BACKGROUND BRIEFING

27th November 2007

CPPR ANALYSIS OF THE SCOTTISH GOVERNMENT'S ECONOMIC STRATEGY DOCUMENT

Key Messages

- ***The Strategy clearly and unambiguously commits the Scottish government to economic growth as its principal goal and sets out bold targets for such growth***
- ***However, these targets are currently not clearly defined***
- ***There is a dearth of sound economic analysis and evidence to underpin policies***
- ***Greater explanation is needed over how such ambitious targets might be achieved, both in general terms and in relation to the subsequent Budget allocations***
- ***The Budget allocations do not appear to back up the Governments commitment to growth in some fundamental areas, e.g. infrastructure, post school education, the principal enterprise development bodies etc***
- ***The forthcoming series of technical notes need to fill in much of the missing detail and clear up some of the issues highlighted in this briefing***
- ***The Strategy fails to highlight the need for more high quality economic data***

INTRODUCTION

On November 13th the Scottish Government published its new Economic Strategy document for Scotland, replacing both the old Framework for Economic Development in Scotland (FEDS) and Smart Successful Scotland (SSS) documents of the previous coalition government.

The new document comprises two main sections.

The first considers the challenges Scotland faces in 5 key areas: growth; productivity; participation; population; and solidarity, cohesion and sustainability. In each of these areas a measurable target, or targets, have been set out by which the government states it will be held to account.

The second looks at the 5 key strategic priorities (Learning, skills and well-being; Supportive business environment; Infrastructure development and place; Effective government; and Equity) that it sees as critical to growth. For each priority the approaches necessary for improvement are outlined.

This Briefing Report considers the appropriateness of the Economic Strategy in terms of:

i. The targets set
ii. The economics applied
iii. The matching up of the Budget allocations with the Strategy

i) THE TARGETS

The Economic Strategy outlines a range of targets by which it states the government ***"will be judged by the progress that we make towards them***." These targets consist of:

By 2011:

- To raise the GDP growth rate to the UK level;
- To reduce emissions over the period to 2011.

In the longer term:

- To match the GDP growth rate of the small independent EU countries by 2017;
- To rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017;
- To maintain our position on labour market participation as the top performing country in the UK and close the gap with the top 5 OECD economies by 2017;
- To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period;
- To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017;
- To narrow the gap in participation between Scotland's best and worst performing regions by 2017;
- To reduce emissions by 80 per cent by 2050.

The following analysis concentrates on the most basic economic targets, relating to GDP growth.

There are a number of pertinent questions relating to these targets.

First - do they need to be set at all?

The current Scottish government, pre- and post-election, have consistently pointed to a need for specific targets for Scottish growth, and related matters, to be set. In contrast few, if any, other countries or regions do the same. Most economic growth rates emerge from the forecasts of economic models. Of course in the case of Scotland this is not possible as insufficient data exists for such a model to be constructed (independent of UK models).

In Ireland, for example, growth target assumptions are based on macro-economic projections of GNP (rather than GDP). Beyond this the National Economic Social Council (NESC) Strategy Reports provide the analytical basis for the negotiation of Ireland's social partnership programmes which in turn inform National Development Plans, within which are embedded the growth 'targets'. Currently this level of detailed modelling and analysis is impossible in Scotland as either the data or the institutions, or both, do not exist.

Ideally the Scottish government's targets would be based on more robust information. However, the lack of this information should not detract from the potential usefulness of such targets. Even if they end up being largely symbolic, the very existence of such targets is a sign of greater aspiration in the field of economic growth and the Strategy clearly shows that the new government has put growth at the top of its agenda.

Second - what exactly do the targets relate to?

The growth rate targets are relative, so if there is a general slowdown in world growth, affecting the UK and small European countries, then the target will not be 2.3% p.a. (UK) or 3-4% p.a. (small EU) but a lower figure. The likelihood of a slowdown, or worse, is significant at present given the high oil price and the still unfolding events relating to the sub-prime housing issue. While we accept that this situation may be unavoidable (it is unrealistic to expect Scotland to be able to achieve growth rates independently of what is happening in international markets), it is worth noting that in past downturns Scotland has tended to outperform the UK, protected to some extent by a larger public sector, and so any such relative improvement may be spurious.

