million for the council tax freeze. Even then the % cut is -5.5% in real terms, larger than the Scottish average for Total Managed Expenditure (ie, TME, the relevant benchmark figure) of -5%, and larger still compared to the Scottish TME excluding local government at -4.8%. Without the NDR rise (which will need Parliament to approve) the cut will be worse. The likelihood of a local authority finding council tax rises attractive also seems unlikely.
- A public sector wage freeze for all those earning above £21,000 will help sustain more employment in the next 12 months. However, it is not clear that this will be possible given the variability of contracts currently in place. If it is not achieved then jobs and services will be at risk. The burden of non-delivery on a pay freeze has been passed on to all in the public sector.
- Efficiency savings have again been highlighted as a means of helping balance the books. The target for next year is 3% and for some, if achieved, they will have been given a standstill budget. However, with no independent audit of the previous efficiency programmes in Scotland, and evidence from Whitehall's programmes that probably about one third are true efficiencies, there must be a real danger that such a programme will simply add additional pressures to cut the quantity or quality of services or both.
- As we knew from the UK Comprehensive Spending Review, Total Managed Expenditure (TME) will fall next year, by -5% in real terms or by -£1.75 billion. The Scottish Government's discretionary spending (ie, Departmental Expenditure Limit or DEL) falls by -£1.74 billion or -6%. The cash terms reduction is -£1.22 billion, marginally less than anticipated due to a carry over of £100 million unspent capital in 2010-11.
- DEL Resource (spending for revenue support, eg, wages) falls by -2% or -£531 million in cash terms next year and -3.9% or -£1 billion in real terms. DEL Capital (for infrastructure spending) is set to fall by over one quarter next year down -£686 million in cash terms or -£735 million in real terms.

TME & DEL

The budget estimates for DEL (Departmental Expenditure Limit or discretionary spending), AME (Annual Managed Expenditure or spending outwith the control of Ministers) and TME (DEL plus AME) are set out in Table 1.

Table 1: Scottish Government Draft Budget 2011-12, £ million (Departmental totals)

	2010-11	2011-12	2011-12	change		
	cash	cash	real	£real	%cash	%real
Health & Wellbeing	11,662.4	11,758.4	11,539.2	-123.2	0.8%	-1.1%
Local Government	9,585.5	9,046.5	8,877.8	-707.7	-5.6%	-7.4%
Education & Lifelong Learning (ELLL)	2,715.0	2,481.1	2,434.8	-280.2	-8.6%	-10.3%
Finance & Sustainable Growth (F&SG)	2,473.5	2,219.2	2,177.8	-295.7	-10.3%	-12.0%
Justice	1,435.0	1,267.5	1,243.9	-191.1	-11.7%	-13.3%
Rural Affairs & the Environment	594.4	539.4	529.3	-65.1	-9.3%	-10.9%
Office of the First Minister	279.8	255.1	250.3	-29.5	-8.8%	-10.5%
Scottish Government Administration	262.0	236.0	231.6	-30.4	-9.9%	-11.6%
Crown Office and Procurator Fiscal Service	118.2	108.1	106.1	-12.1	-8.5%	-10.3%
Scottish Parliament & Audit Scotland	98.7	95.9	94.1	-4.6	-2.8%	-4.6%
TOTAL DEL	29,224.5	28,007.2	27,485.0	-1,739.5	-4.2%	-6.0%
TOTAL AME	5,513.2	5,612.4	5,507.8	-5.4	1.8%	-0.1%
Total Managed Expenditure (TME)	34,737.7	33,619.6	32,992.7	-1,745.0	-3.2%	-5.0%

* Note: The overall Local Government change needs to include the AME allocation for non-domestic rates AND the contribution made by other departments (see separate section below).

- The overall real terms reduction in total spending next year is -5% (-£1.75 billion), or -3.2% in cash terms (-£1.12 billion). This is marginally better than expected because of the carrying forward of a £100 million un-spent capital allocation this financial year.
- Total discretionary spending DEL falls by 6% in real terms whilst the total AME allocation (funding from Whitehall to cover teachers and NHS pension obligations, impairment charges in the NHS, student loan obligations and non-domestic rates income) remains broadly unchanged.
- Justice has taken the largest % cut at this aggregate level, down more than 13% next year. Finance and Sustainable Growth (F&SG) and Education and Life Long Learning (ELLL) are the two largest casualties if we look at the over £s reduction; F&SG is set to fall by -£0.3 billion whilst ELLL falls marginally less at -£0.28 billion.

