



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE AND CONSTITUTION COMMITTEE

AGENDA

25th Meeting, 2019 (Session 5)

Wednesday 6 November 2019

The Committee will meet at 9.30 am in the David Livingstone Room (CR6).

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.
2. **Subordinate legislation:** The Committee will take evidence on the Budget (Scotland) Act 2019 Amendment Regulations 2019 [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-19330—That the Finance and Constitution Committee recommends that the Budget (Scotland) Act 2019 Amendment Regulations 2019 [draft] be approved.
4. **Pre-Budget Scrutiny 2020/21:** The Committee will consider a draft report on its Pre-Budget Scrutiny 2020/21.

Jim Johnston
Clerk to the Finance and Constitution Committee
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The Scottish Parliament
Edinburgh
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The papers for this meeting are as follows—

Agenda Item 2 and 3

Cover Note

FCC/S5/19/25/1

Agenda Item 4

PRIVATE PAPER

FCC/S5/19/25/2
(P)

Finance and Constitution Committee

25th Meeting, 2019 (Session 5), Wednesday 6 November 2019 The Budget (Scotland) Act 2019 Amendment Regulations 2019 [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 2019 Amendment Regulations 2019 [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 2019 Amendment Regulations 2019](#)
- [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 26 September and amend the Budget Scotland Act 2019 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 8 October 2019 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-19330—That the Finance and Constitution Committee recommends that the Budget (Scotland) Act 2019 Amendment Regulations 2019 [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 20 November.

Committee Clerks, November 2019



Finance and Constitution Committee

Autumn Budget Revision 2019-20

Introduction

The 2019-20 Autumn Budget Revision (ABR) amends the Budget (Scotland) Act 2019 which authorises the Scottish Government's spending plans for the financial year 2019-20. Details of the proposed changes are set out in the [2019-20 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2020](#) published on 26 September 2019. The Scottish Government has also produced a Brief Guide to the 2019-20 Autumn Budget Revision.

The proposed changes detailed in the ABR result in an increase in the approved budget of £536.9 million from £42,557.9 million to £43,094.8 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 £497.1million.
- Net Whitehall transfers to the Scottish budget of £13.1 million.
- A net increase to the budget of £26.9 million from technical adjustments.
- The transfer of resources between Scottish Government portfolios of (-£0.2 million due to rounding).

A summary of the proposed changes by portfolio is presented in table 1.2 of the ABR. The total effect of these revisions by type are presented in Annex 1 of this paper, reproduced from the Scottish Government's Brief Guide to the 2019-20 Autumn Budget Revision.

This briefing raises some areas for discussion with the Minister.

The Reserve balance

Table 1.7a reports on the Scotland Reserve. The Reserve balance brought forward from 2018-19 is shown as £567.5 million.

The table then lists the Barnett consequentials which have arisen from UK fiscal events, as well as carry forwards or underspends from 2018-19.

Incomings and outgoings in the Reserve from the various factors listed in table 1.7a mean that according to the ABR the Scottish Government is forecasting a Reserve balance for deployment later in the current financial year at the Spring Budget Revision (SBR) of £443.4 million.

Whilst recognising there will always be in-year movements in the Scotland Reserve, it might be helpful if future iterations of the ABR Brief Guide or Supporting documents include more of a supporting narrative around table 1.7a, setting out how and why it differs from the numbers contained in the Fiscal Framework Outturn Report (FFOR) published in September.

The “Reserve” numbers presented in Table 1.7 (a) show a moving picture of the total funding available to the Scottish Government. It starts with the position announced (by the Cabinet Secretary) in June alongside the Provisional Outturn Statement and go on to indicate changes since then e.g. addition of Barnett consequentials and underspend, reduced by any funding deployed either as part of the 2019-20 Budget Bill or the ABR.

The FFOR, however, shows the same provisional outturn position for 2018-19 and the planned drawdown from the Reserve at that time i.e. it doesn't show the amount that has since accrued in 2019-20 from Barnett consequentials or any allocation of such.

Funding changes

Funding changes included in the ABR total £497.1 million and represent additional spending power for the Scottish budget.

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 from the document, for example, what tax receipts are involved in providing these additional budget allocations.

Four funding changes are made.

£330.1 million is allocated to public bodies to “cover **most** [my emphasis] of the costs incurred by public bodies as a result of the increase to employer pensions contributions from April 2019.” It is not clear what is meant by “most” in this context – ie how much over and above the £330.1 million was needed to fund the rest of the costs incurred from the increase to employer pensions contributions? HM Treasury provided £269.9 million of the costs of the increase to employer pensions contributions.

