

SCOTTISH BUDGET DRAFT BUDGET 2015-16

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CONTENTS

| | | |
|--------------------|--|-----------|
| FOREWORD | by the Cabinet Secretary for Finance, Employment and Sustainable Growth | iv |
| Chapter 1 | Strategic Context for Draft Budget 2015-16 | 1 |
| Chapter 2 | Scotland Act 2012 Financial Provisions | 13 |
| Chapter 3 | Portfolio Plans | 19 |
| Chapter 4 | Health and Wellbeing | 21 |
| Chapter 5 | Commonwealth Games, Sport, Equalities and Pensioners' Rights | 33 |
| Chapter 6 | Finance, Employment and Sustainable Growth | 41 |
| Chapter 7 | Education and Lifelong Learning | 58 |
| Chapter 8 | Training, Youth and Women's Employment | 70 |
| Chapter 9 | Justice | 74 |
| Chapter 10 | Rural Affairs, Food and the Environment | 90 |
| Chapter 11 | Culture and External Affairs | 103 |
| Chapter 12 | Infrastructure, Investment and Cities | 112 |
| Chapter 13 | Administration | 138 |
| Chapter 14 | Crown Office and Procurator Fiscal Service | 142 |
| Chapter 15 | Local Government | 146 |
| ANNEXES | | |
| ANNEX A | Monitoring of Long-Term Investment Commitments | 156 |
| ANNEX B | Update on Progress with Innovative Financing Investments | 159 |
| ANNEX C | Public Service Reform Delivery and Change Fund Update | 167 |
| ANNEX D | Departmental Expenditure Limits | 173 |
| ANNEX E | Annually Managed Expenditure | 174 |
| ANNEX F | Departmental Expenditure Limits: Capital/Resource Split | 175 |
| ANNEX G | Comparison 2008-09 to 2015-16 | 178 |
| ANNEX H | Estimated Payments Under PPP Contracts | 182 |
| ANNEX I | Glossary | 183 |

FOREWORD

by the Cabinet Secretary for Finance, Employment and Sustainable Growth



This draft budget sets out the Scottish Government's spending plans for 2015-16 for consultation with the Scottish Parliament and the people of Scotland.

Our budget plans reflect improvements in Scotland's economy and take steps to address the aspirations that were so tangibly expressed during the recent Referendum on Independence.

The unprecedented level of political engagement, with 97 per cent of those eligible registering to vote and 85 per cent casting a ballot, raised a range of issues that affected not just our constitutional future but established the wider priorities of the people of Scotland.

The Scottish Government, working with our partners in local government, the third sector, trades unions and the business community, intends to embrace this new political engagement and respond positively in this budget, insofar as our existing powers enable us to, with a range of measures aimed at:

- making Scotland a more prosperous country;
- tackling inequality; and
- protecting and reforming public services.

Making Scotland a more prosperous country

Our approach is founded in the Government Economic Strategy, with the objective of delivering opportunities for all of Scotland to flourish through a balanced approach to delivering growth: strengthening the drivers of growth, and improving sustainability, cohesion and solidarity.

The return to pre-recession levels of economic output and achieving record levels of employment is a significant milestone in our recovery.

It is now essential that the benefits of economic growth are not only maintained but are made accessible to all of our citizens. In doing so:

- we will focus on creating employment, education and skills development opportunities for those not currently in work or training, including through free higher education tuition and our Opportunities for All initiative;

- we will provide funding to implement the findings of the Commission for Developing Scotland's Young Workforce, as part of our strategy for tackling youth unemployment;
- we have committed £280 million over two years to deliver expanded childcare provision, supporting parents when they choose to participate in the labour market;
- we will continue to encourage entrepreneurship, business, innovation and internationalisation and to offer the most competitive business rates regime in the UK, including through the Small Business Bonus Scheme; and
- we are using all the levers at our disposal to deliver our ambitious programme of infrastructure investment, worth £8 billion over two years, with this budget setting out our plans for a further £1 billion extension to the NPD pipeline of infrastructure projects, supporting thousands of jobs and Scotland's long-term economic potential.

Tackling inequality

Scotland's economic recovery has been achieved against a backdrop of continued austerity from the Westminster Government. Five years of austerity have resulted in the Scottish Fiscal DEL budget being cut by around 10 per cent in real terms, with a further £25 billion cut in UK public spending promised over the next three years by the current UK Government, with much of that affecting those on low incomes.

Child poverty organisations have warned that, by 2020, an additional 100,000 children in Scotland could be living in relative poverty after housing costs, because of UK Government welfare reforms.

The debate over Scotland's future demonstrated a clear desire for an alternative to UK Government austerity and to the poverty and inequality that can cripple our society. The Scottish Government is committed to meeting this challenge as far as we can within our existing powers.

This budget sets out a number of new commitments alongside our continued efforts to mitigate the worst effects of welfare reform:

- by increasing our spending on welfare reform mitigation to £81 million in 2015-16, including £35 million to support those affected by the 'bedroom tax';
- through our commitment to the Scottish Living Wage and delivery of the Social Wage;
- providing additional investment of £125 million in housing, with a strong focus on affordable and social housing, as part of a total funding package of over £1.7 billion in housing and regeneration in Scotland over 5 years; and
- additional funding for measures to tackle child poverty, including support for kinship carers, and measures to improve the lives of Scotland's most vulnerable children.

Protecting and reforming public services

Our programme of public service reform is vital to ensure the sustainability of our public services and to deliver better outcomes for those that use them.

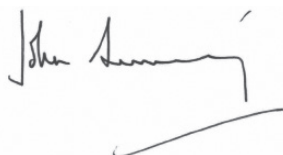
To protect and reform our public services, so they can better meet the aspirations clearly expressed by people across Scotland, this budget provides:

- full resource Barnett consequential and additional funding of more than £80 million for the NHS, representing a real terms increase to the overall Health budget, keeping the NHS in Scotland in public hands and enabling further investment in frontline NHS services and the integration of adult health and social care;
- continued investment in prevention and support for the Early Years Collaborative;
- funding to maintain our commitment to police numbers, supported by the successful programme of police reform;
- a fair settlement for local government, which funds councils to maintain the council tax freeze to households, while providing additional resources to deliver shared priorities around school education, free school meals and childcare; and
- our continued commitment to no compulsory redundancies in our public sector pay policy.

This budget also marks the first time a Minister in the Scottish Government will set tax rates for Land and Buildings Transactions Tax and Scottish Landfill Tax. We have established a principles-based Scottish approach to taxation, which applies Adam Smith's four maxims of certainty, efficiency, convenience and proportionate to the ability to pay and sends a clear signal that tax avoidance will not be tolerated in Scotland.

The devolution of these powers is welcome and demonstrates the practical benefits of being able to align tax policy with the social and economic priorities of the Scottish Government.

With these measures, we can build on our strong foundations to establish the more prosperous and fairer Scotland our citizens demand.



JOHN SWINNEY MSP

Cabinet Secretary for Finance, Employment and Sustainable Growth

October 2014

CHAPTER 1

Strategic Context for Draft Budget 2015-16

INTRODUCTION

The 2015-16 Draft Budget builds upon the priorities established in the 2011 Spending Review – and delivered every year since – to create opportunities for all to flourish through sustainable economic growth. The Draft Budget extends the indicative spending plans published in September 2013 using the full extent of the powers available to this Parliament. These include for the first time the powers devolved through the Scotland Act 2012 to set the rates and bands for Scottish Landfill Tax and Land and Buildings Transaction Tax and borrowing for capital investment.

