



## FINANCE COMMITTEE

### AGENDA

#### 9th Meeting, 2012 (Session 4)

Wednesday 14 March 2012

The Committee will meet at 9.30 am in Committee Room 6.

1. **Decision on taking business in private:** The Committee will decide whether to take item 7 in private.
2. **Draft Budget 2012-13:** The Committee will take evidence on the Scottish Government's response to the Committee's Report on the Scottish Spending Review 2011 and Draft Budget 2012-13 from—

John Swinney MSP, Cabinet Secretary for Finance, Employment and Sustainable Growth, Alyson Stafford, Director-General Finance, Andrew Watson, Head of Finance Policy, and Roger Halliday, Chief Statistician, Scottish Government.

3. **Subordinate legislation:** The Committee will take evidence on the Budget (Scotland) Act 2011 Amendment Order 2012 from—

John Swinney MSP, Cabinet Secretary for Finance, Employment and Sustainable Growth, Alyson Stafford, Director-General Finance, and Stuart Dickson, Financial Policy Adviser, Finance Co-ordination, Scottish Government.

4. **Subordinate legislation:** John Swinney MSP (Cabinet Secretary for Finance, Employment and Sustainable Growth) to move S4M-2165—That the Finance Committee recommends that the Budget (Scotland) Act 2011 Amendment Order 2012 be approved.

5. **Financial Services Bill (UK Parliament legislation):** The Committee will take evidence on legislative consent memorandum LCM(S4)7.1 from—

John Swinney MSP, Cabinet Secretary for Finance, Employment and Sustainable Growth, Scottish Government;

Sharon Bell, Head of Policy Development, Accountant in Bankruptcy.

6. **Police and Fire Reform (Scotland) Bill (in private):** The Committee will consider a draft report on the Financial Memorandum of the Police and Fire Reform (Scotland) Bill.
7. **Proposed Contingent Liability:** The Committee will consider its approach to a proposed Contingent Liability.

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The papers for this meeting are as follows—

**Agenda Item 2**

Paper by the Clerk

FI/S4/12/9/1

**Agenda Item 3**

Paper by the Clerk

FI/S4/12/9/2

**Agenda Item 5**

Paper by the Clerk

FI/S4/12/9/3

**Agenda Item 6**

PRIVATE PAPER

FI/S4/12/9/4 (P)

**Agenda Item 7**

PRIVATE PAPER

FI/S4/12/9/5 (P)

## Finance Committee

9th Meeting, 2012 (Session 4), Wednesday, 14 March 2012

### Budget 2012-13

#### Purpose

1. The purpose of this paper is to provide background information for the oral evidence session on the Committee's 2012-13 budget report (and Scottish Government response) and National Performance Framework with the Cabinet Secretary for Finance, Employment and Sustainable Growth.
2. The paper outlines consideration by the Committee since it published its [report on the 2012-13 budget](#). The aim of the evidence session is to identify the actions which the Scottish Government is taking as a result and what monitoring and further consideration might be given to these actions.

#### Background

*Draft budget report*

3. A copy of the Committee's report conclusions, and [the response to these by the Scottish Government](#), is set out in the Annex.
4. The report was split down into a number of themed 'chapters'. Within each 'chapter' were individual issues—
  - [Strategic context for the spending review](#)
    - National Performance Framework
  - [Accelerating economic recovery](#)
    - External meeting
    - Capital expenditure
    - Public sector pay
    - Non-domestic rates
    - Universal services
    - Challenge function
  - [Renewing public services](#)
    - Commission on the Future Delivery of Public Services
    - McClelland Review of ICT Infrastructure
    - Efficiency savings
  - [A decisive shift to preventative spending](#)
    - Reshaping Care for Older People Change Fund
    - Early Years and Early Intervention Change Fund
    - Reducing Reoffending Change Fund
  - [Implementation](#)
    - National leadership
    - Prioritisation of resources
    - Collaborative working
    - Financial challenges
    - National Performance Framework/Measuring outcomes
    - Resource to capital transfer plans

- [Access to budget information](#)
  - Level 4 figures
  - NHS boards spending plans
  - Preventative spending
- [Equalities](#)
  - Fuel poverty
  - Poverty and child poverty
  - Collective well-being
- [Climate Change Targets](#)

5. The suggested key areas, and those which the Committee may wish to pursue with the Cabinet Secretary, are—

- the strategic context for the spending review;
- accelerating economic recovery;
- renewing public services; and
- a decisive shift to preventative spending where the focus of the Committee has been on implementation.

6. To assist, the remainder of this paper outlines work undertaken by the Committee on these areas since its report and particular issues which have emerged from the written and oral evidence. At the end of each heading is a reference to report paragraph numbers which may assist members in cross referring to the point made and the Scottish Government's Annexed response.