Departmental position

These aggregate figures mask significant variations at the more detailed sub-department level (see Table 2).

Table 2: Largest Winners & Losers, Total DEL, £ million

	2010-11 cash	2011-12 cash	2011-12 real	change		
				£real	%cash	%real
<i>"Winners"</i>						
Learning	126.0	156.9	154.0	28.0	24.5%	22.2%
Sport	54.1	66.4	65.2	11.1	22.7%	20.4%
Ferry Services in Scotland	101.9	109.0	107.0	5.1	7.0%	5.0%
Motorways & Trunk Roads	544.1	557.6	547.2	3.1	2.5%	0.6%
<i>"Losers"</i>						
Scottish F&HE Funding Council	1,786.1	1,570.3	1,541.0	-245.1	-12.1%	-13.7%
General Register Office for Scotland	21.9	19.0	18.6	-3.3	-13.2%	-14.9%
Forestry Commission (Scotland)	55.1	47.7	46.8	-8.3	-13.4%	-15.0%
Corporate & Central Budgets	9.5	8.2	8.0	-1.5	-13.7%	-15.3%
Research, Analysis & Other Services	95.7	82.0	80.5	-15.2	-14.3%	-15.9%
Scottish Court Service	93.5	79.9	78.4	-15.1	-14.5%	-16.1%
Housing & Regeneration	488.0	393.8	386.5	-101.5	-19.3%	-20.8%
Scottish Prison Service	469.9	365.5	358.7	-111.2	-22.2%	-23.7%
Planning	5.3	4.1	4.0	-1.3	-22.6%	-24.1%
Third Sector & Social Enterprise	35.5	27.0	26.5	-9.0	-23.9%	-25.4%
Accountant in Bankruptcy	5.2	3.2	3.1	-2.1	-38.5%	-39.6%
Committees, Comm & Other Expenditure	31.4	18.4	18.1	-13.3	-41.4%	-42.5%
Scottish Water & Climate Change	62.0	-88.0	-86.4	-148.4	-241.9%	-239.3%

- The Learning sub-department is the biggest % winner with an increase of almost 25% cash or 22% real terms next year. This real terms increase appears to be achieved by a £37 million increase in Schools, People & Places to support capital expenditure, ie, it does not necessarily mean it will be continued into 2012-13 and beyond.
- Perhaps not surprisingly, given we are in the run up to the 2014 Commonwealth Games, Sport is the 2nd "winner". Total spending on Sport is set to rise by 20% in real terms or by £11 million next year. However, whilst the contribution to the Commonwealth Games rises by just over £15 million, it is in sharp contrast to the £2 million cut being experienced in the Sport and Physical Activities budget.
- The 5% real terms increase to Scotland's Ferry Services is aimed at maintaining affordable fares for next year; this budget item receives an uplift of over £16 million out of a total increase in the overall budget line of £5.1 million. Support for the Road Equivalent Tariffs (for the services to the Western Isles, Coll and Tiree) falls by -£2.8 million and the funding for new ferries and piers maintenance drops by almost -£7 million out of a total 2010-11 budget of £14.8 million. So even within one of the winning budget lines, there are also significant losers.