The Scottish Government is maintaining its focus on growing Scotland's economy and on effective delivery of our public services in the face of continuing financial challenges. Over the course of 2010-11 to 2015-16, the Scottish Fiscal DEL budget has been cut by around 10 per cent in real terms with the Capital Fiscal DEL budget facing a particularly challenging real terms reduction of around 26 per cent as a result of the UK Government's austerity programme.

The spending limits for the Scottish Budget are set out in Table 1.01 below. In order to manage our budgets over this period, we will make use of the Budget Exchange Mechanism agreed with HM Treasury, whereby we can carry forward underspends within agreed limits and draw them down in the following year.

Table 1.01: Scottish Government Departmental Expenditure Limits 2010-11 to 2015-16

| SG Spending Limits – Cash Terms | 2010-11 £m | 2011-12 £m | 2012-13 £m | 2013-14 £m | 2014-15 £m | 2015-16 £m |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total DEL | 29,600* | 28,716* | 28,976* | 29,089 | 29,506 | 30,167 |
| Fiscal Resource DEL | 25,665 | 25,338 | 25,569 | 25,671 | 25,808 | 25,786 |
| Non-Cash Resource DEL | 642 | 616 | 696 | 771 | 821 | 1,031 |
| Capital DEL | 3,293 | 2,762 | 2,676 | 2,508 | 2,690 | 2,665 |
| Financial Transactions | | | 35 | 139 | 187 | 381 |
| Capital Borrowing | | | | | | 304 |
| SG Spending Limits – Real Terms (2014-15 prices) | | | | | | |
| Fiscal Resource DEL | 27,591 | 26,626 | 26,582 | 26,237 | 25,808 | 25,381 |
| Capital DEL | 3,540 | 2,902 | 2,782 | 2,563 | 2,690 | 2,623 |
| Total Fiscal DEL | 31,131 | 29,528 | 29,364 | 28,800 | 28,498 | 28,003 |
| Real-Terms Change – year on year | | -5.2% | -0.6% | -1.9% | -1.0% | -1.7% |
| Real-Terms Change – cumulative | | -5.2% | -5.7% | -7.5% | -8.5% | -10.0% |

*Adjusted to include Council Tax Benefit for comparison purposes

ECONOMIC OUTLOOK

There has been a sustained strengthening in the Scottish economy over the last two years.

Scotland's economy has grown for seven consecutive quarters. GDP is now back above pre-recession levels, shifting the economy from recovery into expansion mode. Growth is also broad-based with output increasing across most sectors. As a result, 2014 is forecast to be the strongest year for the economy since the financial crisis, and the current strong performance is expected to continue into 2015.

Scotland's labour market has also continued to strengthen. The number of people in employment has increased by 87,000 over the past year to reach 2.6 million, a record high. Female employment is also at record levels with 1.3 million women now in employment.

Overall, Scotland now has the highest employment and economic activity rates, and lowest unemployment rate, out of the four UK nations. However, a number of important challenges remain, including youth unemployment and wage growth continuing to lag behind inflation.

Against this backdrop, the Scottish Government remains focused on supporting the recovery. The Scottish Government is not content to simply return to pre-recession levels of economic performance. We need to ensure that growth is balanced and sustainable, and that it reduces inequalities and disparities between different parts of Scotland allowing everyone to realise their potential.

To this end, in this Draft Budget, the tax, spending and borrowing plans of the Scottish Government are focused on:

- making Scotland a more prosperous country;
- tackling inequality; and
- protecting and reforming public services.

MAKING SCOTLAND A MORE PROSPEROUS COUNTRY

The economic policies supported by this draft budget are focused on supporting job creation; delivering investment that supports sustainable growth; and rebalancing the economy.

Job creation

Strengthening Scotland's labour market performance by improving participation, workforce skills and the quality of employment opportunities is essential to improving long-run sustainable economic growth and ensuring that the benefits of growth are more widely shared.

Scotland's labour market has made considerable progress in recent months. However, there is a need to address long-term barriers to labour market participation, to tackle persistent differences in participation across Scotland's regions, and to develop and improve skills and productivity in the workplace.

Youth unemployment remains a key challenge. As part of efforts to tackle this issue, the Scottish Government and its partners will take forward a wide range of actions in response to the findings of the Commission for Developing Scotland's Young Workforce¹. The Commission recommended a number of measures, including expanding apprenticeship opportunities and establishing new regional employer partnerships, encouraging and supporting employers to engage with education and employ young people, and ensuring that young people have access to job-relevant learning.

The Scottish Government has already allocated £12 million in 2014-15 to implement the Commission's recommendations with £5 million of that funding committed to measures including piloting foundation apprenticeships, advanced apprenticeships in key skills sectors and the new Investors in Young People accolade. This Budget commits a further £16.6 million in 2015-16 to take forward the Commission's recommendations, working with COSLA, colleges, Skills Development Scotland and other partners.

The Scottish Government is investing in education, training and skill development through a number of routes, including:

- continuing to provide significant investment in Scotland's higher education sector, amounting to more than £1 billion in 2015-16, ensuring that access to higher education remains free for eligible students;

¹ <http://www.scotland.gov.uk/Topics/Education/edandtrainingforyoungple/commissiondevelopingscotlandsyoungworkforce>

- delivering the commitment to a funding floor of £526 million for colleges;
- providing financial support through the Education Maintenance Allowance to young people aged 16-19 attending school or college for whom finance is a barrier to staying in education;
- maintaining our commitment to the Opportunities for All programme, where all 16-19 year olds in Scotland not already in work, education or training are offered a learning or training opportunity;
- working in partnership with Skills Development Scotland, training providers and employers to build on the success of Modern Apprenticeships (MAs). Having provided over 25,000 MA opportunities in each year of this parliament, we will expand the programme toward a target of 30,000 starts each year by 2020; and
- publishing and implementing a refreshed Youth Employment Strategy, with around £13 million of funding for early interventions and to develop a right to work, training or education for young people.

Despite long-term improvements, there remain gender differences in labour market outcomes in Scotland, particularly in terms of participation rates, pay differentials and underemployment.

The Scottish Government is committed to reducing the barriers faced by women when seeking to participate in the economy. As part of the Children and Young People's Act, we have committed £280 million over 2014-15 and 2015-16 to allow for expansion of childcare provision for three and four year olds to 600 hours and to extend this provision to the 27 per cent most disadvantaged two year olds. This will help to reduce the cost barriers facing parents with young children.

We will maintain support for women's entrepreneurship. Going forward, we will consider the outcomes of the Council of Economic Advisers' assessment of ways to increase economic opportunities for women.

