



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE AND CONSTITUTION COMMITTEE

AGENDA

28th Meeting, 2018 (Session 5)

Wednesday 14 November 2018

The Committee will meet at 10.00 am in the David Livingstone Room (CR6).

1. **Transport (Scotland) Bill:** The Committee will take evidence on the Financial Memorandum from—

Brendan Rooney, Transport Bill Manager, Peter Grant, Bus Policy Team Leader, George Henry, Parking Policy Manager, and Yvette Sheppard, Environment and Sustainability Manager, Transport Scotland.

2. **Subordinate legislation:** The Committee will take evidence on the Budget (Scotland) Act 2018 Amendment Regulations 2018 [draft] from—

Kate Forbes, Minister for Public Finance and Digital Economy, and Scott Mackay, Head of Finance Co-ordination, Scottish Government.

3. **Subordinate legislation:** Kate Forbes, Minister for Public Finance and Digital Economy to move—S5M-14433—That the Finance and Constitution Committee recommends that the Budget (Scotland) Act 2018 Amendment Regulations 2018 [draft] be approved.

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The papers for this meeting are as follows—

Agenda Item 1

FM Cover Note

FCC/S5/18/28/1

Agenda Item 2

Note by the Clerk

FCC/S5/18/28/2

Finance and Constitution Committee

28th Meeting, 2018 (Session 5), Wednesday 14 November 2018

The Transport (Scotland) Bill Financial Memorandum

Purpose

1. This paper provides information for the evidence session on the Transport (Scotland) Bill [Financial Memorandum \(FM\)](#). The Committee will take evidence from—

- Brendan Rooney – Bill Manager
- Stephen Thomson – Head of Environmental & Sustainability Policy
- Peter Grant – Bus Policy Team Leader
- George Henry – Parking Policy Manager

The Bill

2. The Bill¹ was introduced on 8 June 2018 and, according to the Policy Memorandum, the Bill aims —

“To increase sustainable economic growth. The legislative measures contained within the Transport (Scotland) Bill (‘the Bill’) will contribute to Scotland’s Economic Strategy, having a positive impact in particular on two of its four priorities: an economy where growth is underpinned by long-term sustainable investment in people, infrastructure and assets; and an economy where growth is based on innovation, change and openness to new ways of doing things”

3. The FM sets out the cost implications in line with the Bill’s structure

- Part 1 – Low emission zones: makes provision in relation to the creation and enforcement of low emission zones in Scotland;
- Part 2 – Bus services: ensures that local transport authorities have viable and flexible options to improve bus services in their areas;
- Part 3 – Ticketing arrangements and schemes (smart ticketing): makes provision enabling the Scottish Ministers to specify a national technological standard for the implementation and operation of smart ticketing arrangements and providing local transport authorities with additional powers to develop and deliver effective smart ticketing arrangements and schemes;
- Part 4 – Pavement parking and double parking: introduces prohibitions on parking on pavements and double parking;
- Part 5 – Road works: enhances the role of the Scottish Road Works Commissioner (SRWC) and the wider regulation of road works;
- Part 6 – Miscellaneous and general: includes providing Regional Transport Partnerships (Transport Partnerships) with more financial flexibility and improves the governance of Scotland’s canals.

¹ <http://www.scottish.parliament.uk/parliamentarybusiness/Bills/108683.aspx>

Call for views

4. The Committee issued a call for views and received 11 responses. Respondents raised a number of issues in relation to the estimated costs and savings associated with Parts 1 and 4 of the Bill covering the following areas—

- Low Emission Zones
- Pavement parking and double parking

Low Emission Zones

5. Part 1 of the Transport (Scotland) Bill would create a system allowing local authorities to establish, operate, amend and revoke Low Emission Zone (LEZ) schemes. An LEZ would:

- Restrict the driving of vehicles within an LEZ to those that meet the specified emissions standards or are exempted from the LEZ restrictions
- Where anyone drives a car within an LEZ that is neither exempt nor meets the required emissions standard, to pay a penalty charge
- Include an initial grace period, following the establishment of an LEZ where enforcement action will not be taken
- Allow for enforcement of LEZ restrictions, which although not specified in the Bill would likely be by automatic number plate recognition (ANPR) enabled CCTV cameras
- Give Scottish Ministers powers to make regulations specifying emissions standards, exempt vehicles, the amount of any penalty charge and other detailed aspects of LEZ scheme operation

6. The design, implementation and roll-out of LEZs is varied which is demonstrated by the significant variance in costs referenced in research and feasibility studies on LEZs. The FM acknowledges that, given such divergence will exist regarding the implementation of individual LEZs schemes in Scotland, it is not possible to give precisely definitive costs for future roll-out in Scotland at the time of the Bill's introduction. Therefore the forecasts and costs in the FM are intended to give an outline example of financial implications and where costs may be incurred. 85 out of 90 respondents to the Scottish Government's consultation on LEZs believed that the proposals would increase costs and burdens on all sectors.

