

Scottish Government's Draft Budget 2010-11

Briefing No. 1

THE SCOTTISH GOVERNMENT'S BUDGET 2009: THE WINNERS AND LOSERS

This initial briefing aims to highlight the respective winners and losers arising from the Government's 2010-11 Draft Budget announcement. The attached Table A.1¹ provides a detailed breakdown of the departmental spending for 2010-11, the reduction or increase in spending compared to the current financial year, 2009-10, 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 2009-10 prices.**

Overview

1. The total resources available to deliver Scotland's public services are still set to rise next years. In nominal terms (ie, excluding the effects of inflation) the increase is just over £275 million (Table 1). Taking inflation into account, Total Managed Expenditure (TME) will fall by 0.7% or £243 million, from £34.9 billion to £34.6 billion. This is the first annual real terms fall since devolution.
2. The Scottish Government's discretionary spending (ie, Departmental Expenditure Limit or DEL) faces a marginally larger reduction at 0.9% or a fall in spending of almost -£265 million when compared to 2009-10. The -£500 million reduction referred to in the Draft Budget is linked to changes that occurred following the 2007 Spending Review and the initial allocation provided by the UK Government to Scotland. This -£500 million is not discussed here; a further CPPR briefing will cover this issue of how Scotland's spending has been financed.
3. The overall DEL figure in Table 1 masks significant variations at the departmental level:
 - Both the Justice Department and the Scottish Parliament & Audit Scotland gain the most from this budget with real term increases of 1.6% and 1.5% respectively. Given the size of these two departments, these translate into relatively small overall cash increases of £18.4 million and £1.6 million. Education & Lifelong Learning was the only other department benefiting from a real terms increase, up 1.1% or £27.9 million.

¹ This mirrors the data tables produced by SPICE, see www.scottish.parliament.uk/business/research/briefings-09/SB09-66.pdf

Table 1: Scottish Government Draft Budget 2010-11, £ million (Departmental totals)

	2009-10	2010-11	2010-11	real change 09-10 to 10-11	% change	
	nominal	nominal	real		nominal	real
Office of the First Minister	290.4	294.9	290.5	0.1	1.5%	0.0%
Finance & Sustainable Growth (F&SG)	2,878.9	2,718.0	2,677.8	-201.1	-5.6%	-7.0%
Health & Wellbeing	11,821.9	11,834.3	11,659.4	-162.5	0.1%	-1.4%
Education & Lifelong Learning	2,648.8	2,716.9	2,676.7	27.9	2.6%	1.1%
Justice	1,178.6	1,215.0	1,197.0	18.4	3.1%	1.6%
Rural Affairs & the Environment	626.9	625.6	616.4	-10.5	-0.2%	-1.7%
Scottish Parliament & Audit Scotland	110.9	114.2	112.5	1.6	-2.9%	1.5%
LA Grants & Supported Borrowings	9,589.9	9,809.0	9,664.0	74.1	2.3%	0.8%
Crown Office and Procurator Fiscal Service	118.7	119.2	117.4	-1.3	0.4%	-1.1%
Scottish Government Administration	270.0	262.2	258.3	-11.7	-2.9%	-4.3%
TOTAL DEL	29,535.0	29,709.3	29,270.2	-264.8	0.6%	-0.9%
TOTAL AME	5,330.1	5,431.7	5,351.4	21.3	1.9%	0.4%
TOTAL MANAGED EXPENDITURE (TME)	34,865.1	35,141.0	34,621.7	-243.4	0.8%	-0.7%

- The rise in the Education and Lifelong Learning budget of £27.9 million is boosted in the main by a £10 million increase in the capital allocation for Schools and £24.5 million for Institutions of Further Education. It is not immediately clear that such capital benefits will necessarily outweigh other resource reductions in this area (see below) especially if education is the preferred route for those unable to secure employment in the recession or seeking to retrain following redundancy.
- Scotland's Local Authorities have been given a major boost to their Resource Grants of over £400 million or +5.2% (see Table 2). Capital support has however, been reduced by 18% or -£189 million. Aggregating all Scottish Government support results in a reduction next year of -0.5% or a fall of -£53 million. It is not clear what the rationale is for the Scottish Government to favour revenue support over capital or what impact this will have on the ability of Scotland's local authorities to increase or even maintain their current capital programmes.
- The department with the largest absolute and percentage reduction is Finance & Sustainable Growth (down 7% or a fall of over -£200 million). Health & Wellbeing faces a fall of -£162.5 million or a cut of -1.4% whilst the Scottish Government's Administration receives -£11.7 million less, the second largest contributor in percentage terms of -4.3%. We comment in more detail below on the detailed changes that have occurred in these departments.

