

# SCOTTISH BUDGET: 2019-20



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# SCOTTISH BUDGET: 2019-20

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# FOREWORD

## by the Cabinet Secretary for Finance, Economy and Fair Work



This is a budget that prepares our economy for the opportunities of the future, enables the transformation of essential public services, and builds a more inclusive and just society.

It does so in the context of continuing UK austerity, which has reduced our resource block grant by £2 billion in real terms over the last decade and against a backdrop of a UK Government careering toward any Brexit, regardless of the cost.

Despite its promises, the UK Government has not ended austerity. If this year's budget consequential for investment in the NHS are excluded – which given our commitment to pass these on in full to Scottish health and social care services, is reasonable – our 2019-20 resource block grant is £340 million or 1.3 per cent less in real terms than it was in 2018-19.

Against that backdrop, the decisions I have taken in this budget aim to ensure that we not only deliver the public services, social contract and economic investment people expect of us, but that we mitigate the risks of Brexit as best we can, to enable our economy and our country to thrive in any circumstance, now and in the future.

Inevitably, money and effort will need to be spent on preparing our economy and public services for whatever Brexit outcome the UK Government arrives at. While this is frustrating, this budget also helps to prepare our economy for the future whatever our relationship with the EU is. It supports an economy that is more innovative, international and skilled, with the flexibility to adjust to challenges and seize opportunities.

If Brexit can be avoided, those resources currently invested in contingency planning and mitigation can be reinvested into our public services and economy. However, if we face a no deal or cliff-edge Brexit I will have to return to Parliament to reassess our spending priorities.

The budget I am putting forward delivers on the plans set out in 'Delivering for today, investing for tomorrow: the Government's programme for Scotland 2018-19'. It makes a number of strategic long-term investments for Scotland's future, and it uses the full powers of devolution to mitigate cuts, deliver increased spending on key public services and support an innovative, dynamic and increasingly international economy.

We know that greater investment in infrastructure improves quality of life, boosts productivity and makes our country a more attractive place to do business. That is why this Government will increase capital investment by £1.56 billion per year by the

end of the next parliament compared to 2019-20. This budget shows the potential that additional investment can secure. It sets out capital spending of more than £5 billion over the year including: £1.7 billion of investment in our transport infrastructure; more than £825 million towards housing; more than £180 million towards city and region deals; investment in early learning and childcare and school buildings; support for our R100 programme to deliver superfast broadband; and a new £50 million Town Centre Fund to support diversification of our high streets.

Our comprehensive 'Economic Action Plan 2018-20' set out our priorities for growing our economy. We will invest £2 billion over 10 years to capitalise a new Scottish National Investment Bank that will become a transformational pillar of our economy.

To build on our reputation as a country that innovates, pioneers and creates, we will invest over £8 million this year to continue the delivery of the National Manufacturing Institute for Scotland. We have also established an £18 million Advanced Manufacturing Challenge Fund to ensure all parts of Scotland benefit from developments in advanced manufacturing.

To ensure we maintain and build on our international presence and support Scottish business in key export markets we are doubling Scottish Development International's presence in Europe and we are investing £5 million this year as part of a three year, £20 million plan to support more companies to export.

And as we look ahead to the passage of the Climate Change Bill, this budget continues to drive Scotland towards a low carbon economy. We are providing £50 million for low carbon transport measures, including the expansion of electric vehicle charging infrastructure to support the phasing out of new petrol and diesel vehicles by 2032, £80 million for Active Travel and over £145 million investment in energy efficiency and heat decarbonisation.

Business success drives our economy, and provides opportunity for the people of Scotland. Businesses consistently tell me that a stable and competitive tax environment is key to their success. Our proposals deliver a below-inflation cap on business rates increases, ensuring that more than 90 per cent of properties in Scotland will pay a lower poundage than they would in other parts of the UK. This is in addition to the most generous package of reliefs in the UK, worth more than £750 million in 2019-20, including our commitment to lift 100,000 properties out of business rates altogether.

These actions will support businesses, contribute to economic growth, help boost employment and generate the revenues that enable continued investment in public services and the social contract.

This budget also secures our key public services. It prioritises closing the education attainment gap, transforming our NHS and supporting communities with real terms increases in spending. We are also supporting local authorities to continue to deliver high quality public services with £11.1 billion in total support through the local government finance settlement - providing a real terms increase in both resource and capital funding.

Our youngest children will benefit from the roll out of the Best Start Grant under our new social security powers, which provides support for children and families at key points in their early lives.

This budget also supports the landmark increase in early learning and childcare provision with investment in nursery buildings and support for the recruitment of new staff. It backs schools, teachers and pupils with continued investment in the £750 million Attainment Challenge, including £120 million of Pupil Equity Fund money, and it looks to support our young people to fulfil their potential with £12 million of support for mental health provision in our schools. It invests £600 million in colleges and maintains our investment of over £1 billion in universities to develop our future talent and innovation.

Our investment in police and fire services will help to keep our communities safe and our support for measures to tackle poverty and build a fairer and more equal society aims to ensure everyone is able to play their part in Scotland's success.

To do that we will continue to invest in the £50 million Ending Homelessness Together Fund to tackle rough sleeping, and in our £50 million Tackling Child Poverty Fund. We will provide support to those who require it with £435 million of direct assistance delivered through our social security interventions, including investment of nearly £100 million to continue our mitigation of the Bedroom Tax and UK Government welfare cuts. Recognising the challenges faced by the roll-out of Universal Credit this budget includes additional investment to increase the Fair Food Fund, which supports the work of foodbanks, from £1.5 million in 2018-19 to £3.5 million in 2019-20.

Our employment programmes will continue to provide training and advice for those who need it. This will include a new £1 million fund to help those on low incomes benefit from digital skills training.

Ensuring that those on the lowest incomes are able to prosper in our society is a key test for the Scottish Government in all our actions. Last year I introduced a new progressive system of income tax in Scotland, which at the same time raised additional revenue. The decision to do so played a fundamental role in enabling us to deliver on our commitments to invest in public services, particularly the NHS, at the same time as protecting those on low incomes.

As a result of my decisions to provide an inflationary increase in the Starter and Basic Rate Band, along with increases to the Personal Allowance, on current incomes 99 per cent of taxpayers will pay no more than they did last year, and 55 per cent of taxpayers will continue to pay less than in other parts of the UK.

These decisions also deliver for our NHS. In June 2018 the Prime Minister promised an additional £600 million for the Scottish NHS yet the UK Autumn Budget fell £55 million short. As a result, I have used my tax decisions to ensure Scottish public services are not short-changed. Freezing the Higher Rate Threshold will deliver £68 million of additional revenue, which we will invest in our public services. This will ensure that funding for

Scotland's NHS Boards increases by the £600 million promised and that will deliver a total of £730 million of additional investment in health and social care this year. This includes support for the roll out of 'Frank's Law' which will extend free personal care to all those who need it.

The measures in this budget maintain our social contract, support and diversify our economy, and protect our public services. As a government we are committed to delivering on our objectives, despite the impact of Brexit and austerity. We are building the Scotland that we want to see.

This is a budget that delivers for today, invests in tomorrow and does so with fairness, equality and inclusiveness at its heart.



**Derek Mackay MSP**  
Cabinet Secretary for Finance and the Constitution

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# PREFACE

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This is the first year of a revised budget process following the adoption of a new written agreement between the Scottish Government and the Finance and Constitution Committee of the Scottish Parliament.<sup>1</sup> The revised budget process moves from presenting a separate Draft Budget (in December) and Budget Bill Supporting Document (in January) to this single merged document. This new Scottish Budget document is designed to provide both the necessary financial information required to support parliamentary scrutiny of Scottish Government spending plans within the limits of the available budget, and to set out the supporting information for the Budget (Scotland) Bill 2018, which will now be laid before Parliament by the Scottish Government in December 2018.

This document details the budgets on an HM Treasury basis (in line with the Draft Budget documents of previous years), which allows year-on-year comparison of spending plans. However, there are a number of presentational adjustments required to align budgets for the purposes of the Budget Bill. Where these are necessary these have been detailed in each portfolio chapter. The portfolio chapters are arranged in order of Total Managed Expenditure for the portfolio. Each chapter provides a detailed analysis of the proposed plans on a portfolio by portfolio basis. For each portfolio and directly funded body, the portfolio chapter shows:

- the proposed portfolio budget split in terms of resource, non-cash, capital, Financial Transactions and UK funded AME (Annually Managed Expenditure) resources, with any adjustments for the purposes of Scottish Parliament approval separately detailed; and
- details of the proposed budget for each individual Level 2 activity.

Annex F provides further detail on the reconciliation of the portfolio spending allocations as set out in this document with the Budget Bill, showing the overall resource authorisations sought in the Budget Bill at portfolio level, and the cash equivalents. The numbers shown in these Annex F summary tables will read across to the numbers shown on the face of the Bill.

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<sup>1</sup> [http://www.parliament.scot/S5\\_Finance/General%20Documents/20180517WA\\_with\\_SG.pdf](http://www.parliament.scot/S5_Finance/General%20Documents/20180517WA_with_SG.pdf)

The purpose of the Bill itself is to secure Parliamentary approval to the Scottish Government's spending plans for the financial year 2019-20. The Bill does not seek approval of the tax measures in this document as these are subject to separate legislation.

This document itself has no statutory force – it is produced as an aid to understanding the Budget. It is the aim of the Scottish Government to present a budget to the Scottish Parliament with a clear read-across to the Scottish Government's Consolidated Annual Accounts.

The Scottish Government continues to discuss with the Finance and Constitution Committee and others how it can improve the presentation of supporting information for the Budget, and which material is found to be most useful.

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# CHAPTER 1

## Strategic Overview for the Scottish Budget 2019-20

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### **Our Vision**

The Scottish Government has a clear vision of the kind of country we want to be.

A Scotland that leads the world in technological innovation and stays true to the enduring values of social justice. A country proud of its history and achievements, but equipping itself to seize the opportunities of the future. And a society determined to remain open, inclusive and welcoming in the face of rising forces of intolerance, isolation and protectionism.

This Budget flows from that vision.

It seeks to strengthen our economy and support first-class public services and provides support for our people who need it the most.

It seeks to equip our country to adapt and grow in the face of the challenges of the future, whether those challenges are forced on us, like Brexit, or created by the rapid technological change that is happening all around us.

The Scottish Government's spending plans and tax policies for 2019-20 reflect this vision and commitment. The delivery of high quality public services and a competitive business environment, supported by progressive taxation, represents a strong social contract between the Scottish Government and the people of Scotland. This contract supports the economy of Scotland, improves the wellbeing of our communities and reduces inequality.

The Scottish Budget in 2019-20 will:

- increase spending on the health and care services by almost £730 million;
- invest more than £180 million in raising attainment in schools, including £120 million delivered to head teachers to spend on closing the attainment gap;
- deliver the fairest income tax system in the UK with 55 per cent of income taxpayers in Scotland paying less than people earning the same income in the rest of the UK, while still raising the revenue needed to support investment in the Scottish economy and public services;

- boost the economy by providing over £5 billion of capital investment to grow and modernise Scotland's infrastructure, including the creation of a Town Centre Fund, the expansion of elective care centres, continued progress on dualling the A9 and A96, investment in the National Manufacturing Institute for Scotland and in City Region and Growth Deals;
- support public sector workers by delivering a pay deal that continues on the journey of restoring pay levels across the public sector by providing a pay uplift of 3 per cent for those earning up to £36,500;
- provide the most competitive package of business rates in the UK, ensuring that over 90 per cent of properties in Scotland pay a lower poundage than they would in other parts of the UK;
- invest over £600 million in Scotland's colleges and maintain investment at over £1 billion in Scotland's universities;
- increase direct investment in mental health by £27 million, taking overall funding for mental health to £1.1 billion - this includes improving mental health services for young people and providing support in schools, colleges, universities;
- increase investment in Health and Social Care Partnerships to over £9 billion for delivery of primary and community health services;
- deliver new and improved Social Security benefits based on dignity and respect;
- provide local government with a real terms increase in both revenue and capital funding, and a real terms increase in total overall support provided through the settlement of £11.1 billion;
- invest almost £500 million to expand funded early learning and childcare, supporting the recruitment and training of staff and investment in building, refurbishment and extension of around 750 nurseries and family centres;
- provide initial funding of £130 million towards the establishment of a Scottish National Investment Bank;
- protect the police resource budget in real terms;
- provide over £20 million for Zero Waste, to help support the transition towards a more resource-efficient, circular economy, including design and implementation work for a deposit return scheme;
- invest £80 million in Active Travel to help build an Active Nation; and
- commit over £825 million, as part of our total investment of over £3 billion to deliver 50,000 affordable homes over the course of the Parliament, and continue to invest in the £50 million Ending Homelessness Together fund.

## **Brexit and Continued UK Government Austerity**

This Budget is set against the backdrop of the UK's prospective exit from the EU and continued austerity from the UK Government.

The UK Government's decision to take us out of the EU single market and the customs union – the largest market in the world – presents a risk to economic growth (which in turn has an impact on forecast revenues to support public services), to investment in funding programmes, migration and our population.

Under the shadow of growing uncertainty for the future, the UK Government's Budget in October 2018 was a missed opportunity to provide much needed direction and leadership for our longer term finances and the wider economy.

The UK Government failed to deliver on its pledge to end austerity and to invest in public services and fell £55 million short of the additional funding for the Scottish NHS, which the Prime Minister committed to in June 2018.

Different spending choices are possible. The Office for Budget Responsibility confirmed in October 2018 that the UK Government could spend £15.4 billion more and still meet its fiscal rules in 2020-21. This failure to take action impacts on our economy, our communities and our public services.

The reality of these choices is that Scotland's resource block grant will be almost £2 billion lower in real terms in 2019-20 than it was in 2010-11.

Excluding the NHS funding uplift, all of which is being allocated in full to health and care, the remaining resource block grant is over £340 million or 1.3 per cent lower in real terms in 2019-20 than in 2018-19. This leaves a very challenging overall budget position for the Scottish Government to manage.

## **Brexit and the Impact on the Scottish Budget**

While the Scottish Government continues to oppose Brexit, as the law stands at present the UK will leave the EU on 29 March 2019. In line with the UK Government's Autumn Budget, the 2019-20 Scottish Budget is prepared on the assumption that the UK will leave the EU with a deal and an orderly transition. If this assumption changes, the Scottish Government will revisit our budget assumptions and present revised proposals to the Scottish Parliament.

The Scottish Government's view, supported by the Scottish Parliament, is that remaining in the EU would be the best outcome for Scotland and the UK. We believe the UK Government has put forward a false choice. Whatever people voted for, they did not vote for the chaos and uncertainty of a blindfold Brexit, or worse, no deal. We have argued consistently for remaining in the EU, and in the event that the UK's exit from the EU cannot be prevented, we will continue to argue for the least-worst option – remaining in the single market and customs union.

We have been clear that, given Scotland voted overwhelmingly against leaving the EU, there must be no detriment to the Scottish Budget as a result of the UK's exit. The Scottish Government is determined to defend its hard-won fiscal responsibility and maintain the benefits that EU funding has provided to many sectors through economic, social and environmental programmes across Scotland.

EU funding is expected to benefit Scotland by over £5 billion over the life of the current EU budget round (2014-2020). In line with our overall position on EU membership, the Scottish Government wants to remain in as many EU-funded programmes on the same terms as we currently do in order to maintain and deepen the economic, academic, scientific and cultural ties with our partners across Europe.

As a result of the UK Government's chosen route for exiting the EU, the UK will pull out of large elements of agricultural, marine, regional development and structural funding - without consultation and without setting out clear alternatives. The Scottish Government remains deeply concerned about the lack of certainty about future arrangements and the impact this could have on Scotland.

### **Mitigating and Preparing for the Risk of Brexit**

In the face of ongoing uncertainty surrounding the outcome of the UK's departure from the EU, the Scottish Government is preparing as best we can with the resources we have and under the budgetary pressures we face. Since July 2018, we have made available an additional £26.6 million for Brexit-related work in the Scottish Government and its agencies, including £9.4 million for preparations in agriculture and the rural economy and £2.1 million to help mitigate impacts on the NHS. The 'Prepare for Brexit' campaign is being delivered by Scotland's enterprise and skills agencies, supported by the Scottish Government as well as business and sector bodies. Support includes online information and articles, access to expert advice, events and workshops as well as financial support. Given the threat Brexit poses to the Scottish economy, we will also be investing £20 million over the next three years to enhance and intensify support to businesses wishing to export.

By late summer 2018, around 420 people (full-time equivalent) in the Scottish Government were spending more than 50 per cent of their time on Brexit-related work and a significant number of other people are also carrying out such work as a smaller proportion of their overall role, alongside their other duties. Overall, staff time taken up by Brexit is expected to increase. We have set up new teams to support preparations including building up an international trade and investment policy function, doubling Scottish Development International's presence in Europe and establishing a range of new units to coordinate work on Brexit negotiations and readiness.

Across the public sector, resources are being diverted to essential preparations for the impact of Brexit. A decision to remain in the EU would allow those resources to be returned to the support and development of frontline services and the delivery of Scotland's priorities.

## Economic and Fiscal Outlook

Scotland's economy has continued to grow in 2018, with growth outpacing that of the UK in the first six months of the year. The Scottish Fiscal Commission forecast that Scotland will grow faster than the OBR's forecast for the UK for 2018 as a whole. This stronger economic performance, in the face of challenging headwinds, is also reflected in the labour market, with high employment and low unemployment.

Despite these positive signs, Scotland's economy still faces significant challenges. The Scottish Fiscal Commission's report, published alongside the Scottish Budget, highlights that the UK's exit from the EU is a key factor that is expected to lead to slower growth in productivity, population and trade. Table 1.01 sets out the SFC's headline economic forecast.

The Scottish Fiscal Commission forecasts that, over the next five years, employment will rise further, unemployment will remain at near record lows, and earnings growth will accelerate.

The SFC also highlights relatively slow productivity growth in Scotland. The SFC forecasts show that, partly as a result of the UK's exit from the EU, productivity growth will be subdued in the coming years, and our working age population will shrink more rapidly, both of which will feed through to lower GDP growth. The Scottish Government believes that there is a need for continued efforts to improve performance on productivity.

**Table 1.01: Headline Economy Forecasts (Calendar Year Basis)**

	2017	2018	2019	2020	2021	2022	2023
GDP (per cent growth)	1.4	1.4	1.2	1.0	1.0	1.1	1.2
Employment (millions)	2.64	2.64	2.65	2.65	2.66	2.66	2.66
Unemployment (per cent)	4.1	4.2	4.3	4.3	4.3	4.3	4.3
Nominal Average Annual Earning (per cent growth)	1.5	2.0	2.3	2.5	2.8	3.0	3.1

## Scotland's Social Contract

In the face of these challenges, the Scottish Government is choosing a path that seeks to protect and invest in Scotland.

We choose to have a progressive tax system, to invest more in our public services and economy, our infrastructure, and to build a fairer, more inclusive society where everyone is welcomed.

In line with the social contract between the Scottish Government and the people of Scotland, this Scottish Budget will:

- invest in the NHS, keeping it free at the point of need;
- invest to raise the school attainment of those from our poorest communities;
- expand the number of Modern Apprenticeships and guarantee that higher education remains free of tuition fees;

- maintain free personal care for those who require it including expanding provision to those under 65 – the policy known as Frank’s Law – from April 2019;
- continue to deliver the devolved social security system based on dignity, fairness and respect through Social Security Scotland, committing £435 million in assistance directly to those who need it most;
- invest an additional £37 million to support carers through the Carer’s Allowance Supplement;
- continue to expand the provision of funded early learning and childcare, with Scottish Government annual revenue investment expected to grow to around almost £1 billion by 2021-22;
- provide access to free sanitary products in schools, colleges and universities and extend access to those on a low income who require them;
- support concessionary travel and ensure roads and bridges remain toll free; and
- support sports, arts and culture across the country including free access to the permanent collections of the National Museums, Galleries and Library.

### **A Progressive Scottish Tax Approach - Balanced, Responsible and Fair**

Our income tax proposals are set using four key tests – protecting the lowest paid taxpayers; improving progressivity; raising additional revenue; and supporting public investment in the Scottish economy.

We have increased the Starter and Basic Rate bands by inflation to protect our lowest and middle earning taxpayers, and continue to ensure that 55 per cent of Scottish taxpayers pay less than they would if they lived elsewhere in the UK.

We will not follow the UK Government in providing a tax cut to higher earners. In Scotland this applies to around the top 15 per cent of taxpayers. The Scottish Fiscal Commission has forecast that the policy proposal to freeze the Higher Rate Threshold in 2019-20 will raise an additional £68 million.

If the Scottish Government were to change its income tax policy to match all UK Government rates and bands, it would come at a cost to the Scottish budget of around £500 million.

Our decisions ensure that in 2019-20, 55 per cent of Scottish income taxpayers (those earning less than £26,990) will pay less tax than they would if they lived elsewhere in the UK.

On current incomes, 99 per cent of all Scottish taxpayers – those earning less than around £124,000 – will pay less income tax than they do this year.

We have also ensured that our actions on Land and Buildings Transaction Tax continue to protect those purchasing their first home and support people as they progress through the property market, with over 80 per cent of taxpayers benefitting from LBTT by paying either no tax or less tax than in England. We are ensuring that those who purchase multiple properties make a greater contribution by increasing the rate of the Additional Dwelling Supplement, reinforcing the progressive approach in place for LBTT rates and bands.

Building on the recommendations from the Budget Process Review Group, the 2018 Programme for Government committed to developing a new process for the planning, management and implementation of changes to the fully devolved taxes.

The Scottish Government will take a collaborative and open approach to the development of this new process, and will seek views in a consultation to be launched in February 2019. This Budget commits us to announcing the new process in the Scottish Budget 2020-21.

## **SCOTTISH GOVERNMENT SPENDING LIMITS**

The Scottish Budget for any given year is determined by the combined impact of:

- block grant funding allocated by HM Treasury at a Spending Review, Autumn Budget or Spring Statement, adjusted to reflect taxes devolved to Scotland through the Scotland Act 2012 and the Scotland Act 2016;
- independent forecasts of receipts generated by those taxes and devolved social security spend; and
- planned use of the available devolved borrowing powers and use of the Scotland Reserve.

In 2019-20 the cumulative impact of the Scottish Government's decisions on tax and capital borrowing is to mitigate the UK-imposed austerity by almost three-quarters of a billion pounds. The real terms reduction to the total Scottish fiscal budget of 6 per cent is reduced to 3.8 per cent between 2010-11 and 2019-20, providing an additional £712 million for investment in public services in Scotland in 2019-20 that would not otherwise be available. This is more than the equivalent of the entire budget for Scotland's 26 colleges, or the whole budget for NHS Fife.

A full reconciliation of forecast revenues to planned expenditure is provided at Annex A. Tables 1.02, 1.03 and 1.04 set out the cash and real terms spending limits for the Scottish Budget.

**Table 1.02: Scottish Government Budget Control Limits 2015-16 to 2019-20**

SG Spending Limits - Cash Terms	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
UK Government Spending Review settlement - November 2015	-	-	30,286	30,520	30,620	30,870
Subsequent Barnett consequentials and other additions	-	-	(12)	1,049	1,389	2,384
<b>Total Budget Limit from HM Treasury (A)</b>	<b>29,600</b>	<b>30,141</b>	<b>30,274</b>	<b>31,569</b>	<b>32,009</b>	<b>33,254</b>
Of which						
Fiscal Resource Budget Limit	25,624	25,991	26,088	27,027	26,983	27,633
Non-cash Budget Limit	642	1,030	967	907	1,105	1,145
Capital Budget Limit	3,335	2,734	2,891	3,189	3,520	3,956
Financial Transactions	-	386	329	446	401	519
Block Grant Adjustment for Social Security (B)	-	-	-	-	-	290
Net Block Grant Adjustment	-	-	(5,500)	(12,450)	(12,472)	(12,193)
Scottish Income Tax	-	-	4,900	11,829	12,181	11,684
Land and Buildings Transaction Tax	-	-	538	507	588	643
Scottish Landfill Tax	-	-	133	149	106	104
Non-Tax Income	-	-	-	36	25	25
Net Resource Budget Adjustment (C)	-	-	71	71	428	262
Capital Borrowing (D)	-	306	316	450	450	450
<b>Total Scottish Government Funding (A+B+C+D)</b>	<b>29,600</b>	<b>30,447</b>	<b>30,661</b>	<b>32,090</b>	<b>32,887</b>	<b>34,256</b>

Figures may not add due to rounding

2010-11 Figures are adjusted to include Council Tax Benefit for comparison purposes

Block Grant Adjustment figures do not include Air Passenger Duty, devolution of which has been deferred.

Non-tax income is from Fines, Forfeitures and Fixed Penalties and Proceeds of Crime. (£31 million for 2019-20), and a negative £3 million reconciliation adjustment for 2017-18 devolved revenues.

Net Resource Budget Adjustment is the impact of SG decisions on taxes against the Block Grant Adjustment

Tax and Block Grant Adjustment figures are the forecasts that were used to determine the budgets for each of the years.

**Table 1.03 Real Terms Changes to HM Treasury Spending Limits**

HMT Spending Limits - Real Terms (2018-19 prices)	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Fiscal Resource Budget	29,201	27,564	27,067	27,519	26,983	27,147
Capital Budget	3,801	2,899	2,999	3,247	3,520	3,886
<b>Total</b>	<b>33,001</b>	<b>30,464</b>	<b>30,067</b>	<b>30,766</b>	<b>30,503</b>	<b>31,034</b>
<b>Real-Terms Change against prior year</b>	-	-	(1.3%)	2.3%	(0.9)%	1.7%
<b>Real Terms Change on 2010-11</b>	-	(7.7%)	(8.9%)	(6.8%)	(7.6%)	(6.0%)

Excludes Financial Transactions

**Table 1.04 Real Terms Changes to Scottish Government Funding**

SG adjusted spending limits - Real Terms (2018-19 prices)	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Fiscal Resource Budget	29,201	27,564	27,141	27,591	27,411	27,404
Capital Budget + Capital Borrowing	3,801	3,224	3,327	3,705	3,970	4,329
<b>Total</b>	<b>33,001</b>	<b>30,778</b>	<b>30,468</b>	<b>31,296</b>	<b>31,381</b>	<b>31,733</b>
<b>Real-Terms Change against prior year</b>	-	-	(1.0%)	2.7%	0.3%	1.1%
<b>Real Terms Change on 2010-11</b>	-	(6.7%)	(7.7%)	(5.2%)	(4.9%)	(3.8%)

Excludes Financial Transactions

## 2019-20 Proposed Portfolio Budget

Scotland's devolved Total Managed Expenditure, a mix of discretionary and ring-fenced funding, amounts to £42.5 billion including a control total of £34.5 billion for Scottish Government portfolios.

Table 1.05 provides the portfolio detail which, subject to Parliamentary consideration, will form the basis of the Budget Bill 2019-20 which will be laid before the Scottish Parliament on 19 December 2018. The capital figures include both capital and Financial Transactions funding.

**Table 1.05 Total Proposed Budget 2019-20**

2019-20 Scottish Budget	Resource £m	Capital £m	Total £m	AME £m	Total £m
Health and Sport	13,876.8	346.0	14,222.8	100.4	14,323.2
Communities and Local Government	7,012.8	1,999.0	9,011.8	2,853.0	11,864.8
Finance, Economy and Fair Work	438.1	353.7	791.8	4,545.0	5,336.8
Education and Skills	2,900.5	150.0	3,050.5	397.5	3,448.0
Justice	2,575.2	144.0	2,719.2	-	2,719.2
Transport, Infrastructure and Connectivity	1,155.6	1,754.6	2,910.2	-	2,910.2
Environment, Climate Change and Land Reform	181.6	245.0	426.6	-	426.6
Rural Economy	279.0	72.0	351.0	-	351.0
Culture, Tourism and External Affairs	304.5	26.5	331.0	-	331.0
Social Security and Older People	574.9	10.0	584.9	-	584.9
Government Business and Constitutional Relations	12.1	-	12.1	-	12.1
Crown Office and Procurator Fiscal Service	117.1	3.6	120.7	-	120.7
Scottish Government	29,428.2	5,104.4	34,532.6	7,895.9	42,428.5
Scottish Parliament and Audit Scotland	107.1	1.5	108.6	2.0	110.6
<b>Total Scotland</b>	<b>29,535.3</b>	<b>5,105.9</b>	<b>34,641.2</b>	<b>7,897.9</b>	<b>42,539.1</b>

## EFFICIENCY SAVINGS

The Scottish Government expects every public body to deliver efficiency savings of at least three per cent during the course of 2019-20 and to report publicly on the action undertaken and the results achieved. All efficiency savings are available to be reinvested in the body that generates the saving.

## IMPROVED SCOTTISH BUDGET SCRUTINY

As part of implementing the Budget Process Review Group recommendations from 2017, the Scottish Government agreed an amended 'Written Agreement' with the Finance and Constitution Committee of the Scottish Parliament in 2018. This has introduced a number of changes to the Scottish Budget process and these are occurring for the first time with the 2019-20 Scottish Budget.

The improved approach to budget scrutiny is welcomed and Scottish Ministers have carefully considered the views and recommendations expressed by each Parliament Committee as part of developing the Scottish Budget for 2019-20.

As part of improving the Scottish Budget process, the Scottish Government, will from this year onwards, only publish one budget document – the Scottish Budget. This document will combine the information that was previously split across two Budget documents – the Draft Budget and the Budget Bill supporting document. The Scottish Budget Bill will now be introduced in the Parliament one week after the Scottish Budget is published. In addition, up to date data on progress on our national outcomes is available at [www.nationalperformance.gov.scot](http://www.nationalperformance.gov.scot) The National Performance Framework outcomes are summarised in the diagram below.

**Chart 1.01 National Performance Framework**



## **LOCAL GOVERNMENT**

Local government is a key partner in the Scottish Government's transformative programme of public service reform and an integral, essential element of the good governance of Scotland, providing high quality frontline public services which help protect some of the most vulnerable in our society.

In 2019-20, Scottish Ministers will invest, through a combination of the core budget allocation and funding contained within other portfolios, £11.1 billion in total support through the local government finance settlement. Taken together, this provides a real terms increase in both revenue and capital funding, and an overall real terms increase in the total local government settlement of over £210 million.

Local authorities will again have the flexibility to increase council tax levels by up to three per cent, providing up to an additional £80 million for investment in local services.

In addition to the local government finance settlement, the Scottish Government also provides local authorities with funding streams for shared national and local government priorities, such as City Region and Growth Deal investment. These funding streams total £449 million in 2019-20.

## **DELIVERING FOR TODAY, INVESTING FOR TOMORROW**

### **A World-Class Health Service**

This year the NHS celebrated its 70th anniversary. This essential public service is valued and treasured by everyone in Scotland. Supporting the NHS in Scotland is a top priority for the Scottish Government and we have pledged to increase NHS spending by £2 billion over the course of this Parliament.

In 2019-20, health and care services in Scotland will benefit from almost £730 million in additional resource funding from the Scottish Government – this includes additional revenues generated by our tax decisions to mitigate the £55 million shortfall in funding promised by the UK Government.

This funding and the way in which it is allocated will deliver further on our commitment to shift the balance of health and social care spend towards mental health, primary, community and social care, where services can help to maximise people's independence and wellbeing in their own homes and communities and relieve pressure on acute services.

This continues the Scottish Government's progress towards delivering more than half of its NHS spend in community services. In 2019-20 the budget for frontline NHS Boards will be boosted by additional investment amounting to 4.2 per cent.

In 2018 the Scottish Government published its Health and Social Care Medium Term Financial Framework which sets out clearly the financial environment for health and social care services in Scotland. This Scottish Budget will deliver on the commitment to pass on every penny of health resource consequential from UK related health spend, to support the measures set out in the Financial Framework, which are designed to ensure improved quality and sustainability across health and social care.

This means that in 2019-20 we are delivering investment of more than £700 million in health and social care integration, underlining our commitment to enable everyone to live longer, healthier lives at home, or in a homely setting.

In 2019-20 we will:

- provide additional investment for health and sport, taking total resource investment in 2019-20 to £13.9 billion. This is £754 million over and above inflation since 2016-17;
- deliver additional investment of 4.2 per cent for our frontline NHS Boards;
- continue to shift the balance of care towards mental health, primary care and social care, to ensure that by the end of this parliament more than half of frontline NHS spending is in community health services;
- increase the Scottish Government's direct investment in mental health by £27 million, taking overall funding for mental health to £1.1 billion; and
- invest more than £700 million in social care and integration.

### **The Best Start in Life**

During the Year of Young People, Scottish Ministers set high priority milestones to improve the lives and early years experiences of children across Scotland.

In December 2018, we will launch a new Best Start Grant Pregnancy and Baby Payment. This new benefit replaces and improves upon the UK Government Sure Start Maternity Grant scheme to support low income families by providing a much needed boost when they have a new child in the family.

This will support families to provide the best start in life for their new family member, providing targeted assistance at birth and then at key milestones in the child's life to complement the universal baby box which Scottish Ministers fully fund to give every child born in Scotland the everyday essentials that they need.

In 2019-20, the Scottish Budget will provide a further £10 million for the three Best Start Grant payments (Pregnancy and Baby; Early Learning; and School Age) to give young children in low income families vital support at key stages in their early years.

### **Investment in Early Learning and Childcare**

A new, landmark multi-year funding agreement with COSLA has confirmed the financial arrangements to deliver the life changing, transformational expansion of funded early learning and childcare. This partnership agreement confirms that Scottish Ministers will fully fund local authorities to deliver the expansion of early learning and childcare entitlement to 1,140 hours from August 2020, the same number of hours that a child spends in primary school.

Since coming into power in 2007, the Scottish Government has already increased the provision of funded, high quality early learning and childcare to 600 hours per year and this budget will continue to fund that in full through local government.

Through the new funding agreement reached in 2018, the Scottish Government has committed to provide local authorities with revenue funding of an additional £567 million per year by 2021-22, the first full financial year of the expansion. This is expected to bring the annual public spend on early learning and childcare to almost £1 billion by 2021-22.

In the 2019-20 Scottish Budget, an additional £210 million has been provided to local authorities to fund the delivery of this early learning and childcare expansion.

In addition, the Scottish Government has committed to provide local authorities with capital funding of £476 million over four years, with £175 million provided this year, to support building projects to create new indoor and outdoor capacity to deliver the expansion.

This record level of funding by Scottish Ministers is leading the transformation of early years experiences of all children in Scotland, setting the best foundation for learning and development.

### **Excellence and Equity in Schools**

Improving educational outcomes in Scotland through closing the attainment gap between children and young people from the most and least deprived areas and providing targeted support is the key priority of the Scottish Government.

2018 has been an important year in progressing significant actions to drive these improvements forward and deliver this mission. The latest statistics show that the attainment gap is closing, but we know that there is still more to do so that no child is left behind.

We are fast-tracking our education reforms for the empowerment of Scotland's schools by working in partnership with local government, Education Scotland, professional associations and other partners, to drive forward that agreement with pace and purpose.

During 2019-20 we will:

- continue to target additional resources at those authorities and schools which need them most through the £750 million Scottish Attainment Challenge, including £120 million of Pupil Equity Funding provided direct to head teachers;
- increase the portfolio budget in real terms to support the reforms to strengthen our regional capacity for educational improvement through the new Regional Improvement Collaboratives and Education Scotland. This will deliver additional resources, collaborative support and focussed expertise across Scotland, to further support schools and early learning establishments in delivering excellence and equity for our children and young people;
- support the mental health of young people in schools with £12 million of investment in school counselling services;
- continue to provide national funding of £10.5 million to support children and young people with complex additional support needs;
- continue to deliver on our STEM education and Training Strategy by providing funding for bursaries of up to £20,000 for career changers to teach subjects such as computing and physics; and
- continue to fund the Scottish Schools Education Research Centre to up-skill primary and secondary teachers and technicians.

## **INVESTING IN OUR ECONOMY**

The Scottish Government is ambitious for our economy. Building on strong foundations, we want to see a country that is globally competitive with innovation, sustainability and fairness at its heart. A strong, diverse economy is essential to support Scottish jobs, public services and improve our quality of life.

Economic growth is of course important, but to be truly successful our economy must also be environmentally sustainable and inclusive – benefiting all of our people and communities.

This budget will do more to make sure that every person in Scotland has the skills and opportunities to thrive and to help make Scotland a more successful country.

In 2019-20 we will:

- establish the Scottish National Investment Bank, with funds for precursor activities of £120 million, and introduce the legislation that will underpin it;
- continue to support the Building Scotland Fund which will support the Scottish economy through loans and equity investments of £150 million over three years;

- establish a National Retraining Partnership, with employers, unions and wider stakeholders, to identify the best collaborative way to help workers and businesses prepare for future changes by enabling the workforce to up-skill and/or retrain where necessary;
- invest over £8 million to continue delivery of the National Manufacturing Institute for Scotland to bring together research, industry and the public sector to help companies embrace new manufacturing techniques;
- respond to the changing skills needs of business and employees by enhancing our support for reskilling and upskilling;
- continue to develop and deliver our devolved employment support service, Fair Start Scotland, giving individualised support to 38,000 individuals furthest removed from the labour market; and
- continue the transition to a circular economy, cutting waste and carbon emissions and opening up new economic opportunities.

### **Growing the Economy**

Scotland's Economic Strategy set out our economic ambition and the new Economic Action Plan, published in October, shows the range of new and existing actions that will deliver the sustainable, inclusive economic growth at the heart of that ambition. The Plan will support a competitive business environment and includes actions that will improve lives for the better across all of Scotland, as well as support the export of our solutions, goods and services to the rest of the world. The package of new measures includes:

- establishing an Advanced Manufacturing Challenge Fund of up to £18 million to ensure all parts of Scotland benefit from developments in advanced manufacturing;
- investing £5 million as the first phase of our three year £20 million plan to boost exports by directly supporting more companies to sell their products abroad;
- working with partners to enhance the digital skills that businesses require, including a new £1 million Digital Start Fund to support people with lower incomes;
- increasing the impact of the investment we make in enterprise and skills development, through the business-led Enterprise and Skills Strategic Board, and ensuring our agencies operate as a single system that delivers the right information, advice and support at the right time for business and learners;
- continuing to work with the public, private, and university and college sectors to drive forward our Innovation Action Plan – taking action to support innovation across businesses, sectors and places, using public sector spend to catalyse innovation, and making best use of the research, knowledge and talent of our universities and colleges to drive innovation and growth; and

- actions like our Scotland is Now campaign, to maximise Scotland's presence in global markets and showcasing our assets and expertise to the world.

### **Helping and Supporting Business**

The Scottish Government has an unwavering commitment to providing the best possible environment for businesses supported by a competitive non-domestic rates regime.

To deliver on this we will cap the increase in the rates poundage in Scotland at a below inflation level of 49 pence, limiting the increase to 2.1 per cent, ensuring that over 90 per cent of properties in Scotland – and all small and medium sized businesses – pay a lower poundage than they would in other parts of the United Kingdom.

In addition we are delivering the most generous package of reliefs available in the United Kingdom, worth £750 million in 2019-20. This includes:

- maintaining the UK's most generous Small Business Bonus Scheme thresholds and continuing to deliver the manifesto commitment that over 100,000 properties are lifted out of rates altogether;
- introducing an extended relief of 100 per cent on all broadband fibre lit on or after 1 April 2019 for a ten-year period. This will help further our objective of delivering superfast broadband access to 100 per cent of premises in Scotland by 2021; and
- extending transitional relief for the hospitality sector across Scotland, and for offices in Aberdeen City and Aberdeenshire until the next revaluation.

Through responding swiftly to the recommendations of the Barclay Review of Non-Domestic Rates, the Business Growth Accelerator and Day Nursery Relief, encourage new business investment by temporarily suspending rates liabilities for new builds and property improvements, and reduce the overheads to nursery providers who have such an important role to play in ensuring our children have the best start in life.

In early 2019, we will bring forward primary legislation to deliver other Barclay Review recommendations including measures to support growth, to improve administration of the system and increase fairness, such as the shift to a three yearly revaluation cycle and policies to address known tax avoidance tactics around second homes, charities and empty properties.

### **Boosting Town Centres**

We want our high streets and town centres across Scotland to be vibrant, creative, enterprising and accessible. Town centres are facing challenges as retail patterns change and evolve and it is essential that we support them to become more diverse and sustainable. We will invest in our town and neighbourhood centres so that they can be sustainable and thriving places for communities to live in, work in and enjoy.

To do this, we will provide a new ring-fenced £50 million Town Centre Fund for 2019-20 within the local authority capital settlement to drive local economic activity and to stimulate and support place based economic improvements to town centres.

We will work in partnership with COSLA and local authorities to deliver this investment. This will complement a wider package of business support to ensure that our town centres are diverse, thriving and sustainable places for everyone.

This new fund will also complement wider support for town centres. This includes funding Scotland's Towns Partnership to provide information, support and services for town centre partnerships, including Business Improvement Districts which deliver local improvements and create platforms for local economic growth.

### **Delivering City Region and Growth Deal Priorities**

Cities and their regions are the engines of our economy. The Scottish Government has committed nearly £1.3 billion to support Scotland's seven cities and their regions to maximise the economic opportunities of the future. Funding has been allocated to continue our commitment to the City Region and Growth Deals already agreed and to progress new deals in development. This investment will benefit all of Scotland, creating thousands of jobs and up-skilling local labour markets.

Each deal is tailored to maximise the value from the economic strengths and opportunities of its region, including:

- the oil and gas technology centre in Aberdeen supporting the industry to collaborate for the future;
- science skills academies in Inverness and across the Highlands to help young people develop career opportunities in STEM subjects;
- significant investment in Sighthill in Glasgow to better connect a whole community to the jobs and opportunities of the rest of the city; and
- using the world-leading data expertise of Edinburgh's Universities to drive sustainable and inclusive economic development across the entire region.

The Scottish Government supports 100 per cent coverage of Scotland through City Region and Growth Deals to drive sustainable and inclusive economic growth throughout the country and to further develop regional economic partnerships to represent every community in Scotland.

In 2019-20 we will:

- continue to support agreed City Region and Growth Deals to deliver the outcomes agreed for Glasgow, Aberdeen, Inverness and Edinburgh;
- secure full agreement to City Region Deals for Stirling and Clackmannanshire and for the Tay Cities Region;
- make progress with our 100 per cent commitment by securing Heads of Terms commitments with the UK Government for Growth Deals for the Ayrshires and the Borderlands;

- continue to progress discussions for Moray, Argyll and Bute, Falkirk and the Islands; and
- support the development of a Scotland-wide network of Regional Economic Partnerships which will learn from, and build on, the foundations laid by City Region Deals.

### **Supporting Enterprise**

The Scottish Government's Enterprise and Skills bodies – Skills Development Scotland, the Scottish Funding Council, Scottish Enterprise, Highlands and Islands Enterprise and the soon to be established South of Scotland Enterprise – make an essential contribution to the delivery of our economic strategy and to our ambition that Scotland should rank in the top quartile of countries in the Organisation for Economic Co-operation and Development (OECD) for productivity, equality wellbeing and sustainability.

In 2019-20, we will see continued investment of around £2.4 billion in our enterprise and skills bodies to provide the vital support required to realise our economic vision.

In particular, Scottish Enterprise and Highlands and Islands Enterprise play a key role in delivering this Government's ambitions for sustainable and inclusive economic growth and Scottish Ministers are committed to providing responsive and focussed enterprise support for all of Scotland.

### **Culture, Tourism & Major Events**

We are committed to ensuring that Scotland's diverse and evolving heritage thrives and is celebrated, now and for future generations. Tourism, culture and creative industries make a significant contribution to the Scottish economy, and we are maintaining our commitment to these important sectors. Our ambition is to make Scotland a destination of choice for visitors, and provide a perfect stage for world-class events.

In 2019-20 we will:

- continue to enable Creative Scotland to maintain support for the Regular Funding programme in the face of a significant decline in Lottery receipts;
- fund VisitScotland to deliver sustainable growth in the wider visitor economy so that Scotland can continue to build on its reputation as a world-class tourism destination;
- strengthen support for our film and TV sector and drive its growth through Screen Scotland, a new dedicated public sector partnership; and
- continue to work with partners in the planning and delivery of forthcoming major events: the 2019 Solheim Cup and UEFA EURO 2020.

## **A Sustainable Economy**

Scotland continues to be a world leader in tackling climate change, outperforming the UK in delivering emissions reductions with our transition to a dynamic, vibrant low carbon economy well underway.

A strong economy with growing, competitive and innovative businesses is essential to supporting jobs, incomes and our quality of life. Our economy must also be environmentally sustainable and inclusive – involving and providing benefit and opportunity for all of our people and communities.

We will continue to deliver on the ambitious package of measures to promote digitally-enabled and low carbon growth that we set out in our Programme for Government.

Our commitments include:

- investing £80 million in Active Travel – to help build an Active Nation and to make our towns and cities friendlier, safer places for active travel;
- investing £50 million in low carbon transport measures, including the expansion of Electric Vehicle charging infrastructure to support the target to phase out the need for new petrol and diesel cars and vans by 2032;
- funding nearly £59 million of forestry priorities – including continued support to stimulate and enable woodland creation across Scotland to achieve the targets in the Climate Change Plan;
- making available over £145 million this year as part of a commitment to invest more than £500 million over four years in energy efficiency, fuel poverty and heat decarbonisation;
- designing a deposit return scheme for drinks containers and consulting on how we can go further to improve the use and reuse of other materials; and
- contributing to global efforts to tackle climate change and its impacts through our Climate Justice Fund.

The Scottish Government is also committed to working in partnership with Michelin, Scottish Enterprise, Dundee City Council, and other partners to develop the next phase of Michelin's presence in Scotland. We will work together to transform their Dundee site into a key location for new economic and employment opportunities in manufacturing, remanufacturing, recycling and low carbon transport.

## **Investment and building for the future – The National Infrastructure Mission**

International evidence demonstrates a strong link between government investment in infrastructure and longer-term economic growth and productivity. Recognising the importance of infrastructure investment to our economy, our 2018 Programme for Government set out our commitment to a National Infrastructure Mission which will increase annual investment by one per cent of current (2017) GDP by the end of the next parliament in 2025-26.

By 2025 this will mean an additional £1.56 billion of investment per year in our key infrastructure, delivering a long term boost to Scotland's economy and maintaining our competitive global economic position.

It is vital that the right investments are made that generate inclusive growth and deliver our low carbon objectives. For example, investments in broadband, transport and utilities provide the foundation for companies to invest and bring new economic opportunities across Scotland, while investing in low carbon and energy efficient infrastructure can reduce costs, support climate change adaptation and ensure we are equipped for the future.

In 2019-20 we will invest more than £5 billion of capital across Scotland.

Prior to this Budget the Scottish Government had a self-imposed revenue finance investment limit of five per cent of the total Scottish Government budget. To ensure our National Infrastructure Mission will be delivered in a fiscally prudent way, and continues at a sustainable level, we are tightening this limit to five per cent of the Scottish Government resource budget, excluding social security.

We will establish an Infrastructure Commission to provide strategic advice to the Scottish Government on infrastructure investment. The Infrastructure Commission will be independently chaired and will utilise evidence and learning from the best international practice to ensure our National Infrastructure Mission delivers inclusive economic growth and meets our low carbon objectives.

### **Scottish National Investment Bank**

We will continue our work to establish a Scottish National Investment Bank and a Bill will be introduced to the Scottish Parliament early in 2019 to ensure the underpinning legislation. We will invest £120 million in 2019-20 into precursors to the Bank so that from 2020 it will be investing in businesses and communities across Scotland. The Bank has the potential to transform Scotland's economy and will be a cornerstone institution in Scotland's financial landscape.

The Bank will address the challenges facing the Scottish economy with a focus on long-term patient capital, and will be shaped by a mission-orientated approach set by Government. It will create and shape future markets and define how our economy will develop. It will place Scotland at the forefront of innovation in the years to come.

Parliamentary endorsement of our approach earlier this year confirmed the need for a Bank with ambition and vision to address Scotland's economic priorities in a sustainable, inclusive and ethical way.

That is why the Scottish Government has committed to providing £2 billion over 10 years for the Bank. This is both ambitious and achievable and will make a material difference to the supply of capital to the Scottish economy by leveraging in additional private investment, supporting ambitious firms to flourish and enabling transformational change.

Investment through the £150 million Building Scotland Fund announced last year will contribute to the Bank. The Fund is actively seeking eligible opportunities for investment and we are working with Scottish Enterprise, Highlands and Islands Enterprise, the Scottish Funding Council and the Scottish Futures Trust to bring forward a pipeline of projects worth hundreds of millions of investment.

## **FAIRNESS AND EQUALITY**

### **Investing in people**

Despite the failed promise of the UK Government to bring its austerity driven constraints on public spending to a close, Scottish Ministers will continue in 2019-20 to deliver a Public Sector Pay Policy that continues this Government's commitment to lifting the one per cent cap on public sector pay.

The 2019-20 Public Sector Pay Policy, published alongside this Scottish Budget, recognises the cost of living; continues to provide fair and affordable pay rises for the majority of public sector employees; supports the commitment to pay the real Living Wage; and re-affirms our unique policy of no compulsory redundancy to protect public sector jobs and frontline services.