### ***Strategic context for the spending review***

#### *National Performance Framework [5-19]*

7. The Committee took oral evidence from Scottish Government officials on [11 January 2012](#) on the NPF in the light of the refresh of the national indicators. As it did in its draft budget report, the Committee raised with officials the “lack of linkage between the NPF, the draft budget and the Government's economic strategy”. In written evidence considered by the Committee as part of its consultation on the draft budget, a number of organisations did question the extent to which the NPF drives the decision making process within the Scottish Government. Other points which emerged, and which were highlighted in the [summary of evidence](#) attached to the Committee's report, were on the need to focus on measuring outcomes rather than inputs and process and for improved joint working and consistency around the performance indicators which apply to public bodies.

8. As noted above, the Committee has been seeking clarification on the relationship between the NPF and the Scottish Government's economic purpose and the roll out of the preventative spend agenda. Also, on the relevance of the NPF to local authorities, CPPs and NHS boards, how it ties in with the outcomes they are seeking to achieve through SOAs and HEAT targets and how the Scottish Government will facilitate the “cultural shift” which needs to take place to properly and fully deliver on the preventative spend agenda.

9. Other issues which emerged from the 11 January session were the lack of public consultation during the NPF refresh and how the Scottish Government will communicate the existence, role and relevance of the NPF to the general public. Also, difficulties which may arise from data produced elsewhere e.g. UK GDP figures and which inform the NPF and whether the timelines for producing such could be improved.

### ***Accelerating economic recovery***

10. The Committee's discussion with the Institute for Fiscal Studies on [29 February 2012](#) focussed on issues which might arise from the UK Budget statement (21 March) and the implications of that on economic growth and public services in Scotland. The Committee has been interested in the impact on Scotland with regards the estimates made by the IFS in its '[Green Budget](#)'.

### ***Capital expenditure [20-32]***

11. The Committee held an oral evidence meeting with the Scottish Futures Trust on [2 November 2011](#). A fundamental priority of the Scottish Government, in its [Scottish spending review 2011 and draft budget 2012-13](#), is to 'accelerate economic recovery, to create the jobs our people need and to secure new opportunities through the low carbon economy'. It also states that 'infrastructure investment is critical to its purpose of increasing sustainable economic growth and to supporting a strong recovery'. It includes a commitment to prioritise capital spending.

12. The Scottish Government states that it will 'ensure maximum value for money from Scotland's public infrastructure investment'. Its updated [Infrastructure Investment Plan](#) has now been published.

13. The SFT published (September 2011) two reports on improving asset management across the Scottish public sector ([local civil estate](#) and the [Scottish Government estate](#)). Members will recall that asset management has been an issue raised by a number of bodies such as Audit Scotland and the David Hume Institute.

14. The local civil estate report identified potential revenue and capital savings receipts of at least £500 million while the Scottish Government estate report identified annual efficiency savings of £28 million.

15. Members will recall the [evidence session](#) with Audit Scotland in respect of its report, [Scotland's public finance: Addressing the challenges](#). Some of the figures highlighted in that report are—

- The Scottish Government has around 182 major capital projects planned or currently in progress, with a combined estimated value of £13–£15 billion, phased over a number of years. The Scottish Government is unlikely to be able to fund all of these projects through its capital budget and therefore reaffirmed its commitment to use private finance using the Non-Profit Distributing method to fund £2.5 billion worth of capital projects.
- In 2010-11, annual unitary payments across the public sector in Scotland were £838 million, with £439 million of this relating to local government projects. This is equivalent to around 3% of the Scottish Government's

revenue budget. By 2024-25, annual unitary payments for projects completed and currently in progress, will peak at over £1.1 billion in cash terms.

- In recent years, councils have been borrowing more to fund capital expenditure resulting in total borrowing of £9.4 billion in 2009-10.
- Between 2004-05 and 2009-10, councils' level of borrowing for capital spending increased from 27% to 63% of annual capital spending.

16. A more detailed examination of how well the Scottish Government is managing its capital investment programme and associated risks is provided in the Audit Scotland report, [Management of the Scottish Government's capital investment programme](#). The summary of recommendations said the Scottish Government should—

- regularly and systematically assess the ongoing affordability of its capital investment programme
- assess the overall appropriateness of using alternative finance as part of a wider investment strategy. Its strategy should balance the costs, risks and rewards associated with using alternative finance to ensure value for money is achieved
- review and update its Infrastructure Investment Plan (IIP) to reflect the recent economic recession and subsequent reduction in capital budgets
- extend its IIP to become an overarching investment strategy
- develop comprehensive information on the whole-life costs of all capital projects and assess their impact on future revenue budgets clearly align roles and responsibilities to ensure effective scrutiny and challenge occurs at all levels within the capital programme
- establish a more active role for the newly formed Infrastructure Investment Board in providing information to ministers on priorities and the balance of associated costs, risks and rewards within the capital programme in the light of reducing capital budgets
- publicly report on all major capital projects against time, cost and quality to improve transparency
- develop standard criteria for inclusion in post-project evaluations and ensure that they are completed for every major capital project and lessons learned are shared across all relevant public bodies.
- Public bodies should ensure that they—
  - improve early-stage estimating of the cost and time of projects by ensuring assessments and quantification of risk and uncertainty are carried out
  - carry out post-project evaluations within six months of project completion to determine whether projects have delivered, or are on course to deliver, the initial benefits intended. Evaluations should consider performance against cost, time and quality targets
  - regularly review projects to ensure they remain relevant to strategic objectives
  - achieve economies by pulling together individual project budgets into a capital programme and managing costs at this higher level
  - consider alternative forms of financing and ways to improve value for money from their capital programmes

- develop objectives and targets for their capital investment programme to improve design quality and sustainability
- establish strong links between capital spending and desired outcomes
- report systematically on their current and future capital investment plans.