Table 2: Local Authority support, £ million

	2009-10	2010-11	2010-11	real change 09-10 to 10-11	% change	
	nominal	nominal	real		nominal	real
General Revenue Grant	7,719.5	8,242.0	8,120.2	400.7	6.8%	5.2%
Specific Revenue Grants	832.3	704.9	694.5	-137.8	-22.2%	-23.3
	8,551.8	8,946.9	8,814.7	262.9	4.6%	3.1%
General Capital Grants	462.6	360.0	354.7	-107.9	-22.2%	-30.0%
Specific Capital Grants	278.4	205.0	202.0	-76.4	-26.4%	-27.4%
	9,292.8	9,511.9	9,371.3	78.5	2.4%	0.8%
Supported Borrowing	305.2	305.2	300.7	-4.5	0.0%	-1.5%
Non-Domestic Rates Income (NDRI)	2,165.1	2,068.2	2,037.6	-127.5	-4.3%	-5.9%
Total Local Authority Support	11,763.1*	11,885.3	11,709.7	-53.4	1.0%	-0.5%

* This comprises not only the DEL support to local authorities in Table 1 above but also the AME contribution of £2,1732.2.

Details

Table 3 sets out the largest winners and losers at the sub-departmental level. The figures are based on the relative change in spending being faced between 2009-10 and 2010-11. The Draft Budget offers justification for the various increases and decrease. Before looking at some of these justifications, it is important to consider the overall approach taken by the Scottish Government as set out in the Draft Budget press release:

“..the Cabinet Secretary for Finance and Sustainable Growth stressed that the Government's approach has been to protect programmes that matter most ... spending on frontline public services, such as schools and hospitals ... on the economic recovery plan, including support for hard pressed businesses and action to protect jobs and employment (and) those that protect households at a time of economic hardship”.

Thus, it is relevant to ask whether the Draft Budget is consistent with this statement of purpose, and in particular whether it is supportive of an economic recovery plan that protects jobs. We therefore note that Table 3 shows:

4. Those sub-departments that gain in the 2010-11 Draft Budget are linked mainly with Health (eg, NHS Boards, General Services, Primary & Community Care Services, and Improving Better Public Health). Together, they have secured almost 50% of the total DEL uplift that has been allocated for 2010-11. Including Special Health Boards (+£8.1 million) means Health has actually secured over 50% of the additional DEL allocated in this budget. FE & HE students, the Prison Service and Environmental Protection secured a further quarter (with most of this additional spending being capital rather than spending on current services). From this, it might be concluded that the Draft Budget does attempt to maintain “... spending on frontline public services, such as schools and hospitals”.
5. The main cuts fall to those capital and current spending areas most usually linked to economic services and therefore longer-term growth (and longer-term employment). Thus, there are substantial falls for capital investment programmes such as Housing, Health &

Wellbeing, Transport, Motorways & Trunk Roads; as well as cuts to Regeneration, Enterprise & Tourism, Rail Services, Education & Learning, and Other Lifelong Learning. To this extent it is harder to see how the Draft Budget can claim to be consistent with "... the economic recovery plan, including support for hard pressed businesses and action to protect jobs and employment (and) those that protect households at a time of economic hardship".