7. [The SPICe briefing on the Bill](#) highlighted that Transport Scotland commissioned consultants Jacobs to produce cost estimates for low emission zones in Scotland, with a final report submitted to Transport Scotland in September 2017 and the key findings are set out in the FM.

8. The main output produced by Jacobs was a table of estimated public sector costs (that includes both the Scottish Government and local authorities) for creating and operating a hypothetical small (0.5 km²), medium (1.5Km²) and large (3Km²) LEZs. Three estimates for each size of LEZ were produced - based on low, medium and high financial value grant awards to vehicle owners for the retrofitting of emissions reduction equipment or the scrapping of particularly polluting older vehicles. This table is reproduced below:

Estimates of costs associated with the establishment and operation of a small, medium and large LEZ

LEZ area and grant	Design costs (£)	Imp. costs (£)	Grant costs (£)	Year 1 operate costs (£)	Year 1 risk (£)	Total costs year 1 (£)	Total costs 10 years (£)
Small LEZ - low grant	0.325m	0.522m	1.288m	0.198m	0.233m	2.567m	4.228m
Small LEZ - medium grant	0.325m	0.522m	1.910m	0.198m	0.296m	3.252m	4.912m
Small LEZ - high grant	0.325m	0.522m	2.575m	0.198m	0.362m	3.983m	5.644m
Medium LEZ - low grant	0.424m	0.706m	3.863m	0.463m	0.546m	6.001m	9.879m
Medium LEZ - medium grant	0.424m	0.706m	5.730m	0.463m	0.732m	8.055m	11.993m
Medium LEZ - high grant	0.424m	0.706m	7.726m	0.463m	0.932m	10.250m	14.129m
Large LEZ - low grant	0.424m	0.871m	7.726m	0.805m	0.983m	10.809m	17.549m
Large LEZ - medium grant	0.424m	0.871m	11.460m	0.805m	1.356m	14.971m	21.657m
Large LEZ - high grant	0.424m	0.871m	15.452m	0.805m	1.755m	19.307m	26.048m

9. The FM explains in more detail how these estimated costs were calculated:

“Jacobs gained knowledge of the London ULEZ via their work on the production of the scheme’s integrated impact assessment and this experience helped to inform the estimation of costs and quantities for a Scottish low emission zone cost estimate. An area scaling factor of 3% and a population scaling factor of 7% was used by Jacobs as a multiplier to scale down the London ULEZ cost and infrastructure quantity figures (such as ANPR cameras, signage, design, communications, back-office enforcement etc.) to help inform such calculations for a hypothetical large Scottish low emission zone of 3km² in size; this approach was agreed with Transport Scotland. Costs were also calculated for a medium low emission zone at 1.5km² in size and a small low emission zone at 0.5km² in size, although these costs were derived directly from the large low emission zone costs. This approach was based on the assumption that a city like Glasgow may implement a large low emission zone (it should be noted that in mid-2017, Glasgow City Council had not yet published details of its low emission zone but subsequently in late 2017, the council proposed a citycentre zone of approximately 3km² in size).”

10. In summary, the public sector costs for small LEZs range between £4.228m and £5.644m, medium LEZs between £9.879m and £14.129m and large LEZs between £17.549m and £26.048m.

11. These figures are based on 2017 prices, with a financial estimation risk calculated as 10% of year 1 costs. The figures include an optimism bias of 44% (in effect 44% is added to the estimated costs to reflect the tendency of project appraisers to be overly optimistic about the likely costs of a project).

12. These figures are based on a mix of various grant retrofitting/scrappage data shown in combination with a selection of costs that might be expected at the design, implementation

and operational phase of an LEZ (e.g. Automatic Number Plate Recognition cameras, signage, design, communications, back-office enforcement).

13. The FM also highlights cost pressures from LEZs on individuals, bus operators, taxi operators and logistics companies. Principally, these relate to decisions on whether to pay penalty charge notices, scrap older vehicles, retrofit emissions reduction equipment to existing vehicles or purchase new compliant vehicles. Although figures provided by individual bus firms during earlier consultation are highlighted (see below) figures are not given for the cost impacts on taxis or freight as these were not included within the consultation responses.

14. From that consultation First Group noted that —

- *“at a typical cost of £20k per vehicle, upgrading our Glasgow fleet of Euro 4 and Euro 5 buses would cost some £5.8m. There is a downside to retrofitting – it imposes additional operating costs.”*
- *“besides retrofitting, other options should be considered including accelerated scrappage funding and/or engine conversion from Euro III to Euro VI or possibly hybrid, to address substantial numbers of Euro III vehicles in Scottish fleets – but some of these upgrade costs can be very expensive (up to £75k per bus) and may be better addressed through an extended sunset period [extended lead-in times or —grace periods] whereby these vehicles could be removed from the fleet first and newer, cleaner Euro IV and Euro V vehicles used for a longer period.”*

15. The Financial Memorandum highlights that wider government support can also reduce such costs to bus operators. The Scottish Green Bus Fund has so far allocated £16 million, leading to 361 low carbon vehicles being introduced to the national fleet, with a further £1.7 million recently announced for financial year 2018/19. The FM also highlight the benefits that cleaner air and pollution reduction can have a positive effect on people’s health and that as such financial benefits to wider society can stem from low emission zones.