- Motorways and Trunk Roads (M&TR) are the only other main winner at this level, with a real terms increase of £3.1 million. This translates into only a 0.6% real terms growth in a 2010-11 budget of over £0.5 billion. The budget line now includes a significant allocation for the Forth Crossing at £170 million (in cash terms), up from £30 million in 2010-11. Three other M&TR budget items also rise: structural repairs up £15 million (more than double the 2010-11 allocation), an additional £11 million to support the Forth & Tay Bridge Authorities (again more than double their collective 2010-11 funding) and an increase in the Design, Build, Finance and Operate (DBFO) payments of 11 million, a real terms increase of over 20%. Spending for network strengthening and improvement, road improvements and routine and winter maintenance all fall in real terms next year by -74%, -52% and -2% respectively.
- The two biggest "losers" are Scottish Water and Scotland's Higher and Further Education institutions. The latter faces the largest real terms cut, falling -£245 million in the year. The majority of this is in capital spending for both higher and further education institutions which falls -£120 million in real terms, a decline of almost -60%. Current spending has also been cut, by -7.6% for further education colleges and -8.1% for higher education institutions. These are substantially more than the Scotland's DEL resource budget cut of -3.9%. This further and higher education cut may well reflect what has happened in England but the funding arrangements north and south of the border are quite different. The need for greater clarity on how Scotland's higher and further education is to be funded just grows.
- Scottish Water's budget reduction is interesting for a different reason. The Scottish Government has effectively forced Scottish Water to use its surplus cash to fund its 2011-12 water capital investment programme. Whether this is a prudent move depends on whether this then leaves Scottish Water with insufficient borrowing overall, or less of a cash buffer to help it meet any unexpected future capital cost increases. If the borrowing levels are to be restored in the future, this "cut" means this Administration has in effect borrowed £140 million from Scotland's future budget allocations.
- Other notable reductions are the -£111 million cut in the Scottish Prisons Service (SPS) budget and the -£102 million in the Housing and Regeneration spend line. There is a -67% cut in the SPS capital line (reflecting the completion of the new Low Moss prison) and a -6% cut in SPS current spending which is partly off-set by a reallocation of prisoner healthcare to Health.
- Housing and Regeneration spending falls by -£109 million next year, or -22%. Of this, direct social housing support falls by -15% (down -£47.8 million) whilst support for the wider roles of energy efficiency, regeneration and private housing falls by more than one quarter, ie, down -£43.7 million. For substantially more social housing to be delivered it is clear why the Scottish Government has signalled it expects those ultimately responsible for delivery (eg, local authorities and housing associations) to utilise all possible sources of

funding, including previously accumulated cash reserves, efficiencies savings and where possible additional rent increases.

DEL Resource

The average reduction in Scottish DEL next year is set to be -3.9% in real terms or -2.% in cash terms.

Table 3: Real terms % change in DEL Resource budgets 2010-11 to 2011-12 (Level 2)

Scottish average real terms cut -3.9%	
<u>Budgets with cut LESS THAN Scottish average</u>	<u>Budgets with cut MORE THAN Scottish average</u>
Sport (+30.4%)	Committees & Commissions (-41%)
Ferry Services for Scotland (+13.7%)	Accountant in Bankruptcy (-40%)
Health (+0.6%)	Third Sector & Social Enterprise (-25.4%)
Food Standards Agency (-1%)	Schools (-21.3%)
Community Justice Services (-1.2%)	Planning (-18.6%)
Scottish Public Pensions Agency (-1.9%)	SG Corporate & Central Budgets (-15.3%)
Scottish Water & Climate Change (-1.9%)	General Registers Office for Scotland (-14%)
Police & Fire Pensions (-1.9%)	Other Lifelong Learning (-13.7%)
Equalities & Social Inclusion (-1.9%)	Other Transport Policy (-13.7%)
Children, Young People & Social Care (-2.2%)	Scottish Resilience (-13.4%)
Drugs & Community Safety (-3.8%)	Air Services in Scotland (-11.6%)
	Forestry Commission (-11.5%)
	Enterprise, Energy & Tourism (-11.3%)
	Scottish Government Administration (-11%)
	Criminal Injuries Compensation (-10.9%)
	Rural Affairs Research & Analysis (-10.8%)
	Police Central Government (-10.3%)
	OSCR (-10%)
	Motorways & Trunk Roads (-9.7%)
	Housing & Regeneration (-9.6%)
	Legal Aid (-9.5%)
	EU Supported activities (-9.2%)
	Historic Scotland (-8.8%)
	Culture & Gaelic (-8.4%)
	Scottish F+HE Funding Council (-7.9%)
	Environmental & Rural Affairs (-7.4%)
	Scottish Court Service (-6.8%)
	Crown Office & Procurator Fiscal (-6.8%)
	Rail Services in Scotland (-6.7%)
	Scottish Prison Service (-6.3%)
	LA Grants & Supported Borrowing (-6.2%)
	Forest Enterprise (-6.0%)
	National Archives (-5.8%)
	Europe & External Affairs (-5.4%)
	Students Awards Agency for Scotland (-5.1%)
	Marine & Fisheries (-4.8%)
	Concessionary Fares & Bus services (-4.7%)
	Scottish Parliament & Audit Scotland (-4.2%)
	Courts Group (-4.0%)

As Table 3 illustrates, there are 39 budget recipients (at Level 2 classification) that will experience a cut in their budget above the average level, whilst 11 will face a below average cut. Indeed there are three areas where the Resource DEL rises substantially in real terms: Sport (up over 30% due in part to the Commonwealth Games); Ferry Services (up almost 14%); and health (trailing at a modest 0.6% real terms increase).