It balances a fair deal for public sector workers with the need to protect funding for public services. It sets an important direction of travel towards pay restoration in a way that is sustainable and progressive, protecting the very lowest paid.

The pay policy includes a three per cent pay rise for all earning less than £36,500; caps the pay bill at two per cent for all those between £36,500 and £80,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600.

At a time of no real growth in budgets, this is a reasonable and affordable public sector pay approach, providing reward and recognition of the valued service that public sector workers provide.

### **Reducing Poverty**

The Scottish Government has set in statute its ambition to eradicate child poverty through the Child Poverty (Scotland) Act 2017. The Act sets ambitious targets to reduce child poverty levels in Scotland to fewer than one in ten children by 2030 and provides a robust framework for action and progress reporting across government.

The first delivery plan due under the Act, entitled "Every Child, Every Chance", was published in March 2018 and sets out cross-government action to contribute towards reductions in child poverty levels. The Plan, covering the period 2018-22, is backed by a range of investments, including a £50 million Tackling Child Poverty Fund.

Key investments within the Plan and supported by this budget include:

- £12 million by 2022 to provide intensive employment support for parents;
- £5 million by 2022 towards the Innovation Fund, in partnership with the Hunter Foundation;
- an additional £1.35 million by 2022 to be invested in pilot projects based in further education settings;
- £2 million by 2022 in the Innovative Children’s Neighbourhoods Scotland programme; and
- a total of £3.3 million in 2019-20 to support our new Financial Health Check service.

Alongside this we will increase the budget for our Fair Food Fund from £1.5 million in 2018-19, to £3.5 million in 2019-20; with £2 million specifically to tackle food insecurity during school holidays.

### **Social Security**

Our new social security system is the largest, most complex programme of change in the history of devolution. Our number one priority is the safe and secure transfer of powers ensuring that the 1.4 million people who rely on this support receive their payments on time and for the right amount.

Work on the transfer of social security powers under the Scotland Act continues at pace and the total social security budget of £560 million supports the programme of delivery; the administration of Social Security Scotland; and the provision of assistance directly to those who need it most.

In 2019-20 we will:

- commit over £435 million in direct assistance; and
- invest almost £80 million on the continued development and expansion of the systems and processes required to build a Scottish Social Security system which places dignity and respect at its heart.

The Scottish Fiscal Commission is responsible for forecasting the expected level of social security benefit expenditure for each of the benefits for which the Scottish Government has responsibility. This expenditure occurs across three portfolio budget chapters: Social Security and Older People; Finance, Economy and Fair Work; and Health and Sport. The table below summarises the Scottish Government’s planned benefit expenditure for 2019-20.

**Table 1.06 Scottish Government Benefit Expenditure**

	2019-20 £m
<b>Social Security and Older People</b>	
Carer's Allowance	283
Carer's Allowance Supplement	37
Discretionary Housing Payments	63
Best Start Grant	12
Funeral Expenses Assistance	6
Scottish Welfare Fund	33
<b>Total</b>	<b>435</b>
<b>Health and Sport</b>	
Healthy Start Vouchers/Best Start Foods	4
<b>Total</b>	<b>4</b>
<b>Finance, Economy and Fair Work</b>	
Employability Services	19
<b>Total</b>	<b>19</b>
<b>Total Scottish Government Benefit Expenditure</b>	<b>458</b>

Figures may not sum due to roundings

### **Fair Work and Employability**

Scotland's employment rate remains amongst the highest on record and our unemployment rate is low – with the youth unemployment rate being lower and employment rate for women having been higher in Scotland over the last year compared with the UK.

Our new approach to funding employability services through our joint partnership agreement with local authorities and other partners will better align funding and deliver stronger outcomes for people seeking work.

Our commitments to Fair Work and Employability will continue in 2019-20 as we focus on:

- developing Scotland as a world-leading Fair Work Nation, including publishing a Fair Work Action Plan;
- investing £5 million over three years to support around 2,000 women return to work following a career break;
- supporting parents to address barriers to work and providing in-work support to help low income parents remain in work;

- closing the disability employment and gender pay gaps;
- supporting those affected by redundancy through the Partnership Action for Continuing Employment (PACE);
- publishing a Future Skills Action Plan in early 2019; and
- continuing to deliver the £10 million Flexible Workforce Development Fund.

### **Supporting Communities**

We want to build inclusive, empowered, resilient and safe communities in Scotland where everyone feels connected, has a sense of belonging and feels valued.

In 2019-20 we will continue to invest in regeneration activity to stimulate sustainable and inclusive growth, and to empower and improve the wellbeing of people and communities. We want communities across Scotland to be able to participate in and make decisions on the priorities that matter most to them.

The Scottish Government's Empowering Communities Fund supports the development of strong and resilient communities and we will bring forward work in 2019-20 to streamline this funding mechanism. As part of this, Scottish Ministers will seek to include multi-year funding to provide medium-term support for our community programmes and partners.

### **Providing Affordable Homes**

Everyone in Scotland should have access to a good quality, safe, warm, affordable home. Our More Homes Scotland approach is increasing the supply of homes across all tenures.

In partnership with councils, housing associations and developers, government investment in housing will, on average, leverage economic output in the region of £1.4 billion per year, supporting around 10,000 to 12,000 jobs per annum in the construction and related industries in Scotland. House builders in Scotland also have access to the Building Scotland Fund to boost their activities.

In 2019-20 we will:

- commit £826 million, as part of our total investment of over £3 billion to deliver 50,000 affordable homes over the course of the parliament; and
- continue our support for the Rural and Islands Housing Funds.

In addition we will extend home ownership to more families by continuing our 'Help to Buy and Open Market Shared Equity' schemes.

### **Ending Homelessness**

Ending homelessness is a national priority for the Scottish Government. Our 'Ending Homelessness Together: High Level Action Plan', published in partnership with COSLA at the end of November, is backed by the £50 million Ending Homelessness Together fund. The Homelessness Prevention and Strategy Group, co-chaired by the Minister and COSLA, will oversee progress on the implementation of the Action Plan.

Scotland's transition to a rapid rehousing approach is a key part of the strategy to end homelessness. Local authorities are to submit their Rapid Rehousing Transition Plans to the Scottish Government by 31 December 2018 to show their intent in doing this. The development of these plans is being supported by £2 million of funding from the Scottish Government.

### **Safer Communities**

Scottish Ministers will continue throughout 2019-20 to support the Scottish justice system through improving access to justice, supporting Scotland's court systems, continuing to deliver the benefits of an integrated Police Scotland and investing in the transformation of our fire and rescue service.

Our budget provides continued real terms protection for the police resource budget, to support a modern and effective police service to ensure the safety and security of Scotland's people and communities and we will invest over £5 million for service transformation to support and encourage the Scottish Fire and Rescue Service to modernise the fire-fighter role to meet new and emerging risks. We are also investing £18 million in support for victims of crime and tackling violence against women and girls. Work will continue with Community Justice Scotland and national and local community justice partners, including the third sector, to implement the national Community Justice Strategy to deliver better outcomes for individuals and communities.

As part of delivering wider justice improvements, Scottish Ministers will provide an additional £5 million of funding during 2019-20 for the Crown Office and Procurator Service to recruit additional legal staff to manage increased court workloads.

### **CONCLUSION**

The initiatives and investments outlined in this Budget will reinforce the social contract between the Scottish Government and the people of Scotland.

In the face of Brexit and the challenging economic context it risks imposing, this budget provides vital investment in our economy and public services.

It takes the next step in building a nation that leads the world in technological innovation, equips itself to seize the opportunities of the future and stays true to the enduring values of social justice.

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# CHAPTER 2

## Tax

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### INTRODUCTION

This chapter sets out the policy for fully devolved taxes and non-savings non-dividend (NSND) income tax for 2019-20. Council tax, which is a local tax set and collected by councils and for which the receipts are excluded from the Scottish Government fiscal budget, is not considered in this chapter.

Tax revenues raised in Scotland fund around 40 per cent of Scottish Government expenditure. Once Air Passenger Duty, the Aggregates Levy and the assignment of VAT raised in Scotland are devolved, this proportion will increase to around half.

The Fiscal Framework<sup>1</sup> agreed between the UK and Scottish Governments determines how the Scottish Government's block grant will be adjusted to take account of new tax revenue.

Since 1 April 2017, the Scottish Fiscal Commission has been responsible for producing forecasts of revenue from fully devolved taxes and NSND income tax to support the Scottish Budget. The Commission's report of Scotland's Economic and Fiscal Forecasts accompanies this publication. All forecast tax revenues in this chapter are produced by the Commission.<sup>2</sup>

### SCOTTISH INCOME TAX

The Scotland Act 2016 conferred on the Scottish Parliament the power to set all income tax rates, and the thresholds of bands that apply to the NSND income of Scottish taxpayers. The Scottish Government receives all NSND revenue raised from Scottish taxpayers.

Income tax remains a partially devolved tax. The responsibility for defining the income tax base, including the setting or changing of income tax reliefs and exemptions (including the Personal Allowance), continues to rest with the UK Government. Income tax on savings and dividends continues to be paid to the UK Government, at the rates and bands it sets.

Her Majesty's Revenue and Customs (HMRC) is responsible for the collection and management of Scottish income tax. The Scotland Act 2016 defines a Scottish taxpayer

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1 <http://www.gov.scot/Resource/0049/00494765.pdf>

2 <http://www.fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts/>

as someone who is a UK taxpayer and has their main place of residence in Scotland. HMRC will continue to take actions to maintain and improve the accuracy of its Scottish taxpayer database. A Service Level Agreement exists between the Scottish Government and HMRC, to ensure that Scottish taxpayers and the employers of Scottish taxpayers continue to be treated in the same way as income taxpayers in the rest of the UK. The National Audit Office and Audit Scotland report annually on HMRC's operation of Scottish income tax.

## Policy

As part of the 2018-19 Budget, significant changes to Scottish income tax were announced with the introduction of two new bands and a change to some rates. A commitment was made that this new structure of income tax should be seen as settled for the remainder of the Parliament, and as such this budget makes no changes to rates, and does not introduce or remove any bands.

The previous income tax policy was developed on the basis of four key tests, which have also been applied in the development of this year's policy. Table 2.01 sets out the Scottish Government's proposed rates and bands for 2019-20.

**Table 2.01: Scottish Income Tax Rates and Bands for NSND income**

Scottish bands	Band name	Scottish rates (%)
Over £12,500* - £14,549	Starter	19
Over £14,549 - £24,944	Basic	20
Over £24,944 - £43,430	Intermediate	21
Over £43,430 - £150,000**	Higher	41
Above £150,000**	Top	46

\*Assumes individuals are in receipt of the Standard UK Personal Allowance.

\*\*Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

The Scottish Government continues to take an approach which ensures that lower and middle-earning taxpayers remain protected, and this has been delivered by an inflationary increase in the Starter and Basic Rate bands and no changes to rates of tax.

To deliver on a commitment to progressivity and to raise additional revenue to invest in public services and the economy, the Higher Rate Threshold will be frozen at £43,430 and the Top Rate Threshold will remain frozen at £150,000.

As a result of these changes, 55 per cent of income taxpayers in Scotland will pay less tax than people earning the same wage in the rest of the UK. Moreover, on current incomes, 99 per cent of all taxpayers will pay less tax than last year in cash terms.

In developing income tax policy, the Scottish Government has consistently taken a responsible approach to balancing improving progressivity and raising revenue, and ensuring tax policy does not undermine revenues or competitiveness. To ensure that the scale of behaviour effects remains low, the Council of Economic Advisers will be asked to extend their remit from a consideration of the Top Rate of tax to considering

all income tax policy related behavioural effects and associated risks, and if necessary, what any mitigating actions may be.

### Scottish Rate Resolution

The Scottish Government will introduce a Scottish Rate Resolution to set the rates and bands for Scottish income tax for the 2019-20 tax year. A draft of this motion and an accompanying explanatory note will be published on the Scottish Government's website.

### Forecasts

The Commission forecasts for Scottish income tax receipts in 2019-20 determine the revenue that the Scottish Government will be able to draw down from HM Treasury. Forecasts for income tax receipts are set out in Table 2.02.

**Table 2.02: Scottish Income Tax Revenue Forecasts (£ million)**

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
NSND Income Tax	11,684	12,285	12,746	13,242	13,805

As noted in the Commission's report, the forecasts for the years beyond 2019-20 are estimated on the assumption of an inflationary uplift to all thresholds bar the Top Rate Threshold, and no further changes to tax rates for the remainder of the forecast period.

The Commission forecast the Scottish Government's policy will raise an additional £68 million revenue in 2019-20 compared to an inflationary uplift in all thresholds and a freeze in the Top Rate Threshold (Table 2.03).

**Table 2.03: Scottish Government Income Tax Policy Revenue Forecasts (£ million)**

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Policy forecast (£m)	68	71	75	80	84

## LAND AND BUILDINGS TRANSACTION TAX

Land and Buildings Transaction Tax (LBTT) replaced UK Stamp Duty Land Tax (SDLT) in Scotland from 1 April 2015. LBTT is a tax applied to residential and commercial land and buildings transactions (including commercial leases) where a chargeable interest is acquired. The Additional Dwelling Supplement (ADS) was introduced from 1 April 2016 and is payable on purchases of additional residential properties.

### Policy

The Scottish Government's policy priority for residential LBTT remains to help first-time buyers, and to assist people as they progress through the property market. Since its introduction, this policy has ensured that over 80 per cent of taxpayers benefit from LBTT by paying either no tax or less tax than in England.

The Scottish Government will increase the ADS rate from 3 per cent to 4 per cent. The increase in the supplement forms an important element of the Scottish Government's drive to protect opportunities for first-time buyers in Scotland, reinforcing the

progressive approach in place for LBTT rates and bands. If approved by the Scottish Parliament, the rate change will come into force from 25 January 2019, but will not apply if the contract for a transaction was entered into prior to 12 December 2018. Existing arrangements allowing for the supplement to be reclaimed will continue.

The Scottish Government will reduce the lower rate of non-residential LBTT from 3 per cent to 1 per cent, increase the upper rate from 4.5 per cent to 5 per cent, and reduce the starting threshold of the upper rate from £350,000 to £250,000. Taken together, these changes mean that non-residential LBTT rates and bands are the most competitive in the UK for all non-residential transactions. These changes are proposed to come into force from 25 January 2019, but will not apply if the contract for a transaction was entered into prior to 12 December 2018.

In order to safeguard the investment in, and the development of, Scottish real estate and to further increase the attractiveness of Scotland as an investment destination, the Scottish Government plans to introduce two targeted reliefs over the course of 2019 following further consultation. These are: a relief for the 'seeding' (initial transfer) of properties into a Property Authorised Investment Fund (PAIF) or Co-owned Authorised Contractual Scheme (CoACS); and a relief for when units in CoACS are exchanged. This decision follows an initial consultation exercise in summer 2018. A consultation on draft legislation and potential impacts will be published once there is sufficient clarity on the terms of the UK's withdrawal from the EU.

## Rates and Bands

In 2019-20 we propose to maintain residential rates and bands of LBTT at their current (2018-19) levels. The proposed rates and bands for non-residential LBTT transactions, are set out in Table 2.04.

**Table 2.04: LBTT Rates and Bands for Residential and Non-residential Property Transactions**

Residential transactions		Non-residential transactions*		Non-residential leases	
Purchase price	LBTT rate	Purchase price	LBTT rate	Net present value of rent payable	LBTT rate
Up to £145,000	0%	Up to £150,000	0%	Up to £150,000	0%
£145,001 to £250,000	2%	£150,001 to £250,000	1%	Over £150,000	1%
£250,001 to £325,000	5%	Over £250,000	5%		
£325,001 to £750,000	10%				
Over £750,000	12%				

\*Non-residential rates and bands will come into force from 25 January 2019.

The new ADS rate of 4 per cent applies to the total price of the property for all relevant transactions above £40,000, and will be charged in addition to the rates set out in Table 2.04.

## Forecasts

The Commission's forecast tax revenue for residential ADS, and non-residential LBTT for the six-year period 2018-19 to 2023-24 are set out in Table 2.05.

**Table 2.05: LBTT Revenue Forecasts 2018-19 to 2023-24 (£ million)**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Land and Buildings Transaction Tax	569	643	680	716	751	787
<i>of which:</i>						
Residential transactions (excl. ADS)	267	296	324	349	373	398
Additional Dwelling Supplement (ADS)	94	122	123	127	130	134
Non-residential transactions	208	226	233	240	247	255

Note: Figures may not sum due to rounding.

Table 2.06 shows the Commission's forecast for the change in revenue from the ADS policy set out above. This is forecast to increase revenue by £25.4 million in 2019-20. It is also forecast to increase revenue by £2.3 million in 2018-19, due to introduction in the 2018-19 tax year and the forestalling (bringing forward) of some transactions that would otherwise have occurred in 2019-20.

**Table 2.06: ADS Policy Revenue Forecast (£ million)**

£ million	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Policy forecast (£m)	2.3	25.4	24.2	25.3	25.6	26.0
- of which net ADS revenue	2.2	27.3	25.5	26.7	27.4	28.1
- of which residential LBTT revenue	0.1	(1.8)	(1.3)	(1.4)	(1.8)	(2.1)

Note: Figures may not sum due to rounding.

Table 2.07 shows the Commission's forecast for changes in revenue from the non-residential LBTT policy set out above. These measures are forecast to increase revenue by £2 million in 2018-19, £13 million in 2019-20, rising to £15 million by 2022-23.

**Table 2.07: Non-Residential LBTT Policy Revenue Forecast (£ million)**

£ million	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Policy forecast (£m)	2	13	14	14	15	15

## SCOTTISH LANDFILL TAX

Scottish Landfill Tax (SLfT) was introduced on 1 April 2015, replacing UK Landfill Tax. It is a tax on the disposal of waste to landfill, charged by weight on the basis of two rates: a standard rate, and a lower rate for less polluting materials.

### Policy

SLfT rates continue to provide financial incentives to support a more circular economy, and the delivery of our ambitious targets to reduce waste, increase recycling and cut waste going to landfill.

Landfill operators are able to voluntarily contribute a capped proportion of their landfill tax liability to the Scottish Landfill Communities Fund, and claim 90 per cent of the contribution as a tax credit. In order to claim a credit, the funds must be used for one or more of the objectives set out for the Communities Fund.

### Rates

The Scottish Government proposes to increase the standard rate of SLfT to £91.35 per tonne and the lower rate of SLfT to £2.90 per tonne in 2019-20, in line with RPI inflation and to ensure consistency with Landfill Tax charges in the rest of the UK. This will provide a stable tax environment for industry to invest in alternative waste treatment options, whilst addressing concerns over potential 'waste tourism' should one part of the UK have a lower tax charge than another.

The credit rate for the Scottish Landfill Communities Fund for 2019-20 will remain at a maximum of 5.6 per cent of an operator's tax liability. This will ensure that landfill site operators can continue to contribute to community and environmental projects near landfill sites to a greater degree than their UK counterparts, without any increase in the overall tax burden.

### Forecasts

The Commission's forecast tax revenue for SLfT in the period 2018-19 to 2023-24 are set out in Table 2.08.

**Table 2.08: SLfT Revenue Forecasts 2018-19 to 2023-24 (£ million), adjusted for payments to the Scottish Landfill Communities Fund**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Scottish Landfill Tax	136	104	83	13	13	14

In 2019-20 and 2020-21, increasing energy from waste capacity across Scotland is expected to drive revenue downwards as more waste is diverted from landfill. Based on the latest evidence, the Commission have also now included in their central forecast the impact of the legislation which will ban biodegradable municipal waste (BMW) being landfilled from early 2021. Though this will result in increasing energy production from waste capacity, it is also expected to be a significant factor in reducing revenue from 2021-22 onwards. Local authorities and waste management companies are currently preparing for the changing regulatory landscape from January 2021 and are therefore already reacting to the ban on the landfill of biodegradable municipal waste.

## NON-DOMESTIC RATES

### Policy

Non-domestic rates (NDR), or business rates, is a property tax collected and used by councils to fund the local services received by the property.

New policies to be introduced in 2019-20 include:

- a below-inflation increase in the non-domestic rates poundage, the lowest poundage available anywhere in the UK;
- an enhanced 100 per cent fibre broadband relief for a 10 year period to 31 March 2029; and
- a continuation of the transitional relief cap for Aberdeen City and Shire offices and all but the very largest hospitality properties across Scotland. This means that 2019-20 bills will rise by no more than 12.5 per cent in real terms (14.8 per cent in cash terms) for eligible properties.

The 2019-20 Budget also maintains:

- the Small Business Bonus Scheme which provides record relief to over 119,000 business properties across Scotland and has lifted 100,000 recipients out of rates altogether;
- a Business Growth Accelerator, which ensures new build properties are not liable for rates until 12 months after first occupation and any rates bill rises due to improvements to or the expansion of existing properties will not take effect until 12 months after those changes are made to the property;
- the day nurseries relief to support nursery providers who have such an important role to play in ensuring our children have the best start in life;
- the 60 per cent relief for hydro generation which is in place until the final report of the Hydro Plant and Machinery Review is received and the conclusions are implemented; and
- the Fresh Start Relief which was expanded to include all property types, halving the qualifying period the property has to be empty to qualify from 12 months to six, doubling the level of relief from 50 per cent to 100 per cent for the first year of new occupation.

Some of these measures will be awarded under the EU State Aid *de minimis* regulation.

Taken together these decisions confirm the Scottish Government continues to offer the most generous package of reliefs available in the United Kingdom, forecast to be worth a record £750 million in 2019-20, up from £732 million in 2018-19. Councils may also offer their own local reliefs under the Community Empowerment (Scotland) Act 2015.

## Rates

The amount of tax paid is the rateable value of the property multiplied by the poundage rate, minus any relief to which the property is entitled.

Independent Assessors set the rateable value, which is broadly the amount of annual rent the property would attract on the open market. Non-domestic property values are regularly revalued to reflect prevailing economic circumstances. The most recent revaluation took place in 2017 with the next scheduled for 2022, after which legislation planned for introduction in 2019 will provide for a statutory three-year revaluation cycle.

The main tax rate is the poundage, which is a pence in the pound tax rate set by Scottish Ministers. A small supplementary tax rate is levied on properties with a rateable value over £51,000.

Tax rates for 2019-20 will be as set out in Table 2.09.

**Table 2.09: NDR tax rates**

Poundage	49.0p
Large Business Supplement (rateable value above £51,000)	2.6p

## Forecasts

Forecast tax revenue for NDR in the period 2019-20 to 2023-24 are set out in Table 2.10.

**Table 2.10: NDR Revenue Forecasts 2019-20 to 2023-24 (£ million)**

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Non-domestic Rates	2,785	2,887	3,087	3,295	3,332

Table 2.11 shows the Commission's estimate of revenue changes following from the policy changes presented above.

**Table 2.11: NDR Policy Revenue Foregone Forecasts (£ million)**

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Pre-measures forecast	2,827	2,932	3,132	3,339	3,376
Uprating poundage	(35)	(40)	(41)	(43)	(42)
Fibre relief		(0.5)	(1)	(1)	(2)
Continuation of transitional relief	(7)	(5)	(3)		
Post-measures forecast	2,785	2,887	3,087	3,295	3,332
Difference	(42)	(46)	(45)	(44)	(44)

Source: Scottish Government, Scottish Fiscal Commission. Figures may not sum due to rounding.

## **AIR DEPARTURE TAX**

Following the commencement of section 17 of the Scotland Act 2016 on 23 May 2016, the Scottish Parliament passed the Air Departure Tax (Scotland) Act 2017 on 20 June 2017.

The Cabinet Secretary for Finance, Economy and Fair Work informed Parliament on 1 June 2018 that the introduction of Air Departure Tax (ADT) will be deferred beyond April 2019. The Scottish Government has been clear that a resolution to the Highlands and Islands exemption issue must be found before ADT can be introduced in Scotland, to ensure that devolved powers are not compromised. The Scottish Government continues to work closely with the UK Government, and with the new Highlands and Islands ADT Working Group, to seek a solution. The UK Government will maintain the application of Air Passenger Duty in Scotland in the interim.

The Scottish Government remains committed to delivering a 50 per cent reduction in the overall tax burden of ADT and to abolishing it altogether when resources allow. This is intended to help boost international connectivity and generate sustainable growth.

## **AGGREGATES LEVY**

Aggregates Levy is a tax paid on the commercial exploitation of aggregates, i.e. sand, gravel and rock. The Scotland Act 2016 gave the Scottish Parliament the power to legislate for a tax to replace the Aggregates Levy in Scotland. However, there are ongoing legal issues in relation to the UK tax, which need to be resolved before the power can be commenced.

The ability to set the rate of Aggregates Levy will provide opportunities to better integrate waste and other environmental policies within Scotland. The Scottish Government will work with the UK Government and stakeholders, and conduct research in anticipation of the Levy's eventual devolution.

## **VALUE ADDED TAX ASSIGNMENT**

The Scotland Act 2016 provided for the first 10 pence of the Standard Rate of Value Added Tax (VAT), and the first 2.5 pence of the Reduced Rate, to be assigned to the Scottish Government. The assignment of VAT will be based on a model that will estimate expenditure in Scotland on goods and services that are liable for VAT. The draft model for calculating Scottish VAT receipts<sup>3</sup> has been published, and finalising the model will be discussed through the Joint Exchequer Committee in spring 2019.

The Scottish Government will continue to monitor the methodology in advance of a final agreement, including a focus on the robustness of the data that underpins it and the potential level of undue volatility which may be associated with its operation.

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<sup>3</sup> Scottish VAT assignment - Summary of VAT assignment model: <https://www.gov.uk/government/publications/scottish-vat-assignment-summary-of-vat-assignment-model>

2019-20 will be a transitional year, where VAT assignment will be forecast and calculated, but with no impact on the Scottish Government's Budget. From 2020-21, provided both Governments are assured that the assignment methodology is working effectively, the Scottish Government's Budget will be determined by forecast and final estimated VAT receipts in Scotland and corresponding block grant adjustment. The Scottish Fiscal Commission will forecast Scottish assigned VAT receipts. Table 2.12 shows the assigned VAT forecasts for Scotland.

**Table 2.12: Scottish Government assigned VAT Revenue Forecasts (£ million)**

£ million	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Policy forecast (£m)	5,631	5,801	5,966	6,122	6,279	6,434

## TAX BLOCK GRANT ADJUSTMENTS

Changes in the Scottish Government's block grant are determined via the operation of the Barnett Formula. Under the Fiscal Framework, the block grant is then reduced to reflect the tax revenues devolved to Scotland under the Scotland Acts 2012 and 2016. These reductions are referred to as Block Grant Adjustments (BGAs).

The impact on the budget is initially determined by the difference between forecasts of these BGAs and forecasts of Scottish tax revenues. When outturn figures are available, 'reconciliations' are made to the budget. Further detail on the operation of the Fiscal Framework is set out in the Fiscal Framework Outturn Report.<sup>4</sup>

Table 2.13 shows the most recent forecasts for revenues, BGAs and their net impact on the budget.

<sup>4</sup> <https://www.gov.scot/publications/fiscal-framework-outturn-report/>

**Table 2.13: Forecasts of Revenues and Block Grant Adjustments (£ million)**

Block Grant Adjustments		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
NSND Income Tax	Revenue	11,008	11,452	11,684	12,285	12,746	13,242	13,805
	BGA	11,046	11,495	11,501	12,089	12,478	12,954	13,493
	Net impact on budget	(38)	(43)	182	196	268	288	312
LBTT	Revenue	557	569	643	680	716	751	787
	BGA	584	546	567	596	632	667	721
	Net impact on budget	(27)	23	76	85	84	83	66
SLfT	Revenue	148	136	104	83	13	13	14
	BGA	113	104	91	83	81	74	62
	Net impact on budget	35	32	13	0	(68)	(61)	(48)
Total Tax	Revenue	11,713	12,157	12,430	13,049	13,475	14,006	14,605
	BGA	11,743	12,145	12,159	12,768	13,191	13,695	14,276
	Net impact on budget	(30)	12	271	281	284	310	329

Notes: The BGA and revenue forecasts shown for 2017-18 and 2018-19 differ from Table 1.02. Table 1.02 shows the BGAs and forecasts that were used to determine the budget in each of these years. This table presents latest forecasts. These do not affect the 2017-18 and 2018-19 budgets.

The total tax BGA does not include the non-tax BGAs for fines, forfeitures, fixed penalties, and proceeds of crime. For the total BGA including tax and non-tax elements, please refer to Table 1.02.

The 2017-18 LBTT and SLfT revenue and BGA figures are outturn figures.

The BGAs shown are calculated using the Indexed Per Capita (IPC) indexation method. This method in practice determines the BGAs applied to the budget. This is set out in more detail in paragraph 2.22 of the Fiscal Framework Outturn Report. Figures may not sum due to rounding.

### Income Tax Baseline Value

Since the publication of the previous forecasts in 'Scotland's Fiscal Outlook', income tax outturn data for Scotland for 2016-17 has become available. The outturn figure of £10,719 million will be used from now on as the baseline value for the income tax BGA.

This figure was £548 million lower than the 2016-17 forecast used in 'Scotland's Fiscal Outlook' (£11,267 million). While this causes the revised BGAs and revenues to be significantly lower than those published in 'Scotland's Fiscal Outlook', it has no direct impact on the Scottish Government's Budget. This is because the BGA deducted from the Budget and the forecast tax revenues added to the Budget have been revised down by the same amount.

### Impact of Reconciliations of 2017-18 Outturn Data on this Budget

A negative £3 million reconciliation has been applied to the 2019-20 Budget relating to 2017-18 revenues for Land and Buildings Transaction Tax, Scottish Landfill Tax and Fines, Forfeitures and Fixed Penalties. This reconciliation is needed because the outturn figures for those BGAs were, in total, £3 million higher than had been forecast at the time of the 2018-19 Budget.

### **Future Reconciliations**

The forecasts for both Scottish tax revenues and corresponding BGAs are based on the latest available information at the time of the Budget. Once the outturn data is available for the Scottish tax revenues and the BGAs, reconciliations will be carried out.

For Scottish income tax, outturn data is available around 15 months after the end of the financial year. For 2019-20 income tax, outturn data will be available in summer 2021 and a reconciliation will be applied to the 2022-23 Budget to both forecast revenues and the BGA.

For LBTT and SLfT, data is available six months after the end of the financial year. Revenue Scotland collects LBTT and SLfT and these revenue streams feed in to the Scottish Budget as they are collected. The BGAs for these taxes are updated twice. The first update is made within the financial year at the UK Budget, on the basis of the most recent Office for Budget Responsibility (OBR) forecasts. Once outturn data is available in the following financial year, a final reconciliation is applied to the block grant for the financial year thereafter (i.e. two years after the year to which the revenues relate).

For 2019-20 LBTT and SLfT, the BGAs will therefore be updated at Autumn Budget 2019 based on the latest OBR forecast; this update will be applied to the 2019-20 Budget. Following the publication of outturn data in summer 2020, the final reconciliation will be applied to 2021-22 Budget.

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# CHAPTER 3

## Infrastructure Investment

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### INTRODUCTION

Infrastructure investment is one of the four pillars of the government's economic strategy. We recognise the importance of it to the economy: not only from the immediate short-term benefits of construction but also the longer-term economic impact of our investment in hospitals, schools, transport, infrastructure, digital connectivity and low carbon technology.

At this Budget we will progress our programme for infrastructure investment in line with our latest 'Infrastructure Investment Plan',<sup>1</sup> published in 2015. Infrastructure projects have been undertaken using a variety of funding mechanisms as we seek to maximise our investment. Our capital programme for 2019-20 will be over £5 billion, making significant progress towards our 2016 Programme for Government commitment to invest £20 billion over the life of this Parliament.

Our long-term aspirations for infrastructure investment are demonstrated through our 2018 Programme for Government commitment to undertake a National Infrastructure Mission to increase annual investment in infrastructure by 1 per cent of current (2017) GDP,<sup>2</sup> £1.56 billion, by the end of the next Parliament in 2025-26.

### OUR PRIORITIES

In 2019-20 we will:

- invest £175 million in early learning and childcare facilities, advancing our commitment to provide £476 million capital funding to local authorities over 2017-18 to 2020-21 to support the expansion of early learning and childcare entitlement to 1,140 hours;
- create a £50 million Town Centre Fund as part of a wider package of business support measures to drive local economic activity;
- increase investment in the Affordable Housing Supply Programme to over £825 million (including the Transfer of Management of Development Funding (TMDF) in the local government budget), to progress our commitment to deliver

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<sup>1</sup> <https://www.gov.scot/policies/government-finance/infrastructure-investment/>

<sup>2</sup> Based on the latest Scottish GDP estimate for 2017, which can be found at <https://www2.gov.scot/Topics/Statistics/Browse/Economy/>

50,000 new affordable homes by 2021, the majority of which will be for social rent;

- provide £187 million funding for the Aberdeen, Glasgow and Clyde Valley, Edinburgh and South East Scotland, Inverness and Highland, Stirling and Clackmannanshire and Tay City Region deals;
- progress our £320 million commitment to construct five new NHS elective care centres in Clydebank, Inverness, Aberdeen, Dundee and Livingston;
- invest £1.7 billion in our transport infrastructure, including £93 million to take forward our commitment to dual the A9 and £207 million in our major rail electrification programme;
- invest £6.3 million of capital to continue the delivery of the National Manufacturing Institute for Scotland, to bring together research, industry and the public sector to help companies across Scotland embrace new manufacturing techniques and support research and develop the skills of our workforce; and
- invest to develop and maintain our Higher Education and Further Education estate, including up to £22.7 million to complete the construction of Forth Valley College's new campus in Falkirk.

In addition to the economic impact of our wide-ranging capital programme, we will also invest in key projects to maximise our economic potential:

- an additional £120 million in 2019-20 into pre-cursors to the Scottish National Investment Bank, ensuring that when the Bank launches, in 2020, it makes a significant impact from the outset – delivering long-term, strategic investments which help power innovation and accelerate our transition to a low carbon, high-tech, connected, globally competitive and inclusive economy; and
- £25.5 million of capital investment for Highlands and Islands Enterprise and £8.4 million capital investment to support the work of the South of Scotland Economic Partnership to invest in projects and economic activity, sustain and grow communities, and drive forward inclusive growth and fair work across Scotland's rural economy, and to help establish the South of Scotland Enterprise Agency.

### **Environmental Sustainability**

The Scottish Government is committed to tackling climate change and moving towards a low carbon economy. This budget supports these objectives through:

- making over £145 million available through Energy Efficient Scotland to reduce energy costs, tackle fuel poverty and place us well track to invest £500 million in energy efficiency by 2020-21;
- investing £10 million, with support from the European Regional Development Fund, in innovative low carbon energy projects that support decarbonisation ambitions and deliver economic growth;

- invest £80 million annually in cycling and walking to encourage a greater shift towards active travel to build an Active Nation and help create high quality walking and cycling infrastructure in towns and cities across Scotland to make them friendlier, safer and healthier places for pedestrians and cyclists; and
- continue to support behaviour change programmes to promote active and sustainable travel for everyone, through schemes such as interest free e-bike loans, subsidised bike hire and cycle training. We will also work towards the target to phase out the need for new petrol and diesel cars and vans by 2032 by a significant expansion of Electric Vehicle (EV) charging infrastructure across Scotland, including pilots to address complex issues such as on-street parking in urban areas.

## NATIONAL INFRASTRUCTURE MISSION

International evidence from studies by the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), World Bank and European Union all demonstrate a strong link between government infrastructure investment and longer-term economic growth. Recognising the importance of infrastructure investment to our economy, our 2018 Programme for Government set out our commitment to a National Infrastructure Mission which will increase annual investment by 1 per cent of current GDP<sup>3</sup> by the end of the next Parliament, compared to the 2019-20 baseline set out in Table 3.01. By 2025-26, this will mean an additional £1.56 billion of investment per year in our key economic infrastructure, delivering a long-term boost to Scotland's economy and maintaining our competitive global economic position. This baseline has been maximised by making full use of our borrowing powers, deploying 2018-19 capital consequentials from the UK Budget by carrying them forward into 2019-20, and the re-profiling of Financial Transactions.

The National Infrastructure Mission will be financed from a combination of approaches, including traditional capital expenditure, Financial Transactions, capital borrowing, revenue financed investment and innovative finance methods such as Growth Accelerator. We have also asked Scottish Futures Trust to examine the use of profit sharing revenue finance schemes, such as the Welsh Government's Mutual Investment Model, to help secure both the investment we need and best value for the taxpayer. We will utilise all mechanisms available to enable us to deliver on our priorities including the completion of the A9 dualling. We will also maintain momentum on improving the learning estate with a further £1 billion school investment programme from 2021 as part of the National Infrastructure Mission.

Table 3.01 sets out how we have measured the 2019-20 baseline and our projections for infrastructure investment had we not announced our ambitious plans to boost infrastructure spending between now and 2025-26. Future expenditure estimates here are based on the central scenarios in 'Scotland's Fiscal Outlook: The Scottish Government Five Year Financial Strategy to 2022-23'.<sup>4</sup> Thereafter, a prudent assumption of an

<sup>3</sup> Based on the latest Scottish GDP estimate for 2017, which can be found at <https://www2.gov.scot/Topics/Statistics/Browse/Economy/>

<sup>4</sup> <https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-government-five-year-financial-strategy/>

additional £75 million over the following three years has been modelled for future capital grant. We have modelled a flat profile of Financial Transactions from 2020-21 as we do not know if the UK Government will continue with this type of funding. NPD/hub and innovative finance projections are latest estimates. Future reporting will show how increased investment is being made above the levels in Table 3.01.

**Table 3.01 - Projected Infrastructure Investment before National Infrastructure Mission**

Investment Profile with no National Infrastructure Mission							
Source	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m	£m	£m	£m
Capital Grant	4,020.3	4,095	4,086	4,226	4,301	4,301	4,301
Borrowing	450.0	-	-	-	-	-	-
Financial Transactions	635.5	505	505	505	505	505	505
NPD/Hub	60.0	40	-	-	-	-	-
Innovative Finance	30.0	25	25	35	20	2	3
<b>Current Total</b>	<b>5,195.8</b>	<b>4,665</b>	<b>4,616</b>	<b>4,766</b>	<b>4,826</b>	<b>4,808</b>	<b>4,809</b>

To meet our commitment to increase annual infrastructure investment by £1.56 billion over our 2019-20 baseline we will steadily increase annual investment so that we reach £6,750.8 million of infrastructure investment in 2025-26. This will be a combination of capital grant and Financial Transactions, future borrowing and the use of other innovative finance instruments. As time progresses this mix may change. We will provide updates at future budgets detailing our progress against this ambitious target.

It is vital that the right investments are made that generate inclusive growth and deliver our low carbon objectives. For example, investments in broadband, transport and utilities provide the foundation for companies to invest and bring new economic opportunities across all of Scotland.

We will establish an Infrastructure Commission to provide strategic infrastructure investment advice to the Scottish Government. The Infrastructure Commission will utilise evidence and learning from the best international practice to ensure our National Infrastructure Mission delivers inclusive economic growth and meets our low carbon objectives.

## INVESTMENT SOURCES

In 2019-20 our investment of over £5 billion is funded through capital grant of £4 billion, capital borrowing of £450 million and £635.5 million of Financial Transactions. We are also continuing to deliver additional investment in infrastructure through our innovative funding routes including revenue financed schemes, Tax Incremental Financing (TIF) and Growth Accelerator and by leveraging in private finance through housing delivery and City Region Deals.

## Capital Grant

Capital grant is determined by the allocation provided to the Scottish Government by HM Treasury at the UK Government Budget. It forms the vast majority of capital investment by the Scottish Government. Capital grant can be used for any new infrastructure investment and net policy lending.

## Capital Borrowing

Following agreement of the Fiscal Framework, ratified in the Scotland Act 2016, the limit on the Scottish Government's capital borrowing powers was increased in 2017-18 to a maximum of £3 billion with an annual cap of £450 million. In order to maximise our commitment to investing in infrastructure, we will make use of the full £450 million available in 2019-20. In assessing affordability, this is modelled as being drawn from the National Loans Fund in 2019-20 with an assumption of repayment over 25 years, an interest rate of 2.5 per cent, and repayments of both principal and interest from 2020-21 onwards. A 25 year repayment profile was chosen to reflect the nature of the assets that we are investing in and following HM Treasury agreement in 2017-18 to enable borrowing for this duration in line with the Fiscal Framework. Final decisions on borrowing arrangements will be taken over the course of the year reflecting an ongoing assessment of programme requirements.

## Financial Transactions

As well as making direct infrastructure investment, the Scottish Government has also made use of Financial Transactions funding from HM Treasury which, although limited in how it can be applied (and repayable to HMT), is available to support wider initiatives beyond the public sector. In recent years, Financial Transactions have been used to support a number of housing initiatives, including equity stakes in Help to Buy and other shared equity schemes, as well as innovative financing schemes to increase the supply of homes available for mid-market rent. Financial Transactions have also been used to provide loan funding to Small- and Medium-Sized Enterprises and to support energy efficiency programmes. We will continue to support these schemes in 2019-20 and to increase investment in the higher education sector, with £55.5 million being made available for our universities in 2019-20 to take forward estates projects to improve the learner experience and reduce the sector's carbon footprint. We have set aside £120 million in 2019-20 for pre-cursors to the Scottish National Investment Bank with a further £220 million in 2020-21, in line with our commitment of £340 million. £50 million is also being made available to continue the Building Scotland Fund in 2019-20.

## REVENUE FINANCED INVESTMENT, INNOVATIVE FINANCING AND PRIVATE SECTOR LEVERAGE

In addition to utilising capital grant and our borrowing powers, the Scottish Government uses a range of revenue financed investment and innovative financing mechanisms to support economic growth in Scotland to maintain or increase investment and help to deliver key policy outcomes within the overall strategy as set out in the Infrastructure Investment Plan. Details of progress in our major revenue and innovative finance models is as follows:

- **Non-Profit Distributing (NPD) Model** – NPD was developed as an alternative to the traditional Private Finance Initiative (PFI) in Scotland. Since its announcement in 2010, NPD has enabled four college developments, five NHS facilities and two major roads projects with capital investment valued at £1.6 billion and supporting 8,000 jobs during the construction phases. The majority of these projects are now open with three projects currently under construction.
- **Hub** – Hub is a public-private partnership delivery vehicle developed by Scottish Futures Trust. The Hub model operates across five geographical areas with an independent private limited company or HubCo in each. In addition to capital funded projects, 40 revenue funded projects with a value of £1.3 billion have now been contracted through the hub programme including schools, health centres and other community facilities.
- **Growth Accelerator (GA)** – GA is an innovative form of revenue finance where the Scottish Government pays a grant to local authorities following infrastructure investments, providing the local authority meets agreed outcomes, such as generating a set number of additional jobs in low income areas. There are currently two Growth Accelerators in operation. The Edinburgh St James development will unlock £1 billion of new retail, leisure, hotel and residential development in the city centre. The Dundee Waterfront will see £60 million of Scottish Government investment support the wider £1 billion Waterfront Development that includes the iconic V&A Museum.
- **Tax Incremental Financing (TIF)** – TIF is an innovative form of finance where councils retain future tax revenue to fund current infrastructure investment and unlock significant private sector development. We have given approval for six pilot TIF projects, five of which are live in Glasgow, Falkirk, Argyll and Bute and two in Fife. The latest approved scheme at Fife Interchange reached agreement in June 2018. The remaining pilot scheme in North Ayrshire remains in development awaiting the outcome of the Ayrshire Growth Deal.
- **City Region and Regional Growth Deals** – City Region Deals are major strategic partnerships between the Scottish Government, Local Authorities and the UK Government designed to support long-term development in regional economies and will attract more than £1.7 billion of regional partner investment, contribute towards the construction of tens of thousands of new homes, secure over 65,000 jobs and drive innovation, investment and skills across Scotland. City Region Deals have now been agreed to support Scotland's seven cities and their regions and positive progress across these deals continues to be made. We are committed to investing up to £1.27 billion over the lifetime of these City Region Deals, and in 2019-20 we will invest £187 million. The Scottish Government also supports 100 per cent coverage of Scotland through City Region and Growth Deals and is currently working with local authorities outside of city regions in Ayrshire and Moray, Argyll and Bute, Falkirk, the three island councils and in the Borderlands to shape Regional Growth Deals.

- **Innovation in Housing Investment** – The innovative use of government guarantees, loans, grant recycling and new sources of private funding is supporting the delivery of up to 8,500 homes across all tenures and generating over £1 billion of housing investment in addition to our conventional funding routes. This includes the successful delivery of the Mid-Market Rent Invitation which will deliver 1,000 mid-market rent homes by March 2021 through a long-term £47.5 million Scottish Government loan and £90 million of Institutional Investment. We have also continued Scottish Government investment in Charitable Bonds, where we have invested in 16 bonds worth almost £95 million and have provided development finance for around 1,000 affordable homes and generated around £22 million in additional grant for charities which has supported the development of over 200 social rent homes.

## MONITORING OF LONG-TERM INVESTMENT COMMITMENTS

We are committed to the sustainable use of revenue financed investment methods to ensure we do not overly constrain our choices in future years.

Prior to this budget the Scottish Government had a self-imposed revenue finance investment limit of 5 per cent of the total Scottish Government Budget. To ensure our National Infrastructure Mission will be delivered in a fiscally prudent way, we are tightening this self-imposed limit to 5 per cent of the Scottish Government resource budget (excluding social security).

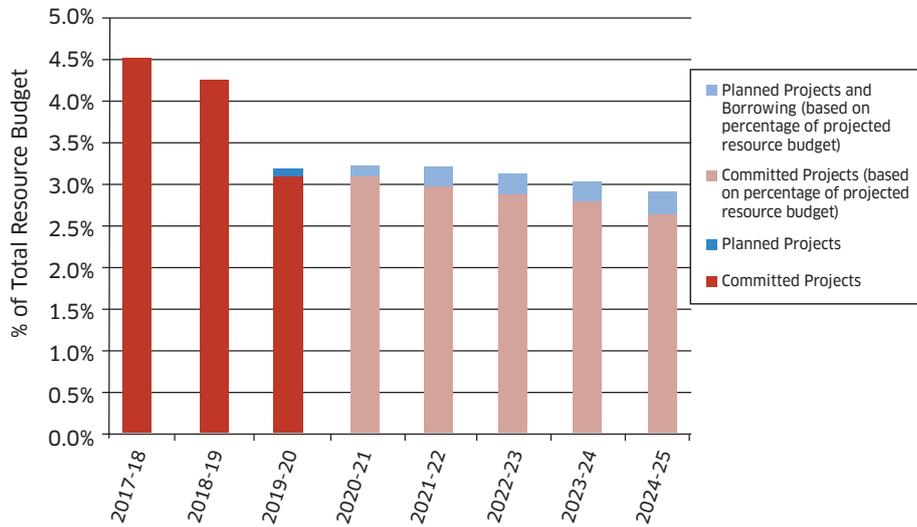
The commitments included in the revenue finance limit calculation are the Scottish Government's costs relating to: previous Public Private Partnership (PPP) contracts that are now operational, the current Non-Profit Distributing (NPD) and hub programmes, Growth Accelerator payments and the costs of repaying capital borrowing.

In previous years rail investment (financed via the Regulatory Asset Base (RAB)) was included in this calculation; but from 2019-20 this is no longer the case following the reclassification of Network Rail from a private to public sector classification, and the change in funding regime to grant-based rather than borrowing. Agreement has been reached with HM Treasury for repayment of historical RAB debt to 31 March 2019. All future funding for rail in Scotland beyond that will be grant-based and there will be no liabilities falling to Scottish Government therefore no RAB payments will be included within the 5 per cent cap from 2019-20 onwards.

Figure 3.01 shows annual revenue funded investment costs as a percentage of the Scottish Government's resource budget, broken down into committed projects and borrowing, and planned projects and planned borrowing.<sup>5</sup> It shows that the peak occurred in 2017-18 at 4.5 per cent, including RAB payments. In 2019-20 committed projects are estimated to be 3.1 per cent of the resource budget with planned and committed projects and borrowing 3.17 per cent of the resource budget. This is estimated to increase to 3.21 per cent in 2020-21 and 2021-22.

<sup>5</sup> Estimated costs have been adjusted to reflect the impact of a public sector classification for the Aberdeen Western Peripheral Route project, the Dumfries and Galloway Acute Services Redevelopment Project, Edinburgh Royal Hospital for Sick Children, Scottish National Blood Transfusion Service and an assumption of a similar classification for the NHS Orkney New Hospital and Healthcare Facilities.

**Figure 3.01: Long-term Investment Commitments – Scottish Government’s Share of Costs as a Proportion of the Total Projected Resource Budget**



We only have firm resource budget allocations from the UK Government until 2019-20, although the UK Government set out a profile for overall UK public spending until 2023-24, in the UK Budget on 29 October 2018. We have therefore assumed that spending allocations will grow in line with these plans until 2023-24, with spending allocations beyond this point growing in line with projected nominal GDP from the OBR’s most recent Fiscal Sustainability Report. The years without firm resource budget allocations are 2020-21 to 2025-26.

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# CHAPTER 4

## Pre-Budget Scrutiny by Parliamentary Committees

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This chapter provides a summary of how the pre-budget scrutiny from the Scottish Parliament's committees has influenced the formulation of the Scottish Budget.