Pavement parking and double parking

16. Currently, pavement parking and double parking is not an offence. It is an offence to:
- Drive on the pavement
 - Place or deposit anything on a road that causes an obstruction
 - Leave a vehicle in such a way as to cause an obstruction to other people
 - Park a heavy commercial vehicle, defined as a goods vehicle with an operating weight exceeding 7.5 tonnes, on a pavement
 - Leave a vehicle, or trailer, parked on a road (which includes the pavement) in a position that may cause a danger to other road users
17. The Bill would:
- Prohibit parking on the pavement, subject to a number of exemptions
 - Prohibit double parking, subject to a number of exemptions
 - Allow local authorities to exempt certain streets/part of streets from the prohibition on pavement parking

- Create a system for the enforcement of the pavement parking and double parking prohibitions. This would be a local authority duty, similar to that used where enforcement of parking restrictions has been decriminalised
- Allow for vehicles parked in contravention of a prohibition on pavement or double parking to be moved, removed and eventually disposed of, subject to a number of safeguards

18. The FM explained how the estimated costs were arrived at:

“Due to a lack of quantifiable data relating to the extent and costs of footway parking, as well as the range of options for implementation and enforcement for local authorities, it is not possible to precisely identify cost implications for local government. Therefore Transport Scotland officials have engaged with the City of Edinburgh and Aberdeenshire Council to gather feedback on any expected costs, in order to provide an illustrative example. “

19. Local authorities will require to have an overview of their road network in order to be able to exempt certain footways where the ban is not appropriate. Edinburgh City Council said that it would cost in the region of £40,000 to carry out an assessment of its street network and Aberdeenshire estimated it at £10, 000. The FM therefore estimated the average cost for implementing this element of the Bill at £25,00 per local authority.

20. The FM sets out three options for local authorities for those which are not operating a decriminalised parking enforcement regime to carry out enforcement along with costs for those options:

- Option A: Set up their own decriminalised parking enforcement regime and operate using permanently employed enforcement officers, their own back office.
- Option B: Set up a service level agreement with a neighbouring local authority with decriminalised parking enforcement powers already using a private contractor with full time employed enforcement officers, contractor back office and equipment.
- Option C: Set up a service level agreement with a neighbouring local authority or private contractor using part time or hourly rate employed enforcement officers from a neighbouring local authority or private contractor, contractor back office and equipment.

21. [The SPICe briefing on the Bill](#) provides a summary of the costs information contained in the FM as follows in relation to the implementation of the prohibition on pavement parking and double parking:

Scottish Government: While the Bill would impose little ongoing financial burden on the Scottish Government, it is anticipated that the new prohibitions would be the subject of a national advertising campaign - with an estimated budget of £500,000.

Local authorities: The FM summarises possible costs to local authorities under three headings:

- **Assessment and implementation:** The average cost per local authority of auditing streets to identify the need for possible exemptions is assumed to be £25,000 although this could be less if it only requires a desktop study.

- **Signage and road marking:** No likely average cost per local authority for new signage and road markings is provided, although the financial memorandum highlights that "Whilst detailed costs across City of Edinburgh Council's entire network are not currently available, the local authority does not envisage full implementation costs for these measures to exceed £150,000."
- **Enforcement:** Start-up costs associated with enforcement will vary, dependent on whether an authority already has decriminalised parking enforcement powers, while ongoing costs will be dependent on staff numbers. In addition to costs, enforcement activity will also generate income, although the amounts generated will vary based on location and the intensity of enforcement activity. The financial memorandum highlights that "In relation to off-setting any implementation and enforcement costs, City of Edinburgh Council has indicated that any signage and marking costs will be met by the revenue generated by its decriminalised parking enforcement regime."

Other bodies/individuals and businesses: The FM Memorandum outlined that there would be no cost implications for other bodies, individuals and businesses.

22. A summary of the responses to the Committee's call for views on the FM is attached at **Annexe A**.

**Committee clerks
November 2018**

Transport (Scotland) Bill Financial Memorandum**Summary of issues raised in the responses to the call for views****Introduction**

1. The Committee received 11 responses to the call for views from the following organisations:
 - [Aberdeen City Council \(47KB pdf\)](#)
 - [Living Streets Scotland \(66KB pdf\)](#)
 - [Confederation of Passenger Transport Scotland \(48KB pdf\)](#)
 - [Aberdeenshire Council \(169KB pdf\)](#)
 - [South Ayrshire Council \(149KB pdf\)](#)
 - [East Ayrshire Council \(152KB pdf\)](#)
 - [Society of Chief Officers of Transportation in Scotland \(SCOTS\) \(140KB pdf\)](#)
 - [TACTRAN \(189KB pdf\)](#)
 - [South Lanarkshire Council \(150KB pdf\)](#)
 - [Cycling Scotland \(161KB pdf\)](#)
 - [Road Haulage Association \(140KB pdf\)](#)
2. Respondents raised a number of issues including the cost of developing and operating Low Emission Zones (LEZs) and the costs on enforcing pavement parking and double parking bans and the costs on bus operators set out in the Financial Memorandum (FM).