Investing for Sustainable Growth

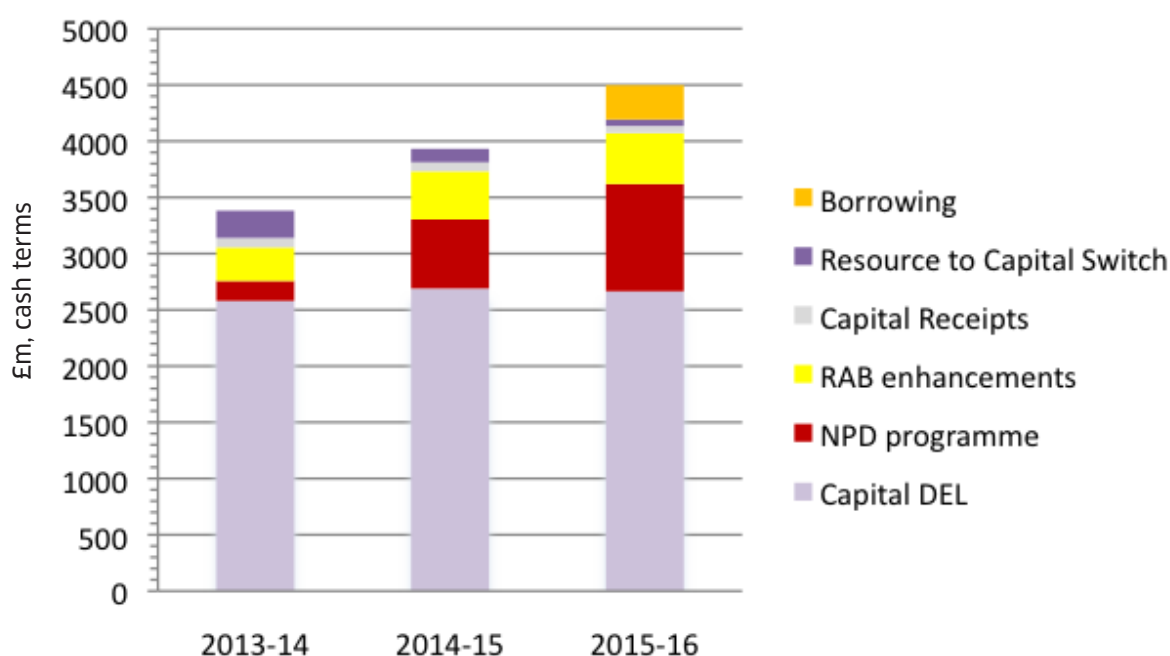
During the recession, the Scottish Government used every opportunity to accelerate public sector capital investment to support demand within the Scottish economy, drive the recovery and help preserve skills and employment in sectors like construction.

As private sector investment begins to recover, and economic growth strengthens, the role of the Scottish Government shifts to supporting strategic investments that underpin improvements in productivity, growth and wellbeing over the long term. This includes investing in transport, schools and digital infrastructure. We are also investing in affordable housing, energy efficiency and health facilities to help address the challenge of poverty and inequality to improve wellbeing for some of the most disadvantaged people and places in Scotland.

In total, we will secure investment of around £4.5 billion in 2015-16, from a combination of our capital budget, capital borrowing, revenue-funded investment through the Non-Profit Distributing (NPD) programme, Regulatory Asset Base (RAB) rail enhancements, capital receipts and allocating resource funding to capital assets. This is illustrated in Figure 1. The Financial Transactions are excluded.

On top of this, additional funding for capital investment is being facilitated by Local Authorities through the Tax Incremental Financing pilot schemes, while further housing investment of over £200 million is being delivered through the National Housing Trust initiative².

Figure 1: Estimated Infrastructure Investment



In light of our commitment to investment in long-term growth and the vital stage in the recovery that we have reached, we will use the capital borrowing powers provided under the Scotland Act 2012 to borrow up to £304 million in 2015-16, the maximum permitted.

The Scottish Government's Infrastructure Investment Plan (IIP) set out our priorities for investment in Scotland up to 2030. The IIP progress report³, published in March 2014, highlighted that 24 infrastructure projects worth £625 million completed construction in 2013.

Significant progress has also been made with the current £2.5 billion NPD pipeline, with projects worth almost £750 million currently in construction, including Inverness College (£45m), City of Glasgow College (£193m), Ayrshire College's Kilmarnock Campus (£48.5m) and M8, M73, M74 Motorway Improvements (£310m). Annex B sets out progress in more detail.

² More information on progress with innovative financing investments is provided in Annex B.

³ <http://www.scotland.gov.uk/Publications/2014/03/7070>

Furthermore, as announced in April, we are extending our revenue-funded capital programme to 2019-20 by a further £1 billion. This investment will build on the achievements of the current programme, delivering hospitals and community health facilities, colleges, schools, new justice centres and providing innovative investment in Digital and Low Carbon infrastructure across Scotland.

It will also give the construction sector the long-term certainty of a future pipeline of work, supporting thousands of jobs and providing additional investment through to 2019-20.

The indicative allocation of the £1 billion extension to the programme is set out below and further detail on individual elements of the programme is set out in Annex B:

- £400 million for the Health sector, which will deliver 10 projects in total. We have already announced the allocation of £120 million of NPD investment to fund two Health developments at Aberdeen Royal Infirmary (ARI) Campus – a new Maternity Hospital on the ARI site to be followed by the development of a Cancer Centre. Provision is made here for three further major capital projects and 5 community health facilities, with further details on individual projects to be announced before the end of the year;
- £330 million for the Schools for the Future programme. £100 million has already been released for immediate support to local authorities for new and refurbished buildings, together with an allocation of £230 million to provide further improvements to the schools estate;
- £140 million to deliver 2 new college campuses;
- £60 million for up to 3 new justice centres; and
- £70 million for the innovative development of infrastructure projects to meet Digital and Low Carbon policy priorities.

Rebalancing the economy

The rebalancing and reindustrialisation of the Scottish economy are vital for building a more responsive, innovative and resilient economy, and creating new and better job opportunities.

Investing in the low carbon economy is an essential part of our approach. Our investment in reducing carbon emissions and capitalising on the economic potential of the low carbon sector is relevant to a number of activities including housing, transport, active travel, innovation and energy.

- We will undertake targeted interventions to support the development of renewable energy, such as investing £2.2 million over 2014-15 and 2015-16 in the Offshore Wind Accelerator programme, a joint industry and government scheme which aims to identify ways of reducing the costs of offshore wind.

- We will support local renewable energy projects and the development and deployment of wave and tidal array projects through the Renewable Energy Investment Fund.
- We aim to put in place a new Local Energy Innovation Challenge Fund worth up to £20 million to test communities' capacity to stabilise and even reduce energy costs by reducing dependence on centralised generation and supply.
- We will continue to make progress against the vision outlined in the Zero Waste Plan and our proposals for landfill tax in Scotland support our zero waste ambitions.

Business Internationalisation and Innovation

Scotland's businesses are key to the long-term success of the Scottish economy. Through this Draft Budget, the Scottish Government is taking forward a range of policies to further develop a business environment that fosters start-ups and growth companies, and encourages innovation and internationalisation. This will require an ongoing focus on improving Scotland's innovation performance and encouraging an international outlook among Scotland's business base. This is particularly important in the growth sectors of the Scottish economy, such as universities, energy, financial services, creative industries, tourism, food and drink, and life sciences. We will continue to support our Enterprise Agencies, who will provide targeted support to encourage growth and improvement in these sectors. Activities in this budget include:

- reducing the tax burden on businesses by around £615 million in 2015-16 through our business rates relief package. We have legislated to maintain the Small Business Bonus Scheme for the lifetime of the Parliament, resulting in two in every five business properties across Scotland benefiting from zero or reduced business rates and the Community Empowerment Bill provides for targeting of local reliefs to support economic growth. We also remain committed to matching the poundage for business rates in England for the rest of this parliamentary term;
- assisting exporting and growth companies with access to finance through initiatives such as the Scottish Investment Bank;
- supporting a range of innovation and entrepreneurship activities through the SMART Scotland programme; and
- supporting commercialisation of world-class research in Scotland through our innovation centres, where businesses and universities can work together to drive innovation. These will be supported by up to £124 million of funding over 6 years from the Scottish Funding Council with eight centres expected to be fully functioning by the end of 2015.