The Scottish target is to not only match the UK growth rate by 2011 but to thereafter exceed it (in order to meet the higher 2017 target), and so it should be clear during the 2011-17 period whether Scotland is likely to reach these new goals.

It is not entirely clear what the non-UK target specifically relates to (and to avoid misinterpretations we believe that any such targets need to be transparent). The Strategy does not list who the "small independent EU countries" are, nor does it give a long-term growth rate for them. We understand a 4% figure was used in pre-publication briefings to newspapers. Moreover, before being elected, the SNP stated that "small EU countries" consists of: Luxembourg; Ireland; Denmark; Finland; Sweden; Austria and Portugal. These 7 countries were calculated to have an annual average growth rate over the period 1980-2005 of 3.1%, versus a UK rate of 2.3% and a Scottish rate of 1.8%. (Note: it is often argued that both Luxembourg and Ireland should be measured in terms of GNP rather than GDP due to the importance of overseas transfers which substantially affect the growth in real domestic prosperity experienced in these two countries.)

The Scottish government intends to publish a series of technical notes on the Economic Strategy at the end of November which will hopefully provide the additional clarity that is needed here.

Third - are they appropriate?

Bearing in mind the point made above regarding Scotland's relative growth performance in relation to the UK, and potentially others, during a downturn, an alternative approach might have been to set the growth target in relation to matching the GDP growth rate of the top quartile of OECD countries, or to rank Scotland in the top quartile in terms of growth (i.e. similar to the target set out for productivity and to the old *Smart Successful Scotland* targets).

More importantly, there is a need to be absolutely clear about what is trying to be achieved by setting such a target: whether it is higher absolute growth than before, higher relative growth and/or higher growth in living standards. Much of the higher UK growth rate (vis-à-vis Scotland) is accounted for by a faster growing population which in turn results in a higher growth rate, but not a higher standard of living (when measured by GDP per capita). Over the last 30 years Scotland's relative GDP growth rate has been poor when measured against the average achieved by the UK as a whole (on average 1.8% versus 2.3% p.a.); but in terms of GDP per capita, Scotland's growth rate has been closer to the average (1.9% versus 2.0% p.a. over the period 1976-2006). Higher GDP growth is quite naturally seen as a sign of economic health but it is GDP per capita that is generally acknowledged to be a better measure of prosperity.

The third issue, as CPPR have highlighted in the past[1], concerns serious outstanding issues in relation to the reliability of quarterly Scottish GDP data and its comparability with UK figures. We would argue that there is still further work that needs to be undertaken before the quarterly Scottish series can be accepted as reliable enough for the current setting of targets (at the very least, other estimates based on alternative sources need to be used as well).

Fourth - are the targets achievable?

This is a difficult call to make in relation to GDP growth, especially given the uncertain economic conditions that currently exist. A downturn in the world economy is likely to make them more realisable, given past trends, although this better relative performance could come at the expense of a lower actual growth rate.

In terms of 'solidarity' and 'cohesion' the targets are particularly ambitious. For example, the 'solidarity' target is to increase the proportion of income earned by the lowest three income deciles and given that higher overall growth usually coincides (especially in the short-term) with a widening of economic disparities, it is difficult to see how this can be achieved. Not only is it most simply done through the tax and benefits system (that is outside the control of the Scottish Government) but even then, without radical changes to the style of economic system in place it usually is difficult to achieve anything beyond retaining the status quo.

In terms of 'cohesion' it is again difficult to see how the narrowing of the gap (by an unspecified amount) between regions (again not defined) is to be achieved, if the main overarching goal is for higher aggregate GDP growth for Scotland.

Overall, some of the targets seem very difficult to achieve, certainly based on the policies currently in place.

ii.) THE ECONOMICS

We understand that, like the Framework for Economic Development (FEDS), the new Economic Strategy is not written for economists but for a much wider audience. In that sense it should not be critiqued as a purely economic text but at the same time some discussion of the underlying economic principles is warranted.