Low Emission Zones (LEZs)

3. Aberdeen City Council stated that the FM does not accurately reflect the cost of developing, implementing and enforcing a LEZ which will include substantial traffic management costs in addition to back office, staffing and camera costs. The Council believed that the revenue from Penalty Charge Notices (PCNs) would not be sufficient to cover all of these costs and that funding to support the implementation of LEZs should be fully funded by the Scottish Government.
4. SCOTS and Tactran both believed that costs associated with implementing LEZs had been grossly underestimated and that there should be adequate up-front funding made available for the implementation of LEZs with the ability for councils to recoup this funding once the enforcement regime income starts to accumulate. In addition, they both state that there may be additional costs as a result of implementing LEZs resulting from the rerouting of traffic, signal amendments, alternative cycling and pedestrian facilities and fleet costs in the area.
5. The Road Haulage Association welcomed the introduction of LEZs however argued that there will be additional costs to hauliers to adopt the new technologies required to meet the restrictions in LEZs and these are not contained in the FM. They also point out that a retrofit

option for HGVs could cost between £11,000 and £25,000 and currently no Commercial Vehicle Retrofit Accreditation Scheme options are available.

6. The Confederation of Passenger Transport (CPT) stated there may well be significant financial implications for its members but it is difficult to know the full extent until further clarification on what the Bill will require from its members is provided.
7. CPT cite the cost to operators in participating in the Bus Emission Abatement Retrofit (BEAR) Programme from the FM which states that BEAR funding should be based upon £25,000 per bus with up to £15,000 allocated for exhaust abatement equipment and up to £10,000 ancillary costs. They believe that the FM does not accurately reflect the fact that bus operators will not be able to bid for 100% funding through the BEAR programme due to State Aid rules and will therefore face “huge costs” to cover the shortfall.

Pavement parking and double parking

8. Aberdeen City Council did not believe that the implementation, administration and enforcement costs associated with pavement parking and double parking would be covered by revenue generated by PCNs and said that there would be an expectation that the additional costs would be met by the Scottish Government through the annual Local Government funding settlement.
9. South Ayrshire Council and East Ayrshire Council also stated that there will be a financial burden relating to the enforcement of pavement parking and double parking elements of the Bill. They also believed that making local exemptions could mean that the costs could escalate substantially from those estimates contained in the FM. They state that the FM used a limited sample to determine the costs of implementing local exemptions and that the figure of £25,000 is substantially understated. This point was also made by South Lanarkshire Council.
10. Aberdeenshire Council, South Ayrshire Council and East Ayrshire Council all question the methodology used in the FM relating to pavement and double parking. They say that the financial assumptions being based on 2 different types of local authority is not a robust method of estimating costs across the country. Aberdeenshire Council argued that the Scottish Government/Transport Scotland should engage with COSLA and SCOTS/ATCO to undertake a more robust exercise and South Ayrshire Council and East Ayrshire Council suggest that further work should be done on the costs to local authorities in relation to local exemptions once Transport Scotland publishes its Parking Standard Document.
11. Aberdeenshire Council stated that the figures within the FM on pavement and double parking do not reflect those that were provided by Aberdeenshire Council. South Lanarkshire said that the financial costs to councils on enforcing parking bans have not been accurately reflected in the FM, which assumes that those local authorities already undertaking decriminalised parking enforcement cost will be at a minimum.
12. SCOTS and Tactran both state that additional resources will be required to enforce pavement parking bans and suggest that the resources required to promote and administer exemption orders do not appear to have been quantified.
13. Living Streets Scotland, however, believed that the set up costs for pavement parking and double parking will be relatively low and local authorities should be questioned if they say the cost of implementing would be higher than in the FM. They also suggest that income from penalty notices related to pavement parking should be monitored in order to measure the effectiveness of the legislation. They state that the costs of a national ban should be met by the Scottish Government.

14. Cycling Scotland made the point that, although there are costs associated with enforcing the new parking restrictions, it is important that these restrictions are enforced to help protect and improve road conditions for all users, and particularly for vulnerable road users.

Finance and Constitution Committee

28th Meeting, 2018 (Session 5), Wednesday 14 November 2018 The Budget (Scotland) Act 2018 Amendment Regulations 2018 [draft]

Introduction

1. The purpose of this paper is to set out background and procedural information for the Committee's scrutiny of the Budget (Scotland) Act 2018 Amendment Regulations 2018 [draft] ("the Regulations"). Copies of the Regulations and the accompanying Autumn Budget Revision (ABR) document are available via the following links—

- [The Budget \(Scotland\) Act 2018 Amendment Regulations 2018](#)
- [Autumn Budget Revision](#)

2. Briefings on the Regulations and ABR have been prepared by the Financial Scrutiny Unit in SPICe, and by the Scottish Government. These briefings are attached as **Annexes A and B** respectively.