This is a new aspect of the Budget document this year and arises from the recommendations in June 2017 by the Budget Process Review Group (BPRG), which was jointly established by the Scottish Parliament Finance and Constitution Committee and the Scottish Government. The BPRG recommended a process which takes a full year approach to budget scrutiny involving a continuous cycle of scrutiny with a focus on the outcomes being achieved by budgets.

The BPRG recommended that parliamentary committees should prepare a pre-budget report in which they set out their views on the delivery, impact and funding of existing policy priorities and any proposed changes including any new policy priorities.

In addition to the material contained in this chapter, following the publication of the Scottish Budget, each Cabinet Secretary or relevant Minister will respond to their respective committee with a written response on the individual committee reports. These responses will issue within five sitting days of the Scottish Budget being announced in Parliament.

After the publication of these written responses, there will be further occasions when the committee pre-budget reports will be considered including:

- when committees invite Ministers to give evidence on the Scottish Budget; and
- prior to the Stage 1 debate on the general principles of the Budget Bill, when there will be a parliamentary debate on the committee pre-budget reports.

The following section provides an initial response to the various committee pre-budget reports.

### **Equalities and Human Rights Committee**

We welcome the Equalities and Human Rights Committee's ongoing scrutiny of the 2019-20 Budget and in particular the use of data to support budget scrutiny.

The Equality Evidence Finder is the main tool that we use for equality data. We continue to implement improvements, and this year have focused on gender and child poverty. We are working closely with stakeholders to develop the gender index which will include intersectional data where available. The Child Poverty Delivery Plan also built in equality data from the start including wide engagement with equality stakeholders.

The 11 National Outcomes in the National Performance Framework include new outcomes on fair work, poverty and culture, and a re-focusing of an outcome for children with more emphasis on the children's own voice and perspective. The outcomes have also been aligned with the UN Sustainable Development Goals.

Wherever possible we will report on the new National Indicators on the National Performance Framework website in relation to protected characteristics, socio-economic disadvantage and geography.

Over the next year we will look for opportunities to draw this data together to create a more in-depth picture of performance across the National Indicators and Outcomes, and will explore options for improving the linkages between spend and outcomes in response to the BPRG recommendations. We will also explore ways to strengthen equality reporting on outcomes with a commitment to produce equality assessment prior to summer recess 2019.

### **Culture, Tourism, Europe and External Affairs Committee**

The Culture, Tourism and External Affairs Committee raised as its priorities the role of local authorities, the outcomes achieved by cultural spend and major events, the screen industry, the consultation on the Transient Visitor Levy, EU funding and our Innovation and Investment Hubs.

The 2019-20 Budget confirms continued investment in culture and tourism priorities, including in the production of a new Culture Strategy for Scotland. We recognise the importance of setting out clearly the outcomes of expenditure in the culture portfolio, including expenditure on major events, and considering the equalities impact of spending. While fully capturing outcomes associated with this spending is not easy, we are committed to making progress in the year ahead. This will include looking at the outcomes achieved by Screen Scotland, to whom we are continuing to provide a further £10 million, maintaining the total screen investment at £20 million.

We have shared with the Committee further information on the national discussion we are facilitating about Tourism Taxes and look forward to working with the Committee in exploring this issue further.

This year's budget reflects our commitment to Scotland's role as a good global citizen and to playing our part in tackling global challenges, and continues to support Scotland as an open, connected country with an expanded network of external offices supported by £4.5 million from the Culture, Tourism and External Affairs portfolio and £3 million from the Finance, Economy and Fair Work portfolio.

### **Economy, Energy and Fair Work Committee**

The Economy, Energy and Fair Work pre-budget scrutiny focused on promoting employment and encouraging fair work, covering the roles of Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) and newly devolved employability programmes. The Committee highlighted it is vital to know the extent of provision and expenditure across all employability programmes and noted the Scottish Government's intention to map out the provision of services across Scotland. We agree with the Committee and are working with local authority counterparts to develop closer

alignment of local and national government employability delivery and produce a coherent, strategic and cross-cutting plan for greater integration and closer joint working.

On the Employability Fund, the Committee highlighted the evidence that one-year contracts can be problematic and tendering takes time, effort and money and organisations should be offered three-year contracts instead. On devolved employment support, the Committee commented on the new Fair Start Scotland programme including the length of contracts, referrals, payment by results method and the voluntary nature of the programme. We acknowledge providers would prefer the security of three-year contracts and we will consider this and the wider points raised by the Committee as part of our review of directly funded employability services.

Regarding Scottish Enterprise and Highlands and Islands Enterprise, the Committee commented on level of spend, agency targets, inclusive growth, equalities, conditionality, job quality and impact of automation. Our budgets for Scottish Enterprise and Highlands and Islands Enterprise support the delivery of their business plans which take on board the Committee's comments, and enable them to create the conditions for innovation, internationalisation and inclusive growth to thrive; and also support Scottish Enterprise to explore new proposals to increase the demand for, and use of, Financial Transactions. An update on progress is due to the Committee in April 2019.

The Committee also asked Scottish Government to respond to the points raised on community and locally-owned energy. We are committed to becoming a world leader in the development of local energy systems, providing local solutions to match local energy needs whilst achieving better outcomes for all consumers of energy. In 2018 we reviewed the existing Good Practice Principles for Shared Ownership and Community Benefit opportunities from renewables. The consultation is live until 31 January 2019.

### **Education and Skills Committee**

The Education and Skills Committee raised issues on additional support needs, in-year transfers of education funding and attainment funding.

We have continued to provide national funding of £10.5 million to support learning provision for children and young people with complex additional support needs. This funding is used to enhance support to children and young people who learn in the grant-aided special school sector in Scotland.

With regards to Education Scotland's budget, this is set at the start of each financial year on the basis of known and agreed spend. We have budget and planning discussions with Education Scotland throughout the year, and it is therefore common for further funding to be transferred to Education Scotland in response to changing circumstances. Where those become part of Education Scotland's core functions going forward, they would be considered in future annual budget discussions. This flexibility, where further funding can be transferred during a school or financial year, is important to supporting our partnership approach with local government, as it enables us to inject further available funding to wherever it is most needed to support our education reforms, both to Education Scotland and to other partners such as the Regional Improvement Collaboratives.

We will continue to invest in the Scottish Attainment Challenge in 2019-20, providing £62 million for the Attainment Scotland Fund and a further £120 million for the Pupil Equity Fund. We will provide a total of £750 million by the end of this Parliament to help close the poverty-related attainment gap. The Attainment Scotland Fund will continue to be monitored and Pupil Equity Funding will be considered in the evaluation. The findings of the interim evaluation are already showing the impact this funding is having on the attainment of many of our young people.

### **Environment, Climate Change and Land Reform Committee**

The Environment, Climate Change and Land Reform Committee commented on a range of issues, including the wider benefits from environmental spend and scope for the portfolio to make a larger contribution to achieving National Outcomes. We agree that environmental expenditure delivers a wide range of benefits and the 2019-20 Budget highlights how action across the portfolio is helping to deliver a range of National Outcomes.

The level of expenditure on the environment and climate change, and how this has changed over recent years, was also raised by the Committee. The 2019-20 Budget recognises the fundamental importance of the environment and tackling climate change. Specifically, we have maintained the level of funding for Scottish Natural Heritage which supports their role in engaging people with nature and their co-ordination of work by the public, private and third sectors on biodiversity as we strive to meet the international 2020 Aichi biodiversity targets.

The Committee rightly highlights the implications for the Environment, Climate Change and Land Reform portfolio of the UK Government's decision to leave the European Union. Around 80 per cent of our environmental legislation comes from the EU and membership has provided essential sources of funding, labour and scientific expertise. We are committed to maintaining and enhancing environmental standards in Scotland and carrying forward EU environmental principles. We will continue to prepare for leaving the EU, including the development of future environmental governance arrangements following consultation.

### **Finance and Constitution Committee**

A number of the issues raised by the Finance and Constitution Committee in its pre-budget scrutiny report relate to financial risk to the Scottish Budget. The Committee highlighted, in particular, risks relating to forecast error, divergence between Scotland and the rest of the UK on economic performance and demographics, and EU exit. The Committee also raised other points including the implementation of Air Passenger Duty and VAT, plans for capital borrowing and a review of the Fiscal Framework.

The Scottish Government welcomes the Committee's input on these issues and will keep the Committee and Parliament informed on developments. Financial risks were considered in detail in 'Scotland's Fiscal Outlook: the Scottish Government's Five Year Financial Strategy'. As outlined in that document, it is increasingly clear that the UK Government's immigration policy does not address our economic, demographic and social needs. We believe that the case for new powers for the Scottish Parliament is clear.

It is also clear that EU exit creates significant risks for the Scottish economy. We agree with the Committee that there needs to be much greater transparency and consultation with the devolved institutions in developing and agreeing the successor arrangements for EU funding.

### **Health and Sport Committee**

Recognising the Health and Sport Committee's comments and recommendations as part of the pre-budget scrutiny, we demonstrate our commitment to transparency of reporting by publishing regular consolidated reports on the financial position of NHS Boards and Integration Authorities. This is in addition to more detailed finance reports available from the individual organisations.

The Committee has highlighted the importance of financial planning, and in October we published the Health and Social Care Medium Term Financial Framework, providing NHS Boards and their Integration Authority partners with a framework to complement existing planning arrangements. The framework gives NHS Boards the option to deliver a breakeven position over a three-year period, with the flexibility to overspend or underspend by up to 1 per cent in any single year. This allows NHS Boards and their integration partners to agree a greater degree of financial flexibility over the medium term.

Acknowledging another key interest of the Committee, we continue to work with partners to shift the balance of care to focus on the provision of community-based and more joined-up, anticipatory care and preventative care. Integration aims to improve care and support for those who use health and social care services, equipping our services for the challenges the future will bring.

### **Justice Committee**

The Justice Committee's letter was addressed to both the Cabinet Secretary for Justice and the Lord Advocate and focused on general priorities in the justice portfolio; funding provided to third and voluntary sector organisations for their work in civil and criminal justice matters; the implications of the additional in-year spending provided to the Crown Office and Procurator Fiscal Service; and planned expenditure on the police, in particular, on the police service's ICT projects, capital projects, estates and maintenance.

The 2019-20 Budget confirms investment, in spite of the challenges of a budget constrained by UK Government austerity, across justice system priorities highlighted by the Committee. We continue to invest in both our police and staff workforce – the revenue budget available for policing rises by £30.3 million (including £19.1 million revenue protection). The police capital allocation increases from £23 million to £35 million which will help to support the maintenance of police assets (its estate and fleet) and provide funding to invest in modern mobile devices for officers working in communities. The Crown Office and Procurator Fiscal Service budget increases by £5 million, and the Scottish Courts and Tribunal Service by £1.8 million. The significant increase in funding to support third and voluntary sector organisations in the justice sector in the 2018-19 Budget is maintained in 2019-20.

### **Local Government and Communities Committee**

The Local Government and Communities Committee focused on two issues as part of its pre-budget scrutiny: local authority workforce planning and the housing needs of older people and disabled people (including veterans).

On local authority workforce planning, the scrutiny provided by the Committee has provided useful insight into the challenges faced by local authorities as a result of the austerity imposed by the UK Government. In spite of this, we have delivered the best deal possible for local government in this budget. It is councils rather than the Scottish Government that have the responsibility for taking decisions on workforce allocation to ensure delivery of services.

We are committed to our vision that everyone should be able to live in a home that meets their needs and supports them to live independently. The Committee's scrutiny has provided useful information that will help continue the work we have started to provide strategic and practical support to health and social care partnerships to improve delivery and funding arrangements for adaptations.

### **Rural Economy and Connectivity Committee**

The Rural Economy and Connectivity Committee pre-budget scrutiny letter covers a range of recommendations on matters relating to ferry services, many of which will require consideration in the context of medium- to long-term strategies.

In respect of 2019-20, we will continue to invest in two new vessels currently being built by Ferguson Marine Engineering Ltd on the Clyde and further invest in our piers and harbours infrastructure. We recognise that the growth in tourism and economic benefit for our islands, through the success of Road Equivalent Tariff-based fares, has brought challenges for the vessel fleet and infrastructure which we are committed to addressing.

We have invested significantly in vessels and infrastructure since 2007: £215 million on vessels and £104 million on piers and harbours. We are working with Caledonian Maritime Assets Limited (CMAL) to better understand and estimate the future funding requirements and continue to work with CMAL and other stakeholders to shape the Vessel Replacement Deployment Plan and the next Ferries Plan.

In response to the 2017 Audit Scotland report, Transport Scotland is committed to a long-term strategy which builds on the Ferries Plan and the recommendations from the Committee will help inform this strategy.

### **Social Security Committee**

We welcomed the Social Security Committee inquiry into the Scottish Welfare Fund (SWF), and are working to take forward the points raised during the evidence sessions. We continue to work closely with third sector organisations, local authorities and the Scottish Public Services Ombudsman (SPSO), as well as seeking views directly from users of the SWF. We are looking at the accessibility of the fund in keeping with the Social Security Committee recommendation and, along with the SPSO, are delivering workshops to local authorities to embed good practice and a cohesive approach in decision making

to ensure that the fund is used to maximise the number of vulnerable people who can receive help.

Information gathered throughout the year will help to inform the review of the SWF statutory guidance and we will include the Committee when it is sent out for comment in the early part of next year. We are committed to actively promoting and encouraging people to access the SWF, which, as everyone agrees, is an extremely important safety net for anyone facing severe hardship. We have maintained the SWF budget at £38 million despite the pressure of welfare reform measures passed by the UK Government which we expect to reduce annual spending in Scotland by £3.7 billion by 2020-21.

### **Formal Pre-Budget Report Responses**

Individual Cabinet Secretaries will provide written responses to committee pre-budget scrutiny reports within five parliamentary sitting days of the publication of this Budget.

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# CHAPTER 5

## Health and Sport

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### **PORTFOLIO RESPONSIBILITIES**

The Health and Sport portfolio is responsible for ensuring the people of Scotland get the right care and support, in the right place, and at the right time. The portfolio is crucial in delivering the following key National Outcomes:

- We are healthy and active.
- We grow up loved, safe and respected so that we realise our full potential.
- We live in communities that are inclusive, empowered, resilient and safe.

In our 'Health and Social Care Medium Term Financial Framework' we set out the financial environment to 2023-24 and the potential initiatives required to deliver a sustainable health and social care system with a wide range of partners. It set out that our NHS, and the wider health and social care system, must continue to adapt, recognising changing demands and that people are living longer, thanks in no small part to the NHS and the care and treatment it has provided.

By supporting these outcomes, the portfolio is contributing directly to inclusive economic growth by helping people to have healthier and more active lives and reducing inequalities across Scotland.

### **PORTFOLIO PRIORITIES**

In a year when our NHS celebrated its 70th anniversary, health and social care services have been adapting to the changing needs of people living longer, often with more complex health and care needs. We have been pursuing longer-term sustainable change alongside shorter-term action in critical areas requiring urgent improvement.

The UK Government, earlier this year, set out the health resource consequentials that should accrue to our budget as a result of their spending plans. The Financial Framework was predicated on the understanding that the UK Government would honour this commitment as a true net benefit to Scotland's budget. However, at the UK Autumn Budget 2018 it was outlined that the health resource consequentials had been reduced by £55 million in 2019-20.

In order that our health and care services are not impacted by this shortfall we have taken the necessary steps to reinstate the reduction of £55 million applied by the UK Government. This will see headline additional resource funding for the Health and Sport portfolio of £729 million (5.5 per cent). These increases mean that since 2016-17 the health resource budget has increased by £754 million over and above inflation.

Over the last year we have maintained record investment in our NHS and have awarded 147,000 Agenda for Change staff earning under £80,000 a minimum pay rise of at least 9 per cent over three years. We are taking forward major new investments, with new trauma centres opening in Aberdeen and Dundee and construction on elective care centres at the Golden Jubilee expansion and at Raigmore Hospital. There remain the challenges arising from a highly uncertain environment – not least, the UK’s exit from the EU – but that has not daunted our determination to act.

This budget delivers a further shift in the balance of spend towards mental health and primary, community and social care. This supports our commitment that by the end of this Parliament, more than half of spending will be in community health services. In 2019-20 we are continuing to prioritise front-line services. Our additional funding for front-line NHS Boards will amount to £281 million.<sup>1</sup> Along with increased investment for improving patient outcomes set out below, this will take additional investment in our front-line Boards to amount to £430 million (4.2 per cent).

**Table 5.01 – Investment in improving patient outcomes**

Improving patient outcomes	2018-19 Investment in reform (£m)	2019-20 Investment in reform (£m)	Increase for 2019-20 (£m)
Primary Care	120	155	35
Waiting Times	56	146	90
Mental Health and CAMHS	47	61	14
Trauma Networks	10	18	8
Cancer	10	12	2
<b>TOTAL</b>	<b>243</b>	<b>392</b>	<b>149</b>

In 2019-20 we are increasing our package of investment in social care and integration to exceed £700 million, underlining our commitment to support older people and disabled people and recognise the vital role unpaid carers play.

This package of investment will see £120 million transferred from the health portfolio to the local government settlement in-year and paid directly to local authorities for investment in integration and school counselling services. The investment package also sees an additional £40 million of funding included in the local government settlement to extend free personal care to under 65s as set out in the Programme for Government and for the continued implementation of the Carers (Scotland) Act 2016.

<sup>1</sup> This adjusts for funding in 2018-19 for NHS Pay awards (£95 million for all NHS Boards) that will be applied to the health portfolio resource budget as part of the Scottish Government’s Spring Budget Revision 2018-19. It also adjusts for recurring allocations to Boards that have been baselined for NHS Boards since the Budget Bill 2018-19 (£16.9 million for all NHS Boards).

Capital investment in 2019-20 will amount to £336 million. This will include investment in the Baird Family Hospital and the ANCHOR Centre in Aberdeen, and will support increasing elective capacity across Scotland. A detailed capital investment strategy will be published in the coming months, setting out an investment framework over the longer term, including primary and community care projects.

### **Access to Healthcare Priorities**

Our Waiting Times Improvement Plan will lead to sustainable, substantial improvements to performance, including the aim that by spring 2021, 95 per cent of outpatients and 100 per cent of inpatients and day cases will wait less than 12 weeks to be treated. It will:

- increase capacity by expanding facilities;
- increase clinical effectiveness and efficiency by implementing targeted action plans for key specialties and clinical areas; and
- design and implement new models of care by accelerating whole-system design of local patient pathways through health and social care integration and regional service reconfiguration.

Over the next three years, the Improvement Plan will be supported by £535 million of resource funding and £320 million of capital investment. This includes the £200 million that has been previously outlined to deliver the new elective centres.

This work will be supported by our £100 million cancer strategy. We are investing £50 million over five years in radiotherapy equipment, staff and training to ensure the provision of advanced radiotherapy services. We will also continue to invest up to £2.5 million to enable the Managed Service Network for Children and Young People with Cancer to lead and deliver the improvements set out in their second Cancer Plan, with a particular focus on improving services for teenagers and young adults.

We will support the continuing development of genomic medicine in Scotland, which will include investment in improved genomic tests, collaboration in the 100,000 genomes programme, improved data analysis, and workforce training and development.

### **Mental Health priorities**

We are introducing a comprehensive package of measures to improve mental health services. We are investing an additional £250 million over the next five years to support measures for children and young people, including the work of the Task Force on Children and Young People's Mental Health Improvement. Actions will include:

- providing around 350 counsellors in school education across Scotland;
- putting an additional 250 school nurses in place by 2022;
- ensuring that, by the end of academic year 2019-20, every local authority will be offered training for teachers in mental health first aid;

- providing more than 80 additional counsellors in further and higher education over the next four years;
- putting in place systems to fast-track those with serious mental illness to specialist treatment;
- developing services for community mental wellbeing for 5-24 year olds and their parents;
- improving training and awareness of people working with vulnerable families;
- expanding the Distress Brief Intervention programme to include people under 18; and
- expanding the range of perinatal support available to women.

Action is also planned to tackle adult mental health issues, including:

- trialling improvements to the NHS 24 Breathing Space service;
- more widespread online access to Cognitive Behavioural Therapy;
- strengthening self-help platforms through NHS Inform;
- improving access to psychological assessment and therapies in rural areas; and
- enhancing the handling of 111 calls through specialist mental health training.

Plans have been set out to further reduce Scotland's suicide rate by 20 per cent by 2022. Backed by a new £3 million innovation fund, we will:

- implement refreshed mental health and suicide prevention training for Scotland's public and private sectors;
- develop reviews of all deaths by suicide ensuring lessons are shared and acted on; and
- develop innovative ways to use digital technology to prevent suicide.

### **Workforce priorities**

Supporting the workforce is critical to delivering our priorities. Portfolio spend will focus on key workforce issues, including provision of:

- 800 more GPs (headcount) over the next 10 years;
- 100 more medical undergraduate places by 2021;
- 2,600 extra nurse and midwifery training places by the end of this Parliament;
- an increase in GP Specialty Training posts from 300 to 400 per year;

- 50 more radiology specialty training posts over the next five years, supported by an additional £3 million investment;
- 500 more advanced nurse practitioner posts by the end of this Parliament; and
- 1,000 additional paramedics by 2021.

### **Health and Social Care Integration and Social Care priorities**

The integration of health and social care remains one of the most significant reforms that Scotland's public services have seen. With a greater emphasis on community-based and more joined-up, anticipatory and preventative care, integration aims to improve care and support for those who use health and social care services and equips our services for the challenges the future will bring.

Social care provides vital support for thousands of people in Scotland. We are working with the Convention of Scottish Local Authorities (COSLA), Health and Social Care Partnerships, people who use social care, and a wide range of partners to ensure the growing demand for social care and support is met. We recognise the importance for many in being able to live independently and participate in society. Actions will include:

- implementing our commitment to extend free personal care to all those under 65 who need it with our investment of £30 million;
- implementation of self-directed support;
- reforming the Independent Living Fund Scotland charging policy to improve the disposable incomes of disabled people;
- continuing to support delivery of the Living Wage for social care staff working in adult services;
- working with key partners, including COSLA, to support workforce planning for integrated social care services;
- continuing to work to embed the recently established rights for Scotland's unpaid carers with an additional £10.5 million;
- improving access to support for survivors of abuse experienced while growing up in care;
- supporting improvements in adult support and protection;
- delivering the provision of communication equipment and support to children and adults who have lost their voice or have difficulty speaking;
- considering evidence for, and views on, a potential new national scheme to provide extra financial support to people with the highest social care needs; and
- enabling an increase in payments for Free Personal and Nursing Care.

### **Community Health Services priorities**

In 2019-20 we are supporting primary care with an investment of £941 million. The first entirely Scottish GP contract came into effect on 1 April 2018, focusing on the role of Scotland's GPs being clinical leaders in the community, leading enhanced, integrated community teams. The reform will reduce unnecessary workload for GPs, ensuring that GPs can spend more time with the patients who need to see them the most, and will make General Practice a more attractive career.

We are also determined to deliver our ambition to make community pharmacy the first point of access for care and advice for more people. In 2019-20, we will invest £192 million to support the delivery of important core community pharmacy services such as the Minor Ailment Service, Chronic Medication Service and Public Health Service. We are strengthening the Chronic Medication Service to enable community pharmacists to provide personalised care for people with stable long-term conditions and for those on long-term medication.

On dental care, we will introduce a new scheme to ensure people in care homes receive appropriate dental care, and over time, expand this to include those being cared for at home. We will take forward new approaches to reduce inequalities by supporting communities and families to take positive action through our £2.5 million Community Challenge Fund over three years.

We are also supporting nursing and midwifery students by providing free tuition and investing £11.1 million to increase the level of bursary support in 2019-20, with a further £25.4 million in 2020-21 to increase the level of support further. We are investing £3 million to train more Advanced Nurse Practitioners by 2021, £20 million per annum to recruit and train additional health visitors, and £6.9 million over three years for the training and education of General Practice Nurses and District Nurses.

### **Reforming Health Services priorities**

Services need to adapt to meet the needs of a changing population and address the challenges that are currently facing our health and social care services. As part of this wider agenda, work continues in developing plans by NHS Boards and their partners to identify which services would better provide for patients if delivered at regional and national level. As these plans are put into place, we will be supporting NHS Boards to accelerate regional and national collaboration in service design and delivery. This will ensure that services bring real change in immediate priorities such as access to care as well as achieve longer-term sustainability and reform.

### **Digital Health and Care priorities**

The wider use of digital actively supports, and helps us to realise, the integration of our health and care services as we build person-centred services for the people of Scotland. The new 'Digital Health and Care Strategy', published in 2018, sets out how we will work collaboratively across health and social care to use and develop technology to deliver more joined-up, integrated, and effective services.

The Strategy sets the six key areas of work that must be developed in order for us to realise our ambition. This includes the National Digital Platform, a new approach that facilitates the availability and exchange of information of existing and new health and care systems and applications. In early 2019 we will produce an overall plan setting out our programme of work over the next five years.

### **Realistic Medicine priorities**

The aim of Realistic Medicine is to improve patient care, ensuring that people receive appropriate and beneficial care that is evidence-based and in tune with their personal preferences. Our vision is that ‘by 2025, everyone who provides healthcare in Scotland will demonstrate their professionalism through the approaches, behaviours and attitudes of Realistic Medicine’.

From April 2019, we will build on the good progress already made and begin to implement a new three-year Implementation Plan that will support the public and health and care professionals to overcome the perceived barriers and challenges to practising Realistic Medicine. The new Implementation Plan has been informed by survey and stakeholder feedback. It sets out a vital value based programme of work that will focus on delivering the priorities to help create a sustainable NHS, underpinned by a culture of stewardship with people as equal partners in their care.

### **Public Health priorities**

To focus all public services on improving the health of our population, together with COSLA, we have set out our Public Health Priorities for the next decade. They are shaping our actions over the coming year, including:

- creating Public Health Scotland, to lead progress against our priorities;
- supporting key strategies on preventing and treating tobacco, alcohol and drug harm;
- progressing action to address adverse childhood experiences;
- improving collaborative working between public services to improve health outcomes for people in contact with the justice system;
- consulting on restricting the promotion and marketing of targeted food and drink high in fat, sugar or salt; and
- providing practical support to SMEs to help them reformulate their products, making them healthier.

Tackling diabetes and obesity will be a critical area of action. In the coming year we will continue to progress the five-year plan to invest an additional £42 million to improve the range of weight management services offered by our NHS as a core part of treatment services for people with, or at risk of, type-2 diabetes. The investment of £20 million per annum to support alcohol and drug treatment will also continue.

We will increase our support for children and families affected by Foetal Alcohol Spectrum Disorder (FASD) with investment of £0.3 million. Over the next year, we will work to set up a third sector hub that will focus on both preventing instances of FASD arising in the first place and supporting families following diagnosis. In addition, we will:

- increase our investment in improving maternity services by funding implementation of the Best Start review recommendations;
- continue to deliver a Baby Box offering essential items for a child's first weeks to the families of all newborn babies in Scotland;
- establish a National Hub for the Prevention of Child Deaths;
- establish Best Start Foods which will provide support for low income families to access a healthy diet; and
- publish a 10-year Children and Adolescent Health and Wellbeing Action Plan, focusing on both the physical health and wider wellbeing of children and young people.

### **Priorities for a More Active Nation**

Scotland is one of the first countries in the world to set out what we are doing to address the range of priorities in the World Health Organization's Global Action Plan, which put forward a target of a 15 per cent relative reduction in the global prevalence of physical inactivity in adults and young people by 2030. In the coming year our work will include:

- expanding the Care About Physical Activity programme supporting older people in a care setting to be more active;
- continuing to support the Scottish Women and Girls Advisory board to examine ways to increase female participation;
- investing in the Changing Lives Through Sport and Physical Activity programme to help transform lives;
- providing £1.2 million to support walking groups throughout Scotland, as it is the easiest and most effective way to be active;
- promoting women's golf to ensure a legacy from the Solheim Cup;
- expanding activity to increase participation of under-represented groups in sport and physical activity; and
- increasing support to Community Sports Hubs within the 5 per cent most deprived communities.

We will work with **sportscotland** to protect sport investment and mitigate the impact of continued reductions in lottery income. We will again underwrite the potential shortfall in funding of up to £3.4 million for **sportscotland** in 2019-20 and will continue to encourage the UK Government to take the appropriate action required to address lottery reductions.

## SPENDING PLANS

**Table 5.02: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
<b>Health and Sport</b>	<b>13,210.6</b>	<b>13,583.8</b>	<b>14,307.2</b>
<i>of which:</i>			
NHS Territorial Boards (restated)	9,446.5	9,718.2	10,090.1
NHS National Boards	1,168.6	1,184.3	1,225.6
Community Health Services	1,575.1	1,647.7	1,853.6
Departmental Allocations (restated) <sup>2</sup>	1,020.4	1,033.6	1,137.9
Food Standards Scotland	15.3	15.3	16.0
<b>Total Health and Sport</b>	<b>13,225.9</b>	<b>13,599.1</b>	<b>14,323.2</b>
<i>of which:</i>			
Total Fiscal Resource	12,444.7	12,874.8	13,603.5
<i>of which Operating Costs*</i>	-	-	53.9
Non-cash	273.1	273.1	273.3
Capital	408.1	341.2	336.0
Financial Transactions	-	10.0	10.0
UK Funded AME	100.0	100.0	100.4

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

<sup>2</sup> In 2019 departmental allocations include initial funding from HM Treasury of £122 million to meet costs arising from the actuarial valuation of the NHS Pension Scheme. Work is ongoing in finalising the valuation. We expect the final arrangements and settlement to be confirmed by the UK Government in early 2019 and we will then allocate this funding to NHS Boards.

Level 2	2017-18 Budget £m	2018-19 Budget £m	2019-20 Budget £m
<b>Presentational Adjustments for Scottish Parliament Approval</b>			
<b>sportscotland (NDPB Non-cash)</b>	(1.2)	(1.3)	(1.2)
Food Standards Scotland - shown separately	(15.3)	(15.3)	(16.0)
PPP/PFI Adjustments	96.2	88.0	138.0
<b>Total Health and Sport</b>	<b>13,305.6</b>	<b>13,670.5</b>	<b>14,444.0</b>
<b>Total Limit on Income (accruing resources)</b>	<b>2,050.0</b>		

### What the Health and Sport budget does

The Health budget helps the people of Scotland to live longer and healthier lives, through focusing on early intervention and prevention, reducing health inequalities and providing sustainable, high quality and continually improving health and care services locally, regionally and nationally. It supports the triple aim of better care, better health and better value.

The Sport budget supports the people of Scotland to get more physically active as part of our efforts to prevent ill health and improve our wellbeing, whilst delivering world-class sporting performances.

**Table 5.03: Health and Sport Spending Plans (Level 3)**

Level 3	2017-18 Budget £m	2018-19 Budget £m	2019-20 Budget £m
<b>Resource</b>			
NHS Territorial Boards (restated)	9,446.5	9,718.2	10,090.1
NHS National Boards	1,168.6	1,184.3	1,225.6
<b>Community Health Services</b>			
Primary Care Services	821.4	870.5	931.2
Community Pharmaceutical Services	184.5	184.8	191.9
General Dental Services	414.0	414.8	416.6
General Ophthalmic Services	102.0	107.4	108.4
Mental Health Services	53.2	70.2	85.5
Additional Support for Social Care	-	-	120.0
<b>Departmental Allocations</b>			
Outcomes Framework	68.0	66.2	62.9
Workforce and Nursing	176.4	193.1	216.2
Health Improvement and Protection	46.1	62.7	78.0
<b>Sportscotland</b>	29.7	31.7	32.6
Active, Healthy Lives	12.7	12.8	13.4
Care, Support and Rights	116.7	112.1	128.2
eHealth	90.4	92.9	88.9
Early Years	56.6	67.7	72.7
Quality and Improvement	15.1	13.2	18.7
Miscellaneous Other Services (restated)	(129.2)	(114.7)	(69.7)
Revenue consequences of NPD	29.8	44.7	50.0
<b>Total Resource</b>	<b>12,702.5</b>	<b>13,132.6</b>	<b>13,861.2</b>
<b>Capital</b>			
Investment	428.1	361.2	356.0
Financial Transactions	-	10.0	10.0
Income	(20.0)	(20.0)	(20.0)
<b>Total Capital</b>	<b>408.1</b>	<b>351.2</b>	<b>346.0</b>
<b>Annually Managed Expenditure</b>			
NHS Impairments	100.0	100.0	100.0
<b>Total Health</b>	<b>13,210.6</b>	<b>13,583.8</b>	<b>14,307.2</b>
<i>of which:</i>			
Fiscal Resource	12,429.6	12,859.7	13,588.1
Non-cash	272.9	272.9	273.1
Capital	408.1	341.2	336.0
Financial Transactions	-	10.0	10.0
UK Funded AME	100.0	100.0	100.0

See footnote on operating costs in Table 5.02.

**Table 5.04: Health and Sport Spending Plans (Level 4)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 4	£m	£m	£m
<b>Improving Outcomes and Reform<sup>3</sup></b>	<b>91.9</b>	<b>196.7</b>	<b>209.2</b>
<b>Territorial Boards</b>			
NHS Ayrshire and Arran	683.6	694.9	720.0
NHS Borders	197.7	200.6	207.7
NHS Dumfries and Galloway	284.9	289.1	299.1
NHS Fife	624.7	636.6	661.4
NHS Forth Valley	496.7	506.8	527.0
NHS Grampian	902.4	920.6	957.9
NHS Greater Glasgow and Clyde	2,123.5	2,154.5	2,231.2
NHS Highland	592.6	604.3	627.5
NHS Lanarkshire	1,135.9	1,156.1	1,199.3
NHS Lothian	1,356.0	1,384.3	1,441.5
NHS Orkney	46.7	47.7	49.6
NHS Shetland	47.5	48.7	50.6
NHS Tayside	721.3	734.8	762.9
NHS Western Isles	71.6	73.0	75.7
<b>Total</b>	<b>9,285.1</b>	<b>9,452.0</b>	<b>9,811.4</b>
<b>National Boards</b>			
NHS Waiting Times Centre	51.9	54.0	54.2
NHS Scottish Ambulance Service	229.3	237.9	259.9
NHS National Services Scotland	324.7	328.2	338.5
Healthcare Improvement Scotland	24.7	24.7	24.9
NHS State Hospital	34.4	34.8	35.3
NHS 24	65.2	66.3	68.6
NHS Education for Scotland	420.0	420.0	425.9
NHS Health Scotland	18.4	18.4	18.3
<b>Total</b>	<b>1,168.6</b>	<b>1,184.3</b>	<b>1,225.6</b>
Other Income	69.5	69.5	69.5
<b>Total Territorial and National Boards</b>	<b>10,615.1</b>	<b>10,902.5</b>	<b>11,315.7</b>

<sup>3</sup> Investment of up to £40 million will be accelerated from 2019-20 to 2018-19 to support the Scottish Government's Waiting Times Improvement Plan. This is reflected in the funding figure for 2019-20, and will be processed in 2018-19 as part of the Scottish Government's Spring Budget Revision.

## FOOD STANDARDS SCOTLAND PRIORITIES

The vision of Food Standards Scotland (FSS) is to deliver a food and drink environment in Scotland that benefits, protects and is trusted by consumers. FSS launched its first strategy in 2016, which set out the high-level direction until 2021. In 2019-20, this strategy, which contributes to the delivery of several of the Government's National Outcomes, will be delivered through a corporate plan outlining the priorities and key activities to be taken forward using an outcomes-based approach.

The budget will also enable FSS, to a very limited degree, to initiate some of the work required to manage the impact of EU exit. As the central regulatory body for food and feed, FSS will be significantly affected by EU exit, due to the current regulatory framework deriving from EU law. FSS will also need to help businesses and local authorities be ready for legislative and regulatory change as a consequence of the UK's exit from the EU.

### What the Food Standards Scotland budget does

The budget of Food Standards Scotland supports consumer protection – making sure that food is safe to eat, ensuring consumers know what they are eating and improving health through better diet.

The objectives of Food Standards Scotland (FSS) as set out in the Food (Scotland) Act 2015 are to:

- protect the public from risks which may arise in connection with the consumption of food;
- improve the extent to which members of the public have diets which are conducive to good health; and
- protect the other interests of consumers in relation to food.

**Table 5.05: Food Standards Scotland Spending (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Administration	15.3	15.3	16.0
Capital Expenditure	-	-	-
<b>Total Food Standards Scotland</b>	<b>15.3</b>	<b>15.3</b>	<b>16.0</b>
<i>of which:</i>			
Fiscal Resource	15.1	15.1	15.4
Non-cash	0.2	0.2	0.2
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	0.4
	15.3	15.3	16.0

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# CHAPTER 6

## Communities and Local Government

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### **PORTFOLIO RESPONSIBILITIES**

The portfolio's focus is on our overarching aims to create a fairer Scotland, support regeneration and inclusive growth, ensure provision of accessible, affordable, energy-efficient housing, promote community empowerment and the participation of people in all aspects of Scottish life. Further to our Programme for Government, we continue to prioritise funding to support our major expansion of affordable housing; to tackle fuel poverty and support our targets on climate change; to review Scotland's National Planning Framework and deliver a world class planning system; to regenerate, strengthen and empower our communities; to support the third sector and develop social enterprise; to continue our efforts to tackle poverty and inequality, and eradicate homelessness and rough sleeping.

The portfolio also incorporates the Scottish Government's funding for local authorities in Scotland, allowing them to deliver the full range of services, from education and social care to transport and planning.

### **PORTFOLIO PRIORITIES**

The priorities of the Communities and Local Government portfolio contribute to National Outcomes of Communities, Environment, Health, Fair Work and Business, Human Rights, Economy and Poverty.

We will continue to tackle inequality and reduce poverty through taking forward the Fairer Scotland Action Plan and Tackling Child Poverty Delivery Plan, backed by the £50 million Tackling Child Poverty Fund, to deliver our ambitious targets in the Child Poverty (Scotland) Act 2017.

We will do more to tackle the food insecurity experienced by families during the school holidays, and will expand access to free sanitary products.

We will continue our investment of over £3 billion to deliver 50,000 affordable homes over the five years of this Parliament – leveraging economic output of around £1.4 billion per year and supporting up to 12,000 full-time equivalent jobs.

We will continue to deliver on our commitment to make available £0.5 billion over four years for the Energy Efficient Scotland programme, helping to transform Scotland's homes to be more energy efficient and more affordable to heat through our Home Energy Efficiency Programmes for Scotland (HEEPS).

We accepted in principle the 70 recommendations for action of the Homelessness and Rough Sleeping Action Group and we have published an action plan with COSLA, which includes steps to ensure a transition to a rapid rehousing approach over the next five years.

Across government we want to embed a greater focus on place and place-based approaches to policy delivery as a means of helping drive inclusive growth. Places are shaped by the way resources, services and assets are directed and used by the people who live in and invest in them. Prospects for inclusive growth can be improved if we can enable a fresh and genuinely collective focus on unlocking the potential of places and the people who live in them.

In 2019-20 we will continue to invest in regeneration activity to stimulate inclusive growth, and to empower and improve the wellbeing of people and communities. We want communities across Scotland to be able to participate in and make decisions on the priorities that matter most to them. The Empowering Communities Fund is a range of funds and partnerships which support the development of strong and resilient communities, providing investment to enable communities to develop local plans and proposals; prioritise budgets; and develop local assets, services and projects. We recognise the challenge for communities in navigating the current funds and so we are bringing forward work in 2019-20 to streamline the Empowering Communities Fund mechanism, which will seek to include multi-year funding, to enable communities to more readily access this support. The development of the streamlined fund has commenced and it is anticipated it will be launching in 2019-20. We will also ensure communities are inclusive, resilient and safe; where people feel connected, have a sense of belonging, and feel valued for their contribution to society.

### **Housing priorities**

In 2019-20 we will:

- increase investment in the Affordable Housing Supply Programme to £826 million (including the Transfer of Management of Development Funding (TMDF) in the local government budget) and continue work with partners to increase the delivery of more affordable homes, the majority of which will be for social rent;
- continue to support home ownership through our Help to Buy and Open Market Shared Equity schemes;
- continue funding for the Rural and Islands Housing Funds;
- make further allocations from the £50 million Ending Homelessness Together fund to further drive innovations to prevent, tackle and end homelessness in line with the Homelessness and Rough Sleeping Action Group recommendations and subsequent action plan;

- help tackle infrastructure blockages through a flexible grant and loan fund, and a new Rental Income Guarantee Scheme to support Build to Rent; and
- continue to tackle fuel poverty and improve the energy efficiency of Scotland's homes through our Home Energy Efficiency Programmes for Scotland (HEEPS).

### **Social Justice and Regeneration priorities**

In 2019-20 we will:

- help parents on low incomes gain employment and progress their careers with investment in an intensive parental employment support programme;
- continue investment in the Innovation Fund to support new approaches to preventing and reducing child poverty;
- work with Children's Neighbourhoods Scotland to build more successful and preventative neighbourhoods for children to grow up in;
- work with the public, third and private sectors to expand access to free sanitary products across a range of settings;
- use additional investment of £2 million in our Fair Food Fund to build on work to promote dignity and develop sustainable solutions to food poverty, and to tackle food insecurity with a focus on the school holidays;
- continue to invest capital regeneration funds to deliver inclusive growth and create opportunities in disadvantaged communities;
- build on our Empowering Communities Fund to tackle poverty and inequality and promote inclusive growth; and
- stimulate activity under the Town Centre Action Plan and Business Improvement Districts in Scotland to support local economies.

### **Scottish Housing Regulator priorities**

In 2019-20 the Scottish Housing Regulator will:

- regulate the housing services that social landlords deliver for tenants, homeless people and other service users; and
- regulate the standards of financial health and governance of registered social landlords.

### **Third Sector priorities**

In 2019-20 we will:

- maximise the impact of the sector in reducing inequality, working with communities to tackle tough social issues at source;
- provide support and investment to the social enterprise sector, credit union movement and the wider enterprising third sector;
- support work to tackle poverty and inequality through European Social Fund programmes; and
- work to provide the third sector with greater stability of funding and the opportunity for longer-term planning and development, helping the sector contribute right across the National Outcomes.

### **Office of the Scottish Charity Regulator priorities**

In 2019-20, the Office of the Scottish Charity Regulator will:

- ensure public confidence in charities through effective regulation and sharing of information;
- support charity trustees to understand and comply with their legal duties;
- facilitate effective management via straightforward and proportionate reporting (increasing online services where appropriate); and
- investigate apparent misconduct in charities, taking remedial or protective action as appropriate.

### **Governance and Reform priorities**

In 2019-20 we will:

- undertake a comprehensive review of local governance with local government and the community sector, ahead of introducing a Local Democracy Bill later this Parliament;
- continue our work to raise awareness and promote the new rights for community groups that are part of the Community Empowerment (Scotland) Act 2015; and
- continue our work to promote reform of public services around the needs of people and communities, including support for local reform through community planning and nurturing strong collective leadership.

## Planning priorities

In 2019-20 we will:

- continue to implement planning reform and improvements to enhance the performance and simplify the system, support inclusive growth and provide confidence for investors and communities;
- review Scotland's National Planning Framework and develop a spatial vision to transform Scotland as a place by 2050 bringing together strategic development proposals with inclusive growth, infrastructure investment and climate change objectives into a single consolidated plan;
- implement an ambitious programme of digital transformation of the planning system to support delivery of 'a world-leading digital planning service' which ensures guidance and advice is more accessible, makes better use of digital tools and data and encourages greater community participation;
- work with communities across Scotland to develop a place-first approach, increasing the scope and impact of community-led design processes to improve the quality of places and help to tackle inequalities;
- deliver a programme of planning and other appeals work, examination of local and strategic development plans and compulsory purchase orders, transport, energy and other infrastructure projects; and
- strengthen and enhance the Scottish Building Standards system to make our buildings as safe as they can be.

## Connected Communities priorities

This budget recognises the cross-cutting nature of equalities and human rights and supports delivery of equalities objectives right across government; therefore funding to support this work comes from the Equalities line, and is contained within Table 14.03 in the Social Security and Older People portfolio chapter.

In 2019-20 we will:

- continue implementation of the New Scots strategy with partners which will continue to 2022;
- develop an anti-destitution strategy covering people with no recourse to public funds;
- continue to offer a place of safety to refugees arriving for resettlement;
- strengthen interfaith relations and dialogue, with a refocused approach to the Interfaith Summit;

- implement the Tackling Prejudice and Building Connected Communities Action Plan;
- consider the findings from the consultation on hate crime legislation to inform the detail of consolidated and modernised hate crime legislation in Scotland; and
- work with partners and stakeholders to deliver a balanced and proportionate approach to safeguarding vulnerable individuals who may be exploited by or drawn towards divisive ideologies.

### **Local Government funding and priorities**

Local government continues to be a key partner in the Scottish Government's transformative programme of public service reform. Our local authorities are integral and essential elements of the overall good governance of Scotland providing high quality front-line services and protecting the most vulnerable in our society. The overall funding package for 2019-20 builds on the priorities in the 2018 Programme for Government and continues to be focused on delivery of our joint priorities to deliver inclusive and sustainable economic growth while creating resilient and safe communities where everyone has the opportunity to flourish.

In 2019-20 we will make available to local government a total funding package amounting to £10.8 billion. This figure includes both general and specific revenue and capital grants as well as the 2019-20 distributable amount of non-domestic rate income. Local authorities collect and retain in full all of the non-domestic rate income collected within their area. The Scottish Fiscal Commission has responsibility for the independent forecasting of the non-domestic rate income used in the annual calculation of the distributable amount. Table 6.12 sets the Scottish Fiscal Commission forecasts for 2019-20 and Table 6.13 provides the details behind the calculation of the 2019-20 distributable amount.

In addition to this core local government finance settlement, the Scottish Government provides local authorities with various other funding streams for individual key government priorities (see the full explanation in the following Information Box).

### 2019-20 Local Government funding

The funding available to local government through the core settlement consists of the general revenue and capital grants, the distributable amount of non-domestic rates and a number of ring-fenced specific grants, both revenue and capital.

The Scottish Government guarantees each local authority's formula share of the combined general revenue grant plus the distributable amount of non-domestic rates. This central government funding is supplemented locally by council tax income set by and collected by councils and the ability for councils to levy fees and charges for local services.

The Scottish Budget sets out a total funding package for local government amounting to £10.8 billion but this does not represent the total funding which will be provided by the Scottish Government to local government during the financial year 2019-20. This is because there are various other funding allocations linked to individual policy initiatives which are currently held within the relevant portfolios. These additional sums are summarised in Table 6.09 and the full details are set out in Tables 6.10, 6.14 and 6.15.

#### Summary of Total 2019-20 Local Government Funding (see Table 6.09)

	£m
Budget Core Local Government Allocations (Table 6.10)	10,779.9*
Revenue Funding within other Portfolios (Table 6.14)	291.3
Total Local Government Finance Circular	11,071.2
Local Government funding outwith core settlement (Table 6.15)	448.7
Total Scottish Government Funding to Local Government	11,519.9

\* Total excludes £3 million Staff and Operating costs included in Table 6.10

The additional funding streams set out in Table 6.14 are currently held within other portfolios within this Budget document and will be transferred during the course of 2019-20 to the local government settlement. These sums have been added to the Local Government Finance settlement and are included in the Local Government Finance Circular that will be issued for consultation on 17 December 2018.

Over and above the money which will be included within the Local Government Finance (Scotland) Order 2019 there are a number of funding streams attached to particular portfolio policy initiatives and these are set out in Table 6.15.

The Scottish Government believes that the physical and mental health of the people of Scotland is not just the job of the NHS. Our childhood experiences, education, environment and job prospects all have an effect on our health and wellbeing. Integration authorities are having a positive impact by caring for people close to home and helping to ensure the sustainability of health and social care services. Connected to this, £355 million will again be transferred from NHS Boards to our Integration Authorities to support social care. The overall local government finance settlement total of £10.8 billion takes into account a range of health and social care financial pressures facing local authorities in 2019-20. These include an additional £40 million of funding for social care, including support for the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s as set out in the Programme for Government. This funding will be supplemented by a further £120 million for social care that will be transferred to the local government settlement in-year and paid directly to local authorities for investment in integration. This includes £12 million for investment in school counselling services. We will look to local authorities to continue to prioritise their financial support for social care.

The Scottish Government has allocated an additional £0.7 million of additional support for Early Learning and Childcare (ELC) resulting from the Children and Young People (Scotland) Act 2014 together with an additional £210 million of revenue and £25 million of capital to local authorities in 2019-20 to support the expansion in funded ELC entitlement to 1,140 hours from August 2020. The ELC funding will create additional capacity in ELC settings, support the increase to the ELC workforce and provide additional training opportunities for existing staff, ensuring a high quality ELC service that provides every child with the best possible start in life.

We will also continue to take forward our ambitious programme of educational reform that will deliver an education system led by communities, schools and teachers. The Scottish Government, in partnership with local authorities, will empower schools to make key decisions on areas such as the curriculum, budgets and staffing. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme. We recognise that discussions on teachers' pay are on-going through the tri-partite Scottish Negotiating Committee for Teachers and any additional allocation to fund a negotiated agreement will require to be agreed.