TACKLING INEQUALITY

The Scottish Government is focused not just on increasing sustainable economic growth, but on the characteristics and nature of that growth. It is vital that all Scotland's people feel the benefit of Scotland's brightening economic outlook.

Supporting economic growth, improving labour market outcomes and tackling poverty and inequalities are mutually supportive objectives. There is clear evidence that inequality inhibits economic growth and that increasing equality in society can help to improve productivity as well as extend economic opportunity.

A major boost for housing

Targeted investment in sustainable and affordable housing can deliver against multiple economic and social objectives. In addition to providing an explicit economic stimulus, it helps to improve the energy efficiency of the housing stock and supports thriving, cohesive communities. Evidence has shown that high quality social rented homes support improvements in people's health and wellbeing.

Scottish Government programmes are on track to meet the 5-year target of delivering 30,000 new affordable homes, including 20,000 houses for social rent, by March 2016. To date that means new housing for over 21,000 individuals and families, of which more than two-thirds are for social rent.

An investment of over £390 million investment will be used to deliver 6,000 affordable homes, of which 4,000 will be for social rent. The Draft Budget recognises the need to go further. An additional £125 million of Financial Transactions has been allocated to housing in this Draft Budget and will be invested in a package of measures spanning social, affordable and market housing. This further demonstrates the Scottish Government's commitment to supporting high quality, sustainable and affordable housing that meets the needs of the people of Scotland.

Housing quality is also a key contributor in tackling fuel poverty. In 2015-16, we will continue to direct significant funds towards tackling fuel poverty and reducing the carbon footprint of the existing housing stock by allocating £79 million to support improvements in domestic energy efficiency through the Home Energy Efficiency Programmes for Scotland (HEEPS). These programmes have underpinned the delivery of more than 100,000 energy efficiency measures in Scotland between January 2013 and June 2014, with estimated lifetime savings of over one million tonnes of carbon dioxide equivalent. In addition, we have introduced a new energy efficiency standard for social housing which by 2020 will help households save around £210 a year on energy bills.

Our proposals for Land and Buildings Transaction Tax complement our commitment to support home ownership in a balanced and sustainable way by helping people on low to moderate incomes to become home owners.

Addressing child poverty

The Scottish Government is committed to extending economic opportunity and reducing inequalities in Scotland. This commitment is illustrated in the revised Child Poverty Strategy for Scotland, published in March 2014. We are taking a long-term approach to

tackling poverty and income inequality in an effort to remove the barriers that stand in the way of individuals realising their full potential. The revised strategy articulates a national approach through early intervention, prevention and the provision of holistic services.

Our ultimate aim is to break inter-generational cycles of poverty, inequality and deprivation and ensure that Scotland is one of the best countries in the world for children to grow up.

We are already taking measures through the Children and Young People's Act to improve the lives of our youngest citizens. In addition to the expansion of childcare outlined above, we will implement our commitment to free school meals for all P1 to P3 children worth around £330 for each of around 170,000 children.

We are committing additional funding to tackling child poverty. We will work with COSLA to extend financial support to kinship carers so that they can give children the best start in life. We will increase funding to the Early Years Collaborative, working with community planning partnerships, to help increase the take-up of Healthy Start vouchers. We will improve the wellbeing and life chances of some of our most vulnerable young people with a package of throughcare and aftercare for care leavers, a mentoring scheme for Looked After Children and advocacy support for children in the Hearings System. We are extending funding to raise attainment for all, with a specific focus on children from our most disadvantaged communities.

Mitigating welfare reform

Our contribution to tackling poverty and inequality takes place in the face of the UK Government's welfare reforms which are estimated to remove £6 billion from Scotland's economy in the 6 years to 2015-16.

The Scottish Government allocated £81 million in the 2014-15 Budget Bill to mitigate the most harmful impacts of the UK Government's welfare reforms, and we have maintained this increased level of funding in the 2015-16 Draft Budget.

However, we are limited in the actions we can take by the constraints of the Scotland Act 1998. For example, despite a consensus within the Scottish Parliament to eliminate the "Bedroom Tax" in Scotland, we were only able to allocate the additional £35 million needed following lengthy and protracted negotiations with the UK Government.

The increasing number of people who continue to experience difficulties as a consequence of decisions being taken in Westminster highlights the need for significant additional powers over taxation, welfare and wider economic policy to be transferred to the Scottish Parliament.

Delivering the social wage

As part of our approach to supporting household incomes in Scotland we will continue to meet all of our social wage commitments.

This includes continuing to freeze the council tax with our partners in local government, saving the average household around £1,200 by the end of this current parliament. As a percentage of income, households with the lowest income gain the most from this measure.

We will continue to provide concessionary travel as well as free prescriptions, eye tests and free personal care for older people to ensure health care is provided free at the point of delivery.

In 2015-16, we will continue to implement the two year public sector pay policy published alongside the Draft Budget 2014-15 last September, which prioritises the lowest paid while giving confidence to thousands of public sector employees across the country with our commitment to no compulsory redundancies.

PROTECTING AND REFORMING PUBLIC SERVICES

The power of public services to enhance quality of life and to improve economic opportunities for all has never been more important as we work with our public service partners to create a fairer and more prosperous Scotland.

The Referendum served to remind us that an electorate that has for decades become disaffected by the political system will engage on matters they see as important. We need to build upon the success of the Referendum to unlock the full creativity and potential of people at all levels of public service, empowering them to work together, and with communities, in innovative ways.

A sustainable programme of reform

Reform is a necessity if we are to continue to have the high quality, effective and sustainable public services that people value. It is all the more essential to ensure that the quality of public services can be maintained in the face of the £25 billion in further public spending cuts that the UK Government has indicated will be made in the coming years. In addition the prospect of significant additional pressures has emerged as a result of the UK Government's latest round of public sector pensions reforms.

Efficiency savings will remain a critical element in assisting us to meet the challenges of increasing demand and persistent inequalities. The commitment to make reform happen at pace and scale is therefore a priority for this Budget.

To make further progress, policy and service delivery should increasingly adopt approaches which are asset-based, co-produced and person-centred, to bring about effective and sustained change.

There is strong evidence of the effectiveness of this distinctive Scottish approach to government and we are committed to ensuring that it underpins all reform activity. The way communities have mobilised over the last 18 months has confirmed that building on the assets found in every community across Scotland is the most effective route to successful delivery of improved outcomes. Partnership working between the public sector, third sector, business and local communities is essential.

Community planning has a critical role to play in making public service reform happen at the local level. It provides the foundation for partnership working between the local authority, NHS body and other public bodies in the area alongside local communities. Greater levels of integration are increasing the focus on prevention and securing continuous improvement in service delivery.

For most Community Planning Partnerships, one development priority has been to give effect to the Agreement on Joint Working, which was published alongside the Scottish Government Draft Budget for 2014-15, so that partners work together to deploy resources towards joint priorities as set out in their Single Outcome Agreement.

The forthcoming Community Empowerment Bill will create new opportunities for people and communities to co-produce services around their needs – supporting them to build and use their own assets, including their skills and networks.

It will enable communities to directly affect service delivery, to engage with public organisations, support a new community right to buy and embed an outcomes-based approach to public services in law.

Alongside legislation we will invest in building capacity amongst communities to enable them to take full advantage of these new opportunities, including through the programmes we fund through the third sector.