Purpose of the Regulations and the scrutiny procedure

3. The Regulations were laid on 27 September and amend the Budget Scotland Act 2018 which authorised the Scottish Government's spending plans for the current financial year. The ABR provides supporting information on the revised spending plans for which the Scottish Government is seeking Parliamentary approval.

4. The Regulations are subject to the affirmative procedure under Rule 10.6 of Standing Orders. Under this procedure, the Parliament has a 40 day period in which to consider the Regulations, including consideration by a lead committee and the Delegated Powers and Law Reform Committee (DPLRC). The DPLRC considered the Regulations at its meeting on 23 October 2018 and had no issues to report.

5. As lead committee for the Regulations, the Committee will be asked to consider the following motion from the Minister for Public Finance and Digital Economy—

- S5M-14433—That the Finance and Constitution Committee recommends that the Budget (Scotland) Act 2018 Amendment Regulations 2018 [draft] be approved.

6. During formal consideration of the motion, Standing Orders provide that only the Minister and Members may participate in the debate. In order to inform the Committee's consideration of the motion, there will therefore be an opportunity to take evidence on the Regulations from the Minister and her officials before moving to formal consideration of the motion.

7. The deadline by which the Finance and Constitution Committee must report on the Regulations is 21 November.

Clerk to the Committee, November 2017

Autumn Budget Revision 2018-19

Introduction

The 2018-19 Autumn Budget Revision (ABR) amends the Budget (Scotland) Act 2018 which authorises the Scottish Government's spending plans for the financial year 2018-19. Details of the proposed changes are set out in the [2018-19 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2019](#) published on 27 September 2018. The Scottish Government has also produced a Brief Guide to the 2018-19 Autumn Budget Revision.

The proposed changes detailed in the ABR result in an increase in the approved budget of £7.3 million from £40,498.6 million to £40,505.9 million. The ABR seeks parliamentary approval for these changes.

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

- Funding changes since the passage of the Budget Bill amounting to a net increase in the budget of £32.1 million.
- A net decrease to the budget of £31.2 million from technical adjustments.
- Net Whitehall transfers and HM Treasury allocations to the Scottish budget of £6.5 million.
- The transfer of resources between Scottish Government portfolios of (-£0.1 million due to rounding).

A summary of the proposed changes by portfolio is presented in table 1.3 of the ABR. The total effect of these revisions by type are presented in the table below, reproduced from the Scottish Government's Brief Guide to the 2018-19 Autumn Budget Revision.

Table 1: Autumn Budget Revision changes by type

2018-19 Budget Approved at the Budget Bill		40,498.6
<u>FUNDING CHANGES</u>		
Health and Sport		
EU Exit Funding	2.1	
	<hr/>	2.1
Finance, Economy & Fair Work		
EU Exit Funding	3.6	
To SFT for <i>Schools for the Future</i>	1.1	
	<hr/>	4.7
Education and Skills		
Raising Attainment	4.0	
EU Exit Funding	0.4	
	<hr/>	4.4
Justice		
EU Exit Funding	0.7	
	<hr/>	0.7
Environment, Climate Change & Land Reform		
EU Exit Funding	4.0	
	<hr/>	4.0
Rural Economy		
EU Exit Funding	9.2	
	<hr/>	9.2
Transport, Infrastructure & Connectivity		
EU Exit Funding	0.9	
	<hr/>	0.9

Administration			
EU Exit Funding	4.8		
		<hr/>	4.8
Crown Office and Procurator Fiscal			
EU Exit Funding	0.2		
		<hr/>	0.2
Scottish Courts and Tribunals Service			
EU Exit Funding	0.1		
		<hr/>	0.1
Food Standards Scotland			
EU Exit Funding	0.9		
		<hr/>	0.9
Forestry Commission (Scotland)			
EU Exit Funding	0.1		
		<hr/>	0.1
			<hr/>
			32.1
<u>WHITEHALL TRANSFERS / ALLOCATIONS</u>			
Education & Skills			
To SFC for Research & Innovation	4.8		
		<hr/>	4.8
Finance, Economy & Fair Work			
Single Gateway Project	0.5		
		<hr/>	0.5
Communities & Local Government			
Dundee to Stanstead PSO	0.9		
		<hr/>	0.9
Culture, Tourism & External Affairs			

Edinburgh Festival Fringe	0.1	
Edinburgh International Culture Summit	0.1	
	0.2	
National Records of Scotland		
Sham Marriages	0.1	
	0.1	
		6.5
<u>TECHNICAL ADJUSTMENTS</u>		
Finance, Economy & Fair Work		
Interest and repayments on Capital borrowing – transferred to the Scottish Consolidated Fund	(31.0)	
	(31.0)	
Justice		
Utilisation of NDPB cash reserves – Risk Management Authority	(0.2)	
	(0.2)	
		(31.2)
<u>NET TRANSFERS WITHIN SCOTTISH BLOCK</u>		(0.1)
Proposed Budget following Budget Autumn Revision		40,505.9

This briefing raises some areas for discussion with the Minister.