Each local authority area will continue to benefit from Pupil Equity Funding (PEF) which forms part of the overall commitment from the Scottish Government to allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament to tackle the attainment gap. £120 million in Pupil Equity Funding is going directly to headteachers to provide additional support to help close the attainment gap and overcome barriers to learning linked to poverty. This is additional to the £62 million Attainment Scotland funding, which is outwith the local government finance settlement. Money from the Attainment Scotland Fund will continue to provide authorities and schools with additional means to provide targeted literacy, numeracy and health and wellbeing support for children and young people in greatest need.

The individual local authority fair shares of the total funding package will be issued for consultation with local government before being put to the Scottish Parliament for final approval early in 2019.

Scotland's 32 local authorities will be expected to fulfil the joint priorities agreed between the Scottish Government and local government. The total funding package linked to these joint priorities include:

- the ongoing additional £355 million transfer from the NHS to Integration Authorities to ensure improved outcomes on health and social care;
- an additional £40 million of support for social care for the continued implementation of the Carers Act and extending free personal care for the under 65s;
- a further £120 million to be transferred in-year from health to local government to support health and social care, and mental health;
- the ongoing additional £88 million to maintain the pupil teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- an additional £210 million (revenue) and £25 million (capital) to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours by 2020;
- a new £50 million Town Centre Fund to enable local authorities to stimulate and support place-based economic improvements and inclusive growth through a wide range of investments which contribute to the regeneration and sustainability of town centres; and
- flexibility for local authorities to increase council tax levels by up to 3 per cent, worth an estimated £80 million.

### **Business Rates priorities**

The Scottish Government remains committed to a competitive non-domestic rates regime, underlined by the proposals outlined in this Scottish Budget. One of the key asks of the business community was to match the prevailing non-domestic rates poundage in England by using the Consumer Price Index. The poundage in Scotland has been capped below inflation at 49 pence, a 2.1 per cent increase, ensuring over 90 per cent of properties in Scotland pay a lower poundage than they would in other parts of the United Kingdom.

The budget maintains the United Kingdom's most generous Small Business Bonus Scheme thresholds and continues to deliver the manifesto commitment that over 100,000 properties are taken out of rates altogether. In October 2018, Ministers confirmed their intention to extend transitional relief for all but the largest hospitality providers across Scotland, and for offices in Aberdeen City and Aberdeenshire until the next revaluation. We are introducing an extended relief of 100 per cent on all broadband fibre lit on or after 1 April 2019 for a ten-year period. This will help further our objective of delivering superfast broadband access to 100 per cent of premises in Scotland by 2021.

Taken together our decisions will continue to deliver the most generous package of reliefs in the United Kingdom, worth a record £750 million in 2019-20.

The Scottish Government responded swiftly to the recommendations of the Barclay Review of Non-Domestic Rates. The Business Growth Accelerator and Day Nursery Relief, introduced on 1 April 2018, respectively encourage new business investment by temporarily suspending rates liabilities for new builds and property improvements, and reduce the overheads to nursery providers who have such an important role to play in ensuring our children have the best start in life. Other reliefs continue to be available.

In early 2019 we will bring forward primary legislation to deliver other Barclay Review recommendations including measures to support growth, to improve administration of the system and to increase fairness, such as the shift to a three-yearly revaluation cycle and policies to address known tax avoidance tactics to around second homes, charities and empty properties.

### **Council Tax priorities**

In the past two years, we have been able to secure the agreement of COSLA for locally determined Council Tax increases to be capped at three per cent. This has protected household incomes whilst increasing total council tax revenues in 2018-19 by £77 million. We recognise that households value being protected from unexpectedly high increases to the Council Tax they are required to pay and therefore locally determined council tax increases for 2019-20 will be restricted to three per cent, which would increase total council tax revenues to be spent on local services by a further £80 million. The Council Tax Reduction Scheme will continue to ensure that low income households are not required to meet Council Tax liabilities they cannot afford.

### **Local Taxation priorities**

The Scottish Government is committed to making local taxation more progressive whilst improving the financial accountability of local government and we endorse the primary conclusion from the Commission on Local Tax Reform's 2016 report that 'the present council tax system must end'. At the same time, we recognise the importance placed by all taxpayers on our approach to tax policy formulation designed to be fit for the 21st century, but embedded in Adam Smith's four key maxims of taxes being proportionate to ability to pay, providing certainty for the taxpayer, having convenience and ease of payment, and being efficient.

In the past year, the Scottish Government has received representations both expressing strong support for and opposition to the creation of a power to allow local authorities to charge a Transient Visitor Levy, sometimes referred to as a tourist tax. The Scottish Government has no plans to implement such a tax, but in the light of the strength of opinions expressed, we have convened a series of national discussion events to allow all different views on a tourism tax to be heard, alongside objective, evidence-based research and analysis.

## SPENDING PLANS

**Table 6.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Housing	739.0	893.6	967.2
Social Justice and Regeneration	59.2	76.1	66.9
Scottish Housing Regulator	4.0	4.7	4.5
Third Sector	24.5	24.5	24.9
Office of the Scottish Charity Regulator	3.0	3.0	3.3
Governance and Reform	1.2	1.2	5.6
Planning	4.1	7.6	9.5
Local Government	10,291.0	10,519.6	10,782.9
<b>Total Communities and Local Government</b>	<b>11,126.0</b>	<b>11,530.3</b>	<b>11,864.8</b>
Total Fiscal Resource	6,944.8	7,158.6	7,012.5
<i>of which Operating costs*</i>	-	-	35.8
Non-cash	0.3	0.3	0.3
Capital	1,255.6	1,479.1	1,737.5
Financial Transactions	259.5	256.3	261.5
AME	2,665.8	2,636.0	2,853.0

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Office of the Scottish Charity Regulator - shown separately	(3.0)	(3.0)	(3.3)
Scottish Housing Regulator - shown separately	(4.0)	(4.7)	(4.5)
Central Government Grants to Local Authorities returned to portfolios (Education and Skills; Justice; Transport, Infrastructure and Connectivity)	(238.5)	(439.6)	(740.7)
<b>Total Communities and Local Government</b>	<b>10,880.5</b>	<b>11,083.0</b>	<b>11,116.3</b>
Total Limit on Income (accruing resources)	80.0		

### What the Housing budget does

The budget supports the delivery of more quality affordable warm homes (along with the Transfer of the Management of Development Funding in the local government settlement), and assistance to eligible households through the Warmer Homes Scotland scheme. It funds a range of other housing and regeneration activities, including action to end homelessness, funding for adaptations for older and disabled Registered Social Landlord (RSL) tenants and creating sustainable communities. This budget also supports the research and analytical programme which underpins our policy development and delivery work. It includes the Scottish Household Survey which provides data across a range of National Performance Framework indicators.

**Table 6.02: Housing Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
More Homes	583.6	722.5	788.7
Fuel Poverty/Energy Efficiency	114.1	116.3	119.6
Housing Support	38.0	51.2	52.7
Communities Analysis	3.3	3.6	6.2
<b>Total Housing</b>	<b>739.0</b>	<b>893.6</b>	<b>967.2</b>
<i>of which:</i>			
Fiscal Resource	45.5	65.7	77.9
Non-cash	0.0	0.0	0.0
Capital	439.0	576.6	627.8
Financial Transactions	254.5	251.3	261.5
AME	-	-	-

See footnote on operating costs in Table 6.01.

### What the Social Justice and Regeneration budget does

The budget delivers a range of actions to reduce poverty and tackle inequality, including resource for the Tackling Child Poverty Fund.

It enables us to continue to support regeneration initiatives which respond to local circumstances, involve local people in identifying issues and co-creating solutions, address market failure, and increase opportunities to attract investment and support job creation in disadvantaged areas.

**Table 6.03: Social Justice and Regeneration Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Fairer Scotland	6.9	27.8	24.6
Regeneration	52.3	48.3	42.3
<b>Total Social Justice and Regeneration</b>	<b>59.2</b>	<b>76.1</b>	<b>66.9</b>
<i>of which:</i>			
Fiscal Resource	24.2	46.1	41.9
Non-cash	-	-	-
Capital	30.0	25.0	25.0
Financial Transactions	5.0	5.0	-
AME	-	-	-

See footnote on operating costs in Table 6.01.

### What the Scottish Housing Regulator budget does

The Scottish Housing Regulator (SHR), the independent regulator of social landlords (i.e. local authority landlords and registered social landlords), has the statutory objective of safeguarding and promoting the interests of:

- around 600,000 tenants who live in homes provided by social landlords;
- over 45,000 people and their families who may be homeless and seek help from local authorities;
- over 123,000 home owners who receive services from social landlords; and
- around 2,000 Gypsy/Traveller families who can use official sites provided by social landlords.

**Table 6.04: Scottish Housing Regulator Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Total Scottish Housing Regulator</b>	<b>4.0</b>	<b>4.7</b>	<b>4.5</b>
<i>of which:</i>			
Fiscal Resource	3.8	3.9	4.1
Non-cash	0.2	0.2	0.2
Capital	-	0.6	0.2
Financial Transactions	-	-	-
AME	-	-	-

### What the Third Sector budget does

This budget supports the third sector in their work with individuals and communities, including the delivery of volunteering, the development of our approach to social enterprise, and support for the national and local third sector infrastructure (including the third sector interfaces). The third sector will also have access to resources through other programmes in the wider budget.

**Table 6.05: Third Sector Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Total Third Sector</b>	<b>24.5</b>	<b>24.5</b>	<b>24.9</b>
<i>of which:</i>			
Fiscal Resource	24.5	24.5	24.9
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

See footnote on operating costs in Table 6.01.

### What the Office of the Scottish Charity Regulator budget does

The Office of the Scottish Charity Regulator (OSCR) is responsible for the registration and regulation of more than 24,000 charities in Scotland. It has a statutory function to determine the charitable status of bodies, to keep the public register of charities, and to monitor and investigate apparent misconduct.

**Table 6.06: Office of the Scottish Charity Regulator Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Total Office of the Scottish Charity Regulator</b>	<b>3.0</b>	<b>3.0</b>	<b>3.3</b>
<i>of which:</i>			
Fiscal Resource	2.9	2.9	3.2
Non-cash	0.1	0.1	0.1
Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

### What the Governance and Reform budget does

This budget supports public service reform including partnership working with local government third sector organisations and communities around the empowerment of people and the importance of place.

This budget also includes provision for activities in relation to local taxation which includes implementing the Barclay Review recommendations for non-domestic rates, the Council Tax Reduction scheme and a range of analytical and statistical work.

**Table 6.07: Governance and Reform Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Governance and Local Taxation	0.5	0.5	0.5
Public Service Reform and Community Empowerment	0.7	0.7	5.1
<b>Total Governance and Reform</b>	<b>1.2</b>	<b>1.2</b>	<b>5.6</b>
<i>of which:</i>			
Fiscal Resource	1.2	1.2	5.6
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

See footnote on operating costs in Table 6.01.

### What the Planning budget does

The budget supports the operation of the planning system and the wider programme of planning reform to support inclusive growth and create great places for people and communities. It also delivers improvements to the quality and safety of the built environment including research on developments in technology, building design and architecture.

**Table 6.08: Planning Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Architecture and Place	1.3	1.4	1.4
Building Standards	0.3	0.3	0.9
Planning	1.8	5.2	6.5
Planning and Environmental Appeals	0.7	0.7	0.7
<b>Total Planning</b>	<b>4.1</b>	<b>7.6</b>	<b>9.5</b>
<i>of which:</i>			
Fiscal Resource	4.0	7.1	9.0
Non-cash	-	-	-
Capital	0.1	0.5	0.5
Financial Transactions	-	-	-
AME	-	-	-

See footnote on operating costs in Table 6.01.

**Table 6.09: Summary of Total 2019-20 Local Government Funding**

	£m
Budget Core Local Government Allocations (Table 6.10)	10,779.9*
Revenue Funding within other Portfolios (Table 6.14)	291.3
<b>Total Local Government Finance Circular</b>	<b>11,071.2</b>
Local Government funding outwith core settlement (Table 6.15)	448.7
<b>Total Scottish Government Funding to Local Government</b>	<b>11,519.9</b>

\* Total excludes £3 million staff and operating costs included in Table 6.10

**Table 6.10: Local Government Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
General Revenue Grant <sup>1</sup>	6,627.8	6,733.5	6,359.3
Non-Domestic Rates <sup>1</sup>	2,665.8	2,636.0	2,853.0
Support for Capital	653.1	598.4	703.8
Specific Resource Grants	210.9	273.7	483.6
Specific Capital Grants	133.4	278.0	380.2
Local Government Advice and Policy	-	-	3.0
<b>Total Local Government</b>	<b>10,291.0</b>	<b>10,519.6</b>	<b>10,782.9</b>
<i>of which:</i>			
Fiscal Resource	6,838.7	7,007.2	6,845.9
Non-cash	-	-	-
Capital <sup>2</sup>	786.5	876.4	1,084.0
Financial Transactions	-	-	-
AME	2,665.8	2,636.0	2,853.0
<b>Other Sources of Support</b>			
Health and Social Care Integration	357.0	355.0	355.0

See footnote on operating costs in Table 6.01

Notes

1. The Scottish Government guarantees the combined General Revenue Grant plus the distributable non-domestic rates (NDR) income figures.

2. £150 million of capital funding re-profiled from 2016-17 has been added back to the local government capital allocation in full in 2019-20.

**Table 6.11: Specific Grant Funding and other Local Government Funding 2019-20**

	Portfolio	2018-19 Budget £m	2019-20 Budget £m
Criminal Justice Social Work	Justice	86.5	86.5
Pupil Equity Fund	Education and Skills	120.0	120.0
Early Learning and Childcare Expansion	Education and Skills	52.2	262.2
Gaelic	Education and Skills	4.5	4.5
Transport, Scotland Inter-Island Ferries	Transport, Infrastructure and Connectivity	10.5	10.5
<b>Total Specific Revenue Grants</b>		<b>273.7</b>	<b>483.6</b>
Vacant and Derelict Land	Communities and Local Government	9.4	11.4
Transfer of Management of Development Funding (TMDF)	Communities and Local Government	92.2	111.8
Regional Transport Partnership	Transport, Infrastructure and Connectivity	19.0	23.1
Cycling Walking and Safer Routes	Justice	7.4	8.9
Early Learning and Childcare	Education and Skills	150.0	175.0
Town Centre Fund	Finance, Economy and Fair Work	-	50.0
<b>Total Specific Capital Grants</b>		<b>278.0</b>	<b>380.2</b>

May not add up due to roundings

We have taken the exceptional decision to allocate £100 million more than the currently forecast 2019-20 receipts in the NDR pool. This decision to bring forward some of the forecast growth in NDR receipts from 2020-21 and 2021-22 is intended to support continued investment in local government services and the stimulation that brings to the wider economy at a time of substantial economic uncertainty. Table 6.12 sets out our plans to bring the pool back into balance by the end of 2021-22, containing that change within the forecast growth in receipts to avoid any adverse impact on the wider budget in future years.

**Table 6.12: Scottish Fiscal Commission (SFC) Non-Domestic Rate Income Forecast**

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Non-Domestic Rates Estimates	2,827	2,785	2,887	3,087	3,295
Distributable Amount	2,636	2,853	2,837	3,037	3,295
Prior Year Adjustments	(82)	(56)	-	-	-
Yearly Balance	165	(124)	50	50	-
Cumulative Balance	24	(100.0)	(50)	-	-

The Scottish Fiscal Commission has provided the 2018-23 estimates.

**Table 6.13: Calculation of the 2019-20 Non-Domestic Rate Distributable Amount**

	£m
2017-18 Non-Domestic Rate Account Closing Balance	(141.1)
2017-18 Prior Year adjustment	(81.7)
2018-19 Prior Year adjustment	190.8
Forecast Non-Domestic Rates Income	2,785.0
Estimated movement on the Account 2019-20	2,753.0
2019-20 Distributable Amount	2,853.0
Estimated Balance at 31 March 2020	(100.0)

In addition to the local government funding in Table 6.10, Table 6.14 consists of budgets that are currently held within other portfolios that will be added to the local government settlement during 2019-20 and will be included in the Local Government Finance Circular which will issue on 17 December 2018.

**Table 6.14: Revenue Funding within other Portfolios**

	2018-19 £m	2019-20 £m
<b>Local Government Budget Settlement</b>	10,519.6	10,779.9
Additional Revenue		
Health and Social Care and Mental Health	-	120.0
Discretionary Housing Payments	62.1	63.2
Scottish Welfare Fund	37.9	37.9
ELC Expansion	-	24.1
Temporary Accommodation	23.5	23.5
Self-Directed Support	3.5	3.5
Children and Young People Act	1.0	1.0
Customer First	1.5	1.5
Community Justice Transitional Funding	1.6	1.6
Tobacco Related Issues	1.3	1.3
Former Housing Support Grant	1.0	1.0
Blue Badge Scheme	0.7	0.7
Sensory Impairment	0.3	0.3
Building Standards Fees	(1.5)	(1.5)
British Sign Language	0.4	0.2
1+2 Languages	3.0	3.0
School Clothing Grant	6.0	6.0
Child Burial and Crematoria Charges	0.2	0.3
Youth Justice - Whole System Approach	0.8	0.8
Free Sanitary Products in Public Places	1.2	2.8
Free Sanitary Products in Schools	1.9	t.b.c.
<b>Total Revenue Funding within other Portfolios</b>	<b>146.5</b>	<b>291.3</b>
<b>Total Local Government Settlement in Local Government Finance Circular</b>	<b>10,666.1</b>	<b>11,071.2</b>

May not add up due to roundings.

Over and above the money that will be included within the Local Government Finance (Scotland) Order 2019 there are a number of funding streams attached to particular portfolio policy initiatives and these are set out in Table 6.15.

**Table 6.15: Local Government Funding outwith Core Settlement**

	2018-19 £m	2019-20 £m
<b>Total Local Government Finance Circular</b>	10,666.1	11,071.2
<b>Revenue</b>		
Attainment Scotland Fund	59.0	62.0
Schools for the Future Programme	52.9	60.9
Education Maintenance Allowance	25.0	25.0
Clyde Gateway Urban Regeneration Company	0.5	0.5
Supporting Post-16 Transitions Towards Employment	4.3	4.3
Travel Strategy and Innovation	4.1	4.1
Private Water Supply Grants	1.7	1.7
Business Gateway	1.7	1.7
Support for Bus Services	1.1	0.7
Early Learning and Childcare Realising Change Funding	3.5	0.5
<b>Total Revenue</b>	<b>153.8</b>	<b>161.4</b>
<b>Capital</b>		
City Deals	121.9	187.8
Clyde Gateway Urban Regeneration Company	5.0	5.0
Support for Sustainable and Active Travel	7.0	7.0
Future Transport Fund	6.0	18.0
Home Energy Efficiency Programmes for Scotland (HEEPS)	49.0	49.0
Regeneration Capital Grant Fund	20.0	20.0
European Maritime and Fisheries Fund	1.1	0.5
<b>Total Capital</b>	<b>210.0</b>	<b>287.3</b>
<b>Total Local Government Funding outwith Core Settlement</b>	<b>363.8</b>	<b>448.7</b>
<b>Overall Scottish Government Funding for Local Government</b>	<b>11,029.9</b>	<b>11,519.9</b>

### Local Government's Spending Plans 2018-19

To illustrate how local government funding is used across different services, Scotland's local authorities have budgeted to spend the total resources available to them from the Scottish Government's funding and income raised locally through the council tax on services in 2018-19 as set out in Tables 6.16 and 6.17. It is the responsibility of individual local authorities to manage their own budgets and to allocate the total financial resources available to them on the basis of local needs and priorities.

**Table 6.16: Local Government Revenue Expenditure Plans 2018-19**

2018-19 Budget Estimate - Net Revenue Expenditure	2018-19 Budget £m
Education	5,159.0
Social Work	3,260.0
Roads and Transport	388.5
Environmental Services	679.0
Planning and Development Services	241.3
Culture and Related Services	537.5
Other Services*	716.8
Non-Service Expenditure	1,155.2
<b>Total Budgeted 2018-19 Net Revenue Expenditure</b>	<b>12,137.3</b>

\*Other services includes non-housing revenue account housing and central services

A full breakdown of these budgeted amounts including individual local authority figures are available via the following link: <https://www.gov.scot/publications/provisional-outturn-budget-estimates-2018/>

**Table 6.17: Local Government Capital Expenditure Plans 2018-19**

2018-19 Budget Estimate – Gross Capital Expenditure	2018-19 Budget £m
Non Housing Revenue Account Housing	30.8
Roads and Transport	555.6
Education	677.9
Social Work	82.5
Environmental Services	139.9
Culture and Related Services	190.2
Planning and Economic Development	390.3
Trading Services	25.3
Other Services	297.0
<b>Total Estimated 2018-19 General Fund Capital Expenditure</b>	<b>2,389.4</b>

[www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/Publications/CPOBE](http://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/Publications/CPOBE)

These capital expenditure figures present the total budget allocated to projects in 2018-19. The final outturn figures are likely to be lower due to project slippage and expenditure being delayed into 2019-20.

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# CHAPTER 7

## Finance, Economy and Fair Work

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### PORTFOLIO RESPONSIBILITIES

The Finance, Economy and Fair Work portfolio sits at the heart of delivering the Scottish Government's ambitious plans to support the development of the Scottish economy from its strong foundations to become a globally competitive, innovative and sustainable country with fairness and opportunity for all.

A growing, productive economy is one that supports the provision of high quality public services which, in turn, are essential to growing the economy in an inclusive and sustainable way. This portfolio aligns the government's tax and spending decisions with our enterprise and skills functions to ensure that each complements the other.

The portfolio is guided by Scotland's Economic Strategy and the four priorities which are vital to our approach of growing an inclusive economy:

- **investing** in our people and our infrastructure in a sustainable way;
- fostering a culture of **innovation** and research and development;
- promoting Scotland on the **international** stage to boost our trade and investment, influence and networks; and
- promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion.

Following extensive engagement with business, trade unions and others, we published our 'Economic Action Plan' on 24 October. The Plan reflects and builds on Scotland's Economic Strategy and provides greater focus on the range of actions developed to deliver our collective economic objectives. It will ensure that we help Scotland's businesses to deliver the dual objectives of boosting competitiveness and tackling inequality set out in Scotland's Economic Strategy.

It includes a wide-ranging package of new measures addressing priorities such as:

- responding to the changing skills needs of business and employees by enhancing our support for reskilling and upskilling, particularly digital skills;
- redoubling efforts to provide stability and new economic opportunities for businesses;
- delivering new measures to help drive up innovation and entrepreneurship; and
- showcasing Scotland to the rest of the world and attracting talent for our businesses.

The Economic Action Plan has taken on board the recommendations from: the Sustainable Growth Commission; the Economy, Jobs and Fair Work Committee's report into Scotland's Economic Performance; and recommendations from both the National Council of Rural Advisors and the business-led Enterprise and Skills Strategic Plan.

The delivery of the portfolio's priorities is supported by the following bodies:

- Scottish Enterprise, Scotland's national economic development agency;
- Scottish Development International, who are responsible for supporting international trade and investment;
- Scottish Futures Trust, the Scottish Government's infrastructure delivery company;
- Scottish Public Pensions Agency (SPPA) which administers certain public sector pension schemes;
- Accountant in Bankruptcy, responsible for administering the process of personal bankruptcy and recording corporate insolvencies in Scotland;
- Revenue Scotland, Scotland's tax authority; and
- Scottish Fiscal Commission, the independent and official fiscal and economic forecaster.

## **PORTFOLIO PRIORITIES**

The portfolio is fundamental to the delivery of the Scottish Government's purpose: to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing and sustainable and inclusive economic growth.

The priorities of the Finance, Economy and Fair Work portfolio contribute to a number of National Outcomes including:

- We have a globally competitive, entrepreneurial, inclusive and sustainable economy.
- We are open connected and make a positive contribution internationally.
- We have thriving and innovative businesses, with quality jobs and fair work for everyone.
- We are well educated, skilled and able to contribute to society.

Scotland's economy has continued to grow in 2018, with growth outpacing that of the UK in the first six months of the year. Despite these positive signs, Scotland's economy still faces significant challenges.

In light of the continued uncertainty around the UK's exit from the EU, this portfolio budget includes an ambitious package to support and stimulate economic growth, mitigating where possible against the impact of EU exit.

Our priorities and key investments are reflected under the four themes of the Economic Strategy. Our priorities include:

## Investing

- Supporting of our target of doubling business research and development (R&D) spend from £870 million in 2015 to £1.7 billion by 2025, maintaining our commitment to increase grant support for business R&D from £22 million to £37 million per annum for the three years 2018-21.
- Creating a £50 million Town Centre Fund to enable local authorities to stimulate and support a wide range of investments, which encourage town centres to diversify and flourish and become sustainable places for local communities and visitors to live, work and enjoy.
- Providing initial funding of £130 million to support the establishment of the Scottish National Investment Bank along with the introduction of the legislation that will underpin it.
- Maintaining a stable and competitive tax regime as part of a supportive business environment.
- Targeting up to £18 million in European funding to establish an Advanced Manufacturing Challenge Fund to ensure all parts of Scotland benefit from developments in advanced manufacturing.
- Investing £8.3 million to further progress the new National Manufacturing Institute Scotland (NMIS) and along with the related Lightweight Manufacturing Centre, bring together research, industry and the public sector to help companies across Scotland embrace new manufacturing techniques, support research and develop the skills of our workforce.
- In advance of the Scottish National Investment Bank's establishment, the £150 million Building Scotland Fund announced in 2017 will provide debt and equity support to the private sector and organisations, such as housing associations and universities, to support the development of housing across all tenures; develop modern industrial and commercial space and support industry-led research and development.

## Innovation

- Working with business to pilot 'Productivity Clubs' to support businesses to help each other to improve managerial capability and diffusion of technology and innovation.
- Expanding the role of the Can Do Business Innovation Forum to take action on the economic opportunities and challenges of new technologies.
- Publishing a Future Skills Action Plan in early 2019, setting out how the Government will respond to the actions and recommendations of the Strategic Board for Enterprise and Skills on Future Skills; by ensuring we have the right skills in place to support individuals, employers and our economy.
- Establishing a National Retraining Partnership to allow businesses, colleges, trade unions and local authorities to work together to ensure that people can learn new skills, or improve their existing skills, at any stage in their working lives.

## Internationalisation

- Launching a 'Come to Scotland' campaign to attract talent and investment and help mitigate the impact of EU exit on Scotland's ability to attract talent.
- Invest £5 million as the first phase of our three-year £20 million plan to boost exports by directly supporting more companies to sell their products abroad. We will set out a range of detailed actions to boost Scottish exports with the publication of 'A Trading Nation: Our Plan for Growing Scotland's Exports' by spring 2019.
- Complete the expansion of the number of people working for Scottish Development International across Europe to market Scotland as an open and welcoming society.

## Inclusive Economic Growth

- Developing Scotland as a world-leading Fair Work Nation, including publishing a Fair Work Action Plan.
- Investing £5 million over three years to support around 2,000 women return to work following a career break.
- Providing £1 million per year to support up to 150 people on very low or no income to retrain and gain employment in the digital economy.
- Adopting a new default position – termed 'Fair Work First' – that will see criteria, including the Living Wage, extended to more contracts and government support grants.

## Providing the Jobs and Skills for the Future

The employment rate in Scotland remains amongst the highest on record and the unemployment rate is low. In the last year the youth unemployment rate has been lower and employment for women has been higher in Scotland compared with the UK. However, those further from the labour market still require more individualised support, which is better integrated with other services to help them into long-term sustainable employment. We have developed a new approach to funding employability services through our joint partnership agreement with local authorities, and other partners, which will better align funding and deliver stronger outcomes for people seeking work.

Our commitments to boosting productivity, competitiveness and inclusive growth will continue in 2019-20 as we focus on:

- supporting parents to address barriers to work and providing in-work support to help low income parents remain in work, helping meet our child poverty target;
- closing the disability employment and gender pay gaps, publishing action plans on both;
- continuing to develop and deliver our devolved employment support service, Fair Start Scotland, giving individualised support to 38,000 individuals to those facing the greatest barriers to employment;
- supporting those affected by redundancy through the Partnership Action for Continuing Employment (PACE); and
- continuing to deliver the £10 million Flexible Workforce Development Fund.

## **Enterprise and Trade Investment Priorities**

We want Scotland to be the most competitive place to do business, delivering a strong and productive economy which creates wealth and employment across Scotland.

In 2019-20 we will:

- release the high growth and innovative potential of our manufacturing sector and benefit more fully from its high levels of productivity through delivery of our Manufacturing Action Plan;
- continue to build on the reputation as a leader in the growing market for 'govtech' and find new and innovative ways to engage with businesses to both promote innovation in public services and stimulate our digital economy;
- continue to invest in our talented individuals through the Unlocking Ambition Challenge;
- enable more Scottish businesses to export more goods and services to a greater number of markets and secure greater foreign investment for Scotland;
- continue to work with the enterprise agencies in creating a supportive environment, enabling businesses to flourish and reach their full potential; and continue to provide support for businesses to navigate the potential harm of EU exit via our enterprise and skills agencies; and
- work across the Scottish Government on the wider response to EU exit in relation to the economic aspects of migration, free movement and trade-in services; leading the Scottish Government economic policy response to the impact of EU exit on goods and investment and developing Scottish policy on market access, including free trade and customs arrangements, and the implications of World Trade Organisation requirements.

## **Digital Strategy Priorities**

The role of digital technologies in our economy and public services cannot be understated and will continue to grow. How we adapt to, and take advantage of, these changes will be key to ensuring Scotland flourishes in the coming decades.

Digital technologies must be at the heart of everything we do. Alongside the delivery of improved connectivity by the Transport, Infrastructure and Connectivity portfolio in 2019-20 we will:

- continue to work with partners to enhance the digital skills that businesses require, including a new £1 million Digital Start Fund to support people on lower incomes to access the training they require for a career in the digital industries;
- support businesses to improve their digital capabilities by providing access to funding, skills and advice;
- ensure resilience, through cyber security action plans, including a voucher scheme for SMEs;
- support action to design, deliver and continuously improve modern, efficient public services enabled by digital technology as set out in our digital strategy, 'Realising Scotland's full potential in a digital world';

- develop a data and informatics partnership with business and academia to support Scotland as a global centre of excellence in data driven innovation; and
- establish a UNICEF data and informatics hub at the University of Edinburgh to help improve the wellbeing of children in Scotland and around the world.

### **Investing in Industry**

The Scottish Government remains committed to doing all it can to ensure a sustainable future for our industrial sector. This includes a number of actions, such as working alongside investment from business owners (such as Ferguson Marine Engineering Ltd and Burntisland Fabrications Ltd) to provide commercial and equity loan facilities to help companies strengthen their position and diversify into new areas of opportunity.

In November 2016, Rio Tinto Alcan sold the last remaining aluminium smelter in the UK at Fort William to the GFG Alliance with the backing of a Scottish Government guarantee. Scottish Ministers underwrote this transaction to secure the long-term viability of the smelter and to encourage other industrial opportunities on site and as part of a clear commitment to Scotland's industrial infrastructure, our rural economy and to inclusive and sustainable growth in the West Highlands.

The Scottish Government is also working with Michelin in partnership with Scottish Enterprise, Dundee City Council, and other partners to transform the site into a key location for new economic and employment opportunities in manufacturing, remanufacturing, recycling and low carbon transport.

### **Finance Priorities**

In 2019-20 Finance will:

- continue to fund the implementation and operation of financial provisions in the Scotland Act 2016 and the operation of the powers devolved under the Scotland Act 2012;
- focus our public information and engagement resources on those areas which will make a tangible contribution towards delivering our Programme for Government;
- continue to provide a range of procurement and commercial shared services to Scottish Government and public sector organisations across Scotland. In addition to value for money, our focus is on social and economic benefits which help to deliver on the government's purpose for sustainable and inclusive economic growth through our portfolio of contracts valued at £4.5 billion; and
- Scottish Futures Trust will continue to enhance value for money from infrastructure investment across the public sector in Scotland.

### **Scottish Public Pensions Agency Priorities**

In 2019-20 the Scottish Public Pensions Agency will:

- fully integrate pension and payroll systems into one operating platform while implementing new and improved system and web-based functionality;
- build on the more customer-centric roles to emerge from the target operating model and the development of new employers' and members' charters in order to improve stakeholder engagement and strengthen joint working;
- continue to invest in our people and apply to gain the 'platinum' Investors in People award; and
- work closely with scheme advisory boards, local authority pension scheme administering authorities, actuaries and other key stakeholders to improve scheme participation rates and evaluate the outcome of the first scheme 'cost cap' exercise in terms of member contribution rates and/or accrued benefits.

### **Revenue Scotland Priorities**

Revenue Scotland, the Scottish tax authority, is responsible for the collection and management of the devolved taxes, currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT).

In 2019-20 Revenue Scotland will:

- continue to invest in its processes, technology and staff to provide an accessible and convenient taxpayer-focused service to assist all taxpayers to comply with their obligations. This work includes progressing the implementation of our British Sign Language plan and our equalities action plan;
- through its People Strategy and our Scottish Tax Education Programme (STEP), continue to develop its staff to improve the organisation's overall performance in collecting and managing the devolved taxes;
- through its Leading Enabling Ambition Performance programme (LEAP), deliver a new tax collection system, the improved business processes and better customer service; and
- continue to be proactive in engaging with the Scottish Government, HMRC and other devolved tax authorities to share operational experience of tax policy and legislation.

**Accountant in Bankruptcy Priorities**

In 2019-20 we will:

- continue to deliver, with stakeholders, a range of options for individuals seeking debt relief and debt management, supervise insolvency in Scotland, and maintain the public register of insolvencies and the Debt Arrangement Scheme register; and
- implement legislative changes to ensure our statutory debt management and debt relief options continue to meet society's needs.

**Scottish Fiscal Commission Priorities**

In 2019-20 the Scottish Fiscal Commission will:

- prepare and publish independent and official forecasts of revenue from fully devolved taxes, Scottish income tax and Non-Domestic Rates. The Commission will also prepare forecasts for demand-led social security expenditure and onshore Scottish Gross Domestic Product (GDP); and
- produce annual forecasts evaluation publications and occasional working papers on related subjects.

**European Regional Development Fund and European Social Fund Priorities**

In 2019-20 European Regional Development Fund (ERDF) and European Social Fund (ESF) will:

- continue to support economic and social cohesion across the EU as part of the Scottish Government's role in the implementation of trans-national and territorial co-operation funding programmes. ERDF, ESF and the trans-national and territorial funds provide financial support to projects which will encourage economic growth by: improving business competitiveness; encouraging business innovation; improving skills; tackling poverty and promoting social inclusion; and facilitating the development of the green economy.

## SPENDING PLANS

**Table 7.01: Finance, Economy and Fair Work Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Scottish Public Pensions Agency	4,539.8	4,421.1	4,568.2
Finance	140.3	138.7	130.7
Economic Advice	3.1	1.7	11.0
Enterprise, Trade and Investment	234.5	405.0	514.3
Accountant in Bankruptcy	1.2	3.6	3.3
Employability and Training	43.0	52.9	56.7
European Social Fund	-	-	-
European Regional Development Fund	-	-	-
Revenue Scotland	6.1	10.2	7.6
Scottish Fiscal Commission	1.7	1.6	1.9
Digital Strategy	21.4	22.7	43.1
<b>Total Finance, Economy and Fair Work</b>	<b>4,991.1</b>	<b>5,057.5</b>	<b>5,336.8</b>
<i>of which:</i>			
Total Fiscal Resource	396.0	415.1	411.2
<i>of which Operating Costs*</i>	-	-	98.1
Non-cash	14.0	11.2	26.9
Capital	24.6	76.1	88.2
Financial Transactions	35.0	153.5	265.5
UK Funded AME (NHS and Teachers Pensions)	4,521.5	4,401.6	4,545.0

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Enterprise (NDPB Non-cash)	(10.6)	(8.3)	(8.3)
Borrowing – not approved by Scottish Parliament	-	-	(61.0)
Revenue Scotland – shown separately	(6.1)	(10.2)	(7.6)
Scottish Fiscal Commission – shown separately	(1.7)	(1.6)	(1.9)
NHS and Teachers Pensions – shown separately	(4,521.5)	(4,401.6)	(4,545.0)
Central Government Grants to Local Authorities	-	-	50.0
<b>Total Finance, Economy and Fair Work</b>	<b>451.2</b>	<b>635.8</b>	<b>763.0</b>

Total Limit on Income (accruing resources)	300.0
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### What the Scottish Public Pensions Agency (SPPA) budget does

The Scottish Public Pension Agency's budget supports its principal role of providing pensions administration services for, and paying pensions to, members of Scotland's NHS, Teachers', Police and Firefighters' pension schemes. Its other administrative responsibilities include injury benefits schemes for the NHS, Police, and Fire and Rescue services in Scotland and providing pension calculation services for the Scottish Parliament Pension Scheme and the Scottish Legal Aid Board Pension Scheme. Its customers are all current or former public servants or their employers. The resource and capital budgets support the running of the Agency and the four associated Pension Boards. The Annually Managed Expenditure (AME) budget covers the cost of pension payments to approximately 200,000 retired scheme members.

**Table 7.02: Scottish Public Pensions Agency Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Agency Administration	18.3	19.5	23.2
Scottish Teachers' Pension Scheme	1,554.6	1,496.3	1,525.0
NHS Pension Scheme	2,966.9	2,905.3	3,020.0
<b>Total SPPA</b>	<b>4,539.8</b>	<b>4,421.1</b>	<b>4,568.2</b>
<i>of which:</i>			
Fiscal Resource	14.4	15.7	17.3
Non-cash	1.9	1.4	1.9
Capital	2.0	2.4	4.0
Financial Transactions	-	-	-
UK Funded AME	4,521.5	4,401.6	4,545.0

### What the Finance budget does

The Finance budget covers a range of important functions including the Scotland Act implementation budget which funds the operational costs for delivering Scottish income tax and Scottish VAT assignment.

The budget funds Procurement Shared Services, to provide a range of commercial contracting solutions for the Scottish public sector, enabling organisations to deliver economic and social benefits, and savings. E-Commerce-shared services provide systems functionality facilitating business between the public, private and third sectors which increase opportunities to speed payments for firms.

The budget covers the cost of the Scottish Futures Trust in its work to improve the efficiency and effectiveness of infrastructure investment in Scotland.

This budget also supports the provision of property, facilities and information technology.

The £49 million to cover capital borrowing repayments reflects our estimated repayment costs for planned borrowing in 2018-19 although final figures for this commitment will not be settled until the end of 2018-19.

**Table 7.03: Finance Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scotland Act Implementation	12.0	8.6	4.0
Procurement Shared Services	16.8	16.8	22.9
Scottish Futures Trust	4.7	4.5	4.4
Exchequer and Finance	0.0	0.0	15.7
Scottish Government Capital Projects*	0.0	0.0	31.8
Public Information and Engagement	2.8	2.8	2.9
Scotland Act 2016 non-tax implementation	80.0	75.0	-
Capital borrowing repayment	24.0	31.0	49.0
<b>Total Finance</b>	<b>140.3</b>	<b>138.7</b>	<b>130.7</b>
<i>of which:</i>			
Fiscal Resource	140.3	138.7	98.9
Non-cash	-	-	14.6
Capital	-	-	17.2
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 7.01

\* Previously included within the Administration chapter

### What the Economic Advice budget does

The Office of the Chief Economic Adviser budget provides for the procurement of data and specific technical assistance to strengthen understanding of key developments in the economy and public finances and to support statutory functions around the publication of official statistics.

The Council of Economic Advisers' budget supports the provision of economic advice to Ministers, both privately in meetings and publicly through its Annual Reports. Members are not remunerated for their time.

The consumer policy and advice budget delivers advice to citizens across Scotland by the Citizens Advice Network and ensures consumer interests are represented to government, regulators and decision makers.

The Consumer Scotland budget is for establishment of a new public body to represent consumer interests and propose solutions to issues causing the most significant consumer detriment in Scotland. It will fulfil a manifesto commitment, contribute to ensuring fairness in how wealth, resources and opportunities are distributed, and encourage participation.

**Table 7.04: Economic Advice Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Office of the Chief Economic Adviser	0.5	1.0	6.4
Office of the Chief Statistician	1.9	-	-
Council of Economic Advisers	0.1	0.1	0.1
Economic Policy and Advice	-	-	1.3
Consumer Scotland Policy and Advice	0.6	0.6	3.2
<b>Total Economic Advice</b>	<b>3.1</b>	<b>1.7</b>	<b>11.0</b>
<i>of which:</i>			
Fiscal Resource	3.1	1.7	11.0
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 7.01

### What the Digital Strategy budget does

This budget: facilitates digital transformation across the public sector; funds assurance activities that help major digital projects to be delivered on track and on budget; funds direct investment to enhance digital skills for businesses; encourages digital participation; supports data driven innovation; and funds the creation of Scottish Government statistics.

**Table 7.05: Digital Strategy Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Digital Strategy</b>	<b>21.4</b>	<b>22.7</b>	<b>43.1</b>
<i>of which:</i>			
Fiscal Resource	21.4	22.7	31.1
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	12.0
UK Funded AME	-	-	-

See footnote on operating costs in Table 7.01

### What the Enterprise, Trade and Investment budget does

The Enterprise budget funds Scottish Enterprise and other enterprise-related activity. The Innovation and Industries budget will invest in development and application of research, innovation and technology, support entrepreneurial activity and includes the Building Scotland Fund and Scottish Growth Scheme. The International Trade and Investment budget supports our increased ambitions for internationalisation, building our international presence and supporting a range of detailed actions in 'A Trading Nation: Our Plan for Growing Scotland's Exports'. It also supports the development of trade policy in response to EU exit, and supports the attraction and retention of international investment into Scotland's economy. This budget also supports the delivery of our Hubs in London, Dublin and Berlin. Those offices will continue to develop their influence and strengthen their relationships, deepening our impact in key markets, encouraging collaboration, supporting trade and innovation and creating opportunities to showcase Scotland's cultural and creative offering.

The Scottish National Investment Bank Bill will pave the way for the Bank to become operational in 2020 leading to a step change in innovative and inclusive growth. Development of the Bank is also supported by investment through the Building Scotland Fund over 2018-21 and the Scottish Growth Scheme.

**Table 7.06: Enterprise, Trade and Investment Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Enterprise	223.8	289.3	276.5
Innovation and Industries	10.7	115.7	106.9
Scottish National Investment Bank	-	-	130.9
<b>Total Enterprise, Trade and Investment</b>	<b>234.5</b>	<b>405.0</b>	<b>514.3</b>
<i>of which:</i>			
Fiscal Resource	167.0	175.8	187.7
Non-cash	10.6	8.3	8.5
Capital	21.9	67.4	64.6
Financial Transactions	35.0	153.5	253.5
UK Funded AME	-	-	-

See footnote on operating costs in Table 7.01

### What the Accountant in Bankruptcy budget does

Accountant in Bankruptcy (AiB) is largely self-funded through statutory fees for administering and supervising insolvency processes. The budget supports the agency's work to provide fair access to debt relief and debt management for the people of Scotland.

Capital investment in IT systems assists the agency to fulfil its duties and meet its digital agenda.

**Table 7.07: Accountant in Bankruptcy Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Operating Expenditure	13.0	12.8	12.7
Capital Expenditure	0.7	1.0	0.8
Retained Income	(12.5)	(10.2)	(10.2)
<b>Total Accountant in Bankruptcy</b>	<b>1.2</b>	<b>3.6</b>	<b>3.3</b>
<i>of which:</i>			
Fiscal Resource	(1.0)	1.1	1.0
Non-cash	1.5	1.5	1.5
Capital	0.7	1.0	0.8
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Employability and Training budget does

The Employability and Training budget directly supports the Scottish Government's approach to employability and fair work and supports the ongoing delivery of the devolved employability service, Fair Start Scotland.

**Table 7.08: Employability and Training Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Employability and Training	43.0	52.9	56.7
<b>Total Employability and Training</b>	<b>43.0</b>	<b>52.9</b>	<b>56.7</b>
<i>of which:</i>			
Fiscal Resource	43.0	51.9	56.1
Non-cash	-	-	0.4
Capital	-	1.0	0.2
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 7.01

### What the Revenue Scotland budget does

Revenue Scotland's budget provides for the administration of the two devolved taxes – Land and Buildings Transaction Tax and Scottish Landfill Tax. The budget supports investment in staff, processes and technology to build on the organisation's performance in collecting and managing the devolved taxes. The capital provision will support the renewal of Revenue Scotland's digital tax administration system, including improvements in business processes.

**Table 7.09: Revenue Scotland Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Total Revenue Scotland</b>	<b>6.1</b>	<b>10.2</b>	<b>7.6</b>
<i>of which:</i>			
Fiscal Resource	6.1	5.9	6.2
Non-cash	-	-	-
Capital	-	4.3	1.4
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Scottish Fiscal Commission budget does

The Scottish Fiscal Commission budget supports the production of independent and official fiscal and economic forecasts for Scotland to help inform fiscal events such as the Scottish Budget. It will also enable the appointment of an independent reviewer to undertake a review of the Commission's performance, as required by their legislation, which is scheduled to take place in 2019.

**Table 7.10: Scottish Fiscal Commission Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Scottish Fiscal Commission</b>	<b>1.7</b>	<b>1.6</b>	<b>1.9</b>
<i>of which:</i>			
Fiscal Resource	1.7	1.6	1.9
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the European Regional Development Fund and European Social Fund budget does

The European Regional Development Fund (ERDF) and European Social Fund (ESF) make significant resources available to Scotland over the EU's seven-year budget cycle. For the period 2014 to 2020 some €944 million has been allocated to Scotland. The Scottish Government will manage these funds and allocate them according to programmes agreed with the European Commission and in accordance with EU regulations.

The Scottish Government, working through a network of lead partners, will allocate the funds to projects, schemes or programmes across Scotland. When funds have been allocated and spent the lead bodies will seek payment of the funds from Scottish Government. As the Scottish Government pays out to these bodies it will recover the funds from the European Commission. The funds do not impact the Scottish Government's overall budget and therefore are represented as zero in the budget tables.

**Table 7.11: European Regional Development Fund – Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Grant to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
<b>Total</b>	-	-	-
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

**Table 7.12: European Social Fund – Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Grant to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
<b>Total</b>	-	-	-
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

**What the Central Government Grants to Local Authorities budget does**

We will work in partnership with COSLA and local authorities to deliver the £50 million Town Centre Fund investment. The aim is to invest in inclusive growth which supports town centres to become more diverse and sustainable, creating footfall through local improvements and partnerships which encourage town centres to become more vibrant, creative, enterprising and accessible places for their communities.

**Table 7.13: Central Government Grants to Local Authorities (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Town Centre Fund</b>	-	-	<b>50.0</b>
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	-	-	50.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

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# CHAPTER 8

## Education and Skills

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### **PORTFOLIO RESPONSIBILITIES**

Education continues to be this Government's defining mission and we remain determined to improve the life chances of the children and young people of Scotland and change lives for the better. The Education and Skills portfolio includes support for early learning and childcare; children and families, with specific focus on those in greatest need; school education; further and higher education; university research; knowledge exchange and innovation; science; promoting Gaelic; community and adult learning and development; expanding opportunities to move into sustained employment; and developing the skills of our current and future workforce.

### **PORTFOLIO PRIORITIES**

The Education and Skills portfolio aims to create excellent, life and work-relevant education for Scotland's young people, giving them the best start in life and aspiring to create the best opportunities for them to flourish as adults. All children and young people, whatever their background or circumstances, deserve the same chance to reach their full potential. That is why improving outcomes for children, young people and their families continues to lie at the heart of this Government's agenda and spending plans.

Our activities in the Education and Skills portfolio underpin the Government's purpose of sustainable economic growth through creating opportunities for all and support our national outcomes – 'We grow up loved safe and respected so that we realise our full potential' and 'We are well educated, skilled and able to contribute to society'.

Our top priorities are to raise attainment and close the attainment gap; promote health and wellbeing; and improve skills and employability for all our citizens. Our transformative investment to almost double children's entitlement to high quality early learning and childcare to 1,140 hours a year from August 2020 will support improved children's outcomes and help close the attainment gap. Ensuring the best start in life for every child is key to delivering each of these priorities, and is therefore a clear focus for our policies and spending plans. Similarly, we want to ensure that the role that the further and higher education and community learning sectors play in supporting inclusive economic growth is maximised.

This budget will therefore include:

- investment to raise attainment and close the attainment gap, and support our preventative actions to reduce child poverty;
- substantial expansion of early learning and childcare (ELC) to improve children's developmental outcomes, regardless of their background, from the beginning of their time in nurseries or with childminders;
- continued investment in further and higher education, with a focus on enabling equal access to learning and skills opportunities; and
- delivering continued increased investment in training and work based learning to provide an educated and skilled workforce, based on strong links with the business community and recognising skills shortages in the labour market, to deliver a powerful driver for long-term economic growth.

### **Learning Priorities**

The majority of expenditure on school education in Scotland is provided through local authorities from budgets outlined in the Communities and Local Government Chapter. The Learning budget will deliver excellence and equity in Scottish education through targeted national programmes and related support.

The Scottish Attainment Challenge, which is focused on improving numeracy, literacy, and health and wellbeing, will continue to push forward the Government's defining mission of improving the life chances of all our children. Investment through the £750 million Attainment Scotland Fund, including Pupil Equity Funding, is vital in helping schools address the poverty-related attainment gap and helping children overcome barriers, often linked to poverty, so that no child is left behind. This funding targets an area where there is a relatively higher rate of return to investment compared to the general population and supports a social need that also delivers high economic value.