*Public sector pay [33-37]*

17. The Committee took oral evidence from Will Hutton on [25 January 2012](#) on the findings from his [Review of fair pay in the public sector](#). Ahead of that session, the Cabinet Secretary wrote to the Convener updating the Committee on the [Scottish Government's views on the Hutton findings](#).

18. One of the issues to emerge from the 25 January discussion was on the idea of 'earn back' ('The Government should by July 2011 bring forward proposals for Senior Civil Service pay to include an element of base pay at risk, and should encourage the application of earn-back pay to other organisations delivering public services').

***Renewing public services***

*Commission on the Future Delivery of Public Services [57-64]*

19. The Scottish Government states that it has not reached a firm view on whether to introduce a new set of statutory powers around preventative actions. It further stated that it will be discussing this issue with local government and other interested parties.

20. The Scottish Government's response to the Committee report also refers to the time being 'right for a detailed review of CPPs and SOAs' and that it has agreed with COSLA to take this forward. The Committee may wish to seek detail on what the review is looking at, how, who is involved, timeline etc.

21. The Committee may wish to invite the Cabinet Secretary to provide examples of actions taken by the Scottish Government in direct response to the Christie report and what impact these actions will have on the roll out of the preventative spend agenda across CPPs, local authorities and NHS boards. Further, it may wish to seek detail how the Scottish Government's Cabinet sub-committee will update the Parliament on progress made in implementing the Christie recommendations and when the first such report will be made available.

*McClelland Review of ICT Infrastructure [65-69]*

22. The Scottish Government set out how it was taking forward the recommendations from the McClelland review. The Committee may wish to invite the Cabinet Secretary to detail the programme the Scottish Government has put in place to deliver on this implementation and what guidance, if any, it has given, or will give, to public sector bodies on the approach to maximising the opportunity to achieve the potential savings identified in the review.

23. The Scottish Government recently published, [Scotland's Digital Future – Infrastructure Action Plan](#) which states—



'A number of strands of work in relation to John McClelland's Review of ICT Infrastructure in the Public Sector in Scotland are focused on the scope both to establish common standards on public sector networks, and to aggregate public sector demand for services. A linked project has been established by the Scottish Government to develop specific options to support this approach.'

24. The Committee may wish to seek clarification from the Cabinet Secretary on how work on the McClelland review is being integrated into this action plan.

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

25. As part of the Committee's draft budget scrutiny, it held two roundtable discussions ([26 October 2011](#) and [2 November 2011](#)) involving NHS boards, CPPs and others (e.g. Children in Scotland, Royal College of Nursing). It also heard ([23 November 2011](#)) from the Social Research Unit at Dartington and Renfrewshire Children's Services on their work in early years services which then led to the evidence session with Birmingham City Council ([8 February 2012](#)).

26. In addition to the three 'draft budget scrutiny' evidence sessions above (in 2011), it took oral evidence on early years, from Graham Allen MP ([28 September 2011](#)) and the Netherlands Youth Institute ([7 December 2011](#)).

27. The Committee held a round table discussion with interested bodies on [29 February 2012](#) to focus on how preventative spend is becoming embedded across public service delivery; whether budgets will be better pooled; and how good examples of preventative spend will be identified and assessed and then shared and rolled out when and where appropriate.

*Change funds [77-96]*

28. The Scottish Government sets out in its response how it is taking forward the allocation of over £500 million to the three change funds over the spending review period. The Committee may wish to seek an update from the Cabinet Secretary on how this money will be allocated and what guidance it is issuing to recipients around its use.

29. It may also wish to seek information on how progress, to be reported to the Ministerial Strategic Group for Health and Community Care and Early Years Taskforce, will be reported to the Parliament.

30. It may also wish to seek clarification on what monitoring will be carried out to identify positive outcomes achieved through the change funding and what data will be gathered, by whom, and shared across key public bodies.

*National Performance Framework/Measuring outcomes [150-157]*

31. The Scottish Government refers to its plans to integrate health and social care. The Health and Sport Committee is taking forward a [short inquiry into this issue](#) and expects to present its findings to the Scottish Government as a contribution to its forthcoming consultation process, and use them to scrutinise any future legislation.