Funding changes

Funding changes included in the ABR total £32.1 million. The Brief Guide states that these are ‘mainly’ sourced from Barnett consequentials, the Reserve and additional tax receipts, although no split is given. Members may wish a breakdown of the split between Barnetts, the Reserve and additional tax receipts and what is meant by ‘mainly’. It is not clear, for example, what tax receipts are involved in providing these additional budget allocations.

Three funding changes are made. The first relates to £27 million allocated across portfolios and bodies in relation to the allocation of EU Exit consequential (see table 1). The second allocates an additional £4 million to the Education and Skills portfolio for Raising Attainment and the third change of £1.1 million is allocated to the Scottish Futures Trust for the “Scotland’s Schools for the Future” programme.

Whitehall transfers

There are six Whitehall transfers in the ABR. These have a net positive impact on the Scottish Budget of £6.5 million. The explanation for each of these provided in the Brief Guide is as follows:

- There are Barnett consequential of £4.8 million from HM Treasury in respect of Research and Innovation passed directly onto the Scottish Funding Council;
- £0.5 million from the Department for Work & Pensions in respect of the Single Gateway Project to the Finance, Economy & Fair Work portfolio;
- £0.9 million from the Department for Transport in respect of the Dundee to Stanstead public service obligation to the Communities & Local Government portfolio;
- £0.1 million from the Department for Culture, Media and Sport for the Edinburgh Festival Fringe;
- £0.1 million from HM Treasury for the Edinburgh International Culture Summit; and
- £0.1 million transfer from the Home Office for Sham Marriages.

Members may wish further information on some of these Whitehall transfers.

Technical transfers

There is one main and one minor technical adjustment in the ABR which total a net reduction in the budget of £31.2 million. The Supporting Document and Brief Guide provides some further background on these which it states “are essentially budget neutral and do not provide additional spending power for the Scottish Government.”

The Brief Guide describes the main technical adjustment thus:

“The Autumn Budget Revision reflects a technical adjustment of -£31.0 million to remove the budget for interest and repayments of Scottish Government borrowing from the Finance, Economy & Fair Work portfolio.

The rules governing Scottish Government borrowing are set out in legislation. Section 66 of Scotland Act 1998 (as amended through SA 2012 and SA 2016) enables Scottish Ministers to borrow from the Secretary of State. Subsection 66(2) explicitly states that amounts required for the repayment of principal and payment of interest on sums borrowed under this section are to be charged on the Scottish Consolidated Fund. This means that they are a prior call on the funding before the drawdown to fund Scottish Government expenditure set out in the Budget Act, as authorised by the Scottish Parliament. This budget should therefore be removed from Scottish Budgets and administered centrally.”

Many of the Technical budget changes presented in the Budget Revisions are accounting adjustments with no impact on spending power and might be described as “budget neutral”. However, this is not the case in this example, as it represents an actual cost to the budget for the interest and repayments of Scottish Government borrowing. In effect, this change means that interest and borrowing payments are essentially being ringfenced.

The Brief Guide states that “we recognise this is a notable change in the way the budget for borrowing costs is presented and will ensure that documentation transparently reports this budget going forward.”

- Members may wish to pursue with the Scottish Government plans to transparently report this budget in the future.

The other much smaller technical adjustment relates to the minor adjustment made to allow the Risk Management Authority to access cash reserves (£-0.2m).

- Members may wish for additional information on why this change is required.

Internal transfers

Although not impacting on the overall aggregate Scottish Budget, there are a number of internal transfers between portfolios. The most financially significant of these transfers identified by the Scottish Government (presented on p2 of the supporting document) are as follows:

- transfer from Health & Sport to Education & Skills in respect of nursing and midwifery education (£58.0 million);
- transfer from Transport, Infrastructure & Connectivity to Finance, Economy & Fair Work for Digital Strategy (£32.6 million)
- transfer from Social Security & Older People to Communities & Local Government for Bedroom Tax (£52.1 million)
- transfer from Social Security & Older People to Communities & Local Government for delivery of the Scottish Welfare Fund (£37.9 million)
- transfer from Social Security & Older People to Communities & Local Government for mitigation of welfare reforms (£12.1 million); and
- transfer from Transport, Infrastructure & Connectivity to the Forestry Commission for the Strategic Timber Transport Scheme (£5.0m).

Notable transfers and points of interest contained in the ABR are presented by portfolio below. Members may wish further information on some of these.

Education and Skills

The Children’s and Families budget (p25) includes net outward transfers of £40.1 million. £24.1 million is transferred to Local Authorities to fund Early Learning and Childcare (ELC)

expansion. £12 million is transferred out to ELC to 'realign the budgets to the new Directorate structure'. There are also a couple of smaller movements including £1.8 million in 'miscellaneous minor transfers'.

There are movements into the Higher Education Student Support budget (p27) totalling £28.3 million, which may be of interest. For example, £16.8 million from the SFC budget to fund additional student places for widening access. Members may wish further information on how that money is spent and how many additional student places it might fund.