£141.0 million is allocated to the Communities and Local Government portfolio for funding the Teachers pay settlement agreed in March 2019.

£17.0 million from Financial Transactions monies is allocated to the Transport, Infrastructure and Connectivity portfolio for the Low Carbon Transport Loan Fund.

£9.0 million is allocated to the Environment, Climate Change and Land Reform portfolio Peatland restoration.

Whitehall transfers

There are seven Whitehall transfers in the ABR. These have a net positive impact on the Scottish Budget of £13.1 million. The explanation for each of these provided in the Brief Guide is as follows:

- £3.9 million in Machinery of Government transfers from HM Treasury for Money Advice Service;
- £2.1 million in Machinery of Government transfers from the Department for Work and Pensions for Sure Start Maternity Grant following the devolution of these functions;
- £0.5 million from the Department for Work and Pensions for the Single Gateway Project;
- £0.3 million from BEIS (Business, Energy and Industrial Strategy) in respect of GovTech Catalyst funding;
- Two transfers from the Cabinet office of £1.3 million and £0.2 million for Cyber Security; and
- £4.8 million from DEFRA for Forestry Commission UK Cross-Border Functions.

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

Technical transfers

There are three technical adjustment in the ABR which total a net increase in the budget of £26.9 million. The Supporting Document and Brief Guide states these “are essentially budget neutral and do not provide additional spending power for the Scottish Government.”

Members may wish further information on these changes which are as follows:

- A transfer of £17.8 million to adjust the Motorways and Trunk Roads PPP/PFI budget;
- £9.0 million to adjust the budget for voted loans repayments to the National Loans Fund (NLF) made by Scottish Water
- £0.1 million to allocate additional non-cash cover to the Rural Economy budget

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 Education & Skills to Local Government for school counselling and integration (£120 million)

- transfer from Health & Sport to Education & Skills in respect of nursing and midwifery education (£60.0 million);
- transfer from Social Security & Older People to Communities & Local Government for Bedroom Tax (£64.4 million)
- transfer from Social Security & Older People to Communities & Local Government for delivery of the Scottish Welfare Fund (£37.9 million)
- transfer from Finance, Economy & Fair Work to the Communities & Local Government for the Winchburgh development (£8.5 million); and
- transfer from Health & Sport to Education & Skills in respect of Clinical Academic and Senior Academic GP Salaries (£6.0 million).

Annex B of the Brief Guide provides a helpful summary of inter-portfolio transfers over £5 million. Members may wish further information on some of these.

Ross Burnside, Financial Scrutiny Unit, October 2019

Annex 1: Autumn Budget Revision changes by type

2019-20 Budget Approved at the Budget Bill		42,557.9
<u>FUNDING CHANGES</u>		
Health and Sport		
Additional funding for the increase in employer pension contributions	207.7	
		207.7
Communities & Local Government		
Teachers pay settlement	141.0	
Additional funding for the increase in employer pension contributions	60.8	
		201.8
Finance, Economy and Fair Work		
Additional funding for the increase in employer pension contributions	0.5	
		0.5
Education and Skills		
Additional funding for the increase in employer pension contributions	12.2	
		12.2
Justice		
Additional funding for the increase in employer pension contributions	29.3	
		29.3
Transport Infrastructure and Connectivity		
Low Carbon Transport Loan Fund	17.0	
Additional funding for the increase in employer pension contributions	0.8	
		17.8
Environment, Climate Change and Land Reform		
Peatland restoration	9.0	

Additional funding for the increase in employer pension contributions	1.5	
		<hr/> 10.5
Rural Economy		
Additional funding for the increase in employer pension contributions	1.3	
		<hr/> 1.3
Culture, Tourism and External Affairs		
Additional funding for the increase in employer pension contributions	3.7	
		<hr/> 3.7
Social Security and Older People		
Additional funding for the increase in employer pension contributions	0.2	
		<hr/> 0.2
Crown Office and Procurator Fiscal Service		
Additional funding for the increase in employer pension contributions	3.7	
		<hr/> 3.7
National Records of Scotland		
Additional funding for the increase in employer pension contributions	0.6	
		<hr/> 0.6
Office of the Scottish Charity Regulator		
Additional funding for the increase in employer pension contributions	0.1	
		<hr/> 0.1
Scottish Courts and Tribunals Service		
Additional funding for the increase in employer pension contributions	6.1	
		<hr/> 6.1
Revenue Scotland		