Table 3: Largest Winners & Losers

	2009-10	2010-11	2010-11	real change 09-10 to 10-11	% change	
	nominal	nominal	real		nominal	real
Water Quality	8.6	2.4	2.4	-6.2	-72.1%	-72.5%
Regeneration	118.0	33.5	33.0	-85.0	-71.6%	-72.0%
Corporate & Central Budget F&SG	15.2	9.8	9.7	-5.5	-35.5%	-36.5%
Other Transport Agency Programmes	285.1	199.9	196.9	-88.2	-29.9%	-30.9%
Housing	583.4	414.5	408.4	-175.0	-29.0%	-30.0%
Other Transport Directorate Programmes	46.0	38.1	37.5	-8.5	-17.2%	-18.4%
Health Capital Investment	624.4	519.4	511.7	-112.7	-16.8%	-18.0%
Marine & Fisheries	79.7	69.6	68.6	-11.1	-12.7%	-14.0%
Enterprise, Energy & Tourism	522.3	458.0	451.2	-71.1	-12.3%	-13.6%
Education & Training	190.3	180.6	177.9	-12.4	-5.1%	-6.5%
Scottish Water & Climate Change	363.8	346.2	341.1	-22.7	-4.8%	-6.2%
Scottish Government Administration	270.0	262.2	258.3	-11.7	-2.9%	-4.3%
Other Lifelong Learning	276.9	269.6	265.6	-11.3	-2.6%	-4.1%
Rail Services in Scotland	672.9	667.1	657.2	-15.7	-0.9%	-2.3%
Motorways & Trunk Roads	506.7	503.8	496.4	-10.3	-0.6%	-2.0%
Committees, Commissions & Other Expenditure (Finance & Sustainable Growth)	21.2	30.8	30.3	9.1	45.3%	43.1%
General Register Office for Scotland	15.7	22.3	22.0	6.3	42.0%	39.9%
Europe & External Affairs	12.9	17.1	16.8	3.9	32.6%	30.6%
Health General Services	409.4	467.5	460.6	51.2	14.2%	12.5%
Student Awards Agency for Scotland	380.0	433.4	427.0	47.0	14.1%	12.4%
Environmental Protection & Sustainable Development	84.6	95.5	94.1	9.5	12.9%	11.2%
Improving Health & Better Public Health	225.0	250.4	246.7	21.7	11.3%	9.6%
Third Sector & Social Enterprise	32.6	35.6	35.1	2.5	9.2%	7.6%
Scottish Prison Service	455.1	485.9	478.7	23.6	6.8%	5.2%
Primary & Community Care Services	1,422.8	1,473.0	1,451.2	28.4	3.5%	2.0%
NHS Boards	7,247.9	7,443.5	7,333.5	85.6	2.7%	1.2%

6. It might be argued that protecting public services like Health, FE students, the Prison Service and Environmental Protection, while at the same time cutting capital projects (and spending on regeneration and enterprise), will have a relatively larger impact on protecting short-term jobs. But it seems unlikely that short-term jobs in the Health sector will be positively affected to any significant extent; while cutting those areas most linked to economic services is likely to have a detrimental longer term impact on the labour market (through lower growth).

As to specific areas, and the explanations given in the Draft Budget for the changes made:

7. The reduction in housing spending is simply a reflection of the acceleration of spending on house-building that occurred in both this and last year. On regeneration spend, over

70% reduction reflects the cessation of the Town Centre Regeneration Fund. Excluding this one-off fund, the total spending for regeneration over the two years of the budget remains the same as was allocated in previous Draft Budgets in 2009-10 (£64.3 million, nominal prices) and marginally more than in Draft Budget 2008-09. However, these earlier Draft Budgets allocated public spending when economic conditions were very different to those now being experienced, and it could be argued that during a recession the regeneration budget needs more allocated to it, not a return to spending levels when conditions were more benign.