Communities and Local Government

There are a number of movements in and out of the Housing budget on p53. £23.5 million is transferred out to Local Government support the Homeless and £12.1 million is transferred in 'to fund wider mitigation of UK Welfare reform'. Members may wish additional details on these.

Transparency

The Brief Guide states that "to aid transparency in response to the recommendations of the Budget Scrutiny Review Group. Tables, 1.8 (a) and (b) provide details of the sources of funding that support the changes applied and the movement on available resources."

Table 1.8b is straightforward and essentially highlights the top level proposed changes by category and the net impact in the ABR.

Table 1.8a presents the mid-year 2018-19 position of the Scotland Reserve. It shows that, after various in-year movements, at the point of ABR publication (September 2018) there is £197.7 million 'available for future deployment'.

This differs slightly to the position presented recently in the Fiscal Framework Outturn Report (FFOR) which had a residual balance at the end of financial year 2017-18 of £192 million. In 2018-19 there has been an additional £37.4 million received in Barnett consequentials, £32.1 million of which have been deployed in the ABR.

Whilst recognising there will always be in-year movements in the Scotland Reserve, members may wish to explore if future iterations of the ABR Brief Guide or Supporting documents should include more of a supporting narrative around this table, setting out how and why it differs from the numbers contained in the FFOR.

Ross Burnside, Financial Scrutiny Unit, November 2018

ANNEXE B: SCOTTISH GOVERNMENT

A BRIEF GUIDE TO THE 2018-19 AUTUMN BUDGET REVISION (ABR)

Background

1. The Autumn 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 and a Spring Budget Revision.

Autumn Budget Revision

3. The Autumn Budget Revision is routine Parliamentary business that proposes amendments to better align the Government's budget with its planned spending profile. The aim of the Brief Guide to the Autumn Budget Revision is to explain the main changes to the Budget since the approval of the Budget Act, and give some further background on why the changes have been made.
4. The changes proposed in the Autumn Budget Revision result in an increase in the approved budget of £7.3 million from £40,498.6 million to £40,505.9 million.
5. The changes to the Budget are broken down in to four main areas:
 - Funding Changes which have arisen since the Budget Bill (£32.1 million)
 - Whitehall Transfers (£6.5 million)
 - Technical Changes (-£31.2 million)
 - Transfers between Scottish Government Portfolios (budget neutral but shows as -£0.1m due to rounding)

Funding Changes (£32.1m)

6. Funding changes mainly represent additional budget that provides spending power within portfolios and programmes. The additional funding is mainly sourced from Barnett consequentials, the Reserve and additional tax receipts.
7. The net impact of the three funding changes on the Scottish Budget is an increase of £32.1 million. The first of these changes is to allocate £27m to various portfolios and bodies in respect of the allocation of EU Exit consequentials, the second is to allocate £4m to the Education & Skills portfolio for Raising Attainment and a final transfer of £1.1m is allocated to the Scottish Futures Trust for *Scotland's Schools for the Future* programme, giving net additional funding of £32.1m.

Whitehall Transfers / Allocations from HM Treasury (£6.5 million)

8. There are six minor Whitehall Transfers recognised as part of the Autumn Budget Revision. Barnett consequentials of £4.8 million from HM Treasury in respect of Research and Innovation passed directly onto the Scottish Funding Council; £0.5m from the Department for Work & Pensions in respect of the Single Gateway Project to the Finance, Economy & Fair Work portfolio, £0.9m from the Department for Transport in respect of the Dundee to Stanstead public service obligation to the Communities & Local Government portfolio, £0.1m from the Department for Culture, Media & Sport for the Edinburgh Festival Fringe, £0.1m from HM Treasury for the Edinburgh International Culture Summit, and a £0.1m transfer from the Home Office for Sham Marriages.

Technical Adjustments (-£31.2 million)

9. In line with past years, the Autumn Budget Revision recognises technical changes which are essentially budget neutral and do not provide additional spending power for the Scottish Government.
10. The Autumn Budget Revision reflects a technical adjustment of -£31.0 million to remove the budget for interest and repayments of Scottish Government borrowing from the Finance, Economy & Fair Work portfolio. The rule governing Scottish Government borrowing are set out in legislation. Section 66 of Scotland Act 1998 (as amended through SA 2012 and SA 2016) enables Scottish Ministers to borrow from the Secretary of State. Subsection 66(2) explicitly states that amounts required for the repayment of principal and payment of interest on sums borrowed under this section are to be charged on the Scottish Consolidated Fund. This means that they are a prior call on the funding before the drawdown to fund Scottish Government expenditure set out in the Budget Act, as authorised by the Scottish Parliament. This budget should therefore be removed from Scottish Budgets and administered centrally. The application of these funds will be reported through the Consolidated Fund Accounts and the Budget supporting document will show the detail of the centrally managed budget for this going forward. The build-up of annual payments and associated ageing of the debt stock will also be published each year in the Scottish Government's annual accounts. We recognise this is a notable change in the way the budget for borrowing costs is presented and will ensure that documentation transparently reports this budget going forward. In addition, a minor adjustment has been made to allow the Risk Management Authority to access cash reserves (£-0.2m).