Continued focus on prevention

We have already invested more than £500 million between 2012-13 and 2014-15 in three Change Funds to support a decisive shift towards prevention across mainstream service provision and strengthen our approach to addressing inequalities. In 2015-16, we will:

- make £100 million available to health and social care partnerships to support delivery of improved outcomes from health and social care integration;
- make over £70 million available through the central integration fund within NHSScotland to drive progress, an increase of over £50 million compared to previous plans;
- invest £8.5 million of transitional funding to drive improvement in outcomes for Scotland's most vulnerable children; and
- extend funding for offender mentoring using the Public-Social Partnerships model for up to another two years (2015-16 and 2016-17). Scottish Government funding will be supplemented by a £2 million charitable donation from The Robertson Trust.

Analysis and feedback from the three Change Funds demonstrates the real progress that is being made. The new generation of Single Outcome Agreements include a focus on embedding prevention. An illustration of the action that is being taken is provided in Annex C and in the report on the delivery of the national outcomes, published alongside this budget. Our challenge is to deepen and extend this activity.

Investing in our public services

The value in protecting the National Health Service from the agenda of privatisation by the UK Government and maintaining the founding principles of public ownership and the principle that the NHS is free at the point of delivery was widely endorsed by many of those who participated in the Referendum debate.

We have protected the National Health Service in Scotland, with the overall Health budget exceeding £12 billion for the first time in 2015-16. We have exceeded our commitment to pass on resource budget consequential from health spending in England to the NHS in Scotland, in every year from 2010-11.

Our commitment to provide the recommended pay rise for Agenda for Change staff, such as nurses – unlike our counterparts in Westminster – forms part of our commitment to a social wage and to public sector employees.

Local government is an integral and essential element of the overall good performance of Scotland: it assesses and responds to local circumstances and aspirations to deliver a range of services, from education and care to transport and planning, that form the bedrock of our society.

Making a decisive shift towards prevention across mainstream service provision is fundamental to our transformative programme of public service reform. Local government is delivering improved outcomes for people through early intervention, which is also helping to ensure long-term fiscal sustainability by reducing demand on services.

For example, the Reshaping Care for Older People Programme focuses on giving older people the support they need to live independently in their own home, or in a homely setting, and in good health for as long as possible. This is reducing hospital admissions, aiding discharge after a crisis and promoting community capacity building and co-production of services between providers and users.

As a Government we have taken a number of difficult decisions to reform public services, while prioritising those policies which support the most vulnerable. We do this to continue to improve outcomes for the people of Scotland.

CHAPTER 2

Scotland Act 2012

Financial Provisions

INTRODUCTION

This is the first Draft Budget in which our spending plans are partly underpinned by the financial powers devolved by the Scotland Act 2012. For the first time since devolution, a proportion of Scottish spending will be funded by revenues from two taxes established by the Scottish Parliament, to replace existing UK taxes. In addition, we will be able to exercise limited capital borrowing powers to expand our infrastructure investment programme. The Scottish Government regards these powers as a modest step toward the Scottish Parliament becoming fully responsible for revenues and spending.

As agreed with the Scottish Parliament's Finance Committee in the updated Written Agreement on the Scottish Budget process, this chapter provides further information on the rates and bands proposed by the Scottish Government for the devolved taxes, the sums we forecast will flow in tax receipts in 2015-16, the adjustment to our block grant that will require to be agreed with the UK Government in recognition of the new tax powers, and how we plan to use our capital borrowing powers to maximise our investment in infrastructure. Our tax receipt forecasts have been reviewed and endorsed as reasonable by the independent Scottish Fiscal Commission, as explained further below.

The Scottish approach to taxation

The Scottish Parliament has legislated for two new taxes – Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) – which will replace Stamp Duty Land Tax (SDLT) and UK Landfill Tax in Scotland from 1 April 2015.

The new taxes will be collected by Revenue Scotland, our new tax authority, working closely with Registers of Scotland (RoS) to prepare for LBTT and with the Scottish Environment Protection Agency (SEPA) on Scottish Landfill Tax. Revenue Scotland continues to make progress towards operational readiness, with work well in hand to identify the membership of the Board, recruit and train staff, develop IT systems to support tax collection and administration, and offer a website providing guidance for taxpayers and other features.

The new devolved taxes are the product of a principles-based Scottish approach to taxation, which applies the four maxims set out by Adam Smith – that taxes should be proportionate to the ability to pay, that there must be certainty, convenience for the taxpayer and efficiency of tax collection. The Scottish approach to taxation is also characterised by our simple, clear but robust approach to counteracting tax avoidance.

The Scottish Parliament has legislated for a General Anti-Avoidance Rule (GAAR) to apply to the devolved taxes that is stronger than the UK GAAR, which targets abusive arrangements. This sends a clear signal that tax avoidance will not be tolerated in Scotland.

Tax policy development is undertaken in Scotland under the scrutiny of the Scottish Parliament and informed by the knowledge and participation of a range of interests including professional experts and representatives of civic Scotland, who provide advice through the Tax Consultation Forum chaired by the Cabinet Secretary for Finance, Employment and Sustainable Growth. We are committed to maintaining this consultative approach in implementing any new tax powers which are devolved.

PROPOSED TAX RATES FOR DEVOLVED TAXES

Revenue neutrality

Our tax rate proposals are intended to be revenue neutral – we have proposed rates and bands to generate the same level of revenues which we forecast the predecessor UK taxes would have generated in Scotland in 2015-16, had they continued to be charged here with no change in rates. This means that Scotland will bear the same overall tax burden in relation to the devolved taxes as it would have done if the UK taxes had continued to apply here. However, we have taken opportunities to redistribute the burden of taxation to ensure that the taxes meet the needs of the people and the economy of Scotland.

Land and Buildings Transaction Tax

We propose that the following rates and bands of LBTT will apply from 1 April 2015:

Table 2.01 Proposed Land and Buildings Transaction Tax rates from 1 April 2015

| Residential transactions | | Non-residential transactions | | Non-residential leases | |
|--------------------------|-------|------------------------------|------|------------------------|------|
| | Rate | | Rate | | Rate |
| Up to £135,000 | nil | Up to £150,000 | nil | Up to £150,000 | nil |
| £135,001 to £250,000 | 2.0% | £150,001 to £350,000 | 3.0% | Over £150,000 | 1.0% |
| £250,001 to £1,000,000 | 10.0% | Over £350,000 | 4.5% | | |
| Over £1,000,000 | 12.0% | | | | |

The Scottish Parliament has legislated to ensure that LBTT has a progressive rate structure, which means that the rates shown in the table above are marginal rates, payable on the portion of the total value which falls within each band. This contrasts with the slab structure of SDLT under which the higher tax rate is payable on the whole purchase price when a threshold is crossed. The progressive rate structure is intended to remove existing distortions in the housing market by smoothing the marginal rate of tax payable when prices cross a threshold between bands. The slab structure leads to ‘bunching’ of sale prices just below SDLT price thresholds and very few sales just above

these thresholds. The move to a progressive rate structure is designed to ensure that the tax charge is more proportionate to the taxpayer's ability to pay than under SDLT. This change was widely welcomed during the passage of the legislation.

We have proposed tax rates and bands for residential transactions which would redistribute the tax burden from lower to higher value transactions in accordance with the principle that Scottish taxes should be proportionate to the taxpayer's ability to pay. This will support the majority of first time buyers, improving the affordability of starter homes. Our tax rate proposals complement our commitment to support home ownership in a balanced and sustainable way by helping people on low to moderate incomes to become home owners, where that is affordable for them.