8. The reduced budget for Enterprise, Energy & Tourism reflects both lower running costs for both Scottish Enterprise and Highlands & Islands Enterprise and the effects of accelerating spending from 2010-11 to 2009-10. With the reorganisation of enterprise activities so that the development agencies now concentrate on growth firms, while local authorities have inherited the old Business Gateway programmes (associated with such things as business start-ups), the question arises as to whether the Draft Budget is reflecting overall lower support for firms or better targeted support. Excluding the funding allocated to the two enterprise agencies means spending for the remaining enterprise portfolio for this year and next is marginally higher than was allocated in either of the last two budgets. However, it can again be asked if during a recession the overall enterprise budget (including help for potential growth firms) needs more allocated to it, not less?
9. Investment on Scotland's public services will be curtailed next year with the DEL Capital budget facing a -16.6% fall or a reduction this year over next of -£627 million (see Table 4a). The Scottish Government sought to accelerate its capital programme during 2008-09 to provide a public sector boost to the economy. The 2009-10 budget was boosted by an additional £295 million on top of a £53 million acceleration to the 2008-09 capital allocation. This was made possible by "raiding" the 2010-11 budget, lowering it by the aggregate amount of £347 million. Over the 3-year period the total capital allocated remains unchanged in cash terms, but is -£5 million less in real terms.

Table 4a: DEL Capital, £ million

	2009-10	2010-11	2010-11	real	% change
	nominal	nominal	real	change	real
				09-10 to	
				10-11	
Housing & Regeneration	523.5	280.0	275.9	-247.6	-47.3%
LA Grants & Supported Borrowings	1,046.2	870.2	857.3	-188.6	-18.1%
Other Transport Agency Programmes	262.9	175.5	172.9	-90.0	-34.2%
Enterprise, Energy & Tourism	130.1	79.1	77.9	-52.2	-40.1%
Scottish Water & Climate Change	181.5	150.0	147.8	33.7	-18.6%
Other Transport Directorate Programmes	36.1	16.5	16.3	-19.8	-55.0%
Health Capital	587.0	577.7	569.2	-17.8	-3.0%
Motorways & Trunk Roads	280.5	271.3	267.3	-13.2	-4.7%
Marine & Fisheries	18.0	7.2	7.1	-10.9	-60.6%
All other departmental contributions	715.5	774.0	762.5	-20.7	-3.3%
Total DEL Capital	3,781.3	3,201.5	3,154.2	-627.1	-16.6%

10. However we measure the change in 2010's capital budget, the effects of the Scottish Government's capital acceleration programme will be felt next year. Scotland's public capital programme will be £625 million less than was available for 2009-10. Increasing public investment through the economic downturn continues to be an important means of supporting the Scottish economy. In this budget statement the Scottish Government's choice has been to end such a boost to capital investment.

11. This is not so in the case of support for revenue expenditure on Scotland's public services, which is still rising. DEL Resource is set to increase by 1.4% or by £357 million in 2010-11 (see Table 4b). If such spend is supporting productive jobs during a recession it can be defensible. Nonetheless, in doing so the 2010-11 Draft Budget is also delaying the inevitable of having to make the much more difficult decisions of where to accommodate year-on-year real terms reductions in spending facing Scotland's Government in the coming years.

Table 4b: DEL Resource, £ million

	2009-10	2010-11	2010-11	real	% change
	nominal	nominal	real	change	real
				09-10 to	
				10-11	
Local Authority Grants & Supported Borrowings	8,543.7	8,938.8	8,806.7	263.0	+3.1%
Health	10,441.8	10,715.0	10,556.7	114.9	1.1%
Students Awards Agency for Scotland	379.6	433.0	426.6	47.0	12.4%
Other Transport Directorate Programmes	9.9	21.6	21.3	11.4	115.0%
Scottish Water & Climate Change	182.0	196.2	193.3	11.3	6.2%
All other departmental contributions	6,196.2	6,206.3	6,100.3	91.0	20.3%
Total DEL Resource	25,753.2	26,510.9	26,104.9	356.6	1.4%

Conclusions

This Briefing has set out the details contained in the Draft Budget of expenditure plans for Scotland in 2010-11. For the first time, Scotland will see a real cut in spending since devolution (0.9% to the DEL budget), although this is only the start of a longer-term process of significant real cutbacks in public services (see CPPR's analysis of likely future budget outcomes², with projected 2013-14 spending nearly 9% lower than in 2009-10).

The main cutbacks so far have been to capital programmes and/or those linked to economic development spending, while to a large extent Health spending has been protected from the squeeze on real resources.

² See http://www.cppr.ac.uk/media/media_128833_en.pdf.