Internal Transfers

11. There are a number of internal transfers within the Scottish Block as part of the Autumn Budget Revision process to assist robust internal budget monitoring. Virement between and within portfolios is a "zero-sum" approach. Annex B provides details of the main internal transfers, over £5.0 million, between portfolios.

Table 2: Summary of Revisions by type

Change Type	Expenditure Limit	UK Funded AME	Other	Total
	£m	£m	£m	£m
Funding Changes	32.1	-	-	32.1
Whitehall Transfers	6.5	-	-	6.5
Technical Changes	-31.2	-	-	-31.2
Scottish Block Transfers	-0.1	-	-	-0.1
Total Changes	7.3	-	-	7.3

Transparency

12. To aid transparency in response to the recommendations of the Budget Scrutiny Review Group. Tables, 8 (a) and (b) provide details of the sources of funding that support the changes applied and the movement on available resources.

Scottish Government

Finance Co-ordination

October 2018

Annex A – Summary of Changes from Budget Bill

2018-19 Budget Approved at the Budget Bill		40,498.6
<u>FUNDING CHANGES</u>		
Health and Sport		
EU Exit Funding	2.1	
		2.1
Finance, Economy & Fair Work		
EU Exit Funding	3.6	
To SFT for <i>Schools for the Future</i>	1.1	
		4.7
Education and Skills		
Raising Attainment	4.0	
EU Exit Funding	0.4	
		4.4
Justice		
EU Exit Funding	0.7	
		0.7
Environment, Climate Change & Land Reform		
EU Exit Funding	4.0	
		4.0
Rural Economy		
EU Exit Funding	9.2	
		9.2
Transport, Infrastructure & Connectivity		
EU Exit Funding	0.9	
		0.9
Administration		
EU Exit Funding	4.8	
		4.8
Crown Office and Procurator Fiscal		

EU Exit Funding	0.2	
	<hr/>	0.2
Scottish Courts and Tribunals Service		
EU Exit Funding	0.1	
	<hr/>	0.1
Food Standards Scotland		
EU Exit Funding	0.9	
	<hr/>	0.9
Forestry Commission (Scotland)		
EU Exit Funding	0.1	
	<hr/>	0.1
		<hr/> 32.1
<u>WHITEHALL TRANSFERS / ALLOCATIONS</u>		
Education & Skills		
To SFC for Research & Innovation	4.8	
	<hr/>	4.8
Finance, Economy & Fair Work		
Single Gateway Project	0.5	
	<hr/>	0.5
Communities & Local Government		
Dundee to Stanstead PSO	0.9	
	<hr/>	0.9
Culture, Tourism & External Affairs		
Edinburgh Festival Fringe	0.1	
Edinburgh International Culture Summit	0.1	
	<hr/>	0.2
National Records of Scotland		
Sham Marriages	0.1	
	<hr/>	0.1
		<hr/> 6.5
<u>TECHNICAL ADJUSTMENTS</u>		

Finance, Economy & Fair Work	
Interest and repayments on Capital borrowing – transferred to the Scottish Consolidated Fund	(31.0)
	<u>(31.0)</u>
Justice	
Utilisation of NDPB cash reserves – Risk Management Authority	(0.2)
	<u>(0.2)</u>
	<u>(31.2)</u>
<u>NET TRANSFERS WITHIN SCOTTISH BLOCK</u>	(0.1)
Proposed Budget following Budget Autumn Revision	<u>40,505.9</u>

Annex B - Details of inter-Portfolio Transfers over £5 million

Health & Sport

- Transfer to Education and Skills portfolio for nursing and midwifery education (£58.0 million)

Education and Skills

- Transfer from Health in respect of nursing and midwifery education (£58.0 million)

Finance, Economy and Fair Work

- Transfer from Transport, Infrastructure & Connectivity for Digital Strategy function (£32.6 million)

Transport, Infrastructure & Connectivity

- Transfer of responsibility for Digital Strategy function to Finance, Economy & Fair Work (£32.6 million)
- Transfer to the Forestry Commission for the Strategic Timber Transport Scheme (£5.0 million)

Social Security & Older People

- Transfer to Communities & Local Government for the payments of Bedroom Tax mitigation made via local authorities (£50.1 million)
- Transfer to Communities & Local Government for the delivery of the Scottish Welfare Fund made via local authorities (£37.9 million)
- Transfer to Communities & Local Government for mitigation of welfare reforms made via local authorities (£12.1 million)

Communities & Local Government

- Transfer from Social Security & Older People for the Bedroom Tax (£50.1 million plus transfer from Housing £2 million, combined in supporting document to show total of £52.1 million)
- Transfer from Social Security & Older People for the delivery of the Scottish Welfare Fund (£37.9 million)
- Transfer from Social Security & Older People for mitigation of welfare reforms (£12.1 million)

Forestry Commission

- Transfer from Transport, Infrastructure & Connectivity for the Strategic Timber Transport Scheme (£5.0 million)