**Conclusion**

32. The Committee is invited to consider the above issues.

**Fergus D. Cochrane**  
**Senior Assistant Clerk to the Committee**

**ANNEX**

**Finance Committee Report on Scottish Spending Review 2011 and Draft Budget 2012-13: Conclusion and response of the Scottish Government**

The above document can be accessed via the link below—

[http://www.scottish.parliament.uk/S4\\_FinanceCommittee/Reports/Response to Finance Committee report - 18 January 2012webversion.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/Reports/Response_to_Finance_Committee_report_-_18_January_2012webversion.pdf)

## Finance Committee

9th Meeting, 2012 (Session 4), Wednesday 14 March 2012

### The Budget (Scotland) Act 2011 Amendment Order 2012

#### Purpose

1. The purpose of this paper is to invite the Committee to consider the [Budget Scotland Act 2011 Amendment Order 2012](#) on the spring budget revisions. A copy of the draft affirmative Scottish Statutory Instrument (SSI) is attached (Annex A) along with the accompanying [2011-12 Spring Budget Revision](#) document (Annex B) which was also laid before the Parliament on 31 January 2012.
2. This paper provides background information to this issue and the procedure relating to the consideration of this draft SSI.

#### Background

##### *Spring budget revision*

3. The purpose of the Order is set out in its Explanatory Note. In summary, it amends the Budget (Scotland) Act 2011 which authorised the Scottish Government's spending plans for the current financial year (2011-12). The accompanying SBR document provides supporting information to the Order.
4. Briefings on the Order and accompanying document have been prepared by the Financial Scrutiny Unit (Annex C) and the Scottish Government (Annex D).

##### *Draft affirmative SSI procedure*

5. Approval is being sought through the draft affirmative SSI procedure. Affirmative SSIs are considered following the procedure set down in Rule 10.6 of Standing Orders which allows a 40-day period for committees to consider and report. The Subordinate Legislation Committee (SLC) considered the draft SSI at its meeting on [7 February 2012](#). It had no issues to report.
6. Below is the motion which the Cabinet Secretary will move—

S4M-2165 John Swinney: The Budget (Scotland) Act 2011 Amendment Order 2012 [draft]—That the Finance Committee recommends that the Budget (Scotland) Act 2011 Amendment Order 2012 [draft] be approved.  
(Supported by: Fergus Ewing)

#### Conclusion

7. The Committee is invited to consider the Budget (Scotland) Act 2011 Amendment Order 2012 draft affirmative SSI.

**Fergus D. Cochrane**  
**Senior Assistant Clerk to the Finance Committee**

**The Budget (Scotland) Act 2011 Amendment Order 2012**

The following link will take you to a copy of the above Order—

[http://www.legislation.gov.uk/sdsi/2012/9780111016022/pdfs/sdsi\\_9780111016022\\_en.pdf](http://www.legislation.gov.uk/sdsi/2012/9780111016022/pdfs/sdsi_9780111016022_en.pdf)

**2011-12 Spring Budget Revision to the Budget (Scotland) Act**

The following link will take you to a copy of the above document—

<http://www.scotland.gov.uk/Resource/0038/00386534.pdf>

## ANNEX C

**FINANCE COMMITTEE: SPRING BUDGET REVISION 2011-12****Introduction**

The 2011-12 Spring Budget Revision (SBR) amends the Budget (Scotland) Act 2011 which authorises the Scottish Government's spending plans for the financial year 2011-12. Details of the proposed changes are set out in [the 2011-12 Spring Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2012](#) published on Tuesday 31 January 2012.

The proposed changes detailed in the SBR result in an increase in the approved Budget for 2011-12 of £258.6m from £33,958.1m to £34,216.7m. The SBR seeks parliamentary approval for these changes.

The main changes to the Scottish Government's spending plans arise from:

- An allocation of £136.6m from Barnett consequentials (£86.6m) and related Treasury transfers (£50m) to the Scottish Budget in 2011-12
- Technical adjustments including additional Annually Managed Expenditure (AME) budget cover from HM Treasury for provisions and impairments; adjustments to align the budget with accounting requirements in respect of PPP/PFI schemes and additional Departmental Expenditure Limit (DEL) non-cash budget cover from HM Treasury for student loans subsidy (£119.9m)
- Transfers between Scottish Government portfolios which have no net overall effect on the budget

This paper raises some areas for discussion with the Cabinet Secretary.

**Funding changes from Barnett Consequentials**

The main changes to the spending plans that involve discretionary choices by the Scottish Government are the allocation of £136.6m from Barnett consequentials and other transfers from HM Treasury. The allocation by portfolios is as follows:

**Table 1: Allocation of additional monies by portfolio for 2011-12**

<b>Portfolio</b>	<b>£m</b>
Finance, Employment and Sustainable Growth	2.0
Health, Wellbeing and Cities Strategy	5.0
Education and Lifelong Learning	32.2
Rural Affairs and the Environment	0.4
Justice	21.0
Culture and External Affairs	1.1
Infrastructure and Capital Investment	67.4
Local Government	7.5
<b>Total</b>	<b>136.6</b>

Almost half the additional resource is allocated to Infrastructure and Capital Investment, with the next largest share of the additions going to Education and

Lifelong Learning, followed by Justice. Rural Affairs receives the lowest share (£0.4m) of the new monies.

Allocations to budgets within portfolios are presented in the table below.