If the 3% efficiencies savings target is achieved, then those in the "less than Scottish Average cut" group may feel they have had a standstill budget at best. For the rest, even with efficiency savings of 3%, their DEL Resource budgets have been cut, severely for some.

Some notable reductions stand out:

- The Accountant in Bankruptcy may be severely challenged if the downturn or sluggish growth in the economy causes further company collapses and personal insolvencies.
- The Third Sector is seen as a possible partner in the reform of Scotland's public services. A -25% real terms cut in support funding to this sector seems at odds with this plan. However, the more detailed Level 3 figures show that the support to the sector for capacity building and CPP engagement is still set to rise by 14% in real terms, from £20.7 million to £24 million.
- Committees and Commissions includes funding to support public service reform which is set to fall by half next year. Whilst some of the budget covers the Standards Commission which it is stated is to be transferred to the Scottish Parliament Corporate Body, it is not made clear how much is involved in this transfer and so how far the public sector reform agenda is being supported by 'pump-priming' funds.

DEL Capital

Spending allocated for Capital infrastructure is more concentrated and the fortunes vary widely by budget line (see Table 4).

- There are 6 areas at Level 2 that receive a real terms increase in their capital allocation next year: Schools (up £52.4 million or a near 5 times increase); Motorways and Trunk Roads (up £25.5 million or 8%); Concessionary bus fares (up £7.2 million or an almost 3.5 times increase); Enterprise, Energy & Tourism (up £6.8 million or 7.8%); Air Services in Scotland (up £2.8 million or 40%); and Historic Scotland (a massive 106% increase but only £1.1 million in value).
- The major capital losers - between them accounting for more than 80% of the DEL capital reductions - are: LA Capital Grants (-£164.3 million); Scottish Water (-£140/150 million¹); Scottish H&FE Funding Council (-£120 million); Health (-£99 million); Housing & Regeneration (-£85.6 million); and Rails Services in Scotland (-£48.4 million).

¹ Scottish Water's loan was due to be £140 million in 2011-12, down from £150 million in 2010-11.

Table 4: DEL Capital, £ million (Level 2)

	2010-110	2011-12	2011-12	change	change
	cash	cash	Real	£real	%real
Schools	11.2	64.8	63.6	52.4	468%
Motorways & Trunk Roads	313.1	345.0	338.6	25.5	8.1%
Concessionary fares & Bus services	2.1	9.5	9.3	7.2	352%
Enterprise, Energy & Tourism	87.0	95.6	93.8	6.8	7.8%
Air Services in Scotland	7.0	10.0	9.8	2.8	40.2%
Historic Scotland	1.0	2.1	2.1	1.1	106%
LA Grants & Supported Borrowings	843.2	691.8	678.9	-164.3	-19.5%
Scottish Water & Climate Change	150.0	0.0	0.0	-150.0	-100.0%
Scottish F&HE Funding Council	209.2	91.0	89.3	-119.9	-57.3%
Health Capital	577.7	488.2	479.1	-98.6	-17.1%
Housing & Regeneration	321.0	239.9	235.4	-85.6	-26.7%
Rail Services in Scotland	400.7	359.0	352.3	-48.4	-12.1%
Scottish Court Service	20.3	10.4	10.2	-10.1	-49.7%
EU Support & Related Services	38.9	29.9	29.3	-9.6	-24.6%
Culture & Gaelic	24.6	16.6	16.3	-8.3	-33.8%
Police Central Government	20.6	12.5	12.3	-8.3	-40.5%
Ferry Services in Scotland	14.8	8.1	7.9	-6.9	-46.3%
ERAD Research	9.1	3.3	3.2	-5.9	-64.4%
Crown Office & PF Services	7.2	2.7	2.6	-4.6	-63.2%
Marine & Fisheries	7.2	3.6	3.5	-3.7	-50.9%
Other Transport Agency Programmes	26.5	23.3	22.9	-3.6	-13.7%
Committees & Commissions	5.8	3.0	2.9	-2.9	-49.2%
All other departmental contributions	194.7	96.3	94.7	-100.0	-51.4%
Total DEL Capital	3,292.9	2,606.6	2,558.0	-734.9	-22.3%

