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FINANCE COMMITTEE 4TH NOVEMBER 2013: DRAFT BUDGET SCRUTINY 2014-15 AND BUDGET (SCOTLAND) ACT 2013 AMENDMENT ORDER 2013 (DRAFT)

I write to follow up on the discussion at the meeting of the Finance Committee in Arbroath on the 4th November 2013 where I indicated that I would provide the Committee with some further information.

The Committee had requested further details on the reduction of resource to capital transfers from the £270m detailed at Draft Budget 2013-14 compared with the £165m set out in Draft Budget 2014-15. This adjustment is part of the wider budget strategy in light of the UK Government's £126.5 million cut to our fiscal Resource DEL budget for 2014-15 flowing from the Autumn Statement 2012 and Budget 2013.

Overall planned infrastructure investment has been protected, and has indeed increased compared to the indicative plans for 2014-15 that were set out in Draft Budget 2013-14, through the utilisation of traditional Capital DEL and financial transactions in the Enterprise Bodies and Housing budgets. This approach has reduced the need for resource to capital transfers but has not affected the planned delivery of any specific projects.

In response to Mr McMahon's question about the £20 million that I have allocated to our partners in local government to ameliorate the worst effects of the bedroom tax, I can confirm that the resources were allocated to local authorities on the basis of their percentage share of the eligible Discretionary Housing Payment (DHP) budget. COSLA's Settlement and Distribution Group agreed to this approach, which was then approved by COSLA Leaders on 27 September.

Mr McMahon highlighted that North Lanarkshire council had already topped up their DHP allocation to the maximum permitted. I'd like to reassure Mr McMahon that such decisions were not taken into account as part of the distribution calculation and all authorities received their proportionate share of the £20m of Scottish Government funding.

With regards to the underlying assumptions informing our Non-Domestic Rates Income forecasts, I can confirm the buoyancy estimates incorporated in the Draft Budget 2014-15 for Non-Domestic Rate income forecasts are 1.35% in 2013-14, and 1.6 % in both 2014-15 and 2015-16. These estimates are based on past buoyancy trends and an assessment of current and anticipated future economic conditions. The estimates are still lower than the outturn buoyancy level for 2010-11 and demonstrate that I have continued to take a prudent and cautious approach to the income forecasts.

With regard to the Autumn Budget Revision session, I agreed to provide the Committee with a reconciliation of the movements within the budget lines of the Enterprise Energy and Tourism programme. Accordingly, the table at Annex A provides a summary of the movements from the 2013-14 budget figures presented in the Draft Budget 2014-15 to the figures presented in the Autumn Budget Revision.

I hope that the information provided is helpful.

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JOHN SWINNEY

ANNEX A

MOVEMENTS IN ENTERPRISE, ENERGY & TOURISM LEVEL 3 BUDGETs FOR 2013-14: COMPARISON BETWEEN FIGURES IN DRAFT BUDGET 2014-15 AND AUTUMN BUDGET REVISION 2013-14 DOCUMENTS

Level 3	Draft Budget 2014-15 document £m	ABR 2013-14 £m	Difference £m	Movements
Energy	115.9	68.8	-47.1	Reprofiling of REIF (-£15.0m), Transfer to Welfare (-£2.0m), Transfer to RAE (-£3.3m). Transfer to Enterprise Bodies ¹ (-£26.0m), Transfer to RAE (-£0.5m), Transfer to Justice (-£0.3m)
Enterprise Bodies	331.1	295.8	-35.3	NDPB non cash (-£40.5m) ² , Strategic Forum Savings (-£12.8m), transfer from Energy ¹ (£26.0m), transfer to Welfare (-£8.0m)
Innovation & Industries	5.8	3.3	-2.5	Transfer to Education & Lifelong Learning portfolio (-£3.5m), Additional funding for EDGE (£1.0m)
Scottish Development International	0.0	0.0	0.0	
Tourism	51.6	46.7	-4.9	NDPB non cash (-£1.5m) ² , Strategic Forum Savings (-£3.4m)
Strategic Forum	-25.0	0.0	25.0	Transfers from Enterprise Bodies (£12.8m), Visit Scotland (£3.4m) & SFHEFC / SDS (£8.8m)
Net Expenditure	479.4	414.6	-64.8	NDPB non-cash (-£42.0m), net Level 2 adjustments at ABR 2013-14 (-£22.8m)

1. Transfer from Energy to SEn (£26m) in respect of paying energy grants to businesses from the Renewable Energy Investment Fund (REIF) and Prototyping for Offshore Wind Energy Renewables Scotland (POWERS).

2. Adjustments from Draft Budget 2013-14 to Budget Bill 2013-14, subsequently reflected in Draft Budget 2014-15 document in line with parliamentary convention, to reflect the requirements of the Public Finance and Accountability (Scotland) Act 2000 for Parliament to approve NDPB budgets on a cash basis rather than a resource basis. These adjustments are for accounting purposes only and do not affect the Scottish Government's expenditure adjustments.