**Table 2: Allocations of additional monies by budget line for 2011-12**

<b>Portfolio</b>	<b>£m</b>
<b>Education and Lifelong Learning</b>	
Capital works at Hearing Centres (including the employment of Modern Apprenticeships)	0.2
Support for youth employment	12.0
Scottish Funding Council - support for employability programmes	5.0
College Transformation Fund	15.0
<b>Health Wellbeing &amp; Cities Strategy</b>	
Acceleration of a number of legally committed projects within NHSScotland	5.0
<b>Justice</b>	
Allocation to offset the need for additional funding for Police and Fire service pensions.	21.0
<b>Culture and External Affairs</b>	
Additional funding for national collections and other cultural projects.	1.1
<b>Infrastructure and Capital Investment</b>	
Housing Association adaptations for older and disabled people	2.0
Roads Maintenance – trunk roads (£2m) and to local authorities for potholes (£2m)	4.0
Affordable Housing Supply budget support	10.0
A9 land acquisition ahead of A9 works around Dunkeld	0.5
Clydebank URC to deliver and provide additional premises for small business start-up	0.4
Boiler Scrappage Scheme	0.5
Scottish Water capital programme	50.0
<b>Rural Affairs and the Environment</b>	
Marine Scotland – capital equipment	0.2
National Park Authorities – visitor centre projects	0.2
<b>Finance, Employment and Sustainable Growth</b>	
Support for capital projects including Scottish Enterprise Riverside Business Park acquisition and development	2.0
<b>Local Government</b>	
Cities Investment Fund	5.0
Additional funding for Bellwin claims	2.5
<b>Total</b>	<b>£136.6m</b>

#### *Scottish Water*

As can be seen in the above table, the budget line receiving by far the largest increase is the “Scottish Water Capital Programme” which will receive an additional £50m in 2011-12 to “accelerate capital expenditure” (see p62). This is a transfer of



the funding allocated to the Caledonian Sleeper Service, which was allocated a “ring-fenced” £50m in the UK Government’s Autumn Statement in November 2011. However, after discussions, the Scottish Government and HM Treasury agreed a programme for future investment in the Caledonian Sleeper Service and the £50m, received in 2011-12 for this purpose, will be utilised in the short term by Scottish Water to reprioritise their investment programme. The Caledonian Sleeper Service money, therefore, has essentially been borrowed by Scottish Water, and funding for Scottish Water in future years will be adjusted accordingly to fund the Caledonian Sleeper Service improvement programme. Information regarding the timeframe for spending on the Caledonian Sleeper Service has yet to be detailed.

### **Technical adjustments**

There are a number of technical adjustments within the SBR, which according to table 1.2 total £119.9m.

Some of the technical changes are not fully explained in the document. For example:

- Health, Wellbeing and Cities Strategy has a net technical adjustment totalling £58.3m (p17). However, the summary of proposed changes does not clarify how that £58.3m figure is reached. There is a net IFRS adjustment for NHS and Special Health Boards of £13.8m (see p 18). There is an “additional funding for NHS Provisions” of £39.5m (p18), but no explanation of whether that comprises part of the “technical change” within the portfolio, or something else unspecified.

Other technical changes are as follows.

- Education and Lifelong Learning has a “technical adjustment” of £19.6m (see p22) made up of £3.5m for Children and Families AME non-cash (p22) and £16.1m Student loans subsidy additional funding from Treasury (p25). The Scottish Government’s “Brief Guide to the 2011-12 SBR” explains the additional subsidy budget as reflecting “the impact of low interest rates from Income Contingent Repayment (ICR) Loans.”
- A further AME technical net non-cash adjustment of £8.6m has been made to the NHS and Teachers’ Pension budget (see p81) which according to the Scottish Government’s Brief Guide to the 2011-12 SBR is “to reflect adjustments to income and resource costs including reduced level of receipts from NHS employers in respect of advanced funding for early retirements”.

### **Internal Transfers between portfolios**

Although not impacting on the overall aggregate Scottish budget, there have been a number of internal transfers between portfolios. The most financially significant transfers are as follows:

- Transfer of £11.7m from Justice to Health in respect of prison health care (see p18).
- Transfer of £6.3m to National Records of Scotland for the 2011 Census (see p76). The SBR states that this transfer comes from “other portfolios” but does not specify what other portfolios.

- Transfer of £7.5m to the Parliamentary Business and Government Strategy portfolio from other portfolios to centrally manage marketing campaigns (see p30).

### **Health, Wellbeing and Cities Strategy**

There is a “miscellaneous minor transfers” budget line of net -£10.8m, the destination for which is unclear from the document.

### **Education and Lifelong Learning**

There is an additional £26.6m (see p25) for the Student Awards Agency for Scotland (SAAS) comprising (in part) £16.1m from Student Loan Subsidy additional funding from Treasury (part of the technical change in ELL mentioned above) and a transfer from Skills Development Scotland of £9.6m.

In terms of discretionary choice from the Scottish Government, as summarised in table 2 above, the Scottish Government has allocated an additional £15m for College Transformation fund and £17m for youth unemployment initiatives (see p26).

### **Justice**

There is an additional £28.8m to cover Fire and Police Pensions (p39), which is £7.8m more than the £21m allocated to offset the funding for Police and Fire service pensions (see table 2 above).