Local Government**Table 5: Local Government settlement, £ million (Level 3)**

	2010-11	2011-12	2011-12	change	change
	cash	cash	real	£real	%real
General Resource Grant	8,742.3	8,354.7	8,198.9	-543.4	-6.2%
NDR and other AME	2,076.3	2,179.5	2,138.9	62.6	3.0%
Support for Capital	843.2	691.8	678.9	-164.3	-19.5%
Total LG Portfolio	11,661.8	11,226.0	11,016.7	-654.1	-5.5%
Other LG in other Portfolios	324.5	322.0	316.0	-8.5	-2.6%
Total support for local authorities	11,986.3	11,548.0	11,332.7	-653.6	-5.5%
Total Scottish TME	34,737.7	33,619.6	32,992.7	-1,745.0	-5.0%
LG share of Scottish TME	34.5%	34.3%	34.3%		
Total Scottish TME EXCLUDING LG	22,751.4	22,017.6	21,660.0	-1,091.4	-4.8%

The 2011-12 TME figure has been boosted by the carried forward £100 million.

- As the figures show, the local government settlement has been cut by -5.5% in real terms. This compares to a -5% real terms cut across the whole of the Scottish TME and -4.8% if local government is excluded.
- Its share of total Scottish funding was 34.5% in 2010-11, which now falls marginally next year to 34.3%. Excluding the £100 million carry forward funding improves the position a little but at two decimal points the share is still down to 34.45%. Whilst a marginal fall, it would seem highly likely that badly affected spending areas would be more than happy for such a marginal reduction in their share of the total block.
- Local government's funding falls by -£653.6 million. This has been made possible by a 3% real terms increase in non-domestic rates (NDR) income, ie, an increased tax on large retailers at a time when they will be absorbing the effects of lower levels of demand from public sector budget cuts, a public sector pay freeze and the higher VAT rate. Raising NDR require Scottish parliamentary approval and so it is by no means certain such a real terms increase will be achieved. If it is paired back, will local government be expected to bare the full impact, namely a possible -£62.6 million cut in the budget line?

Education spending

The UK schools budget is set to rise 0.1% in real terms over the whole spending review period. This has helped boost Scotland's block grant from Whitehall as a consequence of the application of the Barnett formula. This relative favouring of schools is also a feature of the Scottish Government's budget, with schools spending outwith the local government settlement also rising (though it is not possible to state if both are funding equivalent activities). Whether the overall schools increase is maintained will depend on the extent to which local government utilises its reduced General Resource Grant (which is set to fall -6.4% in real terms next year) for schools as opposed to any of their other council responsibilities.

Council Tax

The CSR funding given to English local authorities has been set at such a level to deliver a freeze in council tax in 2011-12. The Scottish budget offers the possibility of a similar outcome with £70 million being set aside to assist councils who choose to freeze the tax for a further year. The decision to freeze or not is now very stark; the cut in the local government settlement is -5.5% in real terms; but if a council chooses not to freeze then the cut in their budget will rise to -8.3%². To make up the difference, the size of any council tax increase next year would then need to be in excess of 8.3% to raise any additional funds. There is no doubt this issue will be a key element in party pledges in the run up to the May 2011 Scottish Parliament elections.

Social Care

The UK Government ring-fenced an additional £800 million next year to be held by NHS boards to be used on social care pressures. The Scottish Government settlement has

² The Cabinet Secretary states the average Resource cut for non-protected budget lines is -6.4%. Including inflation at 1.9% takes the total real terms Resource cut to -8.3%. It is not possible to verify the -6.4% figure from the data provided.

earmarked £70 million also to be held by NHS boards for the same purpose, 8.75% of the UK equivalent figure.

Health

Table 6: Health settlement, £ million (Level 2)

	2010-11	2011-12	2011-12	change	change
	cash	cash	real	£real	%real
DEL Resource	10,504.2	10,771.6	10,570.8	66.6	0.6%
DEL Capital	577.7	488.2	479.1	-98.6	-17.1%
Total DEL	11,081.9	11,259.8	11,049.9	-32.0	-16.4%
AME*	100.0	100.0	98.1	-1.9	-1.9%
TME	11,181.9	11,359.8	11,148.0	-33.9	-18.3%
Total Scottish TME	34,737.7	33,619.6	32,992.7	-1,745.0	-5.0%
Health share of Scottish TME	32.2%	33.8%	33.8%		
Total Scottish TME EXCLUDING Health	23,555.8	22,259.8	21,844.7	-1,711.1	-7.3%