Inevitably there are large overlaps with the contents of FEDS as no new economic orthodoxy has emerged since 2000. Indeed the biggest difference from FEDS is the setting of specific targets.

It is important to recognise therefore that the Government is setting bold targets for growth. There is also a realisation that the strategy will require a clear rationale to be established before *specific* interventions are considered; and that the range of policy levers that can be 'pulled' need to be appraised on the basis of sound analysis and evidence. In addition the strategy acknowledges that there is a clear link between growth targets and the need to align financial and other resources to ensure the delivery of required outcomes. All of this is to be welcomed.

[1] See http://www.cppr.ac.uk/media/media_39552_en.pdf and http://www.cppr.ac.uk/media/media_51551_en.pdf.

However, these positive points have to be set against a number of omissions from the document and the subsequent Budget.

The lack of a clear rationale relating to some of the budget spending decisions that impact directly on growth (see later for more on this); there is also a dearth of sound economic analysis in the Strategy document based specifically on Scotland's experience and evidence-base with which to underpin policy (indeed the document generally lacks a discussion of what policies will achieve which growth outcomes)

Much of the step-change in Scotland's growth path seems to depend on autonomy/independence. It is stated that devolution of responsibility for fiscal policy would allow the government to reduce taxes to attract investment to Scotland, and fund public services appropriate to Scottish needs. It is also implied that there would be a surplus from taxing oil and gas reserves (if these were under Scottish tax jurisdiction) that could be re-invested for the future. The strategy also suggests that competition policy could be revised to provide greater consumer sovereignty in Scotland, so stimulating more dynamic competition, innovation and growth. Similarly, employment policy could be better handled by a Scottish Government.

Firstly, with respect to the autonomy/independence debate, there is no unambiguous evidence provided that any of the above points are certain to achieve their aims – they are mostly assertions that are largely untested. For example, there are EU restrictions on tax changes relating to competition that would need to be taken account of. How much lower would (corporation) tax need to be to make a real difference to the cost of capital, and thus incentives for inward investment? What would this cost the taxpayer, and how is it to be paid for?

The evidence on fiscal decentralisation and whether it brings efficiency gains to devolved governments is far from settled – as a leading academic in this area has shown.[2] As to any surplus from gaining responsibility for oil and gas reserves, we await the evidence from the next Government Expenditure and Revenue in Scotland (GERS) to provide us with the most recent data on Scotland's overall budget position.[3] The last edition of GERS (covering 2004-05) showed that even if Scotland were to be allocated 100% of North Sea revenues, the government would still have needed to borrow over £6bn (or 4.8% of GDP) to balance the difference between expenditure and revenue from other sources. It may be that if relatively high oil prices are maintained (and/or there are other changes in Scotland's fiscal position) then the current situation ends up being significantly different. Indeed this would need to be the case, and extending well into the future, in order to enable the creation of a significant North Sea investment fund.

As to how competition or employment policy could be improved, we await further details on what the Scottish Government believes can be done in these areas.

Beyond the issues of autonomy/independence, there is no discussion of potential short- or medium- (and probably long-) run trade-offs between increased GDP growth and 'solidarity' and 'cohesion'. Similarly, the strategy states that addressing social, regional and inter-generational equity is a key driver of economic growth, and that differences in income, participation and growth across Scotland act as a drag on economic performance. But these differences may in fact be outcomes of poorer performance as well as likely causes (the causal links here are not clearly recognised or set out).

[2] Rodriguez-Pose, A. et. al. (2007) Fiscal decentralisation, efficiency, and growth. Available from: http://repec.imdea.org/pdf/imdea-wp2007-11.pdf
[3] Publication of the 2005-06 GERS, originally due out in December 2007, has now been postponed until June 2008.

When discussing business support, innovation and R&D, it is noted that such support needs to stimulate demand for investment, innovation and skill, but there is no analysis of how to do this. Similarly, in Box C2 for innovation and R&D there are certain aspirations set-out but no analysis of specific problems and likely/possible solutions. We presume that the background analysis will be made available for further discussion and debate.