There is an additional “AME Provisions and Impairment” allocation of £11.6m (p40).

Net £10.6m is transferred from the Scottish Prison Service in the Justice portfolio to Health (p40), slightly different to the £11.7m transfer (see p18) mentioned above, in respect of prison health care.

### **Rural Affairs and the Environment**

There is an allocation of “additional AME provision for non-cash costs” of £14.6m (p47).

### **Infrastructure and Capital Investment**

There is an allocation of an additional £12.9m to Housing (p61), which is £0.9m more than the £12m the Scottish Government claims is being added to Housing (summarised in table 2 above).

### **Scottish Teachers’ and NHS Pension Schemes**

The Scottish Teachers’ and NHS Pension schemes have seen a reduction of £20.5m in scheme liabilities (see p82), but an increase in “Scheme liability and Current Service Costs” of £29.1m (see p83).

### **Ross Burnside, SPICe Research, February 2012**

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

## ANNEX D

**A BRIEF GUIDE TO THE 2011-12 SPRING BUDGET REVISION (SBR)****Background**

1. The Spring Budget Revision is part of the annual Budget process. The Budget process commences with the publication of the Draft Budget and the subsequent consultation process. This is followed by the annual Budget Bill and the parliamentary approval of the Scottish Government's spending plans.
2. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the year progresses. The Autumn Budget Revision in October and a Spring Budget Revision in January. The Spring Budget Revision provides the final budget figures, against which outturn is reported in the Scottish Government's annual accounts.

**Spring Budget Revision**

3. The Spring Budget Revision is routine Parliamentary Business that proposes amendments to better align the Government's budget with its planned spending profile.
4. The aim of the Brief Guide to the Spring Budget Revision is to explain the main changes to the Budget since the publication of the Autumn Budget Revision, and give some further background on why the changes have been made.
5. The changes proposed in the Spring Budget Revision result in an increase in the approved budget of **£258.6m** from £33,958.1m to **£34,216.7m**.
6. The changes to the Budget are broken down in to three main areas:
  - Funding Changes which have arisen since changes to the Autumn Budget Bill Revision (£136.6m)
  - Technical Changes (£119.9m)
  - Transfers between Portfolios (£2.1m)
7. The main changes included under each heading are summarised below.

**Funding Changes**

8. Funding changes represent additional budget available to the Scottish Government that provides spending power within Portfolios and programmes.
9. The SBR reflects the deployment of £136.6m of Barnett consequential and related HM Treasury transfers to augment the budget in 2011-12. The allocation to portfolios is detailed in Table 1 below:

<b>Table 1: Allocation to portfolios</b>	<b>£m</b>
Finance, Employment and Sustainable Growth	2.0
Health, Wellbeing and Cities Strategy	5.0
Education and Lifelong Learning	32.2
Rural Affairs and the Environment	0.4
Justice	21.0
Culture and External Affairs	1.1
Infrastructure and Capital Investment	67.4
Local Government	7.5
	<b>136.6</b>

10. The aim is to continue to support economic recovery, with a significant proportion being applied to capital investment, supporting public service reform and demand-led pension increases in the Fire and Police Services.
11. The Scottish Government and HM Treasury have agreed a programme for future investment in the Caledonian Sleeper Service and the £50m, received in 2011-12 for this purpose, is being utilised in the short term by Scottish Water. Funding to Scottish Water in future years will be adjusted accordingly to fund the Caledonian Sleeper Service improvement programme.
12. The SBR records total funding changes of £136.6m. The detailed amounts are set out at Table 2.

#### Technical Adjustments

13. In line with past years, the SBR recognises a number of technical changes which are essentially budget neutral and do not provide additional spending power for the Scottish Government.
14. The SBR includes additional Annually Managed Expenditure (AME) non-cash budget cover of £86.8m as agreed with HM Treasury. The adjustments are described in paragraphs 15 and 16.
15. A technical adjustment, recording additional AME budget for non-cash provisions and impairments (£72.9m) and depreciation of assets financed by Government grant and donated assets (£5.3m). This aligns the budget for accounting purposes.
16. A further AME technical net non-cash adjustment of £8.6m (0.3% of the ABR total) has been made to the NHS and Teachers' Pension budget to reflect adjustments to income and resource costs including reduced level of receipts from NHS employers in respect of advanced funding for early retirements.

17. The SBR also recognises a Departmental Expenditure Limit (DEL) technical adjustment of £16.1m in respect of non-cash Student Loan Subsidy Impairment. The additional subsidy budget reflects the impact of low interest rates from Income Contingent Repayment (ICR) Loans.
18. A DEL adjustment of £3.5m has been included to reflect increased interest accruing to the Scottish Government from voted loans to Scottish Water. This reflects differences in the actual profile of loan drawdown and interest rate movements compared to the assumptions made for Budget Bill purposes.
19. The SBR also reflects a technical adjustment to align the IFRS based budgets for PPP/PFI schemes with the year-end accounting requirements (£20.5m).
20. The SBR records total technical changes of £119.9m.