* Note: This is the AME for Health & Wellbeing

- As Table 6 shows, Health DEL Resource has been protected from the cuts, by a £67 million increase out of a total DEL Resource allocation of £10.8 billion, clearly benefiting from the commitment to pass on the Barnett consequentials from health in England. However, with severe demand pressures for health services, delivering on the 3% efficiency savings target and freezing pay for those earning more than £21,000 will still be required for there not to be an effective cut.
- Health capital has taken a cut of just over -17% in real terms which, although large is still below the average DEL capital cut of -22%. This favouring of health capital over say, housing and regeneration is interesting although, given the "lumpy" nature of capital spending, it is not possible to determine whether such a bias is one that will continue throughout the spending review period.
- Health's share of the total Scottish budget will rise next year from 32.2% to 33.8% although, in absolute terms this is less than the local government settlement (Table 5).

Concluding remarks

The challenge facing the Scottish Government this year was always going to be difficult whoever was in power. The pain of the cuts has been spread around and the Scottish Government is hoping it can balance the books by some measures that are out with its control; the achievement of a pay freeze for those earning £21,000; the collection of £2.2 billion in non-domestic rates; the continuation of a council tax freeze in return for £70 million support; the delivery of another round of efficiency savings without putting services at risk.

As to the challenge of longer-term economic growth, Scotland is now more than ever dependent on getting best value from those tasked with such policies. Maintenance and development of its public infrastructure will now also require striking deals with private lenders and accepting the on-going revenue implications of such measures as PPPs, TIF and not-for profit models of financing.

Setting only a one year budget is probably all that could have been expected given the electoral cycle. If this means radical reform is stalled then uncertainty over future jobs and services probably gets worse not better. The cupboard was already pretty bare before this settlement was announced. The challenge for all other parties and for the Parliament is to outline clearly where the funding mix could or should be altered and for them to outline what the spending and revenue raising priorities should be, not just for 2011-12 but for the rest of the spending review period.

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November 2010

Table A: Scottish Government Draft Budget 2011-12, £ million

	2010-11 cash	2011-12 cash	2011-12 real	£real	change cash	real
Europe & External Affairs	16.7	16.1	15.8	-0.9	-3.6%	-5.4%
Culture & Gaelic	194.2	174.9	171.6	-22.6	-9.9%	-11.6%
National Archives	10.1	8.9	8.7	-1.4	-11.9%	-13.5%
Historic Scotland	49.3	47.0	46.1	-3.2	-4.7%	-6.4%
Corporate & Central Budgets	9.5	8.2	8.0	-1.5	-13.7%	-15.3%
Office of the First Minister	279.8	255.1	250.3	-29.5	-8.8%	-10.5%
Committees, Commiss & Other Expenditure	31.4	18.4	18.1	-13.3	-41.4%	-42.5%
General Register Office for Scotland	21.9	19.0	18.6	-3.3	-13.2%	-14.9%
Third Sector & Social Enterprise	35.5	27.0	26.5	-9.0	-23.9%	-25.4%
Scottish Public Pensions Agency	11.8	11.2	11.0	-0.8	-5.1%	-6.9%
Concessionary Fares & Bus services	255.1	255.3	250.5	-4.6	0.1%	-1.8%
Ferry Services in Scotland	101.9	109.0	107.0	5.1	7.0%	5.0%
Motorways & Trunk Roads	544.1	557.6	547.2	3.1	2.5%	0.6%
Rail Services in Scotland	842.8	779.4	764.9	-77.9	-7.5%	-9.2%
Planning	5.3	4.1	4.0	-1.3	-22.6%	-24.1%
Air Services in Scotland	35.1	35.3	34.6	-0.5	0.6%	-1.3%
Scottish Water & Climate Change	62.0	-88.0	-86.4	-148.4	-241.9%	-239.3%
Enterprise, Energy & Tourism	450.3	423.8	415.9	-34.4	-5.9%	-7.6%
Other Transport Policy, Projects a& Agency	76.3	67.1	65.8	-10.5	-12.1%	-13.7%
Finance & Sustainable Growth	2,473.5	2,219.2	2,177.8	-295.7	-10.3%	-12.0%
Health	11081.9	11259.8	11049.9	-32.0	1.6%	-0.3%
Housing & Regeneration	488.0	393.8	386.5	-101.5	-19.3%	-20.8%
Equalities and Social Inclusion	27.5	27.5	27.0	-0.5	0.0%	-1.9%
Sport	54.1	66.4	65.2	11.1	22.7%	20.4%
Food Standards Agency	10.9	10.9	10.7	-0.2	0.0%	-1.9%
Health & Wellbeing	11,662.4	11,758.4	11,539.2	-123.2	0.8%	-1.1%
Student Awards Agency for Scotland	428.1	414.1	406.4	-21.7	-3.3%	-5.1%
Scottish F&HE Funding Council	1786.1	1570.3	1541.0	-245.1	-12.1%	-13.7%
Learning	126.0	156.9	154.0	28.0	24.5%	22.2%
Children, Young People and Social Care	96.9	95.4	93.6	-3.3	-1.5%	-3.4%
Other Lifelong Learning	277.9	244.4	239.8	-38.1	-12.1%	-13.7%
Education & Lifelong Learning	2,715.0	2,481.1	2,434.8	-280.2	-8.6%	-10.3%