In 2019-20 we will:

- continue to reform school governance and work with local government to help empower schools to deliver a teacher-led education system;
- work with partners to deliver the Headteachers' Charter;
- enhance support and expertise through the Regional Improvement Collaboratives;
- pilot a new national survey for parents and carers as part of delivering actions in our plan for parental engagement;
- continue to provide funding to local government partners to provide School Clothing Grants to eligible families;
- continue to invest in the quality of our teaching profession and support teacher recruitment through new routes into the profession;

- continue to take forward actions through our Science, Technology, Engineering and Mathematics (STEM) education and training strategy to improve the supply of STEM and strengthen partnerships between schools, colleges, universities, science centres and employees; and
- through Education Scotland, promote improvement in education and throughout the learner journey, from the early years to adult and continuing education.

### **Children and Families Priorities**

The Children and Families budget supports our work to give every child the best possible start in life through the Getting it Right for Every Child (GIRFEC) approach. We want every child to grow up loved, safe and respected so they reach their full potential and we will continue to embed early intervention and preventative approaches. We also work across portfolios to support action before birth to improve outcomes for children and families – from transforming maternity care and Scotland’s Baby Box offer, to establishing a National Hub for the Prevention of Child Deaths.

In 2019-20 we will:

- change the way children and young people experience their rights by working towards incorporating the principles of the United Nations Convention on the Rights of the Child (UNCRC) into domestic law, improving accessibility of services for disabled children and young people, and by taking forward legislation to increase the age of criminal responsibility to 12 years old;
- support the most vulnerable children in our society through delivery of our ‘Child Protection Improvement Programme’, improved support for looked after children and their families, and the development of a national advocacy scheme for those supported by the children’s hearing system;
- improve outcomes for children and young people through the Scottish Adverse Childhood Experience (ACE) Hub, the Children and Young People’s Improvement Collaborative, and the Children, Young People and Families Early Intervention and Adult Learning and Empowering Communities Fund;
- continue to meet the costs of the Scottish Child Abuse Inquiry, develop a statutory financial redress scheme for survivors of child abuse in care and make advanced payments to elderly and ill survivors; and
- support regulation and development of the social service workforce.

### **Early Learning and Childcare Priorities**

We are committed to almost doubling entitlement to funded early learning and childcare to 1,140 hours for all 3 and 4 year olds and for eligible 2 year olds from August 2020. The expansion will help close the poverty-related attainment gap and contribute to National Outcomes relating to children and education. In April 2018, we reached agreement with the Convention of Scottish Local Authorities (COSLA) on a multi-year revenue and capital funding package to fully fund this expansion. This year we will increase revenue funding for early learning and childcare by £210 million and provide

£175 million capital funding to support the building, refurbishment and extension of around 750 nurseries and family centres. This funding is shown within the Local Government settlement.

We will progress the expansion in 2019-20 by:

- supporting local authorities and funded providers to work towards implementation of our new National Standard which will ensure high quality early learning and childcare and offer greater choice to families;
- continuing to support early learning and childcare providers, including childminders, through the transition to the expanded entitlement;
- working with local authorities and funded providers to ensure families understand what the expansion means for them and how they can access their child's entitlement;
- investing in additional capacity in relevant courses in Scotland's colleges and universities and in apprenticeship programmes to expand the workforce;
- supporting local authorities and providers to improve uptake of the funded entitlement by eligible 2 year olds; and
- continuing to promote outdoor learning as a core part of children's early learning and childcare experience.

### **Advanced Learning and Science Priorities**

This budget principally supports policy development and delivery relating to qualification accreditation and international mobility opportunities to enhance employability for students. It enables the Scottish Government to make best use of science advice and knowledge and is used to promote Scotland as a science and innovation nation, supporting world-leading research and innovation.

In 2019-20 we will:

- continue to provide support for science engagement and promotion across Scotland, including through our science centres and science festivals;
- support the internationalisation of our universities and colleges including access for Scottish students to take part in international exchanges and to attract talented students to study in Scotland; and
- continue to support the work of the Scottish Qualifications Authority (SQA) Accreditation Unit and support work to promote the Scottish Credit and Qualifications Framework.

### Scottish Funding Council Priorities

The Scottish Funding Council (SFC) budget invests in Scotland's colleges and universities, to develop well-educated, highly skilled people and drive inclusive economic growth through skills, research and innovation.

In 2019-20 we will work with the SFC to:

- play a leading role in improving Scotland's skills base by aligning our investment and activities with public sector partners and ensuring that provision in colleges and universities supports employability and productivity in line with the vision set out in the Enterprise and Skills Strategic Plan and our Economic Action Plan;
- enable learners to move through education into fair work through continuous improvement in learner outcomes; and progressing the ambitions of our Developing the Young Workforce and Learner Journey programmes;
- deliver key commitments in the STEM Education and Training Strategy to ensure further and higher education provision meets the needs of employers in Scotland;
- maximise the impact of our investment in research, innovation and internationalisation to support a thriving, outward-looking Scotland;
- work with colleges to develop initiatives that will work towards reducing child poverty rates;
- champion diversity at all levels, from course choices to the make up of senior staff and boards;
- support all learners to achieve their full potential in education by continuing to make progress towards equal access to higher education by 2030; fund improvements to further education bursary support; support the sector to tackle gender-based violence through Equally Safe; and support students' mental health and wellbeing, including providing additional counsellors across the sector;
- provide up to £22.7 million to complete the construction of Forth Valley College's new campus in Falkirk;
- continue funding to support the college sector in maintaining the college estate;
- deploy Financial Transactions to support further universities estate projects; and
- maintain at least 116,000 full-time equivalent college places.

### **Higher Education and Student Support Priorities**

The Higher Education Student Support (HESS) budget provides financial support to Scottish-domiciled and EU students undertaking higher education (HE) courses in Scotland and Scottish-domiciled students studying in the rest of the UK. This includes the provision of free tuition in higher education. The HESS budget is administered by the Student Awards Agency Scotland (SAAS).

In 2019-20 we will:

- guarantee that higher education will remain free of tuition fees for all eligible Scottish- or EU-domiciled undergraduate students studying in Scotland;
- ensure every eligible care-experienced student receives a full £8,100 non-repayable bursary to finance their studies; and
- ensure that the poorest HE students receive increased bursary support and increased access to bursaries through improvements to the HE bursary threshold.

In 2019-20 the Student Awards Agency Scotland will:

- help support the education sector to increase the number of students accessing university from the 20 per cent most deprived communities; and
- continue to improve the safety and security of our IT operating environment and keep abreast of technology changes to reflect service delivery in a digital age.

### **Skills and Training Priorities**

Our priorities for Skills and Training are to meet the needs of a modern, successful economy based on fair and equal opportunities, and to provide the skills that allow individuals to fulfil their potential in the labour market.

In 2019-20 we will:

- through Skills Development Scotland, invest over £214 million in apprenticeships and skills, an increase of £22 million. This investment supports the ongoing expansion of apprenticeships in Scotland as we progress towards 30,000 starts per year by 2020; pre-employment training opportunities; the national careers service; and implementation of Developing the Young Workforce (DYW);
- in line with the skills alignment workstream of the Strategic Board for Enterprise and Skills, look to maximise the collective capacity of our skills system as we continue to deliver our commitment to the expansion of apprenticeships in 2019-20;
- continue to develop a new Careers Information Advice and Guidance Strategy, encompassing all-age career needs to ensure Scotland's careers services are flexible and accessible to the needs of a modern workforce and responsive to changes in the labour market and wider economy. The Strategy will be published in autumn 2019, with the development of an action plan on implementation thereafter; and

- remain committed to the continued availability of the Education Maintenance Allowance (EMA) in Scotland which allows even more school pupils and college students to continue their studies and enables young people to make learning decisions based, not on their financial circumstances, but on their ability and aspirations.

## SPENDING PLANS

**Table 8.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Learning	217.0	237.7	257.8
Children and Families	167.2	151.5	123.9
Early Learning and Childcare Programme	-	-	40.5
Advanced Learning and Science	6.2	6.2	10.0
Scottish Funding Council	1,734.8	1,838.0	1,839.3
HESS	940.0	946.4	922.5
Skills and Training	223.7	232.8	254.0
<b>Total Education and Skills</b>	<b>3,288.9</b>	<b>3,412.6</b>	<b>3,448.0</b>
<i>of which:</i>			
Total Fiscal Resource	2,462.2	2,577.8	2,657.1
<i>of which Operating Costs*</i>	-	-	37.3
Non-cash	212.3	235.8	243.4
Capital	157.4	131.0	94.5
Financial Transactions	14.0	40.0	55.5
UK Funded AME	443.0	428.0	397.5

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

**Presentational Adjustments for Scottish Parliament Approval**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Learning (NDPB Non-cash)	(1.9)	(1.2)	(2.8)
Children and Families (NDPB Non-cash)	(2.1)	(2.1)	(1.8)
SFC (NDPB Non-cash)	(30.4)	(30.5)	(30.4)
Skills and Training (NDPB Non-cash)	(0.5)	(0.5)	-
Central Government Grants to Local Authorities	124.5	326.7	561.7
<b>Total Education and Skills</b>	<b>3,378.5</b>	<b>3,705.0</b>	<b>3,974.7</b>

Total Limit on Income (accruing resources)	350.0
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**What the Learning budget does**

This budget funds the Scottish Attainment Challenge; grant aid to schools for pupils with additional support needs; Gaelic bodies and projects to increase the numbers using Gaelic; it supports the SQA to deliver the National Qualifications; funds delivery of Curriculum for Excellence and educational reforms and supports Education Scotland in its enhanced remit for system-wide improvement in learning, teaching, assessment and educational leadership. We also invest in initial teacher education, and provide analytical services throughout government.

**Table 8.02: Learning Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Education Scotland	21.5	20.5	23.0
Gaelic	23.2	23.2	23.5
Learning and Support	27.1	35.8	39.3
Workforce, Infrastructure and Reform	76.8	81.2	83.4
Education Analytical Services	2.7	2.2	4.5
Strategy and Performance	65.7	74.8	84.1
<b>Total Learning</b>	<b>217.0</b>	<b>237.7</b>	<b>257.8</b>
<i>of which:</i>			
Fiscal Resource	188.2	232.5	251.0
Non-cash	2.4	1.6	3.2
Capital	22.4	3.6	3.6
Financial Transactions	4.0	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

### What the Children and Families budget does

This budget funds the Scottish Children's Reporter Administration; Children's Hearings Scotland; Scottish Child Abuse Inquiry; financial redress for survivors of child abuse in care; Scottish Social Services Council; and Disclosure Scotland. It supports implementation of GIRFEC; children's rights; child protection programmes; the Independent Care Review and social services workforce development. It provides the Family Fund Trust; the Children, Young People and Families Early Intervention Fund and the Adult Learning and Empowering Communities Fund.

**Table 8.03: Children and Families Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Care and Justice	37.4	38.5	39.1
Care and Protection	12.5	14.1	26.8
Disclosure Scotland	5.3	14.8	11.4
Office of the Chief Social Work Adviser	19.2	19.2	19.9
Creating Positive Futures	92.8	64.9	26.7
<b>Total Children and Families</b>	<b>167.2</b>	<b>151.5</b>	<b>123.9</b>
<i>of which:</i>			
Fiscal Resource	124.8	138.3	114.5
Non-cash	2.3	5.3	5.5
Capital	40.1	7.9	3.9
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

\*In 2019-20 Early Learning and Childcare budget moved out of Creating Positive Futures and into its own directorate budget (see Table 8.04)

### What the Early Learning and Childcare Programme budget does

This budget supports initiatives to enable the expansion of early learning and childcare; including investment in training and education programmes such as additional graduate level places; support for funded providers; investment in outdoor learning approaches and parental engagement.

**Table 8.04: Early Learning and Childcare Programme Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
<b>Early Learning and Childcare Programme</b>	-	-	<b>40.5</b>
<i>of which:</i>			
Fiscal Resource	-	-	40.5
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

### What the Advanced Learning and Science budget does

The Advanced Learning and Science budget supports policies relating to qualification accreditation; international student mobility activity and the promotion of studying in Scotland. Science engagement, including support of Scotland's science centres and festivals, as well as promoting Scotland as an innovative and scientific nation, is also funded by this budget.

**Table 8.05: Advanced Learning and Science Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Higher Education	1.5	1.5	5.3
Qualifications and Accreditation	1.7	1.7	1.7
Science, Engagement and Advice	3.0	3.0	3.0
<b>Total Advanced Learning and Science</b>	<b>6.2</b>	<b>6.2</b>	<b>10.0</b>
<i>of which:</i>			
Fiscal Resource	6.2	6.2	10.0
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

### What the Scottish Funding Council budget does

The Scottish Funding Council budget invests in colleges and universities, to develop well-educated, highly skilled people and drive inclusive economic growth through skills, research and innovation.

**Table 8.06: Scottish Funding Council Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Funding Council Administration	7.5	7.5	7.5
College Operational Expenditure	741.3	778.2	796.5
College Operational Income	(190.0)	(190.0)	(190.0)
<i>Net College Resource</i>	551.3	588.2	606.5
College NPD Expenditure	29.1	29.3	29.3
College Depreciation Costs	30.1	30.1	30.1
Higher Education Resource	1,013.9	1,024.9	1,025.3
College Capital Expenditure	70.4	78.7	49.6
College Capital Receipts	(23.0)	(2.0)	(2.0)
<i>Net College Capital</i>	47.4	76.7	47.6
Higher Education Capital	45.5	41.3	37.5
Higher Education Financial Transactions	10.0	40.0	55.5
<b>Total Scottish Funding Council</b>	<b>1,734.8</b>	<b>1,838.0</b>	<b>1,839.3</b>
<i>of which:</i>			
Fiscal Resource	1,601.5	1,649.7	1,668.3
Non-cash	30.4	30.4	30.4
Capital	92.9	117.9	85.1
Financial Transactions	10.0	40.0	55.5
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

### **What the Higher Education Student Support budget does**

The budget provides financial support to Scottish-domiciled and EU students undertaking higher education courses in Scotland and Scottish-domiciled students studying in the rest of the UK. This includes the provision of free tuition in higher education. The HESS budget is administered by the Student Awards Agency Scotland.

**Table 8.07: Higher Education Student Support Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Student Support and Tuition Fee Payments	301.6	301.6	301.6
Student Loans Company Administration Costs	4.2	4.2	4.2
Student Loan Interest Subsidy to Bank	2.0	2.0	2.0
Cost of Providing Student Loans (RAB Charge) (Non-cash)	175.6	196.9	203.2
Student Awards Agency for Scotland Operating Costs – Resource	11.6	12.1	12.1
Student Awards Agency for Scotland Operating Costs – Capital	2.0	1.6	1.9
Net Student Loans Advanced	560.0	550.0	550.0
Capitalised Interest	(60.0)	(65.0)	(70.0)
Student Loan Fair Value Adjustment	(57.5)	(57.5)	(84.1)
Student Loan Sale Subsidy Impairment Adjustment	0.5	0.5	1.6
<b>Total Higher Education Student Support</b>	<b>940.0</b>	<b>946.4</b>	<b>922.5</b>
<i>of which:</i>			
Fiscal Resource	318.3	318.8	318.8
Non-cash	176.7	198.0	204.3
Capital	2.0	1.6	1.9
Financial Transactions	-	-	-
UK Funded AME	443.0	428.0	397.5

\*The movement in the HESS budget from 2018-19 to 2019-20 is due to technical accounting adjustments to student loans. These non-cash budget lines do not affect the funding available to students. The Student Support and Tuition Fees and Net Student Loans Advanced budget lines have been maintained for 2019-20.

### What the Skills and Training budget does

Providing the skills that allow individuals to fulfil their potential in the labour market:

- continue funding Skills Development Scotland;
- delivering 30,000 apprenticeships by 2020, including developing the apprenticeship pathway through Foundation, Modern, and Graduate Apprenticeships;
- develop a new Careers Information Advice and Guidance strategy; and
- continued availability of Education Maintenance Allowance.

**Table 8.08: Skills and Training Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Skills Development Scotland	179.6	193.3	214.7
Employment and Training Interventions	44.1	39.5	39.3
<b>Total Skills and Training</b>	<b>223.7</b>	<b>232.8</b>	<b>254.0</b>
<i>of which:</i>			
Fiscal Resource	223.2	232.3	254.0
Non-cash	0.5	0.5	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 8.01.

### What the Central Government Grants to Local Authorities budget does

- The Local Government Gaelic Grant supports local authorities with implementing the Gaelic provisions in the Education (Scotland) Act 2016.
- The Local Government Attainment Grant goes directly to headteachers to use as they see fit to help reduce the poverty-related attainment gap.
- The Local Government ELC Grant provides local authorities with resource and capital to support delivery of the expansion of early learning and childcare to 1,140 hours.

**Table 8.09: Central Government Grants to Local Authorities Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Local Government Gaelic Grant	4.5	4.5	4.5
Local Government Attainment Grant	120.0	120.0	120.0
Local Government Early Learning and Childcare Expansion Grant	-	202.2	437.2
<b>Education and Skills Central Government Grants to Local Authorities</b>	<b>124.5</b>	<b>326.7</b>	<b>561.7</b>
<i>of which:</i>			
Fiscal Resource	124.5	176.7	386.7
Non-cash	-	-	-
Capital	-	150.0	175.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

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# CHAPTER 9

## Justice

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### **PORTFOLIO RESPONSIBILITIES**

The purpose of the Justice portfolio is to keep our communities safe and secure, and to administer justice in its various forms.

The Justice portfolio has responsibility for the civil, criminal and administrative justice systems which include Scotland's prisons, courts, tribunals, the legal aid system and criminal justice social work services. It supports the police and fire and rescue services. The portfolio supports safe, secure and more resilient communities and works to build Scotland's resilience by improving Scotland's preparedness against a range of hazards and threats, including cyber-attacks and terrorism, through multi-agency planning, strengthening national work on risk and prevention, and working with partners to build and deliver capacity.

The Justice portfolio provides a range of vital public services in which powers are largely devolved to the Scottish Parliament. It also works closely with the UK Government and its agencies to ensure that Scotland and its communities are appropriately and proportionately protected from terrorism. It helps to create an inclusive and respectful society in which all people and communities live in safety and security, where individual and collective rights are supported, where disputes are resolved fairly and swiftly and where our responses are proportionate, effective and promote recovery. It recognises that certain protected characteristics can increase levels of risk of experiencing violence and abuse and contributes towards tackling inequalities by enabling our communities to be safe and resilient, by reducing crime and offending, supporting victims and witnesses and improving wellbeing and life chances.

### **PORTFOLIO PRIORITIES**

The Justice portfolio makes an important contribution to each of the outcomes in the new National Performance Framework and plays a lead role in delivering our national outcome of communities that are inclusive, empowered, resilient and safe. Our commitment in justice to prevention and early intervention makes a critical contribution to those national outcomes concerned with improving wellbeing and life chances and promoting a healthy active Scotland. Scotland's justice system is underpinned by a set of fundamental principles which play a vital role in the national outcomes concerned with enforcement, protection and defence of human rights as well as underpinning economic confidence and sustainable economic growth.

'Justice in Scotland: Vision and Priorities', published in July 2017, was developed collaboratively with justice organisations and is a collective commitment to four outcomes and seven key priorities for the Justice portfolio.

### **Outcomes**

- We live in safe, cohesive and resilient communities.
- Prevention and early intervention improve wellbeing and life chances.
- Our system and interventions are proportionate, fair and effective.
- We deliver person-centred, modern and affordable public services.

### **Priorities**

- We will enable our communities to be safe and supportive, where individuals exercise their rights and responsibilities.
- We will enable our people, economy and infrastructure to respond to major risk, recover from emergencies and adapt to emerging threats.
- We will modernise civil and criminal law and the justice system to meet the needs of people in Scotland in the 21st century.
- We will work with others to improve health and wellbeing in justice settings, focusing on mental health and substance use.
- We will work to quickly identify offenders and ensure responses are proportionate, just, effective and promote rehabilitation.
- We will improve the experience of victims and witnesses, minimising court attendance and supporting them to give best evidence.
- We will use prison only where necessary to address offending or to protect public safety, focusing on recovery and reintegration.

The Scottish Government continues to deliver radical reforms to Scotland's justice system, to improve access to justice and ensure the system meets the needs of people in the 21st century, including major reforms in Scotland's courts and securing the benefits of reform to police and fire services. This radical reform of public services has focused attention on preventative approaches and community-based solutions to tackle the root causes of crime and help communities and individuals to achieve their full potential. We will maintain access to justice for individuals through the Legal Aid system.

## Police Priorities

We will continue to support a modern and effective police service to ensure the safety and security of Scotland's people and communities and that Scotland continues to benefit from a police service which fully supports its workforce and shapes its services around the needs of citizens and communities.

Building on the success of police reform and investment in the workforce (with a 6.5 per cent pay deal for officers running to March 2021 and progress on police staff pay and reward modernisation), we will continue to support the Scottish Police Authority (SPA) and Police Scotland to deliver the priorities in 'Policing 2026: Serving a Changing Scotland'. This strategy will further enable an empowered police workforce to deliver a service that meets emerging and future needs. We will continue to support the SPA in their actions to improve leadership and governance of policing in Scotland.

We will support the work of the independent review of complaints handling, investigations and misconduct issues in relation to policing, and the review of the impact of policing on communities during the Miners' Strike.

In 2019-20 we will:

- Continue to protect the revenue budget of the SPA in real terms.
- Review our strategic police priorities, ensuring they properly reflect the needs of our communities and address the changing demands our police service faces.
- Increase our focus on collaborative working and improve multi-agency response to ensure the most vulnerable in society, including those people who present to the police in mental health distress, receive the support they need.
- Continue to provide reform funding in 2019-20 to support a range of transformational activities including additional funding to support the modernisation of police ICT, to enhance effective mobile working.
- Continue to support the work of the Police Investigations Review Commissioner.
- Continue working with partners on the GB-wide Emergency Services Mobile Communication Programme towards providing next-generation telecommunications as a key element of the critical infrastructure for all our blue-light services.

### **Fire and Rescue Priorities**

Through the 'Fire and Rescue Framework for Scotland 2016', we are continuing to invest in the next phase of transformative reform of the fire and rescue service in Scotland.

Working with the Scottish Fire and Rescue Service (SFRS) we support the transformational shift that focuses on prevention and collaboration, as well as a modern and effective response to emergency incidents reflecting the changing risks our communities face.

In 2019-20 we will:

- Provide investment for service transformation to support and encourage SFRS to modernise the firefighter role to meet new and emerging risks.
- Explore opportunities for SFRS to make a wider contribution to public sector outcomes through working more closely with other emergency services.
- Work with SFRS to deliver the Fire and Rescue Framework for Scotland 2016.

### **Victims and Witnesses Priorities**

We are fully committed to improving the position of victims and witnesses in the justice system and have established a dedicated Victims Taskforce to focus on doing so. The Taskforce will drive the delivery of our commitments to ensure victims' voices are heard, to streamline their journey through the criminal justice system, and to provide wide-ranging support and accessible information through the process. It will be informed by direct evidence from victims on their experiences of the justice system, ensuring existing and planned work streams are considered and implemented with an understanding of the perspective of victims and witnesses.

In 2019-20 we will:

- Continue to support the work of third sector organisations who provide information and advice to victims of crime, including the development of a new service for families of homicide victims.
- Publish a Restorative Justice Action Plan by spring 2019.
- Continue to work towards enabling the much greater use of pre-recorded evidence of child and other vulnerable witnesses in advance of the criminal trial.
- Commence roll out of a new statutory Appropriate Adult service to provide communication support to vulnerable adults during police procedures.
- Continue to meet the cost of compensation payments to victims of crime in Scotland.
- Fund a share of the running costs of the Criminal Injuries Compensation Authority in line with the memorandum of understanding.

## Violence Against Women and Girls Priorities

We will implement 'Equally Safe', Scotland's strategy to tackle and eradicate violence against women and girls. We will continue to work with justice agencies to find ways to reduce the trauma and improve the experience of victims within the criminal justice system. This includes supporting advocacy and other services for victims and their families. We will work with justice agencies to improve the specific experience of victims of sexual offending through the justice system. We will continue to support other sectors such as health and education to develop a consistent response to violence against women across Scotland which is rooted in a gendered analysis.

In 2019-20 we will:

- Implement the Domestic Abuse (Scotland) Act 2018.
- Support training requirements for police officers on the new domestic abuse offence.
- Develop a national awareness-raising campaign, in collaboration with victim support and advocacy services, on the new domestic abuse offence to coincide with implementation of the Act.
- Implement justice actions in the Equally Safe Delivery Plan.
- Work with justice agencies and through the Victims Taskforce to improve the experience of victims of sexual offences through the justice system.
- Continue to support the work of the Chief Medical Officer Taskforce for the improvement of healthcare and forensic medical services for adults, children and young people who have experienced rape and sexual assault – recognising the importance of a collaborative approach across health and justice partners.
- Consult on proposals to clarify in legislation the responsibility for forensic medical services to ensure that access to healthcare, as well as a forensic medical examination for victims of rape and sexual assault, is an NHS priority and consistently provided for throughout Scotland.
- Collaborate across government with other policy areas to prevent harm to those most at risk of gender-based violence, in particular younger females.
- Explore how the Barnahus concept could operate in Scotland and build on learning from the European Barnahus movement, drawing from the original model in Iceland and developments in other countries.
- Oversee the implementation of the innovative Caledonian Programme in a further six local authority areas to facilitate access for more male perpetrators of domestic abuse to receive specific rehabilitation services designed to address the issues giving rise to their offending behaviour.

### **Safer Communities Priorities**

We remain focused on building communities that feel safe and are safe. We will continue to work with local authorities, Police Scotland, the Scottish Fire and Rescue Service and Education Scotland as well as with a range of other partners – such as Neighbourhood Watch, Crimestoppers, the Royal Society for the Prevention of Accidents and the Missing People charity – to prevent unintentional harm; to improve support for those at risk of going missing; as well as to reduce violence, anti-social behaviour and sectarianism.

In 2019-20 we will:

- Continue our work through the Scottish Community Safety Network to increase connections to local activity focused on keeping our communities safe.
- Reduce violence by continuing to support the work of the Scottish Violence Reduction Unit; and Medics Against Violence, including the hospital-based Navigators initiative.
- Reduce the risk of unintentional harm by supporting initiatives in communities across Scotland.
- Continue to address sectarianism by supporting educational and other initiatives – as well as responding to our consultation on hate crime legislation.
- Improve the support provided across Scotland to missing people and their families.

### **Resilience Priorities**

Developing and maintaining resilience in Scotland requires a flexible and adaptive approach. We will continue to develop community resilience, building on themes of empowerment and preparedness through identifying trends and new risks, prevention, planning, response and recovery to ensure that the people of Scotland are able to cope both with potential disasters such as fire, flood or climate change, and with the everyday challenges and risks faced by families in need.

We will collaborate with partners to ensure we can appropriately and proportionately tackle the threat posed by terrorism and organised crime.

To deal with the increasing cyber threat, we are implementing action plans to help strengthen the resilience of Scotland's public, private and third sectors against cyber-attacks. We are working to strengthen our learning and skills system so that it supports our citizens to operate safely and confidently in the digital world, providing them with opportunities to develop cyber specialist skills and career paths that help retain talent in Scotland. In addition we are improving our ability to capitalise on the economic opportunities that an increasing focus on cyber security in the global economy will bring for Scotland.

In 2019-20 we will:

- Lead on the development of vision, guidance, policy and training on resilience in Scotland, recognising the challenges and risks that impact on Scotland.
- Provide funding to support the development and implementation of action plans to help strengthen Scotland's approach to cyber resilience.
- Engage with essential services operators to encourage them to further protect and enhance the critical infrastructure resilience of their assets, systems, networks and people.

### **Community Justice: Reducing Re-offending Priorities**

We will work with Community Justice Scotland and national and local community justice partners, including the third sector, to implement the national Community Justice Strategy to deliver better outcomes for individuals and communities. Evidence from local Community Justice Outcome Improvement Plans and Care Inspectorate support for validated self-evaluation by partnerships and inspection of criminal justice social work will inform the next phase of implementation. We will continue to focus our efforts around early and targeted intervention in collaboration with youth justice colleagues within the Education and Skills portfolio to prevent reoffending and improve life chances of young people and others by improving links between employment, housing, education and health services.

We will support efforts to increase the use of and confidence in community sentences, including expanding electronic monitoring capability in satellite tracking and remote substance monitoring. The Management of Offenders Bill is being scrutinised by Parliament and an affirmative order to extend the presumption against short-term periods of imprisonment to include sentences of 12 months or less will be laid in spring 2019.

In 2019-20 we will:

- Support robust and effective community disposals, such as community payback orders, alongside the extension of the presumption against short sentences.
- Expand electronic monitoring capability following parliamentary scrutiny.
- Expand support for bail supervision, which is a robust alternative to remand.
- Support services to meet the specific needs of women offenders.
- Implement the recommendations of the independent reviews of Home Detention Curfews by HM Inspectorate of Prison and HM Inspectorate of the Constabulary for Scotland working with Police Scotland and the Scottish Prison Service.
- Consult on ways to make the parole process more open and transparent.

We will work with the Scottish Prison Service, justice and health partners, as well as other public services and the third sector, to continue to support the rehabilitation and reintegration of people leaving custody back into our communities, taking forward and implementing our National Strategy for Community Justice in order to prevent further offending.

### **Scottish Prison Service Priorities**

In 2019-20 we will:

- Continue to take forward work on the future of Scotland's modernised prison estate to meet the changing demands of the prison population and to transform the lives of people in our care.
- Progress transformation of the female custodial estate to address the specific needs of female offenders including the construction of a smaller national facility at HMP Cornton Vale and the development of two innovative community-based custody units in Glasgow and Dundee in 2020-21.
- Work with partners to support the Scottish Government's commitment to provide more effective health and social care services in our prisons, in order to address the widespread health inequalities of people in the justice system.
- Consider the recommendations arising from the current independent review into support services for young people entering and in custody at Her Majesty's Young Offender Institution Polmont.
- Work with partners to enhance support for children affected by parental imprisonment.
- Work with partner organisations to further develop through-care services for those leaving prison.

### **Justice Reform Priorities**

We will continue to improve the administration of justice.

In 2019-20 we will:

- Ensure that those most in need are able to access publicly-funded legal assistance and also progress a range of projects to improve access to justice.
- Continue to work to ensure that disputes are resolved at the most appropriate level in the justice system and progress work to reform criminal and civil procedure to keep pace with societal changes and international standards.
- Continue to work with justice partners to develop opportunities for transforming services through technology to transform criminal justice processes.

### **Scottish Courts and Tribunals Service Priorities**

In 2019-20 we will:

- Place digital innovation at the centre of service delivery to improve access to justice, support quicker outcomes and minimise physical appearance in courts.
- Develop and implement solutions that will better protect the interests of children and vulnerable witnesses, including the much greater use of pre-recorded evidence.
- Continue to transform civil justice by implementing new court rules and introducing technology-driven case management systems in civil courts and in the Office of the Public Guardian.
- Continue to support the important work of Scotland's Tribunals.

### **Human Trafficking Priorities**

We will continue to work with partners to implement Scotland's human trafficking and exploitation strategy through actions to identify victims and support them to recovery, identify perpetrators and disrupt their activity, and address the conditions that foster trafficking and exploitation.

## SPENDING PLANS

**Table 9.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Community Justice	33.6	35.4	37.1
Judiciary	31.6	34.0	34.3
Criminal Injuries Compensation	17.5	17.5	15.5
Legal Aid	137.2	137.4	137.4
Safer and Stronger Communities	4.1	5.7	6.4
Police Central Government	117.9	90.3	66.8
Police and Fire Pensions	350.6	350.6	350.6
Prison Services	361.0	361.4	393.7
Miscellaneous	37.4	43.5	53.5
Scottish Police Authority	1,092.4	1,137.8	1,180.1
Scottish Fire and Rescue Service	316.4	321.6	327.2
Scottish Courts and Tribunals Service	105.6	117.7	116.6
<b>Total Justice</b>	<b>2,605.3</b>	<b>2,652.9</b>	<b>2,719.2</b>
<i>of which:</i>			-
Total Fiscal Resource	2,372.5	2,410.0	2,442.1
<i>of which Operating Costs*</i>	-	-	27.5
Non-cash	128.8	130.1	133.1
Capital	104.0	112.8	144.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Legal Aid (NDPB Non-cash)	(0.4)	(0.6)	(0.6)
SPA (NDPB Non-cash)	(50.0)	(50.0)	(50.0)
SFRS (NDPB Non-cash)	(24.7)	(24.7)	(24.7)
Police Loan Charges	5.4	5.4	3.6
Judicial Salaries	(30.6)	(33.0)	(33.3)
PPP/PFI Adjustments	(3.1)	1.7	1.7
SCTS - shown separately	(105.6)	(117.7)	(116.6)
Central Government Grants to Local Authorities	86.5	86.5	86.5
<b>Total Justice</b>	<b>2,482.8</b>	<b>2,520.5</b>	<b>2,585.8</b>
Total Limit on Income (accruing resources)	39.7		

### What the Community Justice Services budget does

This budget includes funding to support offenders who are serving community-based sentences, electronic monitoring of offenders (e.g. through Restriction of Liberty Orders) and offender mentoring services. It supports the work of Community Justice Scotland, Scotland's national body for promoting the highest standards of community justice services across Scotland.

**Table 9.02: Community Justice Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Offender Services	30.4	32.2	33.9
Miscellaneous	3.2	3.2	3.2
<b>Total Community Justice</b>	<b>33.6</b>	<b>35.4</b>	<b>37.1</b>
<i>of which:</i>			
Fiscal Resource	33.6	35.4	37.0
Non-cash	-	-	0.1
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 9.01.

### What the Judiciary budget does

The Judiciary budget provides for the running costs of the Judicial Appointments Board for Scotland and the Court of the Lord Lyon, salary costs for the Lord Lyon, the Lyon Clerk, the Auditor of the Court of Session, as well as Commissioners and former Commissioners of the Scottish Land Court.

**Table 9.03: Judiciary Spending Plans\* (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Judiciary	1.0	1.0	1.0
Judicial Salaries	30.6	33.0	33.3
<b>Judiciary</b>	<b>31.6</b>	<b>34.0</b>	<b>34.3</b>
<i>of which:</i>			
Fiscal Resource	31.6	34.0	34.3
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

\*This is non-voted spend which is met from the Scottish Consolidated Fund but is also part of the Departmental spending limit.

### What the Criminal Injuries Compensation budget does

The UK-wide Criminal Injuries Compensation (CIC) Scheme provides compensation to the blameless victims of crime and is administered by the Criminal Injuries Compensation Authority (an executive agency of the Ministry of Justice).

**Table 9.04: Criminal Injuries Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
CIC Scheme	14.8	14.8	12.8
Criminal Injuries Administration Costs	2.7	2.7	2.7
<b>Total Criminal Injuries Compensation</b>	<b>17.5</b>	<b>17.5</b>	<b>15.5</b>
<i>of which:</i>			
Fiscal Resource	17.5	17.5	15.5
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Legal Aid budget does

The Fund element of this budget pays for demand-led legal aid provision in Scotland, which is administered by the Scottish Legal Aid Board ('the Board'), an executive non-departmental public body. It also enables the Board to:

- Develop a network of Board-employed solicitors who provide criminal legal advice and representation (Public Defence Solicitors Office) and to develop and monitor advice services on civil matters using Board-employed solicitors (Civil Legal Assistance Offices).
- Administer grant-funded advice services, including the In Court Advice projects.

The Administration element of this budget enables the Board to meet its staffing and accommodation costs, as well as cover costs relating to various matters including researching and analysing the operation of legal aid, the trends and the impact on the wider justice system. It also includes a budget allocation to meet the Board's capital expenditure.

**Table 9.05: Legal Aid Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Legal Aid Administration	11.1	11.3	11.6
Legal Aid Fund	126.1	126.1	125.8
<b>Total Legal Aid</b>	<b>137.2</b>	<b>137.4</b>	<b>137.4</b>
<i>of which:</i>			
Fiscal Resource	136.8	136.8	136.8
Non-cash	0.3	0.5	0.5
Capital	0.1	0.1	0.1
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Safer and Stronger Communities budget does

This budget supports a range of initiatives to build safer communities, reduce violence, tackle sectarianism, prevent crime and reduce unintentional harm.

**Table 9.06: Safer and Stronger Communities Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Safer Communities	4.1	5.7	6.4
<b>Total Safer and Stronger Communities</b>	<b>4.1</b>	<b>5.7</b>	<b>6.4</b>
<i>of which:</i>			
Fiscal Resource	4.1	5.7	6.4
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 9.01.

### What the Police Central Government budget does

The Police Central Government budget supports the delivery of police transformational change and reform programmes, including 'Policing 2026: Serving a Changing Scotland'. It also includes funding for the Police Investigations and Review Commissioner, Airwave and the GB-wide Emergency Services Mobile Communications Programme.

**Table 9.07: Police Central Government Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
National Police Funding and Reform	117.8	90.2	66.4
Police Support Services	0.1	0.1	0.4
<b>Total Police Central Government</b>	<b>117.9</b>	<b>90.3</b>	<b>66.8</b>
<i>of which:</i>			
Fiscal Resource	95.7	76.0	59.7
Non-cash	2.2	2.2	2.5
Capital	20.0	12.1	4.6
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 9.01.

### What the Police and Fire Pensions budget does

This budget funds the pension costs of retired police and fire officers in 2019-20.

**Table 9.08: Police and Fire Pensions Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Police Pensions	278.4	278.4	278.4
Fire Pensions	72.2	72.2	72.2
<b>Total Police and Fire Pensions</b>	<b>350.6</b>	<b>350.6</b>	<b>350.6</b>
<i>of which:</i>			
Fiscal Resource	350.6	350.6	350.6
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Scottish Prison Service budget does

The Scottish Prison Service (SPS) budget covers expenditure associated with operating the prison system (both publicly- and privately-managed prisons) and the provision of a Court Custody and Prisoner Escorting Service (CCPES) on behalf of Scottish Courts, Police Scotland and the wider justice system. The SPS provides a wide range of services to care for and support those who are in custody and their families, as well as operating a Victim Notification Scheme for registered victims of crime.

**Table 9.09: Scottish Prison Service Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Prison Service	361.0	361.4	393.7
<b>Total Scottish Prison Service</b>	<b>361.0</b>	<b>361.4</b>	<b>393.7</b>
<i>of which:</i>			
Fiscal Resource	311.2	312.2	312.2
Non-cash	34.0	33.0	34.0
Capital	15.8	16.2	47.5
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Miscellaneous budget does

This budget covers a wide range of smaller justice-related spending areas including the Scottish Law Commission, the Parole Board for Scotland and the Scottish Criminal Cases Review Commission. It also includes provision for Her Majesty's Inspectorate of Prisons in Scotland, Her Majesty's Chief Inspector of Fire and Rescue in Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Chief Inspector of Prosecutions in Scotland, core funding for third sector organisations whose work supports the victims of crime and support for the justice contribution to tackling violence against women and girls.

In addition the budget supports work to build Scotland's resilience through improved multi-agency planning and response to emergencies and support to help communities become more resilient. This budget also provides funding to support the armed forces and veterans community in Scotland.

**Table 9.10: Miscellaneous Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Safe and Secure Scotland	8.8	8.3	12.0
Victim/Witness Support	15.8	17.9	18.0
Other Miscellaneous	12.8	17.3	23.5
<b>Total Miscellaneous</b>	<b>37.4</b>	<b>43.5</b>	<b>53.5</b>
<i>of which:</i>			
Fiscal Resource	36.2	37.4	47.5
Non-cash	0.1	0.1	-
Capital	1.1	6.0	6.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 9.01.

### What the Scottish Police Authority budget does

This budget is provided to the Scottish Police Authority (SPA) to enable the delivery of an effective and efficient policing service to the people of Scotland that reflects the needs of local communities.

The capital budget for 2019-20 will support the police in delivering key components of their capital plan.

**Table 9.11: Scottish Police Authority Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Police Authority	1,092.4	1,137.8	1,180.1
<b>Total Scottish Police Authority</b>	<b>1,092.4</b>	<b>1,137.8</b>	<b>1,180.1</b>
<i>of which:</i>			
Fiscal Resource	1,022.4	1,064.8	1,095.1
Non-cash	50.0	50.0	50.0
Capital	20.0	23.0	35.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Scottish Fire and Rescue Service budget does

This budget funds the Scottish Fire and Rescue Service (SFRS) to work in partnership with other agencies, the public and private sectors and communities on fire safety, prevention, protection and emergency response to improve the safety and wellbeing of the people of Scotland. The Scottish Fire and Rescue Service priorities are contained within the SFRS Strategic and Annual Plans, which align with the Fire and Rescue Framework for Scotland 2016.

**Table 9.12: Scottish Fire and Rescue Service Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Fire and Rescue Service	316.4	321.6	327.2
<b>Total Scottish Fire and Rescue Service</b>	<b>316.4</b>	<b>321.6</b>	<b>327.2</b>
<i>of which:</i>			
Fiscal Resource	259.2	264.4	270.0
Non-cash	24.7	24.7	24.7
Capital	32.5	32.5	32.5
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Scottish Courts and Tribunals Service budget does

The Scottish Courts and Tribunals Service (SCTS) provides the people, buildings and technology to support the judiciary, the courts, the tribunals and the Office of the Public Guardian. The SCTS is a non-Ministerial department, chaired by the Lord President.

**Table 9.13: Scottish Courts and Tribunals Service Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Courts and Tribunals Service	105.6	117.7	116.6
<b>Total Scottish Courts and Tribunals Service</b>	<b>105.6</b>	<b>117.7</b>	<b>116.6</b>
<i>of which:</i>			
Fiscal Resource	73.6	75.2	77.0
Non-cash	17.5	19.6	21.3
Capital	14.5	22.9	18.3
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Central Government Grants to Local Authorities budget does

This ring-fenced funding supports local authorities in providing Criminal Justice Social Work (CJSW) services across Scotland. These services include supervising those offenders aged 16 and over who have been subject to a community disposal from the courts; providing reports to courts to assist with sentencing decisions; and providing statutory supervision (throughcare) for certain offenders on release from prison. There are also special services for certain key groups of offenders.

**Table 9.14: Central Government Grants to Local Authorities Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Criminal Justice Social Work	86.5	86.5	86.5
<b>Total Justice Central Government Grants to Local Authorities</b>	<b>86.5</b>	<b>86.5</b>	<b>86.5</b>

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# CHAPTER 10

## Transport, Infrastructure and Connectivity

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### **PORTFOLIO RESPONSIBILITIES**

The Transport, Infrastructure and Connectivity portfolio is responsible for both physical and digital connectivity and infrastructure through working with the public, private and third sectors and with local communities. It is also responsible for energy policy and delivery as well as City Region and Growth Deals and implementation of the Islands Act. It includes Transport Scotland, the Scottish Government agency with responsibility for public transport services, infrastructure and the trunk road network in Scotland. This also entails the sponsorship of the following public bodies: Caledonian Maritime Assets Limited; David MacBrayne Limited; Highlands and Islands Airports Limited; Scottish Canals; and the Scottish Road Works Commissioner.

### **PORTFOLIO PRIORITIES**

The priorities of Transport, Infrastructure and Connectivity contribute to all the National Outcomes that form part of the National Performance Framework and provide the energy and infrastructure that underpins the effective functioning of our economy and society.

Our overarching priority is to ensure sustainable economic growth across all of Scotland's communities and that all of Scotland has the traditional and digital infrastructure needed to deliver real economic benefits and improved connectivity.

We will do this by:

- Extending superfast broadband access to every home and business across Scotland and extending 4G mobile coverage in non-commercial areas, while making Scotland the best place in the UK to invest in digital infrastructure.
- Enabling and encouraging sustainable development, enterprise and investment in key transport infrastructure, including Scotland's lifeline ferry services.
- Investing in low carbon transport and promoting active travel to deliver our climate change ambitions, help improve our nation's health and wellbeing, and tackle poor air quality in towns and cities.
- Providing vital transport links to improve physical connectivity, economic productivity, the environment, public health and social inclusion.
- Delivering better journey times and transport connections, with reduced emissions and greater quality, reliability, accessibility and affordability.

- Supporting economic development in cities and their regions through the Scottish Cities Alliance, City Region Deals and other appropriate mechanisms.
- Supporting all parts of Scotland to thrive by committing to 100 per cent coverage of Scotland by Growth Deals.
- Committing to a National Infrastructure Mission to increase annual investment by one per cent of current GDP by 2025-26.
- Establishing an Infrastructure Commission to advise on strategic infrastructure investment priorities.

### **Digital Connectivity priorities**

The Scottish Government sees digital connectivity as a driver for sustainable and inclusive economic growth across the country. That is why we will provide 100 per cent rates relief to all companies investing in new connectivity for the next 10 years – double the time period the UK Government is providing.

Building on the success of the £400 million Digital Scotland programme, the Reaching 100 per cent programme will see future-proofed connectivity reaching key rural locations, whilst ensuring all premises across Scotland can access superfast speeds. Having exceeded our target of 95 per cent fibre access across Scotland, roll-out under the current contracts will continue throughout 2019, meaning no gap in deployment whilst the Reaching 100 per cent contracts are finalised. We have awarded a contract to deliver Scottish 4G Infill Programme and we will also develop a forward-looking 5G strategy for Scotland.

In 2019-20 we will:

- Make Scotland the best place in the UK to invest in digital infrastructure and connectivity, through 10 years of 100 per cent non-domestic rates relief on newly-lit fibre.
- Deliver the final phase of the Digital Scotland Superfast Broadband (DSSB) programme which, due to better than expected take-up, will increase fibre broadband coverage further across Scotland.
- Award contracts for the Reaching 100 per cent (R100) programme and begin deployment.
- Continue delivery of the Scottish 4G Infill Programme which will address gaps in 4G mobile coverage by constructing new masts in selected notspot areas.

### **Energy priorities**

'Scotland's Energy Strategy',<sup>1</sup> published last December, set out the Scottish Government's vision for a flourishing, competitive energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses. The Strategy established six strategic priorities to deliver that vision: efficiency; renewable and low carbon solutions; oil and gas industry strengths; innovative local energy systems; consumer engagement and protection; and system security and flexibility.

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<sup>1</sup> <https://www.gov.scot/publications/scottish-energy-strategy-future-energy-scotland-9781788515276/>

In 2019-20 we will:

- Support the implementation of the Energy Efficient Scotland Route Map and Transition Programme in its drive to improve the energy efficiency of Scotland's buildings.
- Continue support for offshore and onshore wind, hydro, wave and tidal energy projects that have the potential to curb global emissions and develop Scottish supply chains. This will include continued support for the Scottish Government's Community and Renewable Energy Scheme (CARES) and delivery of energy consents in Scotland.
- Support the development of low carbon infrastructure projects and continued delivery of the Low Carbon Infrastructure Transition Programme (LCITP) including non-domestic energy efficiency and district heating and the development of innovative financial mechanisms to encourage investment in low carbon infrastructure. Support via the Energy Investment Fund to provide flexible investment and debt funding for energy projects in Scotland will facilitate, catalyse and accelerate Scotland's transition to a low carbon economy.
- Support maximising the return from the oil and gas sector, within the context of reducing emissions and maximising the opportunities for Scotland of decommissioning in the North Sea through the Decommissioning Challenge Fund and continued support for an Ultra Deep Water Port to be based at Dales Voe in Shetland.

### **City Deal priorities**

Cities and their regions are the engines of our economy. The Scottish Government has committed up to £1.3 billion to support Scotland's seven cities and their regions to maximise the economic opportunities of the future and thrive. Funding has been allocated to continue the commitment to the City Region Deals already agreed and progress the deals in development. This investment will benefit all of Scotland, creating thousands of jobs and up-skilling local labour markets.

Each deal is tailored to maximise the value from the economic strengths and opportunities of its region: the oil and gas technology centre in Aberdeen is supporting the industry to collaborate for the future; science skills academies in Inverness and across the Highlands are helping young people see career opportunities in STEM subjects; significant investment in Sighthill in Glasgow will see a whole new community become far better connected to the jobs and opportunities of the rest of the city; Edinburgh is using the world-leading data expertise of its universities to drive inclusive economic development across the entire region.

The Scottish Government supports 100 per cent coverage of Scotland through City Region and Growth Deals to drive inclusive economic growth throughout the country and to further develop regional economic partnerships to represent every community in Scotland.

In 2019-20 we will:

- Continue to support agreed City Region Deals to deliver the outcomes agreed for Glasgow, Aberdeen, Inverness and Edinburgh.
- Secure fully agreed City Region Deals for Stirling and Clackmannanshire and for the Tay Cities Region.
- Progress with our 100 per cent commitment by securing Heads of Terms commitments for Growth Deals for the Ayrshires and the Borderlands.
- Continue to progress discussions for Moray, Argyll and Bute, Falkirk and the Islands.
- Support the development of a Scotland-wide network of Regional Economic Partnerships which will learn from, and build on, the foundations laid by City Region Deals.

### **Transport priorities**

Transport provides vital links between urban, rural, island and remote communities, enabling them all to thrive, and it plays a pivotal role in realising the vision of a prosperous, sustainable and inclusive economy. The budget will continue to enable the provision of vital services as well as focusing investment on our strategic aims.