On taxation, the Irish and Finnish experiences with regard to lower business taxation are cited. But it is also noted that the consequences for growth happen "in the right circumstances"; there is no analysis of whether Scotland has those circumstances and thus whether the success of these other countries can be translated into Scottish success. For example, the point in Box C2 that dropping corporation tax significantly below the UK level will lead to higher productivity and growth is stated without any evidence.[4]

Also, in Box C5 on key strategies, there is an assertion that a Local Income Tax will mean the vast majority of households pay less – but no details are provided nor are the disincentives explored with regard to the impact on the smaller number of wealthy households who will ensure that the overall impact is revenue neutral.

Overall: there is plenty of aspiration but we are not much further forward on how to actually achieve the growth outcomes now required. There would appear to be a heavy emphasis on supply-side analysis when perhaps more is also needed about the demand for goods and services that can be exported to balance the non-oil structural deficit – i.e. the need to produce goods with sufficient quality and competitiveness to make 'Made in Scotland' a highly demanded brand.

iii.) THE STRATEGY AND THE BUDGET

Given the aims, ambitions and targets set out in the Economic Strategy document, how did the post-CSR Scottish Budget announced on the 14th November match up to meeting these aspirations?

The first thing that needs to be said is that a clear judgement is difficult to make given the non-transparency over baselines and changes to portfolios. This is particularly acute when trying to compare across budget line items that have been or will be transferred to local government responsibility or where the 2007-08 budget has been adjusted by, for example, the Autumn Budget Revision.

Notwithstanding these data problems, Table 1 highlights some issues worthy of discussion. Table 1 also indicates where efficiency savings and productivity improvements will be essential simply to maintain the same level of output.

[4] Some have stated this to be the new version of the 'Laffer' curve; that is that reductions in business taxes, rather than personal taxes as originally proposed by Arthur Laffer, can induce greater output such that overall tax revenues rise rather than fall. However, there remains a great deal of contention over whether the Laffer curve ever worked in the U.S.A. and European examples usually have very individual circumstances related to them.

(a) Post School Education

A relatively poor settlement for post school education is at odds with the opening statement of the Strategy's Executive Summary:

> ***"Scotland has real strength in the most vital factor for modern economies – the human capital offered by our greatest asset, Scotland's people."***

Funding for Scotland's higher and further education institutes accounts for around 6% of the total discretionary spending available to the Scottish Government. The funding increase over the review period is forecast to rise by only 0.5% pa in real terms, which is well below the overall Scottish average spending rate of 1.5% pa. Moreover, next year sees a real terms reduction in funding of 0.3%. Such a settlement seems to offer little prospect of raising the share of young Scots going on to post school education, nor of raising the quality of the education they receive there, nor again of the quality of research that is carried out there. The negative impact of such a settlement could be reduced if those working within Scotland's institutions of further and higher education delivered substantial productivity increases. However, the ability to do so may be low if incentives, such as above inflation salary increases, are limited due to severe cash constraints.

(b) Scottish Enterprise and Highland & Islands Enterprise

Scotland's two specialist enterprise bodies, Scottish Enterprise and Highland and Islands Enterprise, also face real reductions in their budgets. The Scottish Enterprise budget has been cut 5% pa in real terms, down from £465.1 million in 2007-08 to £398.3 million by 2010-11. Highland & Islands Enterprise faces an even steeper real terms cut of 7.5% pa, down from £103 million in 2007-08 to £81.5 million by 2010-11. The COSLA / Scottish Government concordat may lead to some easing of this reduction should local authorities assume the responsibility of local business development. However, the Scottish Government's Budget document does not make it clear to when this will happen and whether any additional funding will be allocated to Local Government for taking on such a responsibility.

Funding for Innovation and Investment (including Regional Selective Assistance which is primarily demand driven) also falls 2.6% pa in real terms, down from £52 million in 2007-08 to £48 million by 2010-11. Although funding for Knowledge Exchange and Innovation Support has been increased by 11.7% pa, this is a relatively small budget in total at only £7.4 million (2007-08 prices) by 2010-11.

Support for Energy and Climate change has been given a major boost again from a relatively low base; up from £19.9 million in 2007-08 to £30.5 million by 2010-11, an annual average real terms increase of over 15%.