Additional funding for the increase in employer pension contributions	0.1	
		0.1
Food Standards Scotland		
Additional funding for the increase in employer pension contributions	0.3	
		0.3
Scottish Housing Regulator		
Additional funding for the increase in employer pension contributions	0.1	
		0.1
Scottish Parliament Corporate Body		
Additional funding for the increase in employer pension contributions	1.1	
		1.1
		497.1
<u>WHITEHALL TRANSFERS / ALLOCATIONS</u>		
Communities and Local Government		
Cyber Security	0.2	
		0.2
Finance, Economy & Fair Work		
Money Advice Scotland	3.9	
Single Gateway Project	0.5	
		4.4
Environment, Climate Change and Land Reform		
GovTech Catalyst funding	0.3	
		0.3
Justice		
Cyber Security	1.3	
		1.3

Rural Economy		
Forestry Commission UK Cross-Border Functions	4.8	
	4.8	
Social Security and Older People		
Surestart Maternity Grant	2.1	
	2.1	
		13.1
<u>TECHNICAL ADJUSTMENTS</u>		
Transport, Infrastructure and Connectivity		
Adjustment to PPP/PFI Payments	17.8	
	17.8	
Environment, Climate Change and Land Reform		
Adjustment to voted loans repayments	9.0	
	9.0	
Rural Economy		
Non-cash adjustment	0.1	
	0.1	
		26.9
<u>NET TRANSFERS WITHIN SCOTTISH BLOCK</u>		(0.2)
Proposed Budget following Budget Autumn Revision		43,094.8

ANNEXE B: SCOTTISH GOVERNMENT

A BRIEF GUIDE TO THE 2019-20 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 Scottish Budget. 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 £536.9 million from £42,557.9 million to £43,094.8 million.
5. The changes to the Budget are broken down in to four main areas:
 - Funding Changes which have arisen since the Budget Bill (£497.1 million)
 - Whitehall Transfers (£13.1 million)
 - Technical Adjustments (net increase to the budget of £26.9 million)
 - Transfers between Scottish Government Portfolios (budget neutral but shows as -£0.2m due to roundings)

Funding Changes (£497.1 million)

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 four funding changes on the Scottish Budget is an increase of £497.1 million. The first of these changes is to allocate £330.1m, £269.9m of which was received in specific consequentials from HM Treasury, to public bodies to cover most of

the costs incurred by public bodies as a result of the increase to employer pensions contributions from April 2019, the second is to allocate £141.0m to the Communities and Local Government portfolio for funding the Teachers pay settlement, the third is to allocate £17.0m of Financial Transactions to the Transport Infrastructure and Connectivity portfolio for the Low Carbon Transport Loan Fund, and a final transfer of £9.0m is allocated to the Environment, Climate Change and Land Reform portfolio for Peatland restoration.

Whitehall Transfers / Allocations from HM Treasury (£13.1 million)

8. There are six minor Whitehall Transfers recognised as part of the Autumn Budget Revision. Machinery of Government transfers of £3.9 million from HM Treasury for Money Advice Service and £2.1 million from Department for Work and Pensions for Sure Start Maternity Grant following devolution of functions, £0.5 million from the Department for Work and Pensions for the Single Gateway Project, £0.3 million from BEIS in respect of GovTech Catalyst funding, two transfers from the Cabinet Office of £1.3 million and £0.2 million both for Cyber Security and £4.8 million from DEFRA for Forestry Commission UK Cross-Border Functions.

Technical Adjustments (£26.9 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 net technical adjustment of £26.9 million. This includes a transfer of £17.8 million to adjust the Motorways and Trunk Roads PPP/PFI budget, £9.0 million to adjust the budget for voted loans repayments to the NLF made by Scottish Water and £0.1 million to allocate additional non cash cover to the Rural Economy budget.

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	497.1	-	-	497.1
Whitehall Transfers	13.1	-	-	13.1
Technical Changes	6.3	-0.8	21.4	26.9
Scottish Block Transfers	-0.2	-	-	-0.2
Total Changes	526.3	-0.8	11.4	536.9

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 2019

Annex A – Summary of Changes from Budget Bill

2019-20 Budget Approved at the Budget Bill	42,557.9
<u>FUNDING CHANGES</u>	
Health and Sport	
Additional funding for the increase in employer pension contributions	207.7
	<hr/> 207.7
Communities & Local Government	
Teachers pay settlement	141.0
Additional funding for the increase in employer pension contributions	60.8
	<hr/> 201.8
Finance, Economy and Fair Work	
Additional funding for the increase in employer pension contributions	0.5
	<hr/> 0.5
Education and Skills	
Additional funding for the increase in employer pension contributions	12.2
	<hr/> 12.2
Justice	
Additional funding for the increase in employer pension contributions	29.3
	<hr/> 29.3
Transport Infrastructure and Connectivity	
Low Carbon Transport Loan Fund	17.0
Additional funding for the increase in employer pension contributions	0.8
	<hr/> 17.8
Environment, Climate Change and Land Reform	
Peatland restoration	9.0