At the heart of our transport strategy is a commitment to a sustainable transport system. One which not only provides lifeline services but which lowers Scotland's carbon footprint, improves air quality, and positions us to take advantage of the economic, as well as the environmental, benefits of innovation in this area.

### **Rail Services priorities**

We will continue our significant investment in Scotland's railways to support a safe and high-performing railway through the delivery of new and better services, new and refurbished trains, and substantial improvements to the infrastructure to increase capacity and reliability.

In 2019-20 we will:

- Continue the delivery of the rolling programme of electrification, including the line between Edinburgh and Glasgow via Shotts.
- Continue the redevelopment of Glasgow's Queen Street station, creating a bigger and brighter, modern station with additional platform capacity to accommodate longer electric trains and an expanded concourse.
- Continue delivery of improvements to the route between Aberdeen and Inverness, and on the Highland Main Line between Inverness and Perth.
- Continue the development work for projects to be delivered during Control Period 6 (2019 to 2024) and beyond.
- Continue to tackle overcrowding with 200 extra carriages to be added to the ScotRail fleet increasing it to more than 1,000 carriages and the roll out of new sleeper rolling stock, delivering a step change in overnight rail travel for passengers.

- Complete the introduction of 26 refurbished High Speed Trains to operate on inter-city routes, with 40 per cent more seats on those routes.
- Continue to support the redevelopments planned for Aberdeen, Inverness and Stirling Stations and the delivery of new stations at Robroyston, Kintore, Dalcross, Reston and East Linton.
- Continue development work to increase movement of goods by rail, supporting local businesses and communities.
- Continue our work to identify a suitable body to make a robust bid for a future rail franchise and take initial steps to ensure that the body is in a position to make such a bid.

### **Concessionary Fares and Bus Services priorities**

In 2019-20 we will:

- Continue to provide concessionary travel for older and disabled people and introduce companion cards for eligible disabled children aged under 5.
- Work with partners to develop analysis and options for free bus travel for modern apprentices.
- Continue to support bus services and the use of greener, less-polluting vehicles.
- Continue to ensure Scotland's electronic ticketing systems are maintained to the appropriate standard required to deliver concessionary travel and developed to allow commercial smart ticketing, upgrading systems and infrastructure in line with technological advancements.
- Continue to work towards our ambition of having a fully accessible public transport system that enables disabled people to travel with the same comfort and dignity as others.

### **Other Transport Policy, Projects and Agency Administration priorities**

In 2019-20 we will:

- Continue the Programme for Government commitment to invest £80 million annually in cycling and walking to encourage a greater shift towards active travel and to build an Active Nation.
- Help create high quality walking and cycling infrastructure in towns and cities across Scotland to make them friendlier, safer and healthier places for pedestrians and cyclists.
- Support behaviour change programmes to promote active and sustainable travel for everyone, including older people, women and people on low incomes through schemes such as interest-free e-bike loans, subsidised bike hire and cycle training.
- Work towards the target to phase out the need for new petrol and diesel cars and vans by 2032 by a significant expansion of Electric Vehicle (EV) charging infrastructure across Scotland, including pilots to address complex issues such as tenement areas and consideration of hydrogen options.

- Continue to support public transport operators and local government with developing and promoting smart ticketing and payment services to encourage public transport use as an attractive, convenient alternative to the car.
- Operate and invest in charging infrastructure to create the 'electric A9' and strengthen the ChargePlace Scotland EV network, including the development of charging hubs at strategic locations.
- Accelerate the uptake of Ultra-Low Emission Vehicles (ULEVs) through our Switched on Fleets programme to support the uptake of ULEVs in the public sector; and the Low Carbon Transport Loan Fund, which helps individuals and businesses adopt ULEVs.
- Work with local authorities to support the implementation of the Glasgow Low Emission Zones (LEZs), prepare for the introduction of LEZs into three other cities by 2020, and begin the assessment of other Air Quality Management Areas for LEZ mitigation.
- Support the Scottish Mobility Access Committee and the Scottish Disability Equality Forum, continue to develop and host an accessible travel hub; make grant awards to accessible travel initiatives; and continue to increase engagement with Scotland's disabled community in order that our Accessible Travel Framework is making measurable improvements for local communities across Scotland.
- Continue to support the maintenance and operation of Scottish Canals.
- Continue to fund Traveline and other transport information provision.
- Promote measures to transfer freight from road.
- Continue to support Regional Transport Partnerships and the Scottish Road Works Commissioner.
- Continue our collaborative review of the National Transport Strategy to produce a successor.
- Continue our collaborative work on the Strategic Transport Projects Review (STPR).
- Undertake research, analysis and stakeholder engagement to inform strategic transport initiatives.
- Continue to support Scotland's Road Safety framework through Road Safety Scotland.
- Continue to support the running of Transport Scotland and the completion of the Edinburgh Tram Inquiry.
- Work with stakeholders to identify and embed new low carbon skills and capabilities into the Scottish workforce, engaging Scottish businesses to ensure economic benefits are secured from the shift to low emission vehicles.
- Develop and implement a challenge fund to support the testing of Mobility as a Service in Scotland, to facilitate growth and innovative digital solutions in this marketplace.

## Motorways and Trunk Roads priorities

In 2019-20 we will:

- Continue to invest in major infrastructure projects to improve Scotland's road network.
- Continue to invest in essential road maintenance schemes, our bridge-strengthening programme; ancillary assets; and increasing the resilience of the network to unplanned events such as flooding and high winds.
- Continue to progress design and development work on dualling the A9 and A96 and continue to progress construction of the A9 Dualling Luncarty to Birnam project.
- Continue to progress construction of the A737 Dalry Bypass.
- Continue to progress construction of the A90/A96 Haudagain Improvements, A77 Maybole Bypass, A737 The Den realignment and improvements on the A9 at Berriedale Braes, following the commencement of these projects later in 2018-19.
- Continue to progress design and development work on a range of projects including improvements to the A82 between Tarbet and Inverarnan, the grade separation of Sheriffhall Roundabout on the A720, Longman Roundabout on the A9/A82 and also the junction at Laurencekirk on the A90.

## Ferry Services priorities

In 2019-20 we will:

- Continue to support ferry services on the Clyde and Hebrides and Northern Isles routes, recognising that these are in many cases 'lifeline services'.
- Protect the Road Equivalent Tariff (RET) fares on the Clyde and Hebrides Ferry Services routes, and seek to reduce passenger and car fares on ferry services to Orkney and Shetland.
- Provide grant support for priority harbour projects on the Clyde and Hebrides network.
- Continue to support construction of two new major dual-fuel vessels for the Clyde and Hebrides network and progress design work associated with the vessel replacement and deployment plan.

## Air Services priorities

In 2019-20 we will:

- Ensure that Highlands and Islands Airports Limited (HIAL) has the necessary resources to maintain its 11 airports.
- Continue to fund the Air Discount Scheme to help make air travel more affordable for those living in the most remote communities, and fund the Public Service Obligations air services connecting Barra, Campbeltown and Tiree with Glasgow.
- Continue to support the repositioning of Prestwick Airport.

- Continue to enhance Scotland's connectivity with the rest of the world through supporting new routes which are important for Scottish businesses and our tourism sector.

### **National Infrastructure Mission**

We recognise the positive contribution investing in infrastructure has on the economy and this is supported by international studies and evidence of a strong correlation between our investment and overall construction activity.

Recognising the importance of infrastructure to our economy, our 2018 Programme for Government set out our commitment to a National Infrastructure Mission which will increase annual investment by one per cent of current GDP by the end of the next Parliament. This means that we will steadily increase Scotland's annual infrastructure investment until it is £1.5 billion higher by the end of the next Parliament than in 2019-20. Further detail on the National Infrastructure Mission is provided in the Infrastructure Investment chapter.

In order to ensure we make the right investments, we will also establish an Infrastructure Commission to provide long-term strategic advice to the Scottish Government on national infrastructure priorities, based on evidence and learning from good practice and to align investment with long-term inclusive economic growth and low carbon objectives.

## SPENDING PLANS

**Table 10.01: Transport, Infrastructure and Connectivity Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Digital Connectivity	114.6	36.7	32.9
Energy	80.1	93.6	105.1
Cities Investment and Strategy	56.9	122.2	192.4
Rail Services	775.8	808.8	989.0
Concessionary Fares and Bus Services	254.4	269.1	272.9
Other Transport Policy, Projects and Agency Administration	138.4	185.3	184.0
Motorways and Trunk Roads	967.0	831.5	833.1
Ferry Services	181.0	240.5	233.1
Air Services	59.3	59.8	67.7
<b>Total Transport, Infrastructure and Connectivity</b>	<b>2,627.5</b>	<b>2,647.5</b>	<b>2,910.2</b>
<i>of which:</i>			
Total Fiscal Resource	1,087.3	1,017.0	1,000.0
<i>of which Operating Costs*</i>	-	-	10.6
Non-cash	107.0	152.6	155.6
Capital	1,414.2	1,419.4	1,718.1
Financial Transactions	19.0	58.5	36.5
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
HIAL (NDPB Non-cash)	(9.5)	(9.5)	(9.5)
PPP/PFI Adjustments	(28.1)	(17.5)	(17.8)
Grants to Local Authorities	27.5	36.9	42.5
<b>Total Transport, Infrastructure and Connectivity</b>	<b>2,617.4</b>	<b>2,657.4</b>	<b>2,925.4</b>

Total Limit on Income (accruing resources)	100.0
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### What the Digital Connectivity budget does

This budget supports activity to enhance Scotland's digital infrastructure and extend connectivity across the country. Although telecoms is reserved to the UK Parliament, the lack of targeted investment from the UK Government to address infrastructure gaps in Scotland has resulted in the Scottish Government developing and funding its own digital infrastructure investment. Our approach is focused on three large-scale, multi-year investment programmes – the Digital Scotland Superfast Broadband (DSSB) programme, the Reaching 100 per cent (R100) programme; and the Scottish 4G Infill Programme.

Collectively, these programmes will drive a step change in the quality of digital infrastructure, future proofing connectivity, extending networks and services into areas not reached by commercial deployment and enabling sustainable economic growth.

**Table 10.02: Digital Connectivity Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Digital Connectivity Capital	112.1	34.2	28.2
Digital Connectivity Resource	2.5	2.5	4.7
<b>Total Digital Connectivity</b>	<b>114.6</b>	<b>36.7</b>	<b>32.9</b>
<i>of which:</i>			
Fiscal Resource	2.5	2.5	4.7
Non-cash	-	-	-
Capital	112.1	22.2	28.2
Financial Transactions	-	12.0	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 10.01.

### What the Energy budget does

The budget supports the Energy Strategy vision of a flourishing competitive local and national energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses through investment in energy efficiency measures for domestic and industrial buildings; renewable energy projects; widening community ownership of renewable energy projects; investment in low carbon infrastructure; support to the oil and gas supply chain and looking to new opportunities from decommissioning projects.

**Table 10.03: Energy Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Energy	80.1	93.6	105.1
<b>Total Energy</b>	<b>80.1</b>	<b>93.6</b>	<b>105.1</b>
<i>of which:</i>			
Fiscal Resource	21.6	21.6	28.6
Non-cash	-	-	-
Capital	44.5	45.5	50.0
Financial Transactions	14.0	26.5	26.5
UK Funded AME	-	-	-

See footnote on operating costs in Table 10.01.

### What the Cities Investment and Strategy budget does

The budget supports all the City Region Deals that have been agreed: Glasgow, Aberdeen, Inverness and Edinburgh. It supports progress for the City Region and Growth Deals in development for Stirling, Tay, the Ayrshires and the Borderlands and progression for Moray, Argyll and Bute, Falkirk and the Islands.

**Table 10.04: Cities Investment and Strategy Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Cities Investment and Strategy	56.9	122.2	192.4
<b>Total Cities</b>	<b>56.9</b>	<b>122.2</b>	<b>192.4</b>
<i>of which:</i>			
Fiscal Resource	0.3	0.3	4.6
Non-cash	-	-	-
Capital	56.6	121.9	187.8
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 10.01.

### What the Rail Services budget does

The budget supports the delivery of passenger rail services through the ScotRail and Caledonian Sleeper franchise contracts, including procurement of new trains, and Network Rail's operation, maintenance, renewal and enhancement of the rail infrastructure in Scotland. Rail infrastructure funding comprises the grant paid to Network Rail, determined independently by the Office of Rail and Road (ORR) towards operation, maintenance and renewal with Major Public Transport Projects funding enhancement.

Fixed Track Access charges are paid through Rail Franchise operators to Network Rail. These were classified within the Rail Infrastructure line in 2018-19 but are now classified within the Rail Franchise Line in 2019-20. The total of these two lines is therefore more comparable across these years.

**Table 10.05: Rail Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Rail Franchise	310.7	183.4	417.0
Rail Infrastructure	426.5	587.6	362.0
Major Public Transport Projects	35.6	31.6	207.0
Rail Development	3.0	6.2	3.0
<b>Total Rail Services</b>	<b>775.8</b>	<b>808.8</b>	<b>989.0</b>
<i>of which:</i>			
Fiscal Resource	313.7	189.6	153.0
Non-cash	-	-	-
Capital	462.1	619.2	836.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Concessionary Fares and Bus Services budget does

The budget provides support for bus services across Scotland, primarily through Bus Service Operators' Grant, which is paid to operators based on mileage and includes incentives to encourage the use of greener buses; funds national concessionary travel schemes for older, disabled and young people; and supports multi-modal smart and integrated ticketing, including the smartcards used to access concessionary travel. This budget also provides funding for a number of organisations working to improve public transport, including Bus Users Scotland and the Community Transport Association Scotland.

**Table 10.06: Concessionary Fares and Bus Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Concessionary Fares	198.3	201.6	210.5
Smartcard Programme	1.9	3.3	5.2
Support for Bus Services	54.2	64.2	57.2
<b>Total Concessionary Fares</b>	<b>254.4</b>	<b>269.1</b>	<b>272.9</b>
<i>of which:</i>			
Fiscal Resource	252.4	257.1	266.7
Non-cash	-	-	-
Capital	2.0	2.0	6.2
Financial Transactions	-	10.0	-
UK Funded AME	-	-	-

### What the Other Transport Policy, Projects and Agency Administration budget does

The budget provides support for: sustainable transport and encouraging behaviour change, including infrastructure projects for safe walking and cycling; infrastructure and incentives to promote the transition to ultra-low emission vehicles; the provision of impartial travel information services; road safety; accessible travel; freight industry reduction of emissions; the Future Transport Fund; Scottish Canals operation and maintenance; Transport Scotland Administration and Regional Transport Partnerships.

**Table 10.07: Other Transport Policy, Projects and Agency Administration Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Support for Sustainable and Active Travel	33.9	79.0	79.0
Support for Freight Industry	1.3	1.0	0.7
Transport Information	1.2	1.2	1.2
Future Transport Fund	25.3	60.2	60.3
Travel Strategy and Innovation	40.1	5.3	5.1
Agency Administration Costs	17.4	17.4	15.8
Road Safety	3.0	2.9	3.2
Scottish Canals	11.1	11.6	15.0
Strategic Transport Projects Review	3.6	5.2	3.5
Edinburgh Tram Inquiry	1.5	1.5	0.2
<b>Total Other Transport Policy, Projects and Agency Administration</b>	<b>138.4</b>	<b>185.3</b>	<b>184.0</b>
<i>of which:</i>			
Fiscal Resource	54.1	55.6	51.2
Non-cash	0.6	0.6	0.6
Capital	78.7	119.1	122.2
Financial Transactions	5.0	10.0	10.0
UK Funded AME	-	-	-

### What the Motorways and Trunk Roads budget does

In addition to major roads construction projects and other road improvements, the budget delivers routine, cyclical and winter maintenance to maintain the safety, environment and amenity of the trunk road network. It includes road safety improvement programmes, information for road travellers and an emergency response facility to deal with emergencies and incidents on the network.

**Table 10.08: Motorways and Trunk Roads Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Capital Land and Works	425.6	249.0	212.1
Forth and Tay Bridge Authorities	30.6	26.0	21.5
Queensferry Crossing	77.0	7.2	8.1
Motorways and Trunk Roads Other Current Expenditure	10.0	13.6	15.7
Network Strengthening	56.0	57.8	70.9
Roads Depreciation	96.9	142.5	145.5
Roads Improvements	16.3	39.2	58.8
Routine and Winter Maintenance	85.1	89.9	91.8
Structural Repairs	27.9	34.0	44.7
Motorway and Trunk Roads – Private Finance Payments	141.6	172.3	164.0
<b>Total Motorways and Trunk Roads</b>	<b>967.0</b>	<b>831.5</b>	<b>833.1</b>
<i>of which:</i>			
Fiscal Resource	243.5	282.6	278.4
Non-cash	96.9	142.5	145.5
Capital	626.6	406.4	409.2
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Ferry Services budget does

The budget supports the Scottish Government's Ferries Plan, published in December 2012 and provides subsidy for the Clyde and Hebrides and Northern Isles Ferry Services contracts and resilience funding on the Clyde and Hebrides routes. It also provides for loans to Caledonian Maritime Assets Ltd for vessels used on these networks and grants to ports for improvement works to piers and harbours that support lifeline ferry services and it will also deliver actions under an action plan being developed to support improved reliability of services.

**Table 10.09: Ferry Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Support for Ferry Services	165.8	173.7	178.1
Vessels and Piers	15.2	66.8	55.0
<b>Total Ferry Services</b>	<b>181.0</b>	<b>240.5</b>	<b>233.1</b>
<i>of which:</i>			
Fiscal Resource	165.8	173.7	178.1
Non-cash	-	-	-
Capital	15.2	66.8	55.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Air Services budget does

The budget supports Highlands and Islands Airports Limited (HIAL) to enable the operation of commercial air services ensuring that Scotland's remote and rural areas remain connected. It includes resources for capital investment and operation and development of airport services. The budget provides for loan funding to support the continued operation of Prestwick Airport.

It also supports the Air Discount Scheme which provides discounted fares for eligible residents on eligible routes; the provision of lifeline air services from Glasgow to Campbeltown; Tiree and Barra, which cannot be provided commercially; and international route development.

**Table 10.10: Air Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Highlands and Islands Airports Limited	35.1	36.5	45.9
Support for Prestwick Airport	9.4	6.5	6.0
Support for Air Services	14.8	16.8	15.8
<b>Total Air Services</b>	<b>59.3</b>	<b>59.8</b>	<b>67.7</b>
<i>of which:</i>			
Fiscal Resource	33.4	34.0	34.7
Non-cash	9.5	9.5	9.5
Capital	16.4	16.3	23.5
Financial Transactions	-	-	-
UK Funded AME	-	-	-

**Table 10.11: Central Government Grants to Local Authorities Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Cycling, Walking and Safer Routes	7.4	7.4	8.9
Support for Inter-Island Ferries	-	10.5	10.5
Regional Transport Partnership	20.1	19.0	23.1
	<b>27.5</b>	<b>36.9</b>	<b>42.5</b>

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# CHAPTER 11

## Environment, Climate Change and Land Reform

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### **PORTFOLIO RESPONSIBILITIES**

The Environment, Climate Change and Land Reform portfolio is charged with protecting and enhancing our natural environment and resources and leading action to meet the many challenges of climate change.

The overarching aim is to protect and promote Scotland's environment and to build a strong and sustainable low carbon economy through:

- tackling climate change;
- protecting our iconic landscapes;
- investing in biodiversity and natural capital;
- improving the quality of our air, land, seas and fresh water;
- empowering communities and improving the way land is owned, used and managed; and
- investing in the research base.

### **PORTFOLIO PRIORITIES**

High quality natural assets – like our water, air, soils and nature – are the cornerstones of our economy, culture and quality of life. We will continue to ensure these precious assets are protected and enhanced.

Taking advantage of the benefits of the circular economy, we are designing a deposit return scheme for drinks containers and will consult on how we can go further to improve the use and reuse of other materials. This will help our world-leading action on climate change.

The transition to a low carbon society is an essential investment for the future welfare of the people of Scotland – our economy, our environment and for those generations yet to be born. We lead by example with our ambitious statutory targets, strong progress to date and commitment to increasing our ambition in response to the Paris Agreement.

Action across the portfolio contributes to the National Outcome on valuing, enjoying, protecting and enhancing our environment and supports a number of other National Outcomes. The transition to a low carbon economy is at the heart of our economic strategy and the steps we are taking to build a circular economy ensure we have a globally competitive, entrepreneurial, inclusive and sustainable economy. Scotland's natural environment is a valuable health-promoting asset, with investment in our green and blue infrastructure encouraging a healthier and more active Scotland.

The portfolio is heavily impacted by EU exit, with essential funding, labour, scientific expertise and around 80 per cent of our environmental legislation coming from the EU. Preparations to exit the EU, alongside maintenance and enhancement of environmental standards in Scotland, will therefore continue to be priorities for this portfolio.

### **Research, Analysis and Other priorities**

In 2019-20 we will:

- support the fourth year of the 2016-21 strategic research programme to drive research, development and innovation and support the Economy National Outcome;
- continue to seek efficiencies, impact and leverage from the research we fund; and
- continue to support the work of the Royal Botanic Garden Edinburgh.

### **Marine priorities**

In 2019-20 we will:

- continue to safeguard and monitor marine and fisheries activity in Scotland's seas, coasts, rivers and ports to ensure that national and international regulations are enforced to protect the health of fish stocks and the marine and freshwater environment;
- consult on a new Sectoral Marine Plan, identifying future locations for large-scale offshore wind developments and support research that will help address challenges with the sustainability of offshore renewables in line with the National Marine Plan's commitments;
- commence implementation of legislation introduced in 2018 on the management of the Scottish Crown Estate, and progress longer-term reforms flowing from devolution of the Scottish Crown Estate;
- take forward structural changes to help improve the management of wild salmon and freshwater fisheries and develop a salmon pressures mapping tool to provide an improved evidence base for addressing the multiple pressures impacting on wild Atlantic salmon;
- take forward, with the aquaculture sector, the farmed fish health framework to enable sustainable growth in the sector while minimising environmental impact;

- continue to take action to safeguard our marine biodiversity, species and habitats, including consulting on proposals to create four new Marine Protected Areas, creation of a national deep-sea marine reserve and identifying actions to address the significant declines in seabird populations; and
- continue to support efforts to reduce, reuse and recycle waste to minimise its impact on the marine environment, including working with the fishing sector and coastal communities on the issue of fishing litter and lost gear.

### **Environmental Services**

In 2019-20 we will:

- develop an action plan to promote the economic and social benefits of flood-resilient properties and work with partners to reduce flood risk across Scotland by delivering actions in the Flood Risk Management Strategies and Local Plans;
- continue investment to deliver River Basin Management Plans; delivering improvements to the water environment; and contributing to local economies and communities;
- undertake a review of the Cleaner Air for Scotland strategy to deliver improvements in air quality;
- continue to support Scottish Natural Heritage (SNH), Scottish Environment Protection Agency (SEPA), our National Parks and the Central Scotland Green Network in their work to protect and enhance our world-class natural environment, to support inclusive and sustainable economic growth, and to promote the enjoyment of Scotland's environment and unique natural heritage;
- continue the transition to a circular economy, cutting waste and carbon emissions and opening up new economic opportunities which will support the Economy National Outcome;
- legislate for an ambitious deposit return scheme that will work well for everyone in Scotland by reducing litter and making high quality recycled materials available to the Scottish economy;
- ban the manufacture and sale of plastic-stemmed cotton buds and consult on what additional measures should be considered to improve the use and reuse of other materials; and
- publish an environment strategy to help guide future activity across Scotland's existing environment policies, addressing biodiversity, land use, water, air, seas, climate change, the circular economy and our connection with nature.

## Climate Change priorities

In 2019-20 we will:

- finalise passage through Parliament of our Climate Change Bill, paving the way for Scotland to be carbon neutral by 2050;
- continue our work to ensure that Scotland is climate-ready and publish our Second Climate Change Adaptation Programme;
- monitor progress against the commitments made in the Climate Change Plan, including identifying research gaps and where additional policy action is needed;
- continue to support decarbonisation in the public sector and to engage with business and industry on the low carbon transition;
- continue to support the Just Transition Commission in its role to advise Ministers on a fair transition to a low carbon Scotland and contributing to the Economy National Outcome;
- continue to promote increased global ambition on climate change;
- help individuals to understand the actions they can take to enable Scotland to transition to a low carbon society;
- help tackle the effects of climate change in the poorest, most vulnerable countries through our Climate Justice Fund and making a positive contribution to the International National Outcome;
- continue to support the Climate Challenge Fund, ensuring it is robust, delivers value for money and helps communities both to reduce their carbon emissions and to achieve a range of social and health-related benefits while contributing to the Economy National Outcome; and
- seek to ensure that EU exit does not adversely impact our policy goals and objectives for climate change.

## Scottish Water priorities

In 2019-20 we will:

- support the £3.6 billion 2015-21 Scottish Water investment programme: the provision of water and wastewater services is a key enabler of economic growth as well as fundamental to sustaining good health;
- invest in Glasgow's sewerage and surface water management infrastructure;
- increase resilience and improved water quality through major trunk main replacements including for Ayrshire;

- enhance resilience for customers in Edinburgh, Lanarkshire, Scottish Borders, and West Lothian; and
- increase reliability of some isolated supplies in the north of Scotland.

## SPENDING PLANS

**Table 11.01: Environment, Climate Change and Land Reform Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Research Analysis and Other	64.3	65.4	66.6
Marine	52.3	52.1	64.7
Environmental Services	143.7	150.6	151.2
Climate Change	19.8	21.9	22.7
Scottish Water	26.9	115.5	121.4
<b>Total ECCLR</b>	<b>307.0</b>	<b>405.5</b>	<b>426.6</b>
<i>of which:</i>			
Total Fiscal Resource	150.9	153.6	168.5
<i>of which Operating Costs*</i>	-	-	63.3
Non-cash	13.3	12.0	13.1
Capital	142.8	239.9	245.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Royal Botanic Garden Edinburgh (NDPB Non-cash)	(1.8)	(2.2)	(2.4)
National Park Authorities (NDPB Non-cash)	(0.7)	(0.7)	(0.9)
SEPA (NDPB Non-cash)	(3.1)	(2.1)	(2.7)
SNH (NDPB Non-cash)	(1.8)	(1.9)	(1.9)
Scottish Water loan repayments not included in Scottish Parliamentary budgets	46.7	43.0	37.6
<b>Total ECCLR</b>	<b>346.3</b>	<b>441.6</b>	<b>456.3</b>
<b>Total Limit on Income (accruing resources)</b>	<b>500.0</b>		

### What the Research, Analysis and Other budget does

The Research, Analysis and Other budget funds a portfolio of strategic research, knowledge exchange and expert advice in support of Scottish Government policies on a wide range of rural and agricultural topics, including the natural environment, crop and livestock sciences, animal welfare, and the rural economy.

**Table 11.02: Research, Analysis and Other Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Strategic Policy, Research and Sponsorship	3.5	3.0	3.8
Economic and Other Surveys	1.4	1.4	1.4
Programmes of Research	48.1	47.7	47.7
Royal Botanic Garden, Edinburgh	11.3	13.3	13.7
<b>Total Research, Analysis and Other</b>	<b>64.3</b>	<b>65.4</b>	<b>66.6</b>
<i>of which:</i>			
Fiscal Resource	53.2	51.3	50.7
Non-cash	2.2	2.6	2.8
Capital	8.9	11.5	13.1
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 11.01.

### What the Marine budget does

The Marine budget supports the sustainable use of Scotland's marine and freshwater environment. Marine Scotland has the responsibility for the marine planning of Scotland's seas and licensing of activities in the marine environment – crucially marine renewables, sea fisheries, aquaculture, recreational fisheries and the evidence base required to support these sectors.

**Table 11.03: Marine Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Marine Scotland	52.3	52.1	64.7
<b>Total Marine</b>	<b>52.3</b>	<b>52.1</b>	<b>64.7</b>
<i>of which:</i>			
Fiscal Resource	46.0	45.2	58.9
Non-cash	5.5	4.7	4.8
Capital	0.8	2.2	1.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 11.01.

### What the Environmental Services budget does

Provides funding for partners such as Zero Waste Scotland to help support the transition towards a more resource-efficient, circular economy. Design and implementation work for the deposit return scheme will be a key priority for 2019-20.

The budget continues to support SEPA, SNH, our National Parks and the Central Scotland Green Network in their work to protect and enhance our world-class natural environment, to support inclusive and sustainable economic growth, and to promote the enjoyment of Scotland's environment and unique natural heritage.

Supports work with our key delivery partners to meet our European and other international obligations and targets for biodiversity.

Continues to manage invasive and non-native species and combat wildlife crime, addressing especially the consequences of irresponsible behaviour associated with raptor persecution.

Supports community ownership, including through the Scottish Land Fund and the wider land reform agenda, and continued support for the Scottish Land Commission which contributes to the Communities National Outcome.

**Table 11.04: Environmental Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
National Parks	12.4	12.9	13.4
Natural Assets and Flooding	11.1	14.5	14.7
Natural Resources	4.0	4.1	4.6
Land Reform	13.4	17.1	17.1
Scottish Environment Protection Agency	35.9	35.0	34.4
Scottish Natural Heritage	46.4	46.5	46.5
Zero Waste	20.5	20.5	20.5
<b>Total Environmental Services</b>	<b>143.7</b>	<b>150.6</b>	<b>151.2</b>
<i>of which:</i>			
Fiscal Resource	125.0	129.7	129.8
Non-cash	5.6	4.7	5.5
Capital	13.1	16.2	15.9
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 11.01.

### What the Climate Change budget does

The Climate Change budget and Sustainable Action Fund support the portfolio's climate change work, including adaptation and mitigation policy, while significant budgets elsewhere across government also support the delivery of our climate change ambitions. In addition, the budget provides resources for the Land Managers Renewables Fund.

**Table 11.05: Climate Change Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Climate Change – Policy Dev and Imp	1.1	1.1	1.1
Land Managers Renewables Fund	2.0	2.0	2.0
Sustainable Action Fund	16.7	18.8	19.6
<b>Total</b>	<b>19.8</b>	<b>21.9</b>	<b>22.7</b>
<i>of which:</i>			
Fiscal Resource	19.8	21.9	22.7
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 11.01.

### What the Scottish Water budget does

The Scottish Water budget supports the consistent and critical programme of investment by Scottish Water of around £3.6 billion over the 2015-21 regulatory period. Projects are delivered in every part of the country supporting sustainable economic growth, providing water and waste water services for new housing and businesses as well as continuing to improve the environment, drinking water quality and customer service standards for all customers.

This period continues to see a major emphasis on investment in Glasgow to modernise the sewerage network. Investment has been made in addressing surface water management issues in Glasgow and we are now looking forward and planning for potential investment to tackle surface water issues in Edinburgh. We will continue making lending available to support this vital investment programme.

The budget also helps to grow Scotland's role and increase the benefit we can gain from the water economy both domestically and internationally through the Hydro Nation programme.

The budget helps to support the 3.6 per cent of Scotland's population which is reliant on private water supply, primarily through the provision of improvement grants. The budget also includes funding for the Drinking Water Quality Regulator for Scotland, for costs not directly recovered from Scottish Water.

**Table 11.06: Scottish Water Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Interest on Voted Loans	(100.5)	(100.5)	(100.5)
Voted Loans	120.0	210.0	215.0
Hydro Nation	4.0	4.0	4.7
Exemption Scheme	1.0	-	-
Drinking Water Quality Regulator	0.3	0.3	0.5
Private Water	2.1	1.7	1.7
<b>Total Scottish Water</b>	<b>26.9</b>	<b>115.5</b>	<b>121.4</b>
<i>of which:</i>			
Fiscal Resource	(93.1)	(94.5)	(93.6)
Non-cash	-	-	-
Capital	120.0	210.0	215.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 11.01.

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# CHAPTER 12

## Rural Economy

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### **PORTFOLIO RESPONSIBILITIES**

Rural Economy is a diverse portfolio responsible for rural Scotland by working with the public, private and third sectors and with local communities. It includes the Scottish Government lead on farming and food production, animal health and welfare, rural economic development, food and drink, fisheries, aquaculture, forestry and islands and to take forward recommendations from the National Council of Rural Advisers.

### **PORTFOLIO PRIORITIES**

The priorities of Rural Economy contribute to National Outcomes: Economy, Poverty, Education, Fair Work and Business, Environment, Culture, Human Rights, Communities and International.

This links to the National Outcomes to 'have a globally competitive, entrepreneurial, inclusive and sustainable economy', 'value, enjoy, protect and enhance our environment', 'to live in communities that are inclusive, empowered, resilient and safe', 'be well educated, skilled and able to contribute to society' and 'to tackle poverty by sharing opportunities, wealth and power more equally'.

Our overarching priority is to ensure a sustainable and prosperous rural Scotland. We will work to ensure our economic strategy applies equally to Scotland's rural, island and coastal communities and that all of Scotland benefits from the natural and cultural assets from our rural and coastal lands. We will do this by:

- Delivering the Scottish Rural Development Programme (SRDP) under Common Agricultural Policy for as long as it applies to Scotland.
- Investing in our core services to minimise the disruptive impact of EU exit on people, businesses and communities.
- Enabling and encouraging sustainable and productive development, enterprise and investment in the rural economy.
- Encouraging low carbon and more efficient farming and enabling more tree planting and woodland creation.
- Building on current success in our world-class food, drink and forestry sectors.
- Helping people and businesses in rural, coastal and island communities to flourish.

- Providing over £74 million of resource and capital to our rural enterprise bodies to support businesses, infrastructure, projects and communities.
- Delivering world-class science support to protect Scotland from plant disease.
- Delivering statutory veterinary services to Scotland's farming and food production sectors to guarantee animal welfare, traceability and food safety.
- Developing a rural economy for the future by taking forward recommendations from the National Council of Rural Advisors, Agriculture Champions and from the consultation 'Stability and Simplicity: Proposals for a rural funding transition period.'

### **EU Support and Related Services Priorities**

We will support our farmers and crofters to produce high quality food sustainably and efficiently, which supports the economy National Outcome.

In 2019-20 we will:

- Provide financial security and certainty to Scotland's farmers and crofters by delivering the Common Agricultural Policy (CAP) efficiently and effectively.
- Continue to implement our Plan for Stabilisation, reflecting the needs of our customers including ensuring that farmers receive payments promptly.
- Within CAP, continue to deliver the Scottish Rural Development Programme (SRDP), including continued support for agri-environment, farm advice and knowledge transfer, crofting and the food and drink sector.
- Maintain payments at the maximum level permitted for the Less Favoured Area Support Scheme to provide stability to the most fragile farm businesses.
- Develop plans to simplify current CAP schemes to transition to a new approach to rural support post-EU exit.
- Deliver key aspects of Farming for the Future climate change commitments.

### **Rural Services Priorities**

Through our Rural Services budget, we will provide direct funding for farming, crofting and rural development projects which supports the economy National Outcome.

In 2019-20 we will provide direct funding to farmers through CAP and support industry by:

- Working with current and potential customers of our rural services and key stakeholders to stabilise and simplify farming, food production and wider rural economic development support after EU exit.
- Monitoring for the presence of plant and animal disease, prevent, control or eradicate any outbreaks, and improve the welfare of kept animals including protection of the health of animals and humans by funding delivery partners

including the Animal and Plant Health Agency and Scotland's Rural College (SRUC) to deliver official controls and the Veterinary Surveillance Programme respectively.

- Providing advice, information and resources to farmers and crofters via the Farm Advisory Service (FAS) which aims to improve profitability and environmental performance, including meeting our climate change mitigation ambitions.
- Continuing to take forward a range of priority actions on crofting, including production of a national development plan for crofting, providing more croft house grants and progressing review of crofting legislation.
- Taking forward the actions recommended by the Women in Agriculture Taskforce including establishing a Leadership Development Programme, developing a Charter for Equality and improving training across the country for women involved in farming and crofting.

We will continue to support the growth of the food and drink industry to deliver its ambition to double its value to £30 billion by 2030. Our focus continues to be on supporting our food and drink businesses to grow and diversify, and on promoting locally-sourced and locally-produced food and drink to a range of markets by:

- Investing £7.5 million to support the delivery of the national food and drink strategy, Ambition 2030.
- Continuing to support businesses to invest and expand through our Food, Processing, Marketing and Cooperation grant scheme.
- Investing in a new food and drink export plan to build on the growth in food and drink exports which are up 70 per cent since 2007.
- Sourcing more local produce through public sector contracts and continuing to invest £0.4 million to expand the Food for Life Programme to more schools in more local authority areas.
- Investing, jointly with industry, in the supplier accreditation programme to support small and medium businesses obtain third-party accreditation to help them target new domestic and international markets.
- Investing £0.4 million in the second phase of our Food to Go initiative, stimulating more local sourcing through our convenience sector and tackling food waste.
- Progressing our Good Food Nation objectives through the delivery of our Good Food Nation programme, including creating more opportunities for school children to visit a farm to raise their awareness of where their food comes from and the vital role Scottish farmers' play as custodians of the countryside.

### **Fisheries and Aquaculture Priorities**

We will continue to support activity which builds growth across Scotland's marine and coastal communities, supporting employment, research and innovation and securing investment, by delivering sustainable economic growth in the sea fisheries, inshore fisheries and aquaculture sectors, and championing high environmental standards. This supports the economy and environment National Outcomes.

In 2019-20 we will:

- Maximise the benefits of the European Maritime and Fisheries Fund to support key projects across the marine sector, creating and safeguarding jobs in remote rural areas and supporting community-led local development.
- Through the European Maritime and Fisheries Fund, continue to develop the high quality fisheries processing sector to deliver jobs and economic prosperity. Additionally we will continue to sustain existing markets and develop new premium markets for quality Scottish seafood products.
- Continue to deliver on the strategic farmed fish health framework to support the aquaculture sector's 2030 sustainable growth ambitions and work more generally to aid the sustainable growth of the sector.
- Continue to identify where emergency support to fisheries harbours can deliver long-term benefits to the wider fishing communities around Scotland and provide key funding to ensure their continued operation.
- Continue to support the inshore and offshore sea fisheries sectors and to protect Scottish interests in the negotiation of fishing opportunities.
- Develop a first-class Scottish fisheries management regime for the future through a national discussion on the future management of sea fisheries in Scotland.

### **Rural Economy Enterprise Priorities: Highlands and Islands**

As the Scottish Government's main economic and community development agency for the Highlands and Islands, the Highlands and Islands Enterprise (HIE) budget works to accelerate business growth, strengthen communities, support growth sectors and develop Scotland's Highlands and Islands as a good place to do business, to stay in, to invest in, and to make a life which supports the communities National Outcome.

A key focus for HIE will be to inform and deliver the collaborative actions agreed by the Strategic Board in order to be responsive to emerging themes and priorities of the Board. As a key partner within the Strategic Board, HIE will play a vital role in the delivery of both Scotland's Economic Strategy and the Strategic Board's Strategic Plan. In 2019–20, HIE's focus will be on:

- Accelerating business growth by supporting businesses to increase productivity through investment, innovation and internationalisation.
- Strengthening communities through supporting the growth of the social enterprise sector, and enabling communities, particularly in remote and rural areas, to make a significant contribution to place-based development.
- Supporting growth sectors with a focus on subsectors and supply chains offering distinctive regional opportunities.
- Developing regional attractiveness by making the Highlands and Islands a globally attractive region in which to live, work, study and invest.

### **Rural Economy Enterprise Priorities: South of Scotland**

Delivering our commitment to establish a new public body to address the enterprise and skills challenges facing the south of Scotland, we have introduced legislation to establish South of Scotland Enterprise.<sup>1</sup> South of Scotland Enterprise will help drive forward inclusive growth and fair work, sustain and grow communities and harness the potential of people and resources. Our aim is to have a Chair and Chief Executive recruited by winter 2019 and the new body established by 1 April 2020. The budget will meet the set up costs including recruitment, staffing, estates, IT and corporate services and to continue to support the work of the South of Scotland Economic Partnership.

The Partnership will continue throughout 2019 to invest further in creating a fresh approach to economic development in the South of Scotland. We will continue to invest in the work of the Partnership. This supports the fair work and business National Outcome.

In 2019–20 we will:

- Work toward establishing South of Scotland Enterprise.
- Invest in projects and economic activity across the region through the South of Scotland Economic Partnership.
- Support increased alignment and stronger relationships with local and national organisations to benefit the south of Scotland area.

<sup>1</sup> [http://www.parliament.scot/S5\\_Bills/South%20of%20Scotland%20Enterprise%20Bill/SPBill41S052018.pdf](http://www.parliament.scot/S5_Bills/South%20of%20Scotland%20Enterprise%20Bill/SPBill41S052018.pdf)

## Forestry Priorities

Forestry contributes around £1 billion per year to the Scottish economy and supports more than 25,000 full-time equivalent jobs. Our Programme for Government includes ambitious plans to maximise the contribution of forestry and woodland to Scotland's economy, our climate change ambitions and to wider social, health and environmental benefits. This supports the environment and economy National Outcomes, and in 2019-20 we will:

- Introduce new arrangements for the management of forestry in Scotland, under the Forestry and Land Management (Scotland) Act 2018, including establishing two new Scottish Government agencies and implementing new felling regulations.
- Continue to stimulate and enable woodland creation across Scotland to achieve the target of 10,000 hectares, and prepare for an increase to 15,000 hectares by 2025.
- Work with the forestry sector and Forest Research to develop new information on tree-felling activity across Scotland, using remotely-sensed data.
- Achieve £3 million of community benefits from renewable energy installed on Scotland's National Forest Estate.

## SPENDING PLANS

**Table 12.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
EU Support and Related Services	177.6	178.4	176.8
Rural Services	42.4	32.4	35.0
Fisheries and Aquaculture	6.4	5.9	5.9
Rural Economy Enterprise	67.0	81.7	74.4
Scottish Forestry	40.6	44.0	43.2
Forestry and Land Scotland	20.7	19.7	15.7
<b>Total Rural Economy</b>	<b>354.7</b>	<b>362.1</b>	<b>351.0</b>
<i>of which Operating Costs*</i>	-	-	89.0
Non-cash	29.3	47.7	37.6
Capital	84.7	77.4	67.0
Financial Transactions	5.0	5.0	5.0
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

**Presentational Adjustments for Scottish Parliament Approval**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Crofting Commission (NDPB Non-cash)	-	(0.1)	(0.1)
Highland and Islands Enterprise (NDPB Non-cash)	(11.1)	(15.0)	(5.0)
Forestry Commission - shown separately	(61.3)	(63.7)	-
Animal Licence Fees (Other)	0.1	0.1	0.1
<b>Total Rural Economy</b>	<b>282.4</b>	<b>283.4</b>	<b>346.0</b>
Total Limit on Income (accruing resources)	800.0		

**What the EU Support and Related Services budget does**

The EU support and related services budget supports and protects primary productivity in the agricultural and wider rural sector through the delivery of EU funding (European Agricultural Guarantee Fund) under direct support measures. The Scottish Rural Development Programme (SRDP) provides for National and EU funding (European Agriculture Fund for Rural Development) to support measures which deliver economic, environmental and community benefit for rural Scotland.

The delivery is underpinned by the provision of regulatory inspection functions, scientific and technical advice, monitoring and evaluation as well as new improved business processes.

**Table 12.02: EU Support and Related Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Pillar 1 – Basic payments	262.0	262.0	262.0
Pillar 1 – Greening payments	131.5	131.5	131.5
Pillar 1 – payments	44.5	44.5	44.5
Broadband	6.4	7.0	-
Agri Environmental Measures	55.1	46.4	43.0
Business Development	30.2	27.8	24.1
CAP Compliance Improvements	42.2	31.0	-
Crofting Assistance	0.3	(0.2)	0.8
EU Income	(535.2)	(543.6)	(533.7)
Forestry	1.4	1.0	0.9
Leader	10.1	22.9	20.4
Less Favoured Area Support Scheme	65.5	65.5	52.4
ARE Operations (Including Non-cash)	62.9	82.0	129.9
Technical Assistance	0.7	0.6	1.0
<b>Total EU Support and Related Services</b>	<b>177.6</b>	<b>178.4</b>	<b>176.8</b>
<i>of which:</i>			
Fiscal Resource	103.5	102.7	113.2
Non-cash	18.2	32.5	32.5
Capital	50.9	38.2	27.1
Financial Transactions	5.0	5.0	4.0
UK Funded AME	-	-	-

See footnote on operating costs in Table 12.01.

### What the Rural Services budget does

The rural services budget directly supports sustainable rural development through funding measures which deliver economic, environmental and community benefit for rural Scotland, providing direct support to farming, forestry, crofting and rural development projects. It also contributes to the delivery of reducing greenhouse gas emissions.

**Table 12.03: Rural Services Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Agricultural and Horticultural Advice and Support	9.5	4.5	2.2
Animal Health	18.2	15.2	17.8
Crofting Commission	2.5	2.9	2.8
Food Industry Support	6.0	5.0	6.5
Rural Cohesion	1.0	0.6	0.6
Veterinary Surveillance	5.2	4.2	5.2
<b>Total Rural Services</b>	<b>42.4</b>	<b>32.4</b>	<b>35.1</b>
<i>of which:</i>			
Fiscal Resource	40.8	32.3	35.0
Non-cash	-	0.1	0.1
Capital	1.6	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 12.01.

### What the Fisheries and Aquaculture Grants budget does

The Fisheries and Aquaculture budget supports the sustainable use of the marine environment by providing the domestic funding contribution towards the European Maritime and Fisheries Fund. The budget also provides funding towards harbour repairs caused by storm damage.

**Table 12.04: Fisheries and Aquaculture Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
EU Fisheries Grants	14.2	14.1	14.1
Fisheries Harbour Grants	0.4	0.4	1.0
Marine EU Income	(8.2)	(8.6)	(9.2)
<b>Total Fisheries</b>	<b>6.4</b>	<b>5.9</b>	<b>5.9</b>
<i>of which:</i>			
Fiscal Resource	2.0	1.5	1.5
Non-cash	-	-	-
Capital	4.4	4.4	4.4
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the Rural Economy Enterprise budget does

The budget funds Highlands and Islands Enterprise (HIE), the main economic development body operating in the Highlands and Islands, in some of the most remote and fragile areas of Scotland. In addition to HIE activities this budget supports other activities in the Highlands and Islands area. See Table 12.05.

The budget also supports the Scottish Government's ambition to drive forward inclusive growth and support communities across the south of Scotland and to deliver on our commitment to establish a South of Scotland Enterprise Agency by April 2020.

**Table 12.05: Rural Economy Enterprise Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Highlands and Islands Enterprise	67.0	71.7	61.1
South of Scotland Enterprise	-	10.0	13.3
<b>Rural Economy Enterprise</b>	<b>67.0</b>	<b>81.7</b>	<b>74.4</b>
<i>of which:</i>			
Fiscal Resource	29.8	33.5	34.5
Non-cash	11.0	15.0	5.0
Capital	26.2	33.2	33.9
Financial Transactions	-	-	1.0
UK Funded AME	-	-	-

See footnote on operating costs in Table 12.01.

### What the Scottish Forestry budget does

The budget enables Scottish Forestry to deliver the Scottish Government's forestry functions including forestry policy, the promotion of sustainable forest management, the delivery of the Scottish Government's forestry targets and forestry regulation. Forestry grants support the private forestry sector's contribution to the expansion and sustainable management of Scotland's woodlands and is part of the CAP Reform for the Scottish Rural Development Programme.

**Table 12.06: Scottish Forestry Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Programme and Running costs	16.0	14.8	17.9
Depreciation	0.1	0.1	0.1
Policy Regulation and Administration	4.3	3.9	-
Woodland Grants	40.0	46.0	46.0
EC Receipts	(19.8)	(20.8)	(20.8)
<b>Total Scottish Forestry</b>	<b>40.6</b>	<b>44.0</b>	<b>43.2</b>
<i>of which:</i>			
Fiscal Resource	40.5	43.9	43.1
Non-cash	0.1	0.1	0.1
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

**What the Forestry and Land Scotland budget does**

Supports the sustainable management of Scotland's National Forest Estate by Forestry and Land Scotland, funding community, tourism and environmental delivery, including commitments on rural tourism and ancient woodland restoration.

**Table 12.07: Forestry and Land Scotland Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Forestry and Land Scotland Resource	19.1	18.1	14.1
Forestry and Land Scotland Capital	1.6	1.6	1.6
<b>Total Forestry and Land Scotland</b>	<b>20.7</b>	<b>19.7</b>	<b>15.7</b>
<i>of which:</i>			
Fiscal Resource	19.1	18.1	14.1
Non-cash	-	-	-
Capital	1.6	1.6	1.6
Financial Transactions	-	-	-
UK Funded AME	-	-	-

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# CHAPTER 13

## Culture, Tourism and External Affairs

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### **PORTFOLIO RESPONSIBILITIES**

The Culture, Tourism and External Affairs (CTEA) portfolio promotes Scotland's interests at home and abroad through European and International Affairs. It contributes to delivering our economic ambition by investing in Scotland's unique heritage and culture, by inspiring creativity and by supporting our tourism industry to maximise the contribution of the visitor economy to Scotland's prosperity.

The portfolio helps to ensure that our diverse and evolving cultural heritage thrives and is celebrated and that our historic environment and world-class collections are cared for and enjoyed by new and diverse audiences as well as future generations right across Scotland. It protects and provides access to our historic environment, promotes the delivery of high quality places and buildings to support communities.