(c) Transport

Scotland's transport infrastructure and public transport services are critical in connecting Scotland with its markets and for Scotland's citizens and its tourists to access Scotland's markets. The total overall transport budget is forecast to rise 0.5% pa in real terms between 2007-08 and 2010-11, reaching over £1.75 billion by 2010-11. However, this masks the substantial influence motorways and trunk roads funding (up 9.2% pa in real terms) has on this overall growth in spending. Excluding this budget item means spending on Scotland's transport falls 2.2% pa in real terms, from £1.36 billion in 2007-08 to £1.27 billion in 2010-11.

There is a real terms cut in the budgets for rail (down 1.2% pa), air (down 5.9% pa) and bus (down 2.7% pa) services in Scotland. Scottish rail and bus services are crucial in minimising the effects of road congestion which add to business costs whilst such public transport also assists in the reduction of harmful emissions from increased car journeys. The impact of upgrading Scotland's motorway network will be beneficial for business but it is interesting to note that private transport has been given more of a boost over public transport, except that is for support for ferries, up 11.3% pa in real terms.

The need for more air routes starting in Scotland increases Scotland's connectivity, improves its ability to reach larger markets and allows its tourism industry to be able to target a wider audience base. The real terms reduction in this subsidy of almost 6% pa is perhaps surprising given the Scottish Government's aspirations to widen its international links. It is not clear whether such a sharp reduction is driven by state aid issues rather than funding constraints.

(d) Planning services

Albeit starting from a very low base of only £2.5 million in 2007-08, planning services have been boosted by a 27% pa real terms increase, rising to £11.5 million in 2008-09 and, whilst dipping thereafter, it still receives over £5 million by 2010-11. Such support is to be welcomed given the importance of effective planning to Scotland's infrastructure development. However, is this boost sufficient to ensure timely and consistent planning decisions across Scotland?

(e) Visit Scotland, Cultural Collections & Creative Scotland

Scotland's tourism sector accounts for £4.2 billion[5] a year for Scotland's economy. Visit Scotland's contribution to the growth of this sector is via marketing and advisory activities. It will have to provide significant efficiency savings if the real terms reduction in its grant funding of 0.5% pa is not to have a negative impact on the service it can provide for Scotland's 20,000 tourism businesses. The impact of this cut in Visit Scotland's budget may be somewhat reduced given the real terms increase in funding made available to both Scotland's Cultural Collections and to Creative Scotland, up 2.6% and 2.7% pa respectively.

(f) Local Government

Local Government's role in the delivery of many of Scotland's local services has always been important. As Table 2 illustrates, the COSLA / Scottish Government Concordat gives local authorities full responsibility for activities that amount to around £2.7 billion in 2007-08[6].

[5] Scottish Budget Spending Review 2007, p98

[6] If the values for the various reallocated activities were those in the Autumn Budget Revision, approved by the recent Finance Committee, then the value of reallocated activities would be £2.8 billion, ie, the value of what is actually being spent on these services in 2007-08. The rational for the size of the Local Government settlement has not been fully explained in the 2007 Budget document. Without such background analysis it is not possible to substantiate how good the deal is for local government and, more importantly, its service users.

However, the Concordat's existence raises a key issue with respect to who has the levers to deliver many of the Scottish Government's economic targets. Although each local authority will be expected to sign-up to a single outcome agreement, it is not clear the extent these agreements will drive expenditure and activity towards the growth target and not focus on the equity and cohesion targets.

CONCLUSION

The Scottish Government's new Economic Strategy highlights a fundamental issue relating to Scotland's economic performance: which is that while Scotland's growth rate has been poor in terms of GDP growth in recent decades, at the same time it has been average in terms of growth in living standards (GDP per capita, the standard international measure of prosperity).

We would not back away from describing Scotland's recent economic history as being mediocre, but mediocre is neither bad nor good, just ordinary. Ordinary may not be a cause for celebration but neither is it a reason to be overly negative.

Having said this, we do think that setting bold aspirations for growth, which are at the heart of government policy, and making the government fully accountable for achieving these goals, is a positive move and in this context is an improvement on the previous economic strategy for Scotland.