Additional funding for the increase in employer pension contributions	1.5	
		10.5
Rural Economy		
Additional funding for the increase in employer pension contributions	1.3	
		1.3
Culture, Tourism and External Affairs		
Additional funding for the increase in employer pension contributions	3.7	
		3.7
Social Security and Older People		
Additional funding for the increase in employer pension contributions	0.2	
		0.2
Crown Office and Procurator Fiscal Service		
Additional funding for the increase in employer pension contributions	3.7	
		3.7
National Records of Scotland		
Additional funding for the increase in employer pension contributions	0.6	
		0.6
Office of the Scottish Charity Regulator		
Additional funding for the increase in employer pension contributions	0.1	
		0.1
Scottish Courts and Tribunals Service		
Additional funding for the increase in employer pension contributions	6.1	
		6.1
Revenue Scotland		
Additional funding for the increase in employer pension	0.1	

contributions		<u>0.1</u>	
Food Standards Scotland			
Additional funding for the increase in employer pension contributions	0.3		
		<u>0.3</u>	
Scottish Housing Regulator			
Additional funding for the increase in employer pension contributions	0.1		
		<u>0.1</u>	
Scottish Parliament Corporate Body			
Additional funding for the increase in employer pension contributions	1.1		
		<u>1.1</u>	
			<u>497.1</u>
<u>WHITEHALL TRANSFERS / ALLOCATIONS</u>			
Communities and Local Government			
Cyber Security	0.2		
		<u>0.2</u>	
Finance, Economy & Fair Work			
Money Advice Scotland	3.9		
Single Gateway Project	0.5		
		<u>4.4</u>	
Environment, Climate Change and Land Reform			
GovTech Catalyst funding	0.3		
		<u>0.3</u>	
Justice			
Cyber Security	1.3		
		<u>1.3</u>	
Rural Economy			
Forestry Commission UK Cross-Border Functions	4.8		

	4.8	
Social Security and Older People		
Surestart Maternity Grant	2.1	
	<u>2.1</u>	
		13.1
<u>TECHNICAL ADJUSTMENTS</u>		
Transport, Infrastructure and Connectivity		
Adjustment to PPP/PFI Payments	17.8	
	<u>17.8</u>	
Environment, Climate Change and Land Reform		
Adjustment to voted loans repayments	9.0	
	<u>9.0</u>	
Rural Economy		
Non-cash adjustment	0.1	
	<u>0.1</u>	
		26.9
<u>NET TRANSFERS WITHIN SCOTTISH BLOCK</u>		(0.2)
Proposed Budget following Budget Autumn Revision		43,094.8

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

Health and Sport

- Transfer to Communities and Local Government portfolio to support Health and Social Care integration and school counselling services (£120.0 million)
- Transfer to Education and Skills portfolio in respect of nursing and midwifery education (£60.0 million);
- Transfer to Education and Skills portfolio in respect of Clinical Academic and Senior Academic GP Salaries (£6.0 million)

Communities & Local Government

- Transfer from Health and Sport portfolio to support Health and Social Care integration and school counselling services (£120.0 million);
- Transfer from Social Security and Older People portfolio for Bedroom Tax and Discretionary Housing Payments (£64.4 million in total - £55.1 million to LG and £9.3 million to Housing);
- Transfer from Social Security and Older People portfolio for delivery of the Scottish Welfare Fund (£37.9 million);
- Transfer from Finance, Economy and Fair Work portfolio for the Winchburgh development (£8.5 million)

Finance, Economy and Fair Work

- Transfer to Communities and Local Government portfolio for the Winchburgh development (£8.5 million)

Education and Skills

- Transfer from Health and Sport portfolio in respect of nursing and midwifery education (£60.0 million);
- Transfer from Health and Sport portfolio in respect of Clinical Academic and Senior Academic GP Salaries (£6.0 million)

Transport, Infrastructure & Connectivity

- Transfer to Rural Economy portfolio to fund Wave Energy Scotland (£5.3 million);

Rural Economy

- Transfer From Transport, Infrastructure & Connectivity portfolio to fund Wave Energy Scotland (£5.3 million);

Social Security & Older People

- Transfers to Communities and Local Government portfolio for Bedroom Tax (£64.4 million);
- Transfers to Communities and Local Government portfolio for delivery of the Scottish Welfare Fund (£37.9 million);