Our ambition is to make Scotland a destination of first choice for visitors by raising the profile of Scotland at home and abroad, to attract increasing numbers of visitors, students and businesses and provide a perfect stage for world-class events.

We are committed to being a good global citizen, and to playing our part in tackling global challenges including poverty, injustice and inequality.

We want to make Scotland an open and welcoming nation for people and their families to live, work and make a positive contribution to our country.

The portfolio contributes principally to the international and culture National Outcomes, and also - for example through tourism investment - to the fair work and business National Outcome.

### **PORTFOLIO PRIORITIES**

#### **External Affairs Priorities**

Scotland is an outward-looking nation, committed to making a positive contribution internationally. On the brink of the UK leaving the European Union, Scotland's role as an open, connected country is more important than ever. We will continue to look for new opportunities for our businesses to grow and to welcome others to live, work, do business, study and visit Scotland. Across the range of our international and European relationships - enhanced by the work of our expanding external network of offices - we will demonstrate our commitment to internationalisation by building on relationships,

sharing the skills and expertise of our colleges and universities, celebrating cultural and ancestral connections and exchanging policy ideas to address shared challenges, ensuring Scotland remains a valued and well-connected nation.

We retain our commitment to supporting the attainment of the UN Sustainable Development Goals outside Scotland and our 'Beyond Aid' agenda recognises that some of the greatest improvements we can make to the lives of the world's poorest and most vulnerable people are beyond traditional international development work.

We will continue to promote Scotland to those who wish to come and live and work here, in particular to protect the rights of our fellow EU citizens and ensure that non-UK EU citizens resident in Scotland are provided with information, support and practical advice on their rights as a result of the UK leaving the EU.

In 2019-20 we will:

- continue to press the UK Government to protect the rights of EU citizens resident in Scotland and Scots in other EU countries as well as making provision for an advice and support service for EU citizens;
- work with employers, communities and stakeholders to develop the case for a tailored approach to migration in Scotland;
- support the delivery of our network of offices in the US, Canada, China, France and Brussels as they continue to develop their influence and strengthen their relationships – deepening our impact in key markets, encouraging collaboration, supporting trade and innovation and creating opportunities to showcase Scotland's cultural and creative offering;
- continue to play a full and active part in the British Irish Council (BIC), working positively with other members to support the Northern Ireland peace process;
- further intensify our engagement with our European neighbours and with the US, Canada, China, India, Pakistan and Japan, with a focus on education, business and culture, and work collaboratively with international and European institutions;
- publish Scotland's first Arctic Policy, which will highlight the extensive links already in existence between our communities, businesses, and civic society and help shape Scotland's relationship with our Arctic partners for years to come;
- continue to build partnerships to take action to help tackle poverty and inequalities in relation to some of the world's poorest and most vulnerable people, including through our £10 million International Development Fund; and
- maintain our Humanitarian Emergency Fund so that we continue to play our part to reduce the threat to life and wellbeing caused by disasters, disease and conflict.

### **Culture, Tourism and Major Events Priorities**

Scotland has a well-deserved reputation as the perfect stage for events at the local, national and international level. The events industry is currently worth an estimated £3 billion a year to the Scottish economy. Our Major Events budget supports a strong and inspirational programme of events and festivals each year that generates business,

create jobs and boost the economy whilst building on our nation's strong reputation and international attractiveness.

We will continue to support the growth of our creative industries and the creative economy, including through the creation in 2018 of Screen Scotland, a dedicated public sector partnership to support the screen sector, backed by investment of £20 million in 2019-20. In addition, we will continue investment in the arts and culture through Creative Scotland. The National Collections and the five National Performing Companies will help ensure that Scotland's unique culture reaches a wide audience at home and abroad.

The youth arts boost the skills of those who participate, helping tackle inequalities and make Scotland a stronger, fairer and more inclusive society. We will launch a Cultural Youth Experience Fund focused on ensuring that more children in areas of deprivation are able to enjoy cultural opportunities – through supporting a number of pilots across Scotland.

We will continue to invest £2 million into the Festivals Expo. In addition, and to keep our festivals fresh for generations to come, we are committed to providing a further £1 million per year, over five years, to support the Platform for the Creative Excellence programme, a three-way match-funded partnership with the City of Edinburgh Council and Festivals Edinburgh.

These measures all help ensure that no one's background is a barrier to taking part in cultural life, giving people all over Scotland a chance to take part in culture and the arts.

In 2019-20 we will:

- continue to fund VisitScotland to deliver sustainable growth in the wider visitor economy so that Scotland can continue to build on its reputation as a world-class tourism destination;
- undertake promotion and delivery of the 2020 Year of Coasts and Waters;
- support sustainable tourism across Scotland through the Rural Tourism Infrastructure Fund;
- continue to work with partners in the planning and delivery of forthcoming major events: the 2019 Solheim Cup and UEFA EURO 2020;
- strengthen support for our film and TV sector and drive its growth through Screen Scotland, a new dedicated public sector partnership;
- publish a new Culture Strategy for Scotland that will enable everyone to have the opportunity to take part in or contribute to cultural life in Scotland. The strategy is being developed with individuals, artists, organisations and communities across the country and will support the long-term development of culture in Scotland and show how important it is to our future;
- set up an International Creative Ambition Programme to support international cultural partnerships, collaboration and exchange against the background of the UK leaving the EU;
- continue to enable Creative Scotland to maintain support for the Regular Funding programme in the face of a significant decline in Lottery receipts;

- maintain the Youth Music Initiative budget at £9 million;
- support the long-term development of cultural infrastructure such as the creation of a permanent home for the Great Tapestry in Galashiels and the development of the National Collections facility at Granton; and
- continue to support National Museums Scotland, the National Galleries of Scotland and National Library of Scotland to provide free access to the permanent collections.

### **Historic Environment Scotland Priorities**

The historic environment is a vital part of our heritage and our communities and it is also hugely important to the national economy, supporting over 60,000 jobs and contributing £2.3 billion to the national gross value added (GVA). Its continuing care and regeneration creates local employment, supports local businesses and secures the future of precious indigenous craft skills. It enriches the quality of our lives and helps to define who we are.

In 2019-20, through funding for Historic Environment Scotland we will:

- continue to lead the delivery of 'Our Place in Time: the Historic Environment Strategy for Scotland';
- offer grant support to help regenerate and promote the active use, care and maintenance of the historic environment, promoting sustainable economic development and reinforcing local identity;
- provide expert advice and guidance to deliver the right balance between conservation and sustainable change; and
- promote learning and education to enhance knowledge, understanding and enjoyment of the historic environment.

### **National Records of Scotland Priorities**

Following the approach set out in 'Plans for Scotland's Census 2021', published in September, National Records of Scotland (NRS) will continue making preparations for the census, which will be the first in which people in Scotland will be encouraged to complete their questionnaire primarily online, with support and help available for those who need it. Census 2021 will provide a vital source of information about the people of Scotland which will underpin local and national decision making.

In 2019-20 we will:

- continue to produce trusted statistics, including demographic and migration estimates and projections of Scotland's population and households;
- progress our strategy for the future of NRS archive functions to ensure they are fit for the 21st century;
- build on the success of our ScotlandsPeople online family history service to further improve the customer experience and offer new content; and
- continue to play a leading role in progressing Scotland's Data Linkage Framework strategy to securely deliver data research projects that benefit the public.

## SPENDING PLANS

**Table 13.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
External Affairs	15.8	17.3	24.0
Culture, Tourism and Major Events	226.2	248.7	229.8
Historic Environment Scotland	45.5	41.1	39.8
National Records of Scotland	37.3	37.2	37.4
<b>Total Culture, Tourism and External Affairs</b>	<b>324.8</b>	<b>344.3</b>	<b>331.0</b>
<i>of which:</i>			
Total Fiscal Resource	273.3	296.9	287.7
<i>of which Operating Costs*</i>	-	-	14.3
Non-cash	19.5	17.7	16.8
Capital	27.0	24.9	25.0
Financial Transactions	5.0	4.8	1.5
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within Portfolio budgets. This is set out in more detail in the Annex on operating costs.

### Presentational Adjustments for Scottish Parliament Approval

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Culture (NDPB Non-cash)	(9.5)	(9.8)	(9.5)
Tourism (NDPB Non-cash)	(2.2)	(2.6)	(1.4)
Historic Environment Scotland (NDPB Non-cash)	(3.3)	(2.5)	(3.0)
National Records of Scotland – shown separately	(37.3)	(37.2)	(37.4)
<b>Total Culture, Tourism and External Affairs</b>	<b>272.5</b>	<b>292.2</b>	<b>279.7</b>
<b>Total Limit on Income (accruing resources)</b>	<b>100.0</b>		

### What the External Affairs budget does

The External Affairs budget supports the promotion of Scotland and its interests at home and abroad. It contributes to the positioning of Scotland on the world stage, particularly through our international development work, and promotes Scotland's international engagement through Ministerial visits. The budget also supports the attraction of talented and skilled individuals to live, study and work in Scotland.

**Table 13.02: External Affairs Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
International and European Relations	15.7	17.2	23.9
British Irish Council	0.1	0.1	0.1
<b>Total External Affairs</b>	<b>15.8</b>	<b>17.3</b>	<b>24.0</b>
<i>of which:</i>			
Fiscal Resource	15.8	17.3	24.0
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 13.01.

### What the Culture, Tourism and Major Events budget does

The budget supports the delivery of our programme of major events, including the European Championships in Glasgow and the Solheim Cup at Gleneagles. The major events budget reflects the timing and differing costs of individual events and thus varies from year to year, resulting in a reduction between 2018-19 and 2019-20 after the completion of the highly successful European Championships in summer 2018.

The budget also supports free access to the National Library of Scotland, National Galleries of Scotland and National Museums Scotland and provides funding for non-national museums and libraries through grants schemes administered by Museums Galleries Scotland (MGS) and the Scottish Library and Information Council (SLIC). It enables the five National Performing Companies to have a major presence on Scotland's stages and in our communities, alongside a significant international programme of touring and collaboration. Funding for Creative Scotland provides support for the arts, screen and creative industries across all parts of Scotland, including maintaining the Youth Music Initiative budget at £9 million. The budget also supports the work of VisitScotland as Scotland's national marketing body to promote Scotland and deliver national tourism and events strategies.

**Table 13.03: Culture, Tourism and Major Events Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Culture, Tourism and Major Events Advice and Policy	-	-	4.3
Creative Scotland and Other Arts	52.1	70.5	66.0
Cultural Collections	77.0	73.4	74.6
National Performing Companies	22.9	22.9	22.9
Tourism	43.9	45.1	45.2
Major Events	30.3	36.8	16.8
<b>Total Culture and Tourism</b>	<b>226.2</b>	<b>248.7</b>	<b>229.8</b>
<i>of which:</i>			
Fiscal Resource	191.4	215.5	201.4
Non-cash	11.7	12.4	10.9
Capital	18.1	16.0	16.0
Financial Transactions	5.0	4.8	1.5
UK Funded AME	-	-	-

See footnote on operating costs in Table 13.01.

### What the Historic Environment Scotland budget does

Historic Environment Scotland (HES) is the lead public body for the historic environment in Scotland, and takes the lead in delivering Scotland's historic environment strategy 'Our Place in Time', in addition to having delegated responsibility for the care and management of Scottish Ministers' Properties in Care. A significant portion of the grant-in-aid funding which HES receives is passed on to Scottish communities by way of grant schemes which fund the regeneration of Scotland's town centres and the repair of historic buildings.

**Table 13.04: Historic Environment Scotland Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Operational Costs	84.8	92.2	93.5
Capital Expenditure	5.6	6.0	6.0
Less Income	(44.9)	(57.1)	(59.7)
<b>Total Historic Environment Scotland</b>	<b>45.5</b>	<b>41.1</b>	<b>39.8</b>
<i>of which:</i>			
Fiscal Resource	36.6	32.6	30.8
Non-cash	3.3	2.5	3.0
Capital	5.6	6.0	6.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

### What the National Records of Scotland budget does

National Records of Scotland's budget supports the collection, preservation and production of information about Scotland's people and history. This includes performing the registration and statistical functions of the Registrar General for Scotland, for example by taking the census and producing a wide range of demographic data which underpin public sector spending decisions, and the archival and public records functions of the Keeper of the Records of Scotland.

**Table 13.05: National Records Scotland Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Operational Costs	39.8	40.1	40.2
Capital Expenditure	3.3	2.9	3.0
Less Income	(5.8)	(5.8)	(5.8)
<b>Total NRS</b>	<b>37.3</b>	<b>37.2</b>	<b>37.4</b>
<i>of which:</i>			
Fiscal Resource	29.5	31.5	31.5
Non-cash	4.5	2.8	2.9
Capital	3.3	2.9	3.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

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# CHAPTER 14

## Social Security and Older People

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### **PORTFOLIO RESPONSIBILITIES**

The portfolio is focused on our overarching aim to create a fairer Scotland. We will continue to prioritise funding to support the design and implementation of our devolved social security powers and the new Executive Agency, Social Security Scotland. The portfolio will continue to tackle poverty, to accelerate the help we give to new families to ensure that every child has the best start in life and to mitigate the worst impacts of the UK Government's welfare cuts.

The portfolio supports a wide range of work to prevent discrimination, promote equality and human rights and build more cohesive, resilient and thriving communities. We support and celebrate the skills and talents of our older people and seek to reduce barriers for all to contribute to their communities. The portfolio will continue to support strategic and frontline projects to address inequality and discrimination across the protected characteristics, delivering on our commitment to security through three-year funding streams. We will also support the mainstreaming of equality and the improvement of public sector delivery on equality, the advancement of human rights and work to prevent violent extremism.

### **PORTFOLIO PRIORITIES**

#### **Creating a Fairer Scotland priorities**

We will tackle poverty by sharing opportunities, wealth and power more equally.

Social security is an investment in the people of Scotland and the newly devolved elements of the Scottish social security system will play a key role in the creation of a fairer society. Respect for the dignity of individuals is at the heart of that system which is being designed with the people who will use it, both now and in the future.

It is the responsibility of Social Security Scotland to ensure that the newly devolved elements of Scotland's social security system are managed correctly and fairly, delivering benefits to the 1.4 million people who rely on them, in accordance with the principles in the Social Security (Scotland) Act 2018 and the Social Security Charter. Social Security Scotland will contribute to the outcomes-based approach set out in the National Performance Framework (NPF). Its focus on taking a rights-based approach to the delivery of social security in Scotland will support the NPF's human rights outcome and values of kindness, dignity and compassion.

We will continue to take action to protect the poorest members of our society from the most damaging effects of the UK Government's austerity policies through a range of mitigation measures, including supporting advice services to ensure people are receiving all the income they are entitled to.

We want Scotland to be an open, welcoming and inclusive country, and will continue to give priority to tackling inequality and to promoting equality by continuing to invest in organisations working to advance equality. This resource will continue to support the progression of human rights, progress work to prevent violence against women and girls, remove barriers to positive ageing, and strengthen community engagement. In order to advance equality, it is vital to empower groups experiencing discrimination and disadvantage to have a voice and influence, as this will assist us in our aim to deliver equality of opportunity for all.

This portfolio supports the National Performance Framework outcomes of Human Rights, Communities, Poverty, Fair Work and Business.

### **Social Security priorities**

The Social Security (Scotland) Act 2018 received Royal Assent on 1 June 2018 and we have started to deliver our first benefits. Social security payments are demand-led and budget allocations are based on expenditure forecasts produced by the Scottish Fiscal Commission.

The first Carer's Allowance Supplement payments have already been made with the next payment of the Supplement being made from the middle of December 2018 onwards. In addition, the first Best Start Pregnancy and Baby payments are due to be made before Christmas 2018. From April 2019, payments of Carer's Allowance will increase to £66.15 per week and Carer's Allowance Supplement will increase to £8.70 per week to reflect the current cost of living.

Best Start Early Learning and School payments and Funeral Expense Assistance will be introduced by summer 2019. The Scottish Fiscal Commission has provided benefit expenditure forecasts based on indicative start dates of 1 June 2019. Budgets and forecasts may be revised once start dates are confirmed.

The majority of welfare spending remains reserved to the UK Government and has been subject to continuing welfare cuts. The Scottish Government is committed to providing support to help mitigate some of the worst impacts of the cuts. We will do this by maintaining funding for the Scottish Welfare Fund and Discretionary Housing Payments (DHPs) in 2019-20.

The devolved elements of the social security system will be administered by Social Security Scotland, with a total administrative budget of £41.5 million in 2019-20.

Work on the social security programme continues, with a focus on the safe and secure transition of the remaining benefits to be devolved, and we have committed £77.8 million to this in 2019-20.

In 2019-20 we will:

- Deliver social security assistance with a total forecast expenditure of over £434 million. The Scottish Fiscal Commission is forecasting the following spend: £37 million for Carer's Allowance Supplement;
  - £12.4 million for Best Start Grant;
  - £6.2 million for Funeral Expense Assistance;
  - £52.3 million of funding to allow local authorities to fully mitigate the effects of the 'bedroom tax' with additional funding of £10.9 million for other DHPs including support for those affected by Local Housing Allowance (LHA) rates and benefit cap; and
  - sustaining funding to the Scottish Welfare Fund at £33 million.
- Provide funding to allow Social Security Scotland to deliver new services with respect for the dignity of individuals.
- Invest £77.8 million in the social security programme to ensure the safe and secure transition of the remaining benefits to be devolved under the Scotland Act 2016.

### **Equalities Priorities**

This budget provides support to improve the outcomes for people and communities across Scotland, supports the infrastructure and capacity of equality communities and enables us to give focus and support on issues such as discrimination and hate crime, increased representation and community cohesion in line with the refreshed National Performance Framework.

We will respond to recommendations from the First Minister's Advisory Council on Women and Girls, prioritising actions that will ensure that gender equality continues to be central to policy development across Scotland. We will also respond in full to the recommendations from the First Minister's Advisory Group on Human Rights Leadership and address the human rights and equalities impact of EU Exit. We will also deliver a new framework for our policy on older people.

This budget recognises the cross-cutting nature of equalities and human rights and supports delivery of equalities objectives right across government, therefore spend in support of work delivered through the Communities and Local Government portfolio is detailed in that chapter.

In 2019-20 our budget will:

- Continue to deliver the Scottish Human Rights Defender Fellowship.

- Deliver a response to the First Minister’s National Advisory Council on Women and Girls and continue to support frontline services and wider activity to address gender based violence and inequalities, including a major campaign to challenge sexual harassment and sexism.
- We will implement our Social Isolation and Loneliness Strategy and deliver a framework policy on older people.
- Strengthen support to, and protect the human rights of, the Gypsy/Traveller community in Scotland.
- Continue to deliver the Race Equality Action Plan and maintain Scotland’s reputation as a progressive country in terms of Lesbian, Gay, Bisexual, Transgender and Intersex equality.
- Support work to tackle hate crimes and support cohesive communities (see detail in the Communities and Local Government portfolio).

## SPENDING PLANS

**Table 14.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Equalities	20.3	22.7	24.6
Social Security	-	6.2	125.5
Social Security Assistance	95.9	94.0	434.8
<b>Total Social Security and Older People</b>	<b>116.2</b>	<b>122.9</b>	<b>584.9</b>
<i>of which:</i>	-	-	-
Total Fiscal Resource	116.2	122.9	574.9
<i>of which Operating Costs*</i>	-	-	68.1
Non-cash	-	-	-
Capital	-	-	10.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

Total Limit on Income (accruing resources)	10.0
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### What the Equalities budget does

Our spending on equality and human rights activities supports the drive for social justice, economic and inclusive growth, and community resilience and empowerment.

**Table 14.02: Equalities Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level3	£m	£m	£m
Equalities	20.3	22.7	24.6
<b>Total Equalities</b>	<b>20.3</b>	<b>22.7</b>	<b>24.6</b>
<i>of which:</i>			
Fiscal Resource	20.3	22.7	24.6
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 14.01.

### What the Social Security budget does

This budget funds the administration of the Scottish Welfare Fund and Discretionary Housing Payments and the setting up of Scotland's devolved social security system and our new Executive Agency, Social Security Scotland.

**Table 14.03: Social Security Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Welfare Fund - Administration	-	5.0	5.0
Discretionary Housing Payments - Administration	-	1.2	1.2
Social Security Advice, Policy and Programme Costs	-	-	77.8
Social Security Scotland	-	-	41.5
<b>Social Security</b>	<b>-</b>	<b>6.2</b>	<b>125.5</b>
<i>of which:</i>			
Fiscal Resource	-	6.2	115.5
Non-cash	-	-	-
Capital	-	-	10.0
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 14.01.

**Table 14.04: Social Security Assistance Spending Plans (Level 3)**

This budget enables the Scottish Government to provide vital support to some of the poorest members of our society and to help to mitigate the negative impacts of the UK Government's welfare cuts.

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Scottish Welfare Fund	38.0	33.0	33.0
Discretionary Housing Payments - BTM	47.0	50.1	52.3
Discretionary Housing Payments - other	10.9	10.9	10.9
Carer's Allowance	-	-	283.0
Carer's Allowance Supplement	-	-	37.0
Best Start Grant	-	-	12.4
Funeral Expense Assistance	-	-	6.2
<b>Social Security Assistance</b>	<b>95.9</b>	<b>94.0</b>	<b>434.8</b>
<i>of which:</i>			
Fiscal Resource	95.9	94.0	434.8
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

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# CHAPTER 15

## Government Business and Constitutional Relations

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### **PORTFOLIO RESPONSIBILITIES**

The Government Business and Constitutional Relations portfolio has a crucial role in seeking to ensure UK-EU negotiations, and necessary preparations for the UK's exit from the EU, are undertaken in a way that protects Scotland's interests and mitigates the damaging effects of EU Exit as far as it is possible to do so.

This portfolio is responsible for the management of the government's legislative programme and business in Parliament, for policy on Freedom of Information and open government, and for Royal and Ceremonial functions within Scotland.

The portfolio also covers Scottish parliamentary and local government elections and leads on delivering the Scottish Government's commitment to support the Armed Forces and Veterans community in Scotland.

We support the effective conduct of government business which has a positive contribution to all outcomes in the National Performance Framework, and particularly contribute to Scotland being connected and making a positive contribution internationally.

### **PORTFOLIO PRIORITIES**

In 2019-20 we will:

- Engage in negotiations on the UK's future relationship with the EU, seeking to protect and promote Scottish interests and to develop opportunities for Scotland to continue to collaborate with EU partners.
- Work towards our commitment to ensuring access to democratic participation for all residents of Scotland, including introduction of an Electoral Franchise Bill, ensuring that current EU citizens who live in Scotland can continue to vote in Scottish Parliament and local government elections.
- Continue to pursue our ambition for a society founded on fairness and equality through our democratic frameworks, bringing forward legislation to modernise the approach to parliamentary and local elections.

- Further our work to bring improvements in the way we respond to Freedom of Information requests, working with the Scottish Information Commissioner to build on work undertaken last year.
- Work towards our ambition to be an open and connected government through delivering Scotland's second Open Government Action Plan, and make a positive contribution internationally through our membership of the Open Government Partnership, a collaboration of governments around the world progressing the values of openness, transparency and citizen participation.
- Continue to work across the Scottish Government to respond to the recommendations of the Scottish Veterans Commissioner's reports, progress the new UK-wide Veterans Strategy, and ensure that there is no disadvantage when accessing services and support. We will also maintain funding for the Scottish Veterans Commissioner to challenge and scrutinise our policy delivery, and continue to support veterans' charities and organisations, primarily through the Scottish Veterans Fund.

The veterans budget is the responsibility of the Cabinet Secretary for Government Business and Constitutional Relations and the Minister for Parliamentary Business and Veterans, but is held within the Justice portfolio.

The Local Government Boundary Commission for Scotland will review the ward boundaries in the local authority areas which include islands, as required by the Islands (Scotland) Act 2018.

## **SPENDING PLANS**

### **What the Government Business and Constitutional Relations budget does**

- Supports the provision of social research and analysis to improve policy development and implementation focusing on cross-cutting and topical issues.
- Covers Royal and Ceremonial events and tasks within Scotland.
- Supports the Electoral Management Board to promote best practice and value for money in elections in Scotland.
- Provides funding for the Local Government Boundary Commission for Scotland.
- Provides for extending the Freedom of Information (Scotland) Act 2002 to cover housing associations.
- Supports the policy and coordination work of the portfolio.

## GOVERNMENT BUSINESS AND CONSTITUTIONAL RELATIONS

**Table 15.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
Government Business and Constitutional Relations	2.9	2.4	12.1
<b>Total Government Business and Constitutional Relations</b>	<b>2.9</b>	<b>2.4</b>	<b>12.1</b>
<i>of which:</i>			
Total Fiscal Resource	2.9	2.4	12.1
<i>of which Operating Costs*</i>	-	-	9.9
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-

\* In 2019-20, there is a change to the way that Scottish Government staffing budgets are presented and total operating costs are now included within portfolio budgets. This is set out in more detail in the Annex on operating costs.

Total Limit on Income (accruing resources)	-
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**Table 15.02: Government Business Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Office of the Chief Researcher	0.8	0.8	0.6
Royal and Ceremonial	0.3	0.6	0.4
Local Government Elections	1.0	0.4	0.4
Boundary Commission	0.2	0.4	0.5
Scottish Parliamentary Elections	0.6	0.2	0.2
Extension of Freedom of Information coverage	-	-	0.1
Government Business and Constitutional Relations Policy and Coordination	-	-	9.9
<b>Total Government Business</b>	<b>2.9</b>	<b>2.4</b>	<b>12.1</b>
<i>of which:</i>			
Fiscal Resource	2.9	2.4	12.1
Non-cash	-	-	-
Capital	-	-	-
Financial Transactions	-	-	-
UK Funded AME	-	-	-

See footnote on operating costs in Table 15.01.

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# CHAPTER 16

## Crown Office and Procurator Fiscal Service

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### **PORTFOLIO RESPONSIBILITIES**

The Crown Office and Procurator Fiscal Service (COPFS) is the sole public prosecution authority in Scotland, prosecuting cases independently, fairly and effectively in the public interest.

The Lord Advocate has Ministerial responsibility for the work of the Service. His position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act 1998 and he exercises that responsibility independently of any other person.

The purpose of the Service is to secure justice for the people of Scotland. It is committed to playing its part in making Scotland a safer place to live.

### **PORTFOLIO PRIORITIES**

COPFS priorities support the Scottish Government's National Outcomes in the National Performance Framework and the 'Justice in Scotland: Vision and Priorities' paper. The Service seeks to contribute to delivering a just, safe and resilient Scotland, in particular by:

- delivering high quality casework;
- improving our service; and
- supporting our people.

### **Delivering High Quality Casework Priorities**

The Service will contribute to the justice vision that we live in safe, cohesive and resilient communities by securing justice through independent, robust, fair and effective decisions, case preparation and presentation.

In 2019-20 we will:

- secure timely justice through appropriate prosecutorial action, achieving the right outcome at the earliest opportunity;
- treat victims, witnesses and nearest relatives with respect and respond to their individual needs;

- respect and uphold the rights of those accused of crime;
- support children and vulnerable witnesses to give evidence in a way that is appropriate to them;
- recover the proceeds of crime, in particular from organised crime and serious economic crime; and
- contribute to tackling inequality through our investigation and prosecution of hate crime, domestic abuse and sexual offending.

### **Improving Our Service Priorities**

The Service will contribute to the Justice Outcome of the National Performance Framework of delivering a person-centred, modern and affordable public service by continuing to modernise the way we work. So far as it may lawfully do so, the Service will explain prosecutorial decisions and be open about our work.

In 2019-20 we will:

- improve communication with victims, witnesses and next of kin;
- implement the judicial protocol on the management of complex High Court cases;
- implement the Domestic Abuse (Scotland) Act 2018;
- support new legislation which is intended to provide children and vulnerable adults with the opportunity to give their evidence before the start of a trial;
- support the work of the Evidence and Procedure Programme Board to reform the summary criminal justice system;
- support the implementation of the Scottish Government's Justice Digital Strategy;
- implement the COPFS Corporate Digital Strategy;
- use tablet computers to present digital summary casework;
- develop and implement improved digital services for the public;
- provide the capability to work productively across our network of local offices; and
- automate business and administration tasks, saving storage space and reducing printing, paper and postage.

## Supporting Our People Priorities

The Service will invest in its people and improve their wellbeing.

In 2019-20 we will:

- build a more engaged, diverse and flexible workforce;
- implement the Fair Futures programme to enhance the wellbeing and career development of our people;
- empower our people by reviewing and modernising their roles and responsibilities;
- improve wellbeing by reducing travel through enabling more flexible 'location-neutral' working;
- invest in the skills and knowledge which our people will need to excel; and
- invest in the development of future leaders to inspire and engage staff.

## SPENDING PLANS

**Table 16.01: Spending Plans (Level 2)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 2	£m	£m	£m
COPFS	111.1	116.0	120.7
<b>Total COPFS</b>	<b>111.1</b>	<b>116.0</b>	<b>120.7</b>
<i>of which:</i>			
Total Fiscal Resource	103.5	108.4	113.4
Non-cash	4.0	4.0	3.7
Capital	3.6	3.6	3.6
Financial Transactions	-	-	-
UK Funded AME	-	-	-
<b>Total Limit on Income (accruing resources)</b>	<b>2.0</b>		

**Table 16.02: Crown Office and Procurator Fiscal Service Spending Plans (Level 3)**

	2017-18 Budget	2018-19 Budget	2019-20 Budget
Level 3	£m	£m	£m
Staff Costs	72.3	78.3	84.6
Office Costs	3.9	3.8	3.6
Case related	13.4	13.3	12.9
Centrally Managed Costs	17.9	17.0	16.0
Capital Expenditure	3.6	3.6	3.6
<b>Total COPFS</b>	<b>111.1</b>	<b>116.0</b>	<b>120.7</b>
<i>of which</i>			
Fiscal Resource	103.5	108.4	113.4
Non-cash	4.0	4.0	3.7
Capital	3.6	3.6	3.6
Financial Transactions	-	-	-
UK Funded AME	-	-	-

**What the COPFS budget does**

COPFS receives reports of crimes from the police and other reporting agencies. It assesses whether there is sufficient evidence to take prosecutorial action, and, if so, what action is in the public interest. In appropriate cases, it directs investigations by the police. Prosecutors in COPFS prosecute all forms of crime before the High Court, Sheriff Court and Justice of the Peace court and impose direct prosecutorial measures. The Service takes action to assess and recover proceeds of crime; co-operates with counterparts in other jurisdictions; and assists victims and witnesses. COPFS also investigates deaths which require further explanation and complaints of criminal conduct against police officers.

## ANNEX A

### Scottish Government Fiscal Control Framework and Reconciliation of Available Funding to Spending Plans

#### Introduction

The implementation of the Scotland Act 2016<sup>1</sup> and the associated Fiscal Framework<sup>2</sup> have made significant changes to the structure of Scottish Government budgets and the sources of funding that support government expenditure. In addition, the report of the Scottish Parliament Budget Process Review Group<sup>3</sup> included recommendations that the Scottish Government budget process establishes as a core objective that any revised process should – ‘improve transparency and raise public understanding and awareness of the Budget’.

To improve Budget transparency, this Annex sets out a short overview of the fiscal control framework (the rules governing government spending) within which the Scottish Government operates, and the key budgetary control limits within which Scottish Ministers must manage income and expenditure, and shows how the control limits link to the spending plans as set out in this document.

#### Scottish Government Funding

The Devolved Administrations’ budgets are set within a framework of public expenditure control and budgeting guidance determined by HM Treasury. The Scottish Government has freedom to make its own spending and tax decisions on devolved programmes, but those decisions must take place within the budgetary controls set by HM Treasury and in compliance with HM Treasury’s Consolidated Budgeting Guidance.

Scottish Government total budgets are determined through the combination of block grant funding from HM Treasury, adjusted to reflect forecasts of receipts generated through taxes devolved to Scotland (through the Scotland Act 2012 and the Scotland Act 2016), and any planned use of available devolved borrowing powers.

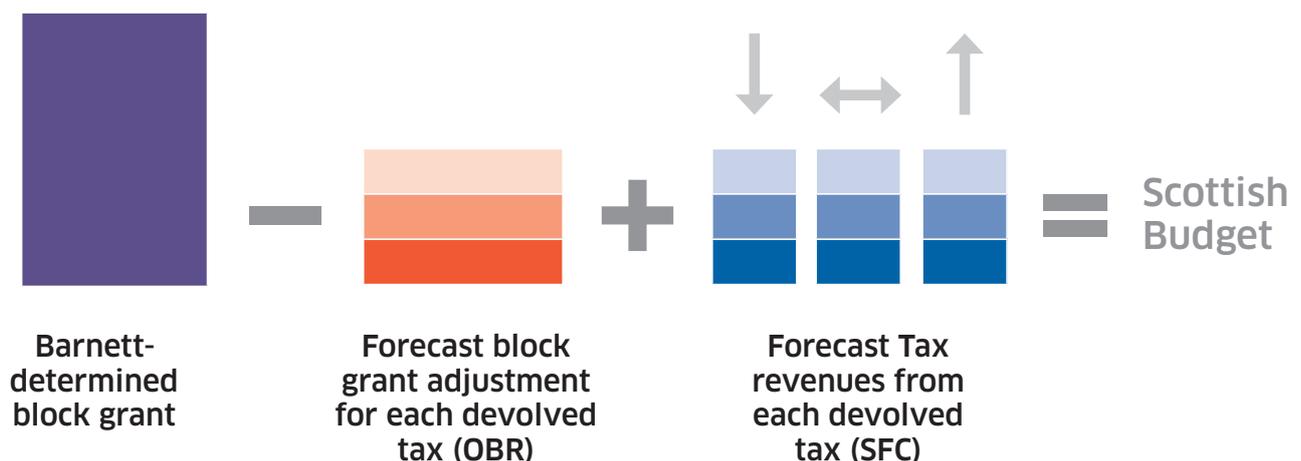
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1 <http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

2 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/503481/fiscal\\_framework\\_agreement\\_25\\_feb\\_16\\_2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf)

3 [http://www.parliament.scot/S5\\_Finance/Reports/BPRG - Final Report 30.06.17.pdf](http://www.parliament.scot/S5_Finance/Reports/BPRG_-_Final_Report_30.06.17.pdf)

Changes in the Scottish Government's block grant continue to be determined via the operation of the Barnett Formula. Under the Barnett Formula, the Scottish Government's block grant in any given financial year is equal to the block grant baseline plus a population share of changes in UK Government spending on areas that are devolved to the Scottish Parliament. Detail of how the Barnett Formula works is set out in the UK Government's Statement of Funding Policy.<sup>4</sup> The block grant is then adjusted down to reflect the retention in Scotland of revenues from devolved and assigned taxes (using the Block Grant Adjustment which is calculated by HM Treasury based on forecasts from the Office of Budget Responsibility (OBR)), leaving a residual block grant. The Scottish Government then retains all devolved and assigned Scottish tax revenues (forecasts of which are calculated by the independent Scottish Fiscal Commission (SFC)). The operation of the Block Grant Adjustment is relatively complex and explained further in the Tax chapter of this document and in more detail in the Fiscal Framework itself. However, in simple terms:



The total funding available to the Scottish Government is therefore affected by decisions that Scottish Ministers take on tax policy. Variation of Scottish tax policy relative to that of the UK will adjust the level of tax income received by the Scottish Government and the overall level of funding available to support spending plans.

Similarly, decisions on borrowing will also augment the Scottish Government budget. A decision to borrow to support capital spending will impact on the funding available relative to the spending limits set by HM Treasury. The aggregate of the residual block grant plus devolved tax revenues plus agreed borrowing is a key control limit in defining the funding envelope within which Scottish Ministers must manage expenditure for a given year. Table 1.02 of this document (reproduced here) sets out the funding available.

<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479717/statement\\_of\\_funding\\_2015\\_print.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479717/statement_of_funding_2015_print.pdf)

**Table 1.02: Scottish Government Budget Control Limits 2017-18 to 2019-20**

SG Spending Limits – Cash Terms	2017-18 £m	2018-19 £m	2019-20 £m
UK Government Spending Review settlement – November 2015	30,520	30,620	30,870
Subsequent Barnett consequential and other additions	1,049	1,389	2,384
<b>Total Budget Limit from HM Treasury (A)</b>	<b>31,569</b>	<b>32,009</b>	<b>33,254</b>
<i>of which:</i>			
Fiscal Resource Budget Limit	27,027	26,983	27,633
Non-cash Budget Limit	907	1,105	1,145
Capital Budget Limit	3,189	3,520	3,956
Financial Transactions	446	401	519
<b>Block Grant Adjustment for Social Security (B)</b>			<b>290</b>
<b>Net Block Grant Adjustment</b>	<b>(12,450)</b>	<b>(12,472)</b>	<b>(12,193)</b>
Scottish Income Tax	11,829	12,115	11,684
Land and Buildings Transaction Tax	507	588	643
Scottish Landfill Tax	149	106	104
Non-Tax Income	36	25	25
<b>Net Resource Budget Adjustment (C)</b>	<b>71</b>	<b>362</b>	<b>262</b>
<b>Capital Borrowing (D)</b>	<b>450</b>	<b>450</b>	<b>450</b>
<b>Total Scottish Government Funding (A+B+C+D)</b>	<b>32,090</b>	<b>32,821</b>	<b>34,256</b>

Figures may not add due to rounding.

Block Grant Adjustment figures do not include Air Passenger Duty, devolution of which has been deferred.

Non-tax income is from Fines, Forfeitures and Fixed Penalties and Proceeds of Crime.

Net Block Grant Adjustment includes an element for Non-tax income. (£31 million for 2019-20), and a negative £3 million reconciliation adjustment for 2017-18 devolved revenues.

Net Resource Budget Adjustment is the impact of the SG decisions on taxes against the Block Grant Adjustment

Tax and Block Grant Adjustment figures are the forecasts that were used to determine the budgets for each of these years.

Within these overall budget limits there are important sub-categories of spending subject to their own control limits. These sub-limits are imposed by HM Treasury as part of UK fiscal rules. These limits apply to the following:

- Resource budgets (expenditure on the day-to-day costs of delivering public services). The total resource expenditure limit is sub-divided into a fiscal (or cash) limit – this is the largest element of government expenditure, used for example to pay public sector staff wages and purchase goods and services, and a non-cash limit – this is not a budget that supports cash expenditure, but is largely for depreciation of assets (a technical measure of the wearing out, consumption or other reduction in useful life of public sector infrastructure used in delivering public services). It is not possible to use the notional non-fiscal/non-cash budgets to support any fiscal/cash spending.

- Capital budgets are used to support the delivery of public infrastructure in Scotland. This is split between fiscal capital and a separate control for budgets that can only be used to support loan or equity investment in bodies outside the public sector – labelled as Financial Transactions. It is not possible within UK fiscal rules to use capital budgets or Financial Transactions to fund additional day-to-day expenditure: they must be used to support long-term investment. The overall capital funding available to the Scottish Government can be augmented by capital borrowing, the limits for which are imposed by the UK Government through the Fiscal Framework.

In summary, HM Treasury fiscal rules impose an annual limit on the Scottish Government's spending on public services that is equal to the aggregate of the residual block grant (after adjusting for devolved taxes), plus the devolved tax receipts themselves, plus capital borrowing.

### **Spending Plans**

Further to the defined budget limits set out above, there are two other funding elements that support the total expenditure managed by the Scottish Government:

- Non-domestic rates income, responsibility for which is fully devolved and falls outside the scope of the block grant and Fiscal Framework arrangements controlled by HM Treasury. Details on the operation of non-domestic rates in Scotland are provided at <http://www.gov.scot/Topics/Government/local-government/17999/11199>.
- A small number of programmes which, while falling within the devolved responsibilities of the Scottish Government, continue to be funded annually by the UK Government on the basis of demand (shown here as UK funded Annually Managed Expenditure (AME)). These budgets are ring-fenced for specific purposes – principally NHS and teachers' pension payments and student loans. HM Treasury fiscal rules prohibit the use of funding provided for these areas to support other expenditure.

The full spending plans for the year are set out in Table 1.05 in Chapter 1 of this document (reproduced here). Portfolio chapters show the allocation of these totals across individual programmes.

**Table 1.05: Total Proposed Budget for 2019-20**

2019-20 Budget	Resource £m	Capital £m	Total £m	AME £m	Total £m
Health and Sport	13,876.8	346.0	14,222.8	100.4	14,323.2
Communities and Local Government	7,012.8	1,999.0	9,011.8	2,853.0	11,864.8
Finance, Economy and Fair Work	438.1	353.7	791.8	4,545.0	5,336.8
Education and Skills	2,900.5	150.0	3,050.5	397.5	3,448.0
Justice	2,575.2	144.0	2,719.2	-	2,719.2
Transport, Infrastructure and Connectivity	1,155.6	1,754.6	2,910.2	-	2,910.2
Environment, Climate Change and Land Reform	181.6	245.0	426.6	-	426.6
Rural Economy	279.0	72.0	351.0	-	351.0
Culture, Tourism and External Affairs	304.5	26.5	331.0	-	331.0
Social Security and Older People	574.9	10.0	584.9	-	584.9
Government Business and Constitutional Relations	12.1	-	12.1	-	12.1
Crown Office and Procurator Fiscal Service	117.1	3.6	120.7	-	120.7
<b>Scottish Government</b>	<b>29,428.2</b>	<b>5,104.4</b>	<b>34,532.6</b>	<b>7,895.9</b>	<b>42,428.5</b>
Scottish Parliament and Audit Scotland	107.1	1.5	108.6	2.0	110.6
<b>Total Scotland</b>	<b>29,535.3</b>	<b>5,105.9</b>	<b>34,641.2</b>	<b>7,897.9</b>	<b>42,539.1</b>

### Reconciliation of Funding to Spending Plans

There are a number of differences between the aggregate funding control limits as set out in Table 1.02 and the total cost of the portfolio spending plans. Published spending plans anticipate additional funding not yet reflected in those control limits (which reconcile to the latest published HM Treasury figures). Table A.01 below reconciles the aggregate funding limits to spending plans for 2017-18, 2018-19 and 2019-20 (the current budget year and the comparator figures shown across the document).

**Table A.01 Reconciliation of Funding to Spending Limits**

SG Spending Limits – Cash Terms	2017-18 £m	2018-19 £m	2019-20 £m
<b>Scottish Government Funding</b>	<b>32,090</b>	<b>32,821</b>	<b>34,256</b>
Barnett Consequentials	(633)	(142)	
Budget Exchange/Reserve	203	234	313
Machinery of Government Changes	31	(1)	28
Anticipated budget transfers	156	159	269
Unallocated Non-cash budget	(229)	(196)	(230)
Changes to Income Tax	29	62	
Queen's and Lord Treasurer's Remembrancer		50	5
<b>Total Reconciling Items</b>	<b>(443)</b>	<b>166</b>	<b>385</b>
<b>Scottish Government Spending Plans</b>	<b>31,647</b>	<b>32,987</b>	<b>34,641</b>

Considering each of the reconciling items in turn.

**Barnett consequentials:** The comparator figures across this document reflect the spending plans as set out at the Budget Bill for those years, to show a like-for-like comparison against 2019-20 plans. The budget figures in Table 1.02 reflect the impact of any additional Barnett consequentials on the budget limits for 2017-18 and 2018-19 flowing from UK fiscal events since the relevant Budget Bill. To get to the funding position that underpinned the spending plans shown in this document, the consequential budget impact of these subsequent fiscal events needs to be removed.

**Budget exchange/Scotland Reserve:** Spending plans are underpinned by anticipated underspend carried forward from the prior year. Until 2017-18, that budget carry forward was through HM Treasury Budget Exchange (rules for which are detailed in the Statement of Funding Policy). From the end of 2017-18, it is through the operation of the Scotland Reserve (rules for which are set out in the Fiscal Framework).

**Machinery of Government changes** relate to anticipated funding transfers from the UK Government not reflected in the HM Treasury control total but showing in portfolio spending plans.

**Anticipated budget transfers** reflect UK funding for specific areas of work, including funding for administration costs of powers devolved in Scotland Act 2016, that are not yet reflected in HM Treasury budget limits. The amount for 2019-20 also includes anticipated funding for EU exit preparations.

The HM Treasury non-cash budget allocation is more than is required to meet the current needs of the Scottish Government. Accordingly, not all of this is allocated out to portfolios. As indicated above, this budget cannot be used to support fiscal/cash spending.

During the passage of the 2017-18 Budget Bill a change to tax policy was made to freeze the Higher Rate tax threshold. Under the operation of the Fiscal Framework this released an additional £29 million of funding to support spending plans. For 2018-19 there was a change to tax policy and to pay policy during the passage of the Budget Bill. These changes in combination released £62 million of further forecast tax revenues to support additional spending.

The Queen's and Lord Treasurer's Remembrancer (QLTR) is the Crown's representative in Scotland who deals with ownerless property. In the Scotland Act 1998, the Crown's property rights in ownerless goods and the revenues raised from them were transferred to Scottish Ministers and the revenues paid into the Scottish Consolidated Fund. The £50 million shown for 2018-19 is the funding impact of the accumulated revenues, which sit outside of HM Treasury control aggregates. The £5 million shown against 2019-20 represents the estimated receipts for the forthcoming year.

## ANNEX B

### Restructuring of Portfolios

The First Minister announced on 26 June 2018 the restructuring of the Scottish administration. The budgets shown in this document reflect that new portfolio structure. Table B.01 provides a reconciliation between the former Scottish Government portfolios and the new Scottish Government structure. This provides an explicit link with Table 1.4 of the supporting document for the Budget Bill introduced in January 2018.