Table A (cont.)

	2010-11	2011-12	2011-12		change	
	cash	cash	real	£real	cash	real
Scottish Prison Service	469.9	365.5	358.7	-111.2	-22.2%	-23.7%
Police Central Government	237.0	210.4	206.5	-30.5	-11.2%	-12.9%
Courts Group	51.1	50.0	49.1	-2.0	-2.2%	-4.0%
Scottish Court Service	93.5	79.9	78.4	-15.1	-14.5%	-16.1%
Drugs & Community Safety	36.0	35.3	34.6	-1.4	-1.9%	-3.8%
Legal Aid	167.9	154.1	151.2	-16.7	-8.2%	-9.9%
Miscellaneous	18.4	18.2	17.9	-0.5	-1.1%	-2.9%
Criminal Injuries Compensation	28.1	25.5	25.0	-3.1	-9.3%	-10.9%
Accountant in Bankruptcy	5.2	3.2	3.1	-2.1	-38.5%	-39.6%
Community Justice Services	30.1	30.3	29.7	-0.4	0.7%	-1.2%
OSCR	3.6	3.3	3.2	-0.4	-8.3%	-10.0%
Police & Fire Pensions	273.5	273.5	268.4	-5.1	0.0%	-1.9%
Scottish Resilience	20.7	18.3	18.0	-2.7	-11.6%	-13.2%
Justice	1,435.0	1,267.5	1,243.9	-191.1	-11.7%	-13.3%
Environmental & Rural Services	196.1	186.4	182.9	-13.2	-4.9%	-6.7%
Forestry Commission (Scotland)	55.1	47.7	46.8	-8.3	-13.4%	-15.0%
Forest Enterprise (Scotland)	24.9	23.8	23.4	-1.5	-4.4%	-6.2%
EU Support & Related Services	155.9	138.2	135.6	-20.3	-11.4%	-13.0%
Marine & Fisheries	66.7	61.3	60.2	-6.5	-8.1%	-9.8%
Research, Analysis & Other Services	95.7	82.0	80.5	-15.2	-14.3%	-15.9%
Rural Affairs & the Environment	594.4	539.4	529.3	-65.1	-9.3%	-10.9%
Scottish Parliament & Audit Scotland	98.7	95.9	94.1	-4.6	-2.8%	-4.6%
Local Government	9,585.5	9,046.5	8,877.8	-707.7	-5.6%	-7.4%
Crown Office and Procurator Fiscal Service	118.2	108.1	106.1	-12.1	-8.5%	-10.3%
Scottish Government Administration	262.0	236.0	231.6	-30.4	-9.9%	-11.6%
Total DEL	29,224.5	28,007.2	27,485.0	-1,739.5	-4.2%	-6.0%
Scottish Public pensions Agency	3230.4	3230.4	3170.2	-60.2	0.0%	-1.9%
Education & Lifelong Learning	106.5	102.5	100.6	-5.9	-3.8%	-5.6%
Health & Wellbeing AME expenditure	100	100	98.1	-1.9	0.0%	-1.9%
NDR Income & other LG AME	2,076.3	2,179.5	2,138.9	62.6	5.0%	3.0%
Total Annual Managed Expenditure (AME)	5,513.2	5,612.4	5,507.8	-5.4	1.8%	-0.1%
Total Managed Expenditure (TME)	34,737.7	33,619.6	32,992.7	-1,745.0	-3.2%	-5.0%