However, ambitious targets are not in themselves sufficient and the lack of any clear and radical initiatives to achieve them is an important omission. Hence, we await the forthcoming series of technical notes, which are intended to fill in much of the missing detail, and hope that these may clear up some of the issues highlighted in this briefing.

Lastly, we believe that there is a basic economic need which is not sufficiently emphasised in this document: the need for more high quality data in order to reasonably model and forecast the Scottish economy. On the assumption that Scotland is not content to have a 'regional' status, economically, but sees itself in 'national' terms, there is a quite a way to go on the statistical front before such ambitious economic strategies can be properly developed.

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Main Sources:

The Government Economic Strategy, (2007), The Scottish Government
The Scottish Budget Spending Review 2007, (2007), The Scottish Government
The Way Forward: Framework for Economic Development in Scotland, (2000), The Scottish Executive

Table 1: The Scottish Budget Spending Review 2007
Departmental Expenditure Limits (DEL), 2007-08 to 2010-11

£ million (2007-08 prices)	2007-08	2008-09	2009-10	2010-11	annual average real increase
TOTAL DEL	**26,824.3**	**27,265.5**	**27,737.8**	**28,008.9**	**1.5%**
Finance & Sustainable Growth	**2,681.8**	**2,729.2**	**2,811.7**	**2,800.8**	**1.5%**
- Total Transport	*1,740.1*	*1,666.1*	*1,790.0*	*1,765.8*	*0.5%*
- Total Transport less Motorways & Trunk Roads	*1,363.0*	*1,290.2*	*1,346.1*	*1,274.4*	*-2.2%*
- Rail Services in Scotland	*638.1*	*671.1*	*638.0*	*615.9*	*-1.2%*
- Scottish Enterprise	*465.1*	*436.8*	*411.3*	*398.3*	*-5.0%*
- Motorways & Trunk Roads	*377.1*	*375.9*	*443.9*	*491.4*	*9.2%*
- Major Public Transport Projects	*272.0*	*153.6*	*249.3*	*213.0*	*-7.8%*
- Highlands & Islands Enterprise	*103.0*	*89.4*	*84.2*	*81.5*	*-7.5%*
- Ferry Services	*74.4*	*90.0*	*99.6*	*102.5*	*11.3%*
- Bus Services in Scotland	*57.3*	*55.7*	*54.2*	*52.8*	*-2.7%*
- Innovation & Investment Grants	*52.0*	*50.6*	*49.3*	*48.0*	*-2.6%*
- Visit Scotland	*43.8*	*46.5*	*44.4*	*43.2*	*-0.5%*
- Air Services in Scotland	*42.1*	*37.2*	*36.1*	*35.1*	*-5.9%*
- Energy and Climate Change	*19.9*	*32.6*	*31.3*	*30.5*	*15.3%*
- Third Sector	*15.1*	*18.7*	*21.0*	*20.5*	*10.7%*
- Knowledge Exchange & Innovation Policy	*5.3*	*7.8*	*7.6*	*7.4*	*11.7%*
- Scottish Investment Fund	*0.0*	*3.9*	*9.5*	*14.8*	*n/a*
- Planning	*2.5*	*11.5*	*5.0*	*5.2*	*27.4%*
Education & Lifelong Learning	**2,357.6**	**2,344.4**	**2,355.2**	**2,376.6**	**0.3%**
- Scottish Further and Higher Education Funding Council	*1,633.9*	*1,629.3*	*1,664.0*	*1,673.5*	*0.5%*
- Student Fees, Grants & Bursaries	*274.7*	*273.8*	*265.0*	*281.8*	*0.5%*
- Schools	*136.1*	*129.7*	*129.0*	*130.0*	*-1.6%*
- Children, Young People & Social Care	*115.6*	*100.7*	*100.0*	*94.9*	*-6.9%*
Rural Affairs & the Environment	**529.6**	**599.7**	**604.1**	**600.5**	**4.3%**
- Rural Development	*144.1*	*142.3*	*138.0*	*134.6*	*-2.2%*
- Environmental Protection & Sustainable Development	*44.1*	*101.2*	*105.5*	*108.5*	*35.0%*
- Marine & Fisheries	*54.3*	*63.9*	*67.3*	*65.4*	*6.4%*
Office of the First Minister	**266.3**	**273.3**	**278.3**	**281.8**	**1.9%**
- Cultural Collections	*85.8*	*86.3*	*93.8*	*92.8*	*2.6%*
- Creative Scotland	*49.0*	*48.9*	*52.2*	*53.1*	*2.7%*
- Historic Scotland	*47.7*	*50.3*	*46.7*	*46.4*	*-0.9%*
- Europe & External Affairs	*13.8*	*14.8*	*14.4*	*16.8*	*6.8%*
Health & Wellbeing	**10,776.9**	**10,925.8**	**11,125.0**	**11,264.5**	**1.5%**
Local Government	**8,783.9**	**8,925.5**	**9,076.6**	**9,204.7**	**1.6%**
Justice	**979.1**	**1013.9**	**1029.5**	**1025.0**	**1.5%**
Administration	**241.4**	**239.2**	**237.4**	**236.2**	**-0.7%**
Crown Office & Procurator Fiscal Service (COPFS)	**100.8**	**107.3**	**112.5**	**111.2**	**3.3%**
Scottish Parliament Corporate Body & Audit Scotland	**106.9**	**107.1**	**107.5**	**107.6**	**0.2%**