We also believe that this progressive approach will have some positive impacts on equality groups. For example, the structure of LBTT is likely to have positive impacts relative to SDLT on older people, who tend to stay in properties for longer periods and to downsize when moving. More generally, the overall negative correlation between membership of an equality group and income means that LBTT's more progressive structure is likely to have positive impacts for equality groups. Chapter 14 of the Equality Budget Statement provides more information on how equality impacts have been considered in developing new Scottish taxes and in establishing Revenue Scotland.

The proposed tax rates and bands for residential transactions will:

- take 5,000 additional house purchases out of tax compared to SDLT by setting a nil rate threshold of £135,000 (£10,000 higher than the current SDLT nil rate threshold) so that no tax will be payable on 45 per cent of transactions;
- reduce the tax charge relative to SDLT for a further 44,000 house purchases up to £325,000; and
- ensure that 90 per cent of taxpayers are no worse off than under SDLT.

We have also published a factsheet which explains how our proposed tax rates and bands will affect the tax payable by people buying homes in Scotland after April 2015. A tax calculator is also available on the Scottish Government website.

The proposed rates and bands for non-residential transactions would ensure that Scotland remains a competitive and attractive location for business, by:

- maintaining a nil rate threshold of £150,000;
- reducing the tax charge for the majority of transactions below £2,000,000, relative to SDLT; and
- ensuring that 95 per cent of taxpayers are no worse off than under SDLT.

Our proposed tax rates and bands for non-residential leases ensure parity between the taxing of lease transactions in Scotland and the rest of the United Kingdom.

Scottish Landfill Tax

We propose that the following rates of Scottish Landfill Tax will apply from 1 April 2015:

Table 2.02 – Proposed rates of Scottish Landfill Tax from 1 April 2015

| | |
|----------------|--------|
| Standard rate* | £82.60 |
| Lower rate* | £2.60 |

*Rate payable per tonne of taxable waste

The Cabinet Secretary for Finance, Employment and Sustainable Growth has previously confirmed that the rates of SLfT would be no lower than the prevailing UK rates. The rate proposals announced today match the planned UK Landfill Tax rates for 2015-16, as provided in the Finance Act 2014. These proposals will address concerns over potential ‘waste tourism’ were there to be a material differential between the rates of tax charged in Scotland and the rest of the United Kingdom. We also consider that these rates will provide appropriate financial incentives to support delivery of our ambitious waste targets, including our Zero Waste goal that no more than 5 per cent of total waste should go to landfill by 2025.

The proposed credit rate for the Scottish Landfill Communities Fund will be set at 5.6% – delivering on our commitment to set a credit rate which is 10% higher than the UK equivalent. This will ensure that landfill site operators in Scotland will contribute relatively more money to community and environmental projects than UK counterparts, without any increase in the overall tax burden.

Scrutiny and legislation

Our tax rate proposals will be subject to parliamentary scrutiny, along with all other elements of this Draft Budget. We look forward to hearing the views of taxpayers, professional bodies and others on these proposals over the coming months. We will consider the findings of the parliamentary scrutiny process before we formally introduce rate-setting Orders and seek Parliament’s approval of these proposals in early 2015.

Forecast tax revenues

We have prepared forecasts of the tax revenues which we expect to generate from LBTT and SLfT in 2015-16, as summarised below.

Table 2.03 – Forecast tax revenues 2015-16

| | Forecast revenue £m |
|---|---------------------|
| Land and Buildings Transaction Tax | 441.0 |
| <i>Of which:</i> | |
| Residential transactions | 295.0 |
| Non-residential transactions | 146.0 |
| Scottish Landfill Tax | 117.0 |
| Total | 558.0 |

These full-year forecasts are based on the tax rate proposals set out earlier in this Chapter and are the product of forecasting models developed by the Scottish Government. As there is a natural time lag between the tax liability crystallising and collection of tax receipts, we will not receive a full year of tax revenue in cash terms in the first year of operation of these taxes. This will not have any impact on our in-year spending totals, as a corresponding adjustment will be made to the block grant.

The forecasts have been independently assessed by the Scottish Fiscal Commission. The Commission has published its own report on these forecasts in which it endorses our forecasts as reasonable. A copy of that report is available from the Commission's website¹.

Actual tax revenues will depend on performance of the residential and non-residential property markets, trends in landfill, and other factors. If actual tax receipts in 2015-16 exceed our forecasts, spending power will be carried forward into 2016-17. If tax receipts fall short of forecast, the Scottish Government could choose to adjust expenditure to match the shortfall, or to borrow from HM Treasury with repayment due within 4 years. In future years' draft Budget documents, we will report on outturn including any variances between forecast and outturn receipts.

Block grant adjustment for the Devolved Taxes

The Command Paper "Strengthening Scotland's Future" sets out arrangements for reducing Scotland's block grant in recognition of the fact that, under the Scotland Act, receipts from devolved taxes (with effect from April 2015) and from the Scottish rate of income tax (on present plans, from April 2016) will be added to the Scottish budget and will no longer be available to HM Treasury for funding general public expenditure.

Discussions have been taking place between the Scottish and UK Governments to agree an appropriate mechanism for the block grant adjustment (BGA) for the devolved taxes. Such a mechanism should be robust, transparent and deliver a fair outcome for Scotland.

The Command Paper stated that there should be "a one-off reduction which will then be deducted from the block grant for all future years". The UK Government moved away from this by proposing a position which would change the Barnett Formula. This was a proposal that the Scottish Government could not accept, in addition to the fact that changing the Barnett Formula is something which the unionist parties have now vowed not to do. In order to make progress the Scottish Government reluctantly moved away from the Command Paper position and has proposed a mechanism which would see an initial adjustment indexed to the growth in nominal GDP. Progress has since been made in analysing and understanding the potential outcomes of different adjustment options. Options have to be assessed for robustness, transparency and fairness over time as well as in the first year.

Until agreement is reached on the adjustment mechanism, we have assumed that the block grant in 2015-16 will be reduced by a sum that will enable us to meet the funding

¹ www.scottishfiscalcommission.org

requirements of the Budget and potentially establish the first payment into the cash reserve.

Once agreement is reached on the BGA mechanism, if necessary an adjustment will be made to the budget and reflected in the Budget Bill. We will also continue to report on the BGA applicable in respect of the devolved taxes, and will include a commentary on factors affecting the calculation of the adjustment.

Capital borrowing

As explained in the draft Budget narrative for 2014-15, we plan to use our new capital borrowing powers in order to maximise our infrastructure investment in 2015-16.

The Scotland Act 2012 allows Scottish Ministers to undertake capital borrowing subject to a statutory aggregate cap of £2.2 billion. HM Treasury has indicated that our borrowing in any one year should not exceed 10 per cent of our capital budget, which gives a limit of £304 million in 2015-16. The Scottish Government believes that we should have flexibility to arrange our annual borrowing within a prudential borrowing regime, subject to the scrutiny of the Scottish Parliament, rather than be subject to an arbitrary annual limit set by the UK Government. This would give Scottish Ministers greater discretion over borrowing to allow us to take responsible investment decisions in Scotland's economic interests.

The Scottish Government is able to borrow from the National Loans Fund, from banks on commercial terms or through issuing bonds. We are evaluating these options for borrowing and will in due course take a decision on which method or methods to use based on the prevailing economic conditions.