### Internal Transfers

There are a number of internal transfers within the Scottish Block as part of the SBR process. Virement between and within portfolios is a 'zero-sum' approach. What appears to be a small imbalance of £2.1m reflects a movement in NDPB non-cash which is not included in the Parliamentary approval.

The main internal transfers over £5m include:

#### Justice / Health, Wellbeing and Cities Strategy

- Transfer of £11.7m from Justice to Health, Wellbeing and Cities Strategy in respect of prison health care.

#### National Records of Scotland

- A one-off transfer of £6.3m to National Records of Scotland towards the 2011 Census.

#### Parliamentary Business and Government Strategy

- Transfer of £7.5m from other portfolios (existing budget provision) to Parliamentary Business and Government Strategy to ensure optimum efficiency in respect of public information and social advertising campaigns within the agreed cap on costs and the international marketing and promotion of Scotland.

As in previous years, there are also a small number of internal portfolio transfers which have no effect on the portfolio totals, but play a role in ensuring effective internal budget monitoring.

21. Details of the changes are summarised in Table 2 below:

**Table 2 – Summary of Changes from Autumn Budget Revision**

<b>2011-12 Budget Approved at the Autumn Budget Revision</b>	<b>33,958.1</b>
<b>Funding Changes</b>	
<b>Finance, Employment and Sustainable Growth</b>	
Innovation and Industries – Development of Business Portal	1.0
Scottish Enterprise – Riverside Business Park acquisition and development	1.0
<b>Health, Wellbeing and Cities Strategy</b>	
Acceleration of a number of legally committed projects within NHSScotland	5.0
<b>Education and Lifelong Learning</b>	
Capital works at Hearing Centres (including the employment of Modern Apprenticeships)	0.2
Support for Employability Programmes	5.0
Youth Employment	12.0
College Transformation Fund	15.0
<b>Justice</b>	
Allocation to offset the need for additional funding for Police and Fire service pensions.	21.0
<b>Rural Affairs and the Environment</b>	
Marine Scotland – capital equipment	0.2
National Park Authorities – visitor centre projects	0.2
<b>Culture and External Affairs</b>	
Additional funding for national collections	1.1

and other cultural projects.

### Infrastructure and Capital Investment

Housing Association adaptations for older and disabled people	2.0
Roads Maintenance – trunk roads (£2.0m) and to local authorities for potholes (£2.0m)	4.0
Affordable Housing Supply budget support	10.0
A9 land acquisition ahead of A9 works around Dunkeld	0.5
Clydebank URC to deliver and provide additional premises for small business start-up	0.4
Boiler Scrappage Scheme	0.5
Scottish Water capital programme	50.0

### Local Government

Cities Investment Fund	5.0	
Additional funding for Bellwin claims	2.5	
		<hr/>
		<b>136.6</b>

### Technical Changes

#### AME Non- Cash – For accounting purposes

Additional cover for provisions and impairments	72.9
Depreciation of assets financed by Government grant and donated assets	5.3
SPPA : Increase in NHS and Teachers' Pension Costs (AME)	8.6
	<hr/>
	<b>86.8</b>
DEL - Student Loan Subsidy Impairment	16.1
DEL - Adjustment for increased interest on Voted Loans (Scottish Water)	-3.5
	<hr/>
	<b>12.6</b>
IFRS technical adjustments to align PPP/PFI budgets with accounting requirements	<hr/>
	<b>20.5</b>

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**119.9**
**Internal Transfers within Scottish Block**


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**2.1**
**Proposed Budget following Spring  
Revisions****34,216.7****Table 3: Revisions by type**

	<b>DEL</b>	<b>AME</b>	<b>Other - IFRS</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Funding Changes	136.6			136.6
Technical Changes	12.6	86.8	20.5	119.9
Scottish Block Transfers	2.1			2.1
<b>Total Changes</b>	<b>151.3</b>	<b>86.8</b>	<b>20.5</b>	<b>258.6</b>

**Finance Co-ordination**  
**February 2011**



## Finance Committee

9th Meeting, 2012 (Session 4), Wednesday 14 March 2012

### Legislative Consent Memorandum – Financial Services Bill

#### Purpose

1. The purpose of this paper is to invite the Committee to consider the Legislative Consent Memorandum (LCM) attached at Annex A. The LCM relates to provisions in the [Financial Services Bill](#) which is currently proceeding through the House of Commons. The LCM provides details of the Bill and the provisions which relate to Scotland (the broad issue is the extension of the functions of the Consumer Financial Education Body (known as the Money Advice Service) in respect of the provision of debt advice. A SPICe briefing note is attached at Annex B.

2. The Finance Committee has been designated by the Parliamentary Bureau as the lead committee to consider the [LCM which was lodged on 9 February 2012](#). Upon completion of this consideration, the Committee will report to the Parliament.

#### Procedure

3. A LCM is a document prepared by the Scottish Government (or a Member) describing a UK Parliament Bill which contains provisions on devolved matters, or provisions that would alter the devolved competence of the Scottish Parliament or Scottish Government. In most cases it also explains why the Scottish Government (or Member) wishes the Scottish Parliament to give consent to the UK Parliament legislating in this way. The subsequent legislative consent motion (see draft in paragraph 1 of the LCM) will express the Scottish Parliament's consent to this.