**Table B.01: Reconciliation between former Scottish Government Portfolios and New Scottish Government Portfolios (HMT)**

#### 2018-19 Draft Budget Structure

	Total* £m	E&S £m	FE&FW £m	H&S £m	ECC&LR £m	CT&EA £m	SS&OP £m	Justice £m	RE £m	TI&C £m	C&LG £m	GB&CR £m	Admin £m	COPFS £m	Total £m
Health and Sport	13,599.1		13,599.1												13,599.1
Finance and the Constitution	4,573.2		4,570.8									2.4			4,573.2
Education and Skills	3,412.6	3,412.6													3,412.6
Justice	2,652.9						2,652.9								2,652.9
Economy, Jobs and Fair Work	689.8		486.7						10.0	193.1					689.8
Communities, Social Security and Equalities	11,653.2						122.9				11,530.3				11,653.2
Environment, Climate Change and Land Reform	405.5				405.5										405.5
Rural Economy and Connectivity	2,806.4								352.1	2,454.4					2,806.5
Culture, Tourism and External Affairs	344.3					344.3									344.3
Administration	192.6												192.6		192.6
Crown Office and Procurator Fiscal Service	116.0													116.0	116.0
<b>Total Scottish Government</b>	<b>40,445.7</b>	<b>3,412.6</b>	<b>5,057.5</b>	<b>13,599.1</b>	<b>405.5</b>	<b>344.3</b>	<b>122.9</b>	<b>2,652.9</b>	<b>362.1</b>	<b>2,647.5</b>	<b>11,530.3</b>	<b>2.4</b>	<b>192.6</b>	<b>116.0</b>	<b>40,445.7</b>
Scottish Parliament and Audit	109.6														109.6
<b>Total Scottish Budget</b>	<b>40,555.3</b>														

\*As adjusted by Stage 2 of the Budget Bill

## ANNEX C

### Summary of Portfolio Spending Plans

**Table C.01: Total Managed Expenditure**

	Real terms @ 2018-19 prices					
	2017-18 Budget	2018-19 Budget	2019-20 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget
	£m	£m	£m	£m	£m	£m
Health and Sport	13,225.9	13,599.1	14,323.2	13,466.6	13,599.1	14,071.3
Communities and Local Government	11,126.0	11,530.3	11,864.8	11,328.5	11,530.3	11,656.2
Finance, Economy and Fair Work	4,991.1	5,057.5	5,336.8	5,081.9	5,057.5	5,243.0
Education and Skills	3,288.9	3,412.6	3,448.0	3,348.8	3,412.6	3,387.4
Justice	2,605.3	2,652.9	2,719.2	2,652.7	2,652.9	2,671.4
Transport, Infrastructure and Connectivity	2,627.5	2,647.5	2,910.2	2,675.3	2,647.5	2,859.0
Environment, Climate Change and Land Reform	307.0	405.5	426.6	312.6	405.5	419.1
Rural Economy	354.7	362.1	351.0	361.2	362.1	344.8
Culture, Tourism and External Affairs	324.8	344.3	331.0	330.7	344.3	325.2
Social Security and Older People	116.2	122.9	584.9	118.3	122.9	574.6
Government Business and Constitutional Relations	2.9	2.4	12.1	3.0	2.4	11.9
Administration	192.6	192.6	-	196.1	192.6	-
Crown Office and Procurator Fiscal Service	111.1	116.0	120.7	113.1	116.0	118.6
Scottish Parliament and Audit Scotland	104.2	109.6	110.6	106.1	109.6	108.7
<b>Total</b>	<b>39,378.2</b>	<b>40,555.3</b>	<b>42,539.1</b>	<b>40,094.9</b>	<b>40,555.3</b>	<b>41,791.0</b>

**Table C.02: Fiscal Resource**

	Real terms @ 2018-19 prices					
	2017-18 Budget	2018-19 Budget	2019-20 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget
	£m	£m	£m	£m	£m	£m
Health and Sport	12,444.7	12,874.8	13,603.5	12,671.2	12,874.8	13,364.3
Communities and Local Government	6,944.8	7,158.6	7,012.5	7,071.2	7,158.6	6,889.2
Finance, Economy and Fair Work	396.0	415.1	411.2	403.2	415.1	404.0
Education and Skills	2,462.2	2,577.8	2,657.0	2,507.0	2,577.8	2,610.3
Justice	2,372.5	2,410.0	2,442.1	2,415.7	2,410.0	2,399.2
Transport, Infrastructure and Connectivity	1,087.3	1,017.0	1,000.0	1,107.1	1,017.0	982.4
Environment, Climate Change and Land Reform	150.9	153.6	168.5	153.6	153.6	165.5
Rural Economy	235.7	232.0	241.4	240.0	232.0	237.2
Culture, Tourism and External Affairs	273.3	296.9	287.7	278.3	296.9	282.6
Social Security and Older People	116.2	122.9	574.9	118.3	122.9	564.8
Government Business and Constitutional Relations	2.9	2.4	12.1	3.0	2.4	11.9
Administration	164.9	164.9	-	167.9	164.9	-
Crown Office and Procurator Fiscal Service	103.5	108.4	113.4	105.4	108.4	111.4
Scottish Parliament and Audit Scotland	90.2	95.1	96.2	91.8	95.1	94.5
<b>Total</b>	<b>26,845.1</b>	<b>27,629.5</b>	<b>28,620.5</b>	<b>27,333.7</b>	<b>27,629.5</b>	<b>28,117.2</b>

**Table C.03: Non-Cash (Ringfenced)**

	Real terms @ 2018-19 prices					
	2017-18 Budget	2018-19 Budget	2019-20 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget
	£m	£m	£m	£m	£m	£m
Health and Sport	273.1	273.1	273.3	278.1	273.1	268.5
Communities and Local Government	0.3	0.3	0.3	0.3	0.3	0.3
Finance, Economy and Fair Work	14.0	11.2	26.9	14.3	11.2	26.4
Education and Skills	212.3	235.8	243.5	216.2	235.8	239.2
Justice	128.8	130.1	133.1	131.1	130.1	130.8
Transport, Infrastructure and Connectivity	107.0	152.6	155.6	108.9	152.6	152.9
Environment, Climate Change and Land Reform	13.3	12.0	13.1	13.5	12.0	12.9
Rural Economy	29.3	47.7	37.6	29.8	47.7	36.9
Culture, Tourism and External Affairs	19.5	17.7	16.8	19.9	17.7	16.5
Social Security and Older People	-	-	-	-	-	-
Government Business and Constitutional Relations	-	-	-	-	-	-
Administration	14.6	14.6	-	14.9	14.6	-
Crown Office and Procurator Fiscal Service	4.0	4.0	3.7	4.1	4.0	3.6
Scottish Parliament and Audit Scotland	11.8	11.0	10.9	12.0	11.0	10.7
<b>Total</b>	<b>828.0</b>	<b>910.1</b>	<b>914.8</b>	<b>843.1</b>	<b>910.1</b>	<b>898.7</b>

**Table C.04: Capital (inc Financial Transactions)**

				Real terms @ 2018-19 prices		
	2017-18 Budget	2018-19 Budget	2019-20 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget
	£m	£m	£m	£m	£m	£m
Health and Sport	408.1	351.2	346.0	415.5	351.2	339.9
Communities and Local Government	1,515.1	1,735.4	1,999.0	1,542.7	1,735.4	1,963.8
Finance, Economy and Fair Work	59.6	229.6	353.7	60.7	229.6	347.5
Education and Skills	171.4	171.0	150.0	174.5	171.0	147.4
Justice	104.0	112.8	144.0	105.9	112.8	141.5
Transport, Infrastructure and Connectivity	1,433.2	1,477.9	1,754.6	1,459.3	1,477.9	1,723.7
Environment, Climate Change and Land Reform	142.8	239.9	245.0	145.4	239.9	240.7
Rural Economy	89.7	82.4	72.0	91.3	82.4	70.7
Culture, Tourism and External Affairs	32.0	29.7	26.5	32.6	29.7	26.0
Social Security and Older People	-	-	10.0	-	-	9.8
Government Business and Constitutional Relations	-	-	-	-	-	-
Administration	13.1	13.1	-	13.3	13.1	-
Crown Office and Procurator Fiscal Service	3.6	3.6	3.6	3.7	3.6	3.5
Scottish Parliament and Audit Scotland	1.2	1.5	1.5	1.2	1.5	1.5
<b>Total</b>	<b>3,973.8</b>	<b>4,448.1</b>	<b>5,105.9</b>	<b>4,046.1</b>	<b>4,448.1</b>	<b>5,016.1</b>

**Table C.05: Annually Managed Expenditure**

				Real terms @ 2018-19 prices		
	2017-18 Budget	2018-19 Budget	2019-20 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget
	£m	£m	£m	£m	£m	£m
Health and Sport	100.0	100.0	100.4	101.8	100.0	98.6
Communities and Local Government	2,665.8	2,636.0	2,853.0	2,714.3	2,636.0	2,802.8
Finance, Economy and Fair Work	4,521.5	4,401.6	4,545.0	4,603.8	4,401.6	4,465.1
Education and Skills	443.0	428.0	397.5	451.1	428.0	390.5
Justice	-	-	-	-	-	-
Transport, Infrastructure and Connectivity	-	-	-	-	-	-
Environment, Climate Change and Land Reform	-	-	-	-	-	-
Rural Economy	-	-	-	-	-	-
Culture, Tourism and External Affairs	-	-	-	-	-	-
Social Security and Older People	-	-	-	-	-	-
Government Business and Constitutional Relations	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Crown Office and Procurator Fiscal Service	-	-	-	-	-	-
Scottish Parliament and Audit Scotland	1.0	2.0	2.0	1.0	2.0	2.0
<b>Total</b>	<b>7,731.3</b>	<b>7,567.6</b>	<b>7,897.9</b>	<b>7,872.0</b>	<b>7,567.6</b>	<b>7,759.0</b>

## **ANNEX D (WEB ONLY)**

## ANNEX E

Table E.01: OUTTURN COMPARISON 2012-13 to 2017-18

	2012-13 Outturn £m	2013-14 Outturn £m	2014-15 Outturn £m	2015-16 Outturn £m	2016-17 Outturn £m	2017-18 Outturn £m
Health	11,595.7	11,807.8	11,969.4	12,429.4	13,199.3	13,375.6
Sport <sup>1</sup>	81.0	143.5	234.1	62.8	45.1	-
Food Standards Scotland	9.0	10.3	10.8	15.8	16.3	15.7
<b>Total Health and Sport</b>	<b>11,685.7</b>	<b>11,961.6</b>	<b>12,214.3</b>	<b>12,508.0</b>	<b>13,260.7</b>	<b>13,391.3</b>
Local Government <sup>2</sup>	11,225.1	10,310.6	10,733.5	10,877.8	10,336.6	10,462.1
Planning	4.1	3.8	5.0	5.2	4.4	6.6
Third Sector	19.4	22.0	23.7	18.4	21.6	21.2
Housing	-	-	-	-	616.8	633.9
Social Justice and Regeneration	-	-	-	-	61.5	60.1
Governance, Elections and Reform	0.7	0.4	0.1	1.5	1.3	0.1
Housing and Regeneration	394.8	444.8	548.2	636.1	-	-
Welfare Reform Mitigation	0.3	3.6	9.2	13.3	-	-
Scottish Futures Fund (SJC&PR)	-	-	1.8	-	-	-
Office of the Scottish Charity Regulator	2.9	2.9	2.9	2.9	2.9	3.0
Scottish Housing Regulator	3.7	4.9	4.4	4.3	4.0	4.0
<b>Total Communities and Local Government</b>	<b>11,651.0</b>	<b>10,793.0</b>	<b>11,328.8</b>	<b>11,559.5</b>	<b>11,049.1</b>	<b>11,191.0</b>
Scottish Public Pensions Agency	2,565.4	2,649.6	3,613.9	3,429.5	3,301.1	4,569.5
Other Finance	10.9	17.8	62.1	48.9	40.7	36.2
Enterprise	256.4	297.3	259.8	258.9	236.0	304.4
Economic Advice	1.5	2.0	2.0	2.1	2.5	3.6
Employability and Training	n/a	n/a	21.6	18.0	16.8	35.3
European Social Fund	-	-	-	-	50.1	(0.5)
European Regional Development Fund	-	-	-	-	(32.4)	(4.5)
ESF Programme Operation	7.7	2.1	3.9	32.9	(7.1)	-
Accountant in Bankruptcy	0.9	0.7	0.6	1.1	1.4	2.2
Revenue Scotland	-	-	-	4.6	4.6	5.5
Scottish Fiscal Commission	-	-	-	-	0.9	1.5
<b>Total Finance, Economy and Fair Work</b>	<b>2,842.8</b>	<b>2,969.5</b>	<b>3,963.9</b>	<b>3,796.0</b>	<b>3,614.6</b>	<b>4,953.2</b>

	2012-13 Outturn £m	2013-14 Outturn £m	2014-15 Outturn £m	2015-16 Outturn £m	2016-17 Outturn £m	2017-18 Outturn £m
Learning	175.2	159.0	156.8	173.0	183.4	213.3
Children and Families	90.0	95.7	96.5	89.5	80.6	155.0
Higher Education Student Support	644.6	670.0	810.1	883.1	906.7	881.0
Scottish Funding Council	1,675.7	1,682.4	1,712.6	1,693.8	1,780.8	1,645.3
Advanced Learning and Science	-	266.0	6.0	4.8	4.5	5.1
Skills and Training	n/a	n/a	236.6	255.2	228.1	239.9
Other ELL	233.1	-	-	-	-	-
<b>Total Education and Skills</b>	<b>2,818.6</b>	<b>2,873.1</b>	<b>3,018.6</b>	<b>3,099.4</b>	<b>3,184.1</b>	<b>3,139.6</b>
Community Justice Services	30.7	27.8	28.3	32.6	25.0	26.1
Judiciary	48.6	50.7	53.3	40.9	31.1	32.9
Criminal Injuries Compensation	25.1	20.5	17.5	17.5	17.4	13.6
Legal Aid	160.8	166.2	155.5	145.7	146.7	140.9
Scottish Police Authority (SPA)	-	1,199.9	1,153.1	1,167.3	1,142.2	1,202.3
Scottish Fire and Rescue Service	-	302.6	308.2	307.8	322.4	322.2
Miscellaneous	16.0	33.0	28.7	29.4	37.1	26.1
Police Central Government	245.9	45.4	23.5	25.9	26.7	54.9
Safer and Stronger Communities	3.4	2.9	3.8	6.2	3.8	4.4
Scottish Resilience	16.3	-	-	-	-	-
Police and Fire Pensions	329.1	327.4	477.4	312.3	372.3	406.1
Scottish Courts and Tribunals Service	78.5	87.6	73.9	92.9	108.1	108.4
Scottish Prison Service	426.2	297.8	337.8	332.2	331.5	341.3
<b>Total Justice<sup>1</sup></b>	<b>1,380.6</b>	<b>2,561.8</b>	<b>2,661.0</b>	<b>2,510.7</b>	<b>2,564.3</b>	<b>2,679.2</b>
Digital Public Services, Committees, Commissions and Other Expenditure	16.3	19.1	90.7	-	-	-
Digital Connectivity <sup>3</sup>	-	-	-	78.0	81.9	63.5
Energy	22.7	39.0	53.5	41.6	36.2	33.8
Cities Investment and Strategy	-	-	-	33.1	44.4	43.7
Rail Services	783.6	838.0	708.3	748.6	737.9	776.0
Concessionary Fares and Bus Services	258.9	246.7	252.7	252.4	250.2	253.2
Other Transport Policy, Projects and Agency Administration	61.3	74.7	74.1	66.4	112.1	185.4
Motorways and Trunk Roads	766.0	595.9	578.8	773.4	785.0	804.1

Table E.01: OUTTURN COMPARISON 2012-13 to 2017-18 (cont'd)

	2012-13 Outturn £m	2013-14 Outturn £m	2014-15 Outturn £m	2015-16 Outturn £m	2016-17 Outturn £m	2017-18 Outturn £m
Ferry Services	120.4	142.8	167.9	205.7	209.7	237.8
Air Services	38.0	56.5	56.9	63.2	57.6	57.5
Scottish Futures Fund	2.1	7.7	16.6	14.6	-	-
<b>Transport, Infrastructure and Connectivity</b>	<b>2,069.3</b>	<b>2,020.4</b>	<b>1,999.5</b>	<b>2,277.0</b>	<b>2,315.0</b>	<b>2,455.0</b>
Marine	50.1	54.8	53.8	54.1	55.6	57.8
Research, Analysis and Other Services	76.0	72.3	69.2	64.5	64.9	63.1
Environmental Services	146.7	150.4	149.1	155.8	136.2	144.8
Climate Change	7.5	13.5	15.1	15.1	15.4	16.2
Scottish Water	9.5	(66.7)	(25.4)	(97.1)	(95.9)	22.6
<b>Total Environment, Climate Change and Land Reform</b>	<b>289.8</b>	<b>224.3</b>	<b>261.8</b>	<b>192.4</b>	<b>176.2</b>	<b>304.5</b>
EU Support and Related Services	133.9	116.4	163.6	160.6	195.5	146.4
Rural Services	35.3	40.1	35.5	82.9	162.3	174.9
Fisheries and Aquaculture Grants	4.5	8.2	5.6	7.8	4.4	5.4
Forestry Commission	77.4	68.8	56.4	54.5	56.1	67.4
Highland and Islands Enterprise	86.4	70.8	67.5	67.2	68.4	76.4
<b>Rural Economy</b>	<b>337.5</b>	<b>304.3</b>	<b>328.6</b>	<b>373.0</b>	<b>486.7</b>	<b>470.5</b>
External Affairs	12.1	12.5	12.2	14.4	11.8	15.0
Culture, Tourism and Major Events	238.2	219.4	207.3	210.7	214.4	220.1
Historic Scotland	47.5	42.7	35.6	-	-	-
National Records of Scotland	22.3	19.9	19.9	21.1	25.6	26.3
Historic Environment Scotland	-	-	-	45.3	43.1	41.5
Young Scots Fund	0.8	-	-	-	-	-
<b>Total Culture, Tourism and External Affairs</b>	<b>320.9</b>	<b>294.5</b>	<b>275.0</b>	<b>291.5</b>	<b>294.9</b>	<b>302.9</b>
Equalities	19.7	18.8	21.7	22.5	23.8	25.1
Social Security	-	-	-	-	1.4	12.4
<b>Total Social Security and Older People</b>	<b>19.7</b>	<b>18.8</b>	<b>21.7</b>	<b>22.5</b>	<b>25.2</b>	<b>37.5</b>

Government Business	11.5	4.8	4.4	5.0	32.1	11.1
<b>Total Government Business and Constitutional Relations</b>	<b>11.5</b>	<b>4.8</b>	<b>4.4</b>	<b>5.0</b>	<b>32.1</b>	<b>11.1</b>
Administration	224.8	206.8	200.0	182.7	181.5	184.3
<b>Total Administration</b>	<b>224.8</b>	<b>206.8</b>	<b>200.0</b>	<b>182.7</b>	<b>181.5</b>	<b>184.3</b>
Crown Office and Procurator Fiscal Service	109.0	109.7	112.4	113.2	112.7	112.8
<b>Total Crown Office and Procurator Fiscal Service</b>	<b>109.0</b>	<b>109.7</b>	<b>112.4</b>	<b>113.2</b>	<b>112.7</b>	<b>112.8</b>
<b>Total Scottish Government Budget</b>	<b>33,761.2</b>	<b>34,342.6</b>	<b>36,390.0</b>	<b>36,930.9</b>	<b>37,297.1</b>	<b>39,232.9</b>

1. Sport subsumed within Health Level 2 from 2017-18
2. Budgets for Police and Fire in excess of £1 billion were transferred from Local Government to the new police and fire authorities from 2013-14 onwards
3. Digital Connectivity has not split between new Finance, Economy and Fair Work and Transport, Infrastructure and Connectivity portfolios

## ANNEX F

### Budget Bill Reconciliation and Cash Authorisation

As set out in the Preface, this document details the budgets on an HM Treasury basis (in line with the Draft Budgets of previous years) but then also makes the necessary presentational adjustments to align portfolio allocations with the Budget Bill. Where necessary these adjustments have been detailed in each portfolio chapter. In addition, Table F.02 shows a full reconciliation between the portfolio budgets reported to HM Treasury and the portfolio budgets as presented for parliamentary approval.

There are a number of differences between the figures reported to HM Treasury and those laid before the Scottish Parliament in the Budget Bill. The major changes largely reflect statutory requirements. These are explained below:

- i) While spending proposals are in the main expressed in resource terms, the Public Finance and Accountability (Scotland) Act 2000 requires authority for the budgets of non-departmental public bodies (NDPBs) to be given in cash. In order to allow comparison with NDPB budgets presented in other publications – Table F.01 compares cash and resource budgets at portfolio level.
- ii) HM Treasury budgets include Judicial Salaries of £33.0 million. The Judicial Salaries in respect of full-time appointed Sheriffs are excluded from the Budget Bill as they do not require parliamentary approval. Likewise, loan repayments by Scottish Water to the National Loans Fund, the Public Works Loan Board and the European Investment Bank of £46.7 million are included within the HM Treasury figures, but are excluded from the Budget Bill as they do not require parliamentary approval. Police loan charges of £5.4 million are included in the Bill as they require parliamentary approval.
- iii) There are a number of directly funded external bodies which require separate parliamentary approval from the portfolio total, and consequently the budgets are detailed separately in the Budget Bill in respect of financial year 2019-20.

Tables F.03 to F.06 set out the overall resource authorisations sought in the Budget Bill at portfolio level, and the cash equivalents. The numbers shown in these summary tables will read across to the numbers shown in the Bill.

The purpose of the Bill is to secure parliamentary approval for the Scottish Government's spending plans for the financial year 2019-20. The Bill does not seek approval of the tax measures in this document: these are subject to separate legislation.

**Table F.01: Revised NDPB Cash and Resource Budgets by Portfolio, 2019-20**

Portfolios (with at least one Executive NDPB)	NDPB Budget (Cash terms) £m	Non cash items £m	NDPB Budget (Resource terms) £m
Health and Sport	106.1	1.2	107.3
Communities and Local Government	1.4	-	1.4
Finance, Economy and Fair Work	248.7	8.3	257.0
Education and Skills	2,090.3	35.0	2,125.3
Justice	1,576.3	75.4	1,651.7
Transport, Infrastructure and Connectivity	36.6	9.5	46.1
Environment, Climate Change and Land Reform	101.8	7.9	109.7
Rural Economy	57.8	5.1	62.9
Culture, Tourism and External Affairs	169.6	13.9	183.5
<b>Total</b>	<b>4,388.6</b>	<b>156.3</b>	<b>4,544.9</b>

Table F.02: Presentational Adjustments for Parliamentary Approval

	A HMT Budget £m	B NDPB Non-cash £m	C Adjusted Budget £m	D Tech Adjust £m	E Other bodies and transfers £m	F LA grants £m	G Parliamentary Budget Approval £m
Health and Sport	14,323.2	(1.2)	-	138.0	(16.0)	-	14,444.0
Communities and Local Government	11,864.8	-	-	-	(7.8)	(740.7)	11,116.3
Finance, Economy and Fair Work	5,336.8	(8.3)	-	(61.0)	(4,554.5)	50.0	763.0
Education and Skills	3,448.0	(35.0)	-	-	-	561.7	3,974.7
Justice	2,719.2	(75.4)	(29.7)	1.7	(116.8)	86.5	2,585.5
Transport, Infrastructure and Connectivity	2,910.2	(9.5)	-	(17.8)	-	42.5	2,925.4
Environment, Climate Change and Land Reform	426.6	(7.9)	37.6	-	-	-	456.3
Rural Economy	351.0	(5.1)	0.1	-	-	-	346.0
Culture, Tourism and External Affairs	331.0	(13.9)	-	-	(37.4)	-	279.7
Social Security and Older People	584.9	-	-	-	-	-	584.9
Government Business and Constitutional Relations	12.1	-	-	-	-	-	12.1
Crown Office and Procurator Fiscal Service	120.7	-	-	-	-	-	120.7
National Records of Scotland	-	-	-	-	37.4	-	37.4
Teachers and NHS Pensions	-	-	-	-	4,545.0	-	4,545.0
Office of Scottish Charity Regulator	-	-	-	-	3.3	-	3.3
Scottish Courts and Tribunals Service	-	-	-	-	116.8	-	116.8
Scottish Housing Regulator	-	-	-	-	4.5	-	4.5
Scottish Fiscal Commission	-	-	-	-	1.9	-	1.9
Revenue Scotland	-	-	-	-	7.6	-	7.6
Food Standards Scotland	-	-	-	-	16.0	-	16.0
<b>The Scottish Government</b>	<b>42,428.5</b>	<b>(156.3)</b>	<b>8.0</b>	<b>60.9</b>	<b>0.0</b>	<b>0.0</b>	<b>42,341.1</b>
Scottish Parliament and Audit Scotland*	110.6	-	-	-	-	-	110.6
<b>Total Managed Expenditure</b>	<b>42,539.1</b>	<b>(156.3)</b>	<b>8.0</b>	<b>60.9</b>	<b>0.0</b>	<b>0.0</b>	<b>42,451.7</b>

\* Annex Tables F.06 and F.07 show a further breakdown

**Table F.03: The Components of the Scottish Budget 2019-20**

	Expenditure Within Expenditure Limit £m	Expenditure Within AME £m	Other Expenditure £m	Total Budget £m
Scottish Executive - Portfolios				
Health and Sport	14,205.6	100.4	138.0	14,444.0
Communities and Local Government	8,263.3	2,853.0	-	11,116.3
Finance, Economy and Fair Work	763.0	-	-	763.0
Education and Skills	3,577.2	397.5	-	3,974.6
Justice	2,535.8	-	49.7	2,585.5
Transport, Infrastructure and Connectivity	2,799.2	-	146.2	2,925.4
Environment, Climate Change and Land Reform	456.3	-	-	456.3
Rural Economy	345.9	-	0.1	346.0
Culture, Tourism and External Affairs	279.7	-	-	279.7
Social Security and Older People	584.9	-	-	584.9
Government Business and Constitutional Relations	12.1	-	-	12.1
<b>Total Programme</b>	<b>33,803.2</b>	<b>3,350.9</b>	<b>334.0</b>	<b>37,488.1</b>
Crown Office and Procurator Fiscal	120.7	-	-	120.7
<b>Total Scottish Government (Consolidated)</b>	<b>33,923.9</b>	<b>3,350.9</b>	<b>334.0</b>	<b>37,608.8</b>
Scottish Housing Regulator	4.5	-	-	4.5
National Records of Scotland	37.4	-	-	37.4
Office of the Scottish Charity Regulator	3.3	-	-	3.3
Scottish Courts and Tribunals Service	116.6	-	-	116.6
Scottish Fiscal Commission	1.9	-	-	1.9
Revenue Scotland	7.6	-	-	7.6
Food Standards Scotland	15.6	0.4	-	16.0
Scottish Teachers' and NHS Pension Schemes	-	4,545.0	-	4,545.0
<b>Total Scottish Administration</b>	<b>34,110.8</b>	<b>7,896.3</b>	<b>334.0</b>	<b>42,341.1</b>
<b>Direct Funded Bodies</b>				
Scottish Parliament Corporate Body	101.0	2.0	-	103.0
Audit Scotland	7.6	-	-	7.6
	-	-	-	-
<b>Total Scottish Budget</b>	<b>34,219.4</b>	<b>7,898.3</b>	<b>334.0</b>	<b>42,451.7</b>

**Table F.04: Revised Overall Cash Authorisation (Total Funding Requirement)**

	Budget	Adjustments		Cash Authorisation
	£m	Depreciation £m	Other £m	£m
<b>Scottish Administration</b>	42,341.1	(736.1)	(3,902.6)	37,702.4
Scottish Parliament Corporate Body	103.0	(10.5)	(2.1)	90.4
Audit Scotland	7.6	(0.3)	-	7.3
<b>Total</b>	<b>42,451.7</b>	<b>(746.9)</b>	<b>(3,904.7)</b>	<b>37,800.1</b>

<b>Sources of Funding for Scottish Budget:</b>	
Cash grant	19,928.6
Non Domestic Rate Income	2,853.0
Scottish Rate of Income Tax	11,684.0
Forecast receipts from LBTT and Landfill Tax	747.0
Fines, Forfeitures and Fixed Penalties	25.0
Queen's and Lord Treasurers Remembrancer	5.0
Capital borrowing	450.0
National Insurance Contributions	2,107.5
<b>Total Cash Authorisation</b>	<b>37,800.1</b>

**Table F.05: Scottish Parliament Corporate Body  
Details of Proposed Budget**

Proposed Budget	2018-19	2019-20		
	Total £m	Operating £m	Capital £m	Total £m
	<b>103.4</b>	<b>102.7</b>	<b>1.3</b>	<b>104.0</b>
Less Retained Income	(1.0)	(1.0)	-	(1.0)
Capital Receipts Applied	-	-	-	-
	<b>102.4</b>	<b>101.7</b>	<b>1.3</b>	<b>103.0</b>
<b>Budget Analysis</b>				
Scottish Parliament Administration Costs	101.1	101.7	-	101.7
Scottish Parliament Capital Expenditure	1.3	-	1.3	1.3
<b>Net Expenditure</b>	<b>102.4</b>	<b>101.7</b>	<b>1.3</b>	<b>103.0</b>

**Table F.06: Audit Scotland  
Details of Proposed Budget**

Proposed Budget	2018-19	2019-20		
	Total £m	Operating £m	Capital £m	Total £m
	<b>24.5</b>	<b>25.3</b>	<b>0.2</b>	<b>25.5</b>
Less Retained Income	(17.3)	(17.9)	-	(17.9)
Capital Receipts Applied	-	-	-	-
	<b>7.2</b>	<b>7.4</b>	<b>0.2</b>	<b>7.6</b>
<b>Budget Analysis</b>				
Audit Scotland Capital	0.2	-	0.2	0.2
Less: income from fees and charges (Accounts Commission)	(11.1)	(11.6)	-	(11.6)
Less: income from fees and charges (Parliament and the Auditor General)	(6.2)	(6.3)	-	(6.3)
Support to Parliament and the Auditor General: Current expenditure	<b>12.5</b>	<b>13.7</b>	-	<b>13.7</b>
Support to the Accounts Commission: Current expenditure	<b>11.8</b>	<b>11.6</b>	-	<b>11.6</b>
<b>Net Expenditure</b>	<b>7.2</b>	<b>7.4</b>	<b>0.2</b>	<b>7.6</b>

## **ANNEX G**

### **Scottish Government Operating Costs**

#### **A change in approach**

This Budget document changes the way that the operating costs of the Scottish Government are presented. In previous Draft Budget documents, the Administration chapter set out the budget for the core Administration to support the Scottish Government and explained that where Scottish Government staff were implementing and delivering specific public services they were paid for from within individual portfolio budgets.

In 2019-20, for the first time, the total operating costs for the Scottish Government are aligned with the portfolio budget that they support. The total operating costs for a portfolio are all the core Scottish Government staff and associated operating costs incurred by the portfolio, plus a share of the costs, such as accommodation, IT, legal services and HR, which cannot be readily attributed to a portfolio.

This new approach replaces the dual system of Administration and portfolio budgets both funding operating costs. This will allow greater transparency and scrutiny of operating costs, particularly over time as we continue to present operating costs in this way in future years. This builds on our Open Government Financial Transparency commitment to clearly explain how public finances operate.

The approach of having a separate Administration budget has existed since before devolution. Over time, as the role and purpose of the Scottish Government has evolved, this approach no longer supports the most efficient method of allocating and monitoring our staff-related resources. The Scottish Government now carries out an increasingly diverse set of tasks, including more delivery-related functions, which has resulted in more costs being funded through portfolio budgets.

In previous years, the Administration budget was allocated across the Scottish Government after the Budget was agreed. This new approach allows the allocation of

total operating costs to be considered as part of the budget process. As a result of the change in approach, a separate Administration budget no longer exists.

The 2019-20 portfolio total operating costs are summarised in Table G.01.

**Table G.01: 2019-20 Total Operating Costs by Portfolio**

Portfolio	£m
Health and Sport	53.9
Communities and Local Government	35.8
Finance, Economy and Fair Work	98.1
Education and Skills	37.3
Justice	27.5
Transport, Infrastructure and Connectivity	10.6
Environment, Climate Change and Land Reform	63.3
Rural Economy	89.0
Culture, Tourism and External Affairs	14.3
Social Security and Older People	68.1
Government Business and Constitutional Relations	9.9
<b>Total</b>	<b>507.8</b>

Overall, the total operating costs of the Scottish Government represents 1.2 per cent of the overall Scottish Budget (as measured by Total Managed Expenditure) of £42.539 billion.

The Administration budget also had a capital element (£13.1 million in 2018-19). In 2019-20, the budget for corporate capital projects is allocated to the Finance, Economy and Fair Work portfolio.

### Our priorities

Through the operating cost budget, we will ensure that the organisation has the capacity and capability to support the delivery of the priority outcomes and objectives set by Ministers and the people of Scotland as well as to support the functions of government.

In 2019-20, the operating cost budget will support the provision of staff to deliver the key priorities set out in portfolio chapters.

It will also:

- secure maximum value for public money and invest further in the effectiveness of our people, systems and workplaces, building on significant efficiencies already achieved in procurement, estates, facilities and other operational costs; and
- ensure a high-performing, efficient and engaged workforce which exemplifies our commitment to Fair Work, diversity, flexible working and partnership with the recognised Trade Unions.

## Portfolio chapters

This is the first time that total operating costs for the Scottish Government have been set out within each portfolio budget. This will give a clearer picture of the overall resources supporting each portfolio and of changes in these from year to year. This clarity is intended to support the new approach to budget scrutiny by the Scottish Parliament.

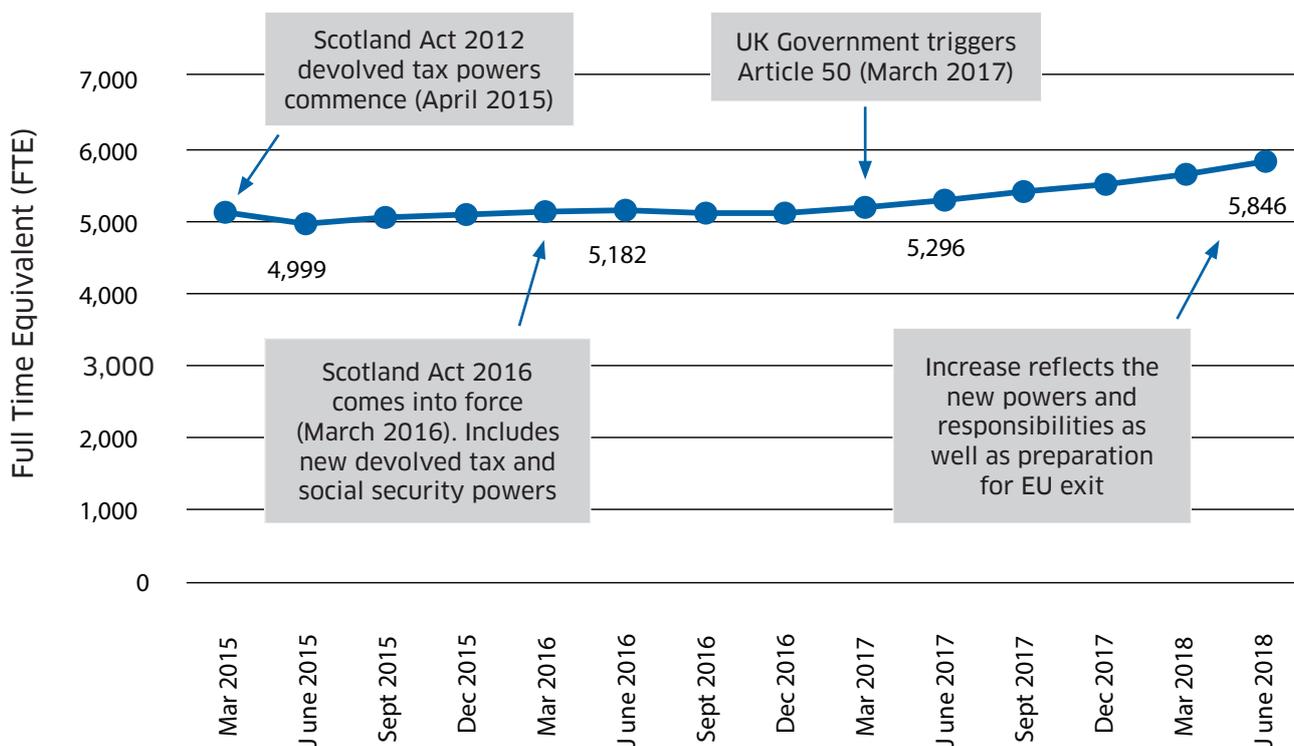
For 2019-20, the introduction of this new approach impacts on the presentation of the tables within the portfolio chapters and there is a break in the time series between 2018-19 and 2019-20. The 2019-20 budget figures include all operating costs. For 2017-18 and 2018-19 the budget figures have not been adjusted and correspond to the budget figures set out in previous Draft Budget documents. This reflects the fact that in these years staffing costs were met from both individual portfolio budgets and the Administration budget. The analysis in the remainder of this Annex is intended to help explain the key changes and to support comparisons between years.

## Changing nature of government

Scottish Government workforce numbers are regularly published as part of the Scottish Government Workforce Information<sup>1</sup> publication. In the year to June 2018, the number of full time equivalent (FTE) staff has increased by 10 per cent.

Workforce numbers have generally been growing in recent years to reflect the changing nature of Scottish Government's business and the adoption of a range of new powers and responsibilities, and this is presented in Figure G.01.

**Figure G.01 - Directly employed staff in the Scottish Government, March 2015 to June 2018**



<sup>1</sup> <https://www.gov.scot/publications/workforce-information/>

The nature of the Scottish Government's business has evolved from a purely spending organisation into a mature devolved administration that is both raising its own revenues through a range of devolved taxes and delivering public services in new areas such as Social Security. Some key areas of staffing growth within the Scottish Government in recent years are:

- **Devolution of social security powers:** The Scottish Government is responsible for the complex, multi-year implementation programme to devolve the new social security powers to Scotland. The Scottish Government workforce required to deliver this programme of work has grown in recent years but is expected to peak in 2019-20 and then reduce. The primary driver of the growth in workforce is securing the necessary skills and capacity for the implementation programme on a temporary basis. The temporary additional expenditure on implementation is supported by the transfer of £200 million from the UK Government under the Fiscal Framework to support the devolution of the new powers following the Scotland Act 2016. Social security implementation was always expected to be the largest draw on this transfer.
- **Increased devolution of powers from the UK Government:** In addition to social security, significant tax powers alongside a range of other powers such as consumer protection, tribunals and the Crown Estate have been devolved in recent years. The implementation of all these powers has introduced additional responsibilities for the Scottish Government including developing new policy and legislation, establishing new public bodies and introducing new processes. In the area of taxation, for example, the Government has set up teams to provide tax policy advice to Ministers, and established the necessary arrangements to deliver the devolved taxes. This has included setting up the Scottish Fiscal Commission and Revenue Scotland and putting in place a service level agreement with HMRC for the administration of Scottish Income Tax.
- **Preparation for EU exit:** There are now significant numbers of staff engaged in complex tasks preparing for the UK leaving the European Union, where substantial operational work is required alongside legislative preparations. In late summer 2018, around 420 people (FTE) in the Scottish Government were spending more than 50 per cent of their time on EU exit-related work. We anticipate further growth in staff time dedicated to EU exit over the remainder of the year and will pick this up in future monitoring exercises. There will also be a significant number of people who are carrying out EU exit-related work alongside other duties but not to the extent that it is over half their role. We are supporting vital preparations in several ways:
  - the operating cost budget for 2019-20 includes funding for work on EU exit, based on the needs identified across a range of teams, giving Scottish Government greater human capacity and flexibility to respond to EU exit. With the ongoing uncertainties, we are keeping the resourcing position under review;

- building up an international trade and investment policy function and doubling Scottish Development International's presence in Europe to help support the Scottish economy; and
- ensuring that skilled legal staff are in place to deliver a functioning devolved statute book upon EU exit.

### Comparison of operating costs over time: consistent time series

We recognise that there may be an interest in producing a time series for previous years on the same basis as the 2019-20 figures.

Table G.02 sets out outturn figures for operating costs for 2016-17 and 2017-18 as well as the provisional outturn for 2018-19 (this is the anticipated net end-year position for 2018-19, which includes Autumn Budget Revisions and proposed Spring Budget Revisions). These are our best estimates and have not previously been published.

**Table G.02: Operating costs – time series**

	2016-17 <sup>2</sup> Outturn	2017-18 Outturn	2018-19 Provisional Outturn
	£m	£m	£m
Scottish Government Operating Costs	369	390	452
Administration	165	161	170
Portfolio	204	229	282

This shows the growth in operating costs in recent years. A significant driver of changes in operating costs will be the changes in the Scottish Government workforce described previously, with the full-year impact of in-year changes in workforce being in the following year's operating costs budget.

As a result of the UK Government's spending on preparations for the UK's exit from the EU, the Scottish Government received consequential in 2018-19 and will do so again in 2019-20. In 2018-19 significant funding for EU exit preparations was provided to areas through Autumn Budget Revisions. In 2019-20, the operating cost budget already includes funding for work on EU exit, based on the needs identified. In allocating resources, we are prioritising areas that will be heavily impacted by EU exit such as Rural Economy and International Trade, as well as the implementation of new devolved social security powers.

Table G.03 shows how the 2018-19 Administration resource budget set out in the 2018-19 Draft Budget was allocated across portfolios. Scottish Government staff implementing and delivering specific public services were paid for from individual portfolio budgets where appropriate.

<sup>2</sup> Data prior to 2016-17 are not available on a comparable basis. Prior to this, staffing budgets, apart from those funded through the Administration budget, were managed within portfolios. New, enhanced reporting processes were introduced in 2016-17 to support a consistent central overview of all staffing budgets.

**Table G.03: 2018-19 Administration Budget by Portfolio**

Portfolio	£m
Health and Sport	-
Communities and Local Government	15.4
Finance, Economy and Fair Work	25.3
Education and Skills	14.9
Justice	8.1
Transport, Infrastructure and Connectivity	2.9
Environment, Climate Change and Land Reform	6.7
Rural Economy	1.5
Culture, Tourism and External Affairs	6.4
Social Security and Older People	10.7
Government Business and Constitutional Relations	4.9
Support for all portfolios <sup>3</sup>	68.1
<b>Total</b>	<b>164.9</b>

Table G.04 sets out the comparison of operating costs by portfolio with the provisional outturn position in 2018-19. The 2018-19 portfolio figures are modelled to reflect the operating cost approach set out in this Annex for 2019-20, as the 2018-19 budgets are not held in this way. The area of greatest growth in operating costs is within the Social Security and Older People portfolio, enabling the devolution of social security powers.

**Table G.04: Operating costs - 2018-19 (modelled) and 2019-20**

Portfolio	2018-19 Provisional Outturn £m	2019-20 Budget £m
Health and Sport	51.6	53.9
Communities and Local Government	32.5	35.8
Finance, Economy and Fair Work	90.5	98.1
Education and Skills	36.8	37.3
Justice	25.7	27.5
Transport, Infrastructure and Connectivity	8.7	10.6
Environment, Climate Change and Land Reform	62.0	63.3
Rural Economy	85.3	89.0
Culture, Tourism and External Affairs	13.9	14.3
Social Security and Older People	36.6	68.1
Government Business and Constitutional Relations	8.1	9.9
<b>Total</b>	<b>451.7</b>	<b>507.8</b>

<sup>3</sup> Some corporate costs such as accommodation, IT, legal services and HR cannot be readily attributed to a portfolio. In 2018-19, they were largely funded from the Administration budget. In 2019-20, they are funded as part of total operating costs.

## ANNEX H

### GLOSSARY

#### **Annually Managed Expenditure (AME)**

A small number of programmes that, while they fall within the devolved responsibilities of the Scottish Government, continue to be funded annually by the UK Government on the basis of demand. These budgets are ring-fenced for specific purposes, principally NHS and teachers' pension payments and student loans, and cannot be deployed for any other purpose. This expenditure is generally less predictable and is not subject to multi-year limits.

#### **Audit Scotland**

Audit Scotland was set up in April 2000 to audit the accounts of the Scottish Government and other public sector bodies in Scotland and to ensure that public funds are used properly, efficiently and effectively.

#### **Barnett Formula**

The Barnett formula allocates to Scotland a population share of changes in comparable spending programmes in England. Comparability is the extent to which services delivered by UK Government departments correspond to services delivered by devolved administrations. Scotland gets exactly the same funding per head increase as in England. Barnett only applies to expenditure classified within UK Government departments' Departmental Expenditure Limits. Details can be found in the Statement of Funding Policy<sup>1</sup> available on the HM Treasury website.

#### **Block Grant Adjustment**

After devolution of taxes through the Scotland Act and Fiscal Framework, the Scottish block grant continues to be calculated by the Barnett formula. Consequently, an adjustment to the block grant needs to be made to reflect that some of the budget is now funded by Scottish tax revenues that were previously retained by the UK Government. There are two steps to this: firstly, an initial deduction from the block grant is made for each tax. This is to compensate the UK Government for the tax revenue which is now being retained by the Scottish Government; secondly, for each subsequent year the Block Grant Adjustments (BGAs) for each tax are grown or 'indexed' to take account of changing tax revenue over time.

#### **Cash Terms**

Figures expressed in cash terms (also known as nominal terms) are not adjusted for the effect of inflation (see Real Terms).

#### **Common Agricultural Policy (CAP)**

The Common Agricultural Policy was set up under European Union treaties to increase agricultural production, provide a fair standard of living for farmers and make sure that food is available at reasonable prices.

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479717/statement\\_of\\_funding\\_2015\\_print.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/479717/statement_of_funding_2015_print.pdf)

**Convention of Scottish Local Authorities (COSLA)**

The Convention of Scottish Local Authorities is a membership organisation which represents the shared interests of Scotland's 32 local authorities.

**Cross-border Public Authorities**

The Scotland Act 1998 allows for cross-border public authorities to be specified by Order in Council. They are public bodies and agencies, government departments, offices or office-holders which have functions exercisable in or as regards to Scotland, that do not relate to reserved matters. Examples include the Forestry Commission and the National Criminal Intelligence Service. GB and UK bodies which deal only with reserved matters in Scotland cannot be cross-border public authorities.

**Consumer Prices Index (CPI)**

The Consumer Prices Index is an internationally comparable measure of inflation measuring the change in the general level of prices charged for a defined shopping basket of goods and services bought for household consumption. The CPI forms the basis of the UK Government's inflation target that the Bank of England's Monetary Policy Committee is required to achieve.

**Depreciation**

A depreciation charge is a non-cash item which measures the wearing out, consumption or other reduction in useful life of a fixed asset.

**European Structural Funds**

European Structural Funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). They are used to tackle regional disparities and support regional development through actions including developing infrastructure and telecommunications, developing human resources and supporting research and development. The Scottish Government is the managing authority for the funds in Scotland.

**Executive Agency**

Semi-autonomous executive agencies operate within a framework set by the responsible Cabinet Secretary or Minister, which specifies policies, objectives and available resources. All agencies are set annual performance targets by their Cabinet Secretary or Minister who, in turn, accounts to Parliament for the work of the agency.

**Financial Transactions**

Financial Transactions are a form of capital budget allocated by HM Treasury to the Scottish Government which can only be used for the provision of loans or equity investment beyond the public sector and cannot be used to fund public services. Financial Transactions facilities have to be repaid to HM Treasury in future years.

## **Fiscal Framework**

The Fiscal Framework is an agreement between the UK and Scottish Governments that governs funding of the Scottish budget and underpins the powers devolved through the Scotland Act 2016.

## **GDP Deflator**

The GDP deflator is an index number which can be viewed as a measure of general inflation in the domestic economy.

## **Gini Coefficient**

The Gini coefficient is a commonly-used measure of income inequality. The higher the number, the greater the level of inequality.

## **Gross Domestic Product (GDP)**

Gross Domestic Product is a measure of the total economic activity in a region. References to growth in the economy are quoted using GDP. It is a measure of the total amount of goods and services produced within a year in a country. In the UK, three different approaches (measuring production, income or expenditure) are used in the generation of one single GDP estimate.

## **Growth Accelerator (GA)**

The Growth Accelerator is a funding mechanism based on the wider economic impact of infrastructure investment. Capital funding is internally invested, with funding then reimbursed by the Scottish Government over a set period following achievement of pre-agreed key milestones and targets.

## **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements.

## **Land and Buildings Transaction Tax (LBTT)**

Land and Buildings Transaction Tax is a tax on land and property transactions which replaced Stamp Duty Land Tax (SDLT) in Scotland from April 2015. LBTT has a progressive rate structure which means that only the proportion of the price above each tax threshold will be taxed at the next rate, rather than the whole purchase price.

## **Local Government**

The collective term for Scotland's 32 local authorities.

## **Non-cash**

Non-cash is predominantly the depreciation of assets, which is a technical measure of the wearing out, consumption or other reduction in useful life of public sector infrastructure used in delivering public services.

**Non-Departmental Public Body (NDPB)**

A Non-Departmental Public Body is a body that operates independently of Ministers, although Ministers have ultimate responsibility. There are two main types of NDPB: executive NDPBs, which carry out administrative, regulatory, executive or commercial functions; and advisory NDPBs, which provide independent, expert advice to Ministers.

**Non-Ministerial Department**

A Non-Ministerial Department (NMD) is a public body with many characteristics of a full department, but without a Minister. NMDs generally cover matters for which direct political oversight is judged unnecessary or inappropriate. They are usually headed by a senior civil servant as Chief Executive, with an independent Chair and non-executive directors for the board.

**Non-Profit Distributing (NPD)**

The Non-Profit Distributing model is a system for funding capital infrastructure projects. It is fully debt-financed, maximises value for money and allows shareholder transparency.

**Office for Budget Responsibility (OBR)**

The Office for Budget Responsibility was formed in May 2010 to provide independent assessments of public finances and the economy for each UK Budget and Spring Statement.

**Prudential Regime**

The prudential regime for local authority capital expenditure took full effect on 1 April 2004. It allows local authorities to make their own borrowing and spending decisions, but they are under a duty to determine how much they can afford and to keep this under review.

**Real Terms**

Any price or value adjusted for the effect of inflation. Real terms figures in the Budget are calculated using the GDP deflators published by HM Treasury.

**Regulatory Asset Base (RAB)**

The value of a regulated industry's assets. As an example, for the rail industry, this is the Office of Rail Regulation's (ORR) calculation of the value of Network Rail's assets. The regulator agrees investment plans for five-year periods, including adding new investments to the Regulatory Asset Base.

**Retail Prices Index (RPI)**

The Retail Prices Index is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.

**Science, Technology, Engineering and Mathematics (STEM)**

The academic disciplines of science, technology, engineering and mathematics are often collectively described as STEM subjects.

**Scotland Reserve**

The Scotland Reserve arrangements enable the Scottish Government to smooth expenditure, manage tax volatility and determine the timing of expenditure within specified limits. The Scotland Reserve is separated between resource and capital and replaces the previous cash reserve. The Scotland Reserve is capped in aggregate at £700 million. Annual drawdowns from the reserve are limited to £250 million for resource and £100 million for capital. There are no annual limits for payments into the Scotland Reserve. The total annual drawdown limits will be temporarily waived in the face of a Scotland-specific economic shock.

**Scottish Fiscal Commission (SFC)**

The Scottish Fiscal Commission was established as an independent Non-Ministerial Department on 1 April 2017. Commissioners are accountable to, and give evidence to, the Scottish Parliament. The Commission is responsible for producing independent forecasts of: revenue from fully devolved taxes and non-savings non-dividend income tax; onshore GDP in Scotland; and devolved demand-led social security expenditure.

**Scottish Futures Trust (SFT)**

The Scottish Futures Trust is the independent company established by the Scottish Government with the objective of maximising value for money across public infrastructure development.

**Scottish Income Tax**

Scottish Income Tax is a tax paid by Scottish taxpayers on all non-savings, non-dividend taxable income. The devolution of Scottish Income Tax commenced in April 2017.

**Scottish Landfill Tax (SLfT)**

Scottish Landfill Tax is a tax on the disposal of waste to landfill. It replaced UK Landfill Tax in Scotland in April 2015.

**Tax Incremental Financing (TIF)**

Tax Incremental Financing is a method of unlocking private investment in the regeneration of local areas. Initial borrowing by local authorities to fund the infrastructure is repaid through future increases in non-domestic rate revenue due to increased business creation resulting from the local authority's investment.

**Total Managed Expenditure (TME)**

Total Managed Expenditure comprises the sum of resource, capital and Annually Managed Expenditure (AME), less depreciation.



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