Scottish rate of income tax

The Scotland Act 2012 also provides for the Scottish rate of income tax which will replace the Scottish Variable Rate. On present plans, all Scottish taxpayers will see their rate of UK income tax on non-savings, non-dividend income reduced by 10 pence in the pound across each income tax band from April 2016. The Scottish Parliament will be able to pass a Resolution setting a Scottish rate to replace the 10 pence reduction. This is a rate-setting power only, so the Scottish Parliament will not be able to influence the thresholds between rates or the tax base under current legislative provisions. The Scottish rate will be administered by HMRC. Further details will be provided in due course.

CHAPTER 3

Portfolio Plans

This chapter of the document provides greater detail on the Draft Budget for 2015-16 for all portfolios. The Draft Budget for 2015-16 will, subject to Parliamentary consideration, form the basis of the Budget Bill 2015-16 which will be laid before the Scottish Parliament in January 2015.

2015-16 PROPOSED BUDGET

The Scottish Government's planned Total Managed Expenditure (TME) amounts to £37,539.2 million in 2015-16, including the Departmental Expenditure Limit (DEL) of £30,409.6 million.

Table 3.01 Total Proposed Budget for 2015-16

| | DEL Resource | DEL Capital ^{1,2} | DEL Total | AME & Other | Total |
|---|-----------------|-------------------------------|-----------------|-------------------|-----------------|
| 2015-16 Draft Budget | £m | £m | £m | £m | £m |
| Health and Wellbeing | 11,881.7 | 195.1 | 12,076.8 | 100.0 | 12,176.8 |
| Commonwealth Games, Sport, Equalities and Pensioners' Rights | 66.1 | 26.0 | 92.1 | - | 92.1 |
| Finance, Employment and Sustainable Growth | 361.4 | 178.9 | 540.3 | 3,882.3 | 4,422.6 |
| Education and Lifelong Learning | 2,478.9 | 110.2 | 2,589.1 | 347.8 | 2,936.9 |
| Training, Youth and Women's Employment | 261.6 | - | 261.6 | - | 261.6 |
| Justice | 2,497.4 | 111.0 | 2,608.4 | - | 2,608.4 |
| Rural Affairs, Food and the Environment | 521.4 | 86.6 | 608.0 | - | 608.0 |
| Culture and External Affairs | 219.2 | 36.7 | 255.9 | - | 255.9 |
| Infrastructure, Investment and Cities | 1,213.6 | 1,800.9 | 3,014.5 | - | 3,014.5 |
| Administration | 189.6 | 8.1 | 197.7 | - | 197.7 |
| Crown Office and Procurator Fiscal Service | 108.5 | 3.6 | 112.1 | - | 112.1 |
| Local Government | 7,095.9 | 861.3 | 7,957.2 | 2,799.5 | 10,756.7 |
| Scottish Government | 26,895.3 | 3,418.4 | 30,313.7 | 7,129.6 | 37,443.3 |
| Scottish Parliament and Audit Scotland | 92.1 | 3.8 | 95.9 | - | 95.9 |
| Total Scotland | 26,987.4 | 3,422.2 | 30,409.6 | 7,129.6 | 37,539.2 |

1. DEL Capital includes Financial Transactions, details of which appear in relevant portfolio chapters.

2. DEL Capital includes assumed full use of the Scotland Act 2012 borrowing facility of up to £304 million.

All figures are in cash terms and are presented on a full resource basis, and include depreciation and impairment charges where appropriate.

In order to manage our budgets over the Spending Review period the Scottish Government will make use of the Budget Exchange Mechanism agreed with HM Treasury, whereby there is flexibility to carry forward underspends, within agreed limits, and draw them down the following year. The application of funds recognises known and expected Whitehall transfers for 2015-16. The proposed DEL capital budget reflects the Scottish Government's intention to utilise the borrowing powers available through the Scotland Act 2012. Given the variety of factors that impact on major projects, the capital programme will be proactively managed through the financial year.

EFFICIENCY SAVINGS

The Scottish Government expects every public body to deliver efficiency savings of at least three per cent per annum during the course of the current spending review and to report publicly on the action undertaken and the results achieved.

COMPARATIVE SPENDING

In order to ensure a transparent like-for-like comparison with previous years, the Level 3 tables throughout this document show the figures that were included in Draft Budget 2014-15, as updated for Budget Act 2014 and subsequent formal announcements, alongside the Draft Budget 2015-16 proposals. As agreed with the Scottish Parliament's Finance Committee, the figures incorporate changes announced at Stage 3 of the Budget Bill, together with the deployment of consequential for 2014-15 as announced to Parliament on 1 April 2014 by the Cabinet Secretary for Finance, Employment and Sustainable Growth. These budget changes will be formally presented to the Parliament for approval at the Autumn Budget Revision in October 2014. In addition, the deployment of a £5.0 million allocation to the Local Government portfolio in respect of additional capital from the UK Government to the Shetland Islands Council to support infrastructure development is reflected.

The Level 2 tables within the Portfolio chapters provide, for 2014-15, both the numbers detailed in last year's Draft Budget publication and the latest budgets as previously mentioned.

In order to aid comparison with previously published spending plans, Annex D 'Comparison 2008-09 to 2015-16' provides a presentation based on the current Cabinet Secretary portfolio structure.

REAL-TERMS FIGURES

Real-terms figures have been calculated using the latest estimated GDP deflators published by HM Treasury of 1.6 per cent for 2015-16.

CHAPTER 4

Health and Wellbeing

PORTFOLIO RESPONSIBILITIES

The Health and Wellbeing portfolio is responsible for helping people to maintain and improve their health and wellbeing, especially in disadvantaged communities, and for delivering high-quality sustainable health and social care services.

CONTRIBUTION TO NATIONAL OUTCOMES

The Scottish Government is committed to high-quality publicly funded health and social care services for the people of Scotland, as set out in our 2020 Vision for Health and Social Care. These services contribute directly to growth in the Scottish economy by ensuring that the people of Scotland live longer, healthier lives at home or in a homely setting. Services focus on prevention and early intervention, with significant investment in world-class research and development in medical/life sciences technology and innovation. Quality is ensured by a relentless focus on improvement.

OUR PRIORITIES

Over the next few years health and social care must evolve to meet the changing needs of the people of Scotland. It is our job to ensure that we can continue to provide the high-quality health and care services that the people of Scotland expect and deserve, securing the best possible outcomes for people through the care and support they receive. We will respond collectively to the most immediate and significant challenges we face. These include Scotland's public health record and level of inequalities, our ageing population, the increasing expectations arising from new drugs, treatments and technologies and the impact of inflation on the health service.

Despite the UK Government having cut the Scottish Government's resource budget in real terms by 6.7 per cent since 2010-11, we have maintained our commitment that the NHS frontline resource budget will be protected and will increase at least in line with inflation. We will deliver on this commitment again in 2015-16.

We will have integrated health and social care services that focus on the person through prevention and anticipatory care. The Public Bodies (Joint Working) Scotland Act received Royal Assent on 1 April 2014 and we are committed to implementing the Act for 2015-16. This transformational legislation will require partnership working between NHS Boards, Local Authorities and the third sector. This will be achieved through joint accountability, planning and delivery of health and social care services, using the

totality of adult health and social care budgets. National health and wellbeing outcomes will be delivered by the new integration authorities and will improve the quality and consistency of health and social care services ensuring that people receive the right service, at the right time, and in the right setting.