In the coming weeks it is our intention to publish further Briefing Notes on the 2010-11 Draft Budget covering areas such as:

- DEL over time (looking at Total, Resource & Capital separately);
- how expenditure has been financed in recent years; and
- an update to our projections of the Scottish Budget to 2013-14.

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Table A.1: Scottish Government Draft Budget 2010-11, £ million

	2009-10	2010-11	2010-11	real	% change	
	nominal	nominal	real	change	nominal	real
				09-10 to		
				10-11		
Europe & External Affairs	12.9	17.1	16.8	3.9	32.6%	30.6%
Culture & Gaelic	202.7	207.7	204.6	1.9	2.5%	1.0%
National Archives	10.3	10.5	10.3	0.0	1.9%	0.4%
Historic Scotland	49.3	49.8	49.1	-0.2	1.0%	-0.5%
Corporate & Central Budgets	15.2	9.8	9.7	-5.5	-35.5%	-36.5%
Office of the First Minister	290.4	294.9	290.5	0.1	1.5%	0.0%
Committees, Commissions & Other Expenditure	21.2	30.8	30.3	9.1	45.3%	43.1%
General Register Office for Scotland	15.7	22.3	22.0	6.3	42.0%	39.9%
Third Sector & Social Enterprise	32.6	35.6	35.1	2.5	9.2%	7.6%
Scottish Public Pensions Agency	11.3	11.7	11.5	0.2	3.5%	2.0%
Concessionary Fares	189.5	194.0	191.1	1.6	2.4%	0.9%
Ferry Services in Scotland	104.4	105.0	103.4	-1.0	0.6%	-0.9%
Bus Services in Scotland	61.2	61.2	60.3	-0.9	0.0%	-1.5%
Motorways & Trunk Roads	506.7	503.8	496.4	-10.3	-0.6%	-2.0%
Rail Services in Scotland	672.9	667.1	657.2	-15.7	-0.9%	-2.3%
Planning	5.1	5.0	4.9	-0.2	-2.0%	-3.4%
Air Services in Scotland	41.1	39.3	38.7	-2.4	-4.4%	-5.8%
Scottish Water & Climate Change	363.8	346.2	341.1	-22.7	-4.8%	-6.2%
Enterprise, Energy & Tourism	522.3	458.0	451.2	-71.1	-12.3%	-13.6%
Other Transport Directorate Programmes	46.0	38.1	37.5	-8.5	-17.2%	-18.4%
Other Transport Agency Programmes	285.1	199.9	196.9	-88.2	-29.9%	-30.9%
Finance & Sustainable Growth	2,878.9	2,718.0	2,677.8	-201.1	-5.6%	-7.0%
General Services	409.4	467.5	460.6	51.2	14.2%	12.5%
Improving Health & Better Public Health	225.0	250.4	246.7	21.7	11.3%	9.6%
Equalities & Inclusion	26.5	27.6	27.2	0.7	4.2%	2.6%
Primary & Community Care Services	1,422.8	1,473.0	1,451.2	28.4	3.5%	2.0%
NHS Boards	7,247.9	7,443.5	7,333.5	85.6	2.7%	1.2%
Special Health Boards	1,009.8	1,033.2	1,017.9	8.1	2.3%	0.8%
Sport	53.9	54.9	54.1	0.2	1.9%	0.4%
Food Standards Agency	11.0	11.1	10.9	-0.1	0.9%	-0.6%
Education & Training	190.3	180.6	177.9	-12.4	-5.1%	-6.5%
Capital Investment	624.4	519.4	511.7	-112.7	-16.8%	-18.0%
Housing	583.4	414.5	408.4	-175.0	-29.0%	-30.0%
Retained Income	-208.2	-136.5	-134.5	73.7	-34.4%	-35.4%
Other	107.7	61.6	60.7	-47.0	-42.8%	-43.6%
Regeneration	118.0	33.5	33.0	-85.0	-71.6%	-72.0%
Health & Wellbeing	11,821.9	11,834.3	11,659.4	-162.5	0.1%	-1.4%
Student Awards Agency for Scotland	380.0	433.4	427.0	47.0	14.1%	12.4%
Scottish F&HE Funding Council	1,750.1	1,777.2	1,750.9	0.8	1.5%	0.0%
Schools	135.6	132.9	130.9	-4.7	-2.0%	-3.4%
Children, Young People and Social Care	106.2	103.8	102.3	-3.9	-2.3%	-3.7%
Other Lifelong Learning	276.9	269.6	265.6	-11.3	-2.6%	-4.1%
Education & Lifelong Learning	2,648.8	2,716.9	2,676.7	27.9	2.6%	1.1%

Table A.1 (cont.)