Table 2: Budget reallocations to Local Government

Scottish Budget Spending Review Items	Draft Budget 2007-08 items	Draft Budget 2007-08
Health & Wellbeing		
Delayed Discharge	Delayed Discharge	29,100
Hostels Grant	Glasgow Hostels	5,000
Mental Health	Mental Wellbeing	6,283
Transfer of the Management of Development Funding	Affordable Housing Investment Programme	85,972[a]
Private Sector Housing Grant	Modernising Private Sector Housing	93,500
Housing Support Grant	Housing Support Grant	7,800
Homelessness Task Force/Furniture Grant Resource/Glasgow Hostels Decommissioning	Tackling & Preventing Homelessness	39,242
Supporting People Grant (DEL)	Supporting People	383,606
Community Regeneration Fund	Community Regeneration Fund	112,685
Vacant & Derelict Land	Vacant & Derelict Land	0
Working for Families	Working for Families Fund	15,000
		778,188
Justice		
Police	Police Current Grant	541,421
Police Capital Grant	Police LA Capital	31,415
Fire Capital Grant	Fire LA Capital	24,600
		597,436
Education & Lifelong Learning		
Schools Fund	Schools	99,275
Early Years & Childcare Workforce Development Fund	Early education & childcare	16,024
Educational Attainment for Looked After Children	Looked after children & Youth work	13,300
Social Work Training	Social work services policy	33,915
National Priorities Action Fund	National Priorities Action Fund	204,776
Specialist Programme Provision – Centres of Excellence	Centres of excellence	5,000
School Estate/PPP	School Buildings/PPP	100,000
		472,290
Finance & Sustainable Growth		
Cities Growth Fund	Cities Growth Fund	42,025
Supported Borrowing	Supported Borrowing	305,156
Efficiency Reform Fund	Efficiency & Reform Fund	26,269
Piers & Harbour Grant	Piers & Harbour Grant	7,500
Public Transport Fund & Integrated Transport Fund	Integrated Transport Fund	69,629
Cycling, Walking & Safer Routes	Cycling and Walking & Safer Routes	15,500
Bus Route Development Grant	Bus Route Development Fund	6,500
		472,579
Rural Affairs & the Environment		
Strategic Waste Fund	Strategic Waste Fund	132,633
Flood Prevention & Coast Protection Grant	Flood Prevention & Coast Protection	43,647
Antisocial Behaviour Noise Grant Scheme/Air Quality Monitoring	Noise & Air Quality Action	6,600
		182,880
TOTAL		**2,503,373**

[a] As some funding remains for the Affordable Housing Investment Programme in Health & Wellbeing in the Scottish Budget 2007 Spending Review, this has been subtracted from the corresponding amount in the Draft Budget 2007-08 to obtain the reallocated figure.