4. Chapter 9B of Standing Orders sets out the procedures for the consideration of a LCM. For any Bill under consideration in the UK Parliament which makes provision applying to Scotland for any purpose within the legislative competence of the Parliament, a Scottish Minister shall lodge a legislative consent motion seeking the consent of the Scottish Parliament for the relevant provisions in the Bill.

5. Scottish Ministers must lodge a LCM which sets out a draft of such a motion and explains the background to the Bill. The Parliamentary Bureau refers the LCM to the relevant lead committee and, if the Bill makes provisions for subordinate legislation, to the Subordinate Legislation Committee (SLC). The remit of the SLC is not engaged in this case. The lead committee must consider the LCM and report its views to the Parliament no later than five sitting days before the Parliament considers the motion.

6. The Cabinet Secretary for Finance, Employment and Sustainable Growth, in whose name the motion will be lodged, will give oral evidence to the Committee on the LCM.

7. Members will note that the [Bill is currently at Committee Stage](#) in the House of Commons. That Committee will report on 22 March. Upon completion of its remaining stages in that House, the Bill will go to the House of Lords for consideration.

8. There is no set form for a report on a LCM and it need not be long. However, in general terms, the Committee should bear in mind the following points—

- whether the general merits of the relevant provisions contained within the Bill are identified within the LCM and the devolved impact is clear;
- whether there is justification for use of the legislative consent procedure in respect of these provisions;
- whether the Committee has any comments on the draft legislative consent motion contained within the LCM.

## **Conclusion**

9. The Committee is invited to consider whether it is content with the terms of the legislative consent memorandum and to report accordingly.

**Fergus D. Cochrane**  
**Senior Assistant Clerk to the Committee**

**ANNEX A**

**Financial Services Bill Legislative Consent Memorandum**

The following link will take you to a copy of the above Legislative Consent Memorandum—

[http://www.scottish.parliament.uk/LegislativeConsentMemoranda/Financial\\_Services\\_LCM.pdf](http://www.scottish.parliament.uk/LegislativeConsentMemoranda/Financial_Services_LCM.pdf)

## ANNEX B

## Finance Committee

## Legislative Consent Memorandum – Financial Services Bill

**Introduction**

The Financial Services Bill was introduced in the House of Commons on 26 January 2012. The Bill can be found at: <http://services.parliament.uk/bills/2010-11/financialservices.html>.

The Scottish Government has produced a legislative consent memorandum (LCM) which explains the reasons behind seeking a legislative consent motion etc.

**Background**

The Bill ~~ends~~ <sup>extends</sup> the functions of the Consumer Financial Education Body, known as the Money Advice Service, following an agreement in July 2011 between UK Ministers and Consumer Financial Education Body that it would take on a direct role in debt advice.” The Money Advice Service (MAS) will lead on ~~the~~ <sup>the</sup> implementation of a new nationwide Money Guidance”, which will now include debt advisory services.

The MAS is an independent organisation. It gives free, impartial money advice across the UK – online, over the phone and face-to-face. It was set up by the UK Government and is paid for by a statutory levy on the financial services industry, raised through the Financial Services Authority (FSA). Its statutory objectives are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system); and to enhance the ability of members of the public to manage their own financial affairs. MAS has an independent Chairman and board appointed by the FSA. It was formerly the Consumer Financial Education Body.

According to the [MAS](#):

~~We~~ We will aim, over the next two years, to expand the reach of and bring greater consistency to the debt advice landscape. We expect to be in a position to put in place a final model of debt advice delivery by the end of 2013.

This new role provides us with the opportunity, over time, to align the provision of debt advice with our existing money advice services, and to help consumers with their money issues before debts become unmanageable.”

In Scotland, delivery of current MAS functions is tendered to Citizens Advice Scotland. The LCM does not cover in detail what the impact of the new MAS functions will be on the current work of Citizens Advice Scotland, or other debt advisory services, and who will deliver it in Scotland. At present, debt advice

services in England and Wales are funded by the Department for Business, Innovation and Skills. The Scottish Government, in partnership with the MAS, Scottish Legal Aid Board, the Improvement Service and Accountant in Bankruptcy funds programmes in Scotland.

At paragraph 6 of the LCM, the Scottish Government sets out why it is seeking a legislative consent motion – i.e. why the relevant provisions relate to devolved issues. According to the LCM,

–The LCM is required because the work of the Consumer Financial Education Body relates to consumer financial education as it applies to enhancing the understanding and knowledge of the public of financial matters and managing personal finance. This work is not covered by the financial services (Section A3); financial markets (Section A4) or consumer protection (Section C7) reservations in Schedule 5 to the Scotland Act 1998 and is therefore within the legislative competence of the Scottish Parliament.”

The Committee may wish to seek clarification on why the Bill does not fall under the specific reservations cited.

**Allan Campbell**  
**SPICe Research**  
**09 March 2012**

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.
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