	2009-10	2010-11		real change 09-10 to 10-11	% change	
	nominal	nominal	Real		nominal	real
Scottish Prison Service	455.1	485.9	478.7	23.6	6.8%	5.2%
Police Central Government	260.5	266.8	262.9	2.4	2.4%	0.9%
Courts Group	46.3	47.4	46.7	0.4	2.4%	0.9%
Scottish Court Service	94.7	96.1	94.7	0.0	1.5%	0.0%
Drugs & Community Safety	36.2	36.5	36.0	-0.2	0.8%	-0.7%
Legal Aid	170.7	170.5	168.0	-2.7	-0.1%	-1.6%
Miscellaneous	29.2	29.1	28.7	-0.5	-0.3%	-1.8%
Criminal Injuries Compensation	28.5	28.1	27.7	-0.8	-1.4%	-2.9%
Accountant in Bankruptcy	7.0	6.9	6.8	-0.2	-1.4%	-2.9%
Community Justice Services	23.2	22.8	22.5	-0.7	-1.7%	-3.2%
OSCR	3.7	3.6	3.5	-0.2	-2.7%	-4.1%
Scottish Resilience	23.5	21.3	21.0	-2.5	-9.4%	-10.7%
Justice	1,178.6	1,215.0	1,197.0	18.4	3.1%	1.6%
Environmental Protection & Sustainable Development	84.6	95.5	94.1	9.5	12.9%	11.2%
Forestry Commission (Scotland)	67.6	70.1	69.1	1.5	3.7%	2.2%
Agricultural & Biological Science and Others	94.4	97.0	95.6	1.2	2.8%	1.2%
Natural Heritage & Rural Services	99.9	102.1	100.6	0.7	2.2%	0.7%
Forest Enterprise (Scotland)	26.2	26.3	25.9	-0.3	0.4%	-1.1%
EU Support & Related Services	165.9	162.6	160.2	-5.7	-2.0%	-3.4%
Marine & Fisheries	79.7	69.6	68.6	-11.1	-12.7%	-14.0%
Water Quality	8.6	2.4	2.4	-6.2	-72.1%	-72.5%
Rural Affairs & the Environment	626.9	625.6	616.4	-10.5	-0.2%	-1.7%
Scottish Parliament & Audit Scotland	110.9	114.2	112.5	1.6	-2.9%	1.5%
LA Grants & Supported Borrowings	9,589.9	9,809.0	9,664.0	74.1	2.3%	0.8%
Crown Office and Procurator Fiscal Service	118.7	119.2	117.4	-1.3	0.4%	-1.1%
Scottish Government Administration	270.0	262.2	258.3	-11.7	-2.9%	-4.3%
TOTAL DEL	29,535.0	29,709.3	29,270.2	-264.8	0.6%	-0.9%
Motorway & Trunk Road Capital charges & Depreciation	595.5	649.1	639.5	44.0	9.0%	7.4%
NHS in Scotland pension scheme	1,242.6	1,330.2	1,310.5	67.9	7.0%	5.5%
Scottish Teachers pension scheme	1,131.1	1,186.1	1,168.6	37.5	4.9%	3.3%
Student Loans	132.7	135.0	133.0	0.3	1.7%	0.2%
Health & Wellbeing AME expenditure	55.0	55.0	54.2	-0.8	0.0%	-1.5%
Non-Domestic Rate Income & other Local Government AME	2,173.2	2,076.3	2,045.6	-127.6	-4.5%	-5.9%
TOTAL AME	5,330.1	5,431.7	5,351.4	21.3	1.9%	0.4%
TOTAL MANAGED EXPENDITURE (TME)	34,865.1	35,141.0	34,621.7	-243.4	0.8%	-0.7%