Our actions and spending plans, prioritised in pursuit of the 2020 Vision for Health and Social Care, make a vital contribution to our commitment to the four pillars of public service reform set out in our response to the Christie Report. This reflects our commitment to achieving outcomes which matter to the people of Scotland while ensuring the financial sustainability of our public services. Partnership working across the public sector through Community Planning Partnerships (CPPs) remains a hallmark of our approach. Clear expectations remain on the public sector to share their budget and resource planning assumptions at an early stage and to work together, through CPPs, to deploy resources towards the jointly agreed priorities. NHS Boards, as well as Local Authorities and other partners, will be expected to show a demonstrable commitment to that approach.

Partnership working is fundamental to achieving progress in each of the priority areas. This means partnerships across NHSScotland, with Local Government, with the third and independent sectors, with industry, with central government, with staff-side representation and with people. Quality is ensured across the range of priority areas using the Framework for Improvement, which has measurement and performance as one of its key features.

We will prioritise spending in the following areas in 2015-16:

- further improvement on the quality of care;
- improving the health of the population; and
- securing the value and financial sustainability of health care services.

Further improvement on the quality of care

- integrating Health and Social Care – implementation of the legislation to integrate health and social care and develop Strategic Commissioning;
- developing the role of Primary Care – support an expanded role for all Primary Care contractor groups (GPs, dentists, pharmacists and optometrists) and the wider Primary Care team (including allied health professionals and community nurses) to deliver our 2020 Vision;
- continue to improve safety in all healthcare environments – building on the world-leading success of the Scottish Patient Safety Programme, we will continue the ground-breaking extension of this approach into Primary Care, maternity services, paediatrics and mental health. We will continue our actions to prevent Healthcare Associated Infection (HAI) and continue implementation of the National Falls Programme. We will protect the public and raise standards by strengthening professional regulation;

- whole system approach to improving patient experiences – continue to support a positive balance across health and social care, creating and fostering strong collaborative partnerships across all disciplines. This will ensure an aligned and focused approach to the delivery of sustainable improvements across scheduled and unscheduled care;
- improving person-centred care – promoting transparency and learning from feedback to drive improvement, developing proposals for a much stronger public voice. People will be empowered to take responsibility for their own health and wellbeing and supported self-management and self-directed support will be promoted. We will continue to ensure that public and patient rights are enacted through policy. We will provide better support for carers and ensure that services respond effectively to people with intellectual cognitive and physical disabilities;
- bringing forward plans to deliver sustainable seven day services – develop a programme with stakeholders and staff-side representatives to map key service areas and to ensure that patients across Scotland get access to the best treatment whenever they need it; and
- improving our approach to supporting and treating people who have multiple and chronic illnesses – work with Community Planning Partners and scale up our use of technology enabled care to deliver improved outcomes for people living with multiple morbidities, including mental health conditions.

Improving the health of the population

- build on the Early Years Collaborative model, driving improvement across all public partners involved in a child's early years, spreading the successful Family Nurse Partnership programme that is focused on the ambition to make Scotland the best place for children to grow up;
- refocus our efforts on health inequalities particularly in the context of benefit cuts which will most directly impact those most at risk of ill-health. We will target improvement resources into Primary Care in the most deprived areas of Scotland; and
- despite significant improvement in recent years, Scotland continues to have a poor record of healthy life expectancy. We will continue to pursue a preventative agenda in partnership across the public sector, concentrating on tackling Scotland's relationship with alcohol, reducing tobacco-related harm by significantly reducing smoking rates, and in increasing levels of physical activity and improving oral health.

Securing the value and financial sustainability of the health care services

- for the first time, the total health budget will exceed £12 billion. This represents a real-terms increase in the overall health budget;
- establish a vision for the health and social care workforce for 2020, setting out a clear plan of actions which have immediate effect. *Everyone Matters – our*

Workforce Vision promotes a focus on workforce planning. In addition, we will continue to support the development and application of our mandatory ground-breaking Nursing Midwifery Workforce and Workload Planning tools;

- maintain our commitment that no NHS employee will be paid below the Scottish Living Wage and our commitment to provide the recommended pay rise for Agenda for Change staff, such as nurses, unlike our counterparts in England; and
- the challenges facing NHSScotland over the next year will require NHS boards to work more efficiently whilst continuing to deliver improved quality. Our *Framework for Quality, Efficiency and Value* sets out a range of approaches that boards can utilise to ensure they can meet these challenges. The Scottish Government's Quality and Efficiency Support Team will continue to provide support to boards and will facilitate the further spread of good practice through a 'Once for Scotland' programme of work, co-sponsored by NHS board Chairs and Chief Executives.

Investing in capital and infrastructure

The Scottish Government is fully committed to continued investment in NHSScotland infrastructure, which enables NHSScotland to provide high-quality health and social care services as well as contributing to the growth in the Scottish economy.

The capital budget will enable the following during 2015-16:

- continuing focus on the maintenance of the NHSScotland estate and equipment replacement, providing £157 million of investment in these areas;
- provision of £22.8 million for the New South Glasgow Hospitals project, the final part of the record £842 million project, which is due to open in Summer 2015;
- progression of projects being funded through the NPD and hub models by directly funding £29 million of investment. In addition, the notional capital equivalent value of NPD in 2015-16 is £265 million. The equivalent figure for hub is £115 million;
- commitment of £5.8 million for the radiotherapy equipment replacement programme; and
- provision of £11.6 million to complete construction of the new Lanarkshire Beatson, to expand radiotherapy services for the West of Scotland.

Table 4.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------------------|----------------------------------|-------------------------|----------------------------------|
| NHS and Special Health Boards | 9,392.0 | 9,392.0 | 9,625.6 |
| Other Health | 2,565.1 | 2,565.1 | 2,535.5 |
| Food Standards Agency Scotland | 10.9 | 10.9 | 15.7 |
| Total Level 2 | 11,968.0 | 11,968.0 | 12,176.8 |
| <i>of which:</i> | | | |
| DEL Resource | 11,614.0 | 11,614.0 | 11,881.7 |
| DEL Capital | 250.0 | 250.0 | 193.1 |
| Financial Transactions | 4.0 | 4.0 | 2.0 |
| AME | 100.0 | 100.0 | 100.0 |

Table 4.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------------------|----------------------------------|-------------------------|----------------------------------|
| NHS and Special Health Boards | 9,392.0 | 9,392.0 | 9,474.0 |
| Other Health | 2,565.1 | 2,565.1 | 2,495.6 |
| Food Standards Agency Scotland | 10.9 | 10.9 | 15.5 |
| Total Level 2 | 11,968.0 | 11,968.0 | 11,985.1 |
| <i>of which:</i> | | | |
| DEL Resource | 11,614.0 | 11,614.0 | 11,694.6 |
| DEL Capital | 250.0 | 250.0 | 190.1 |
| Financial Transactions | 4.0 | 4.0 | 2.0 |
| AME | 100.0 | 100.0 | 98.4 |

Health

Table 4.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Resource | | |
| NHS and Special Health Boards | 9,392.0 | 9,625.6 |
| Education and Training | | |
| Workforce | 30.0 | 33.0 |
| Nursing, Midwifery and Allied Health Professionals | 137.8 | 137.1 |
| Primary and Community Care Services¹ | | |
| General Medical Services | 709.6 | 709.6 |
| Pharmaceutical Services Contractors' Remuneration | 177.7 | 177.7 |
| General Dental Services | 398.7 | 398.7 |
| General Ophthalmic Services | 93.0 | 93.0 |
| Improving Health and Better Public Health | | |
| Health Improvement and Health Inequalities ² | 54.9 | 55.6 |
| Immunisations | 16.3 | 20.9 |
| Pandemic Flu | 16.1 | 8.1 |
| Health Screening | 2.6 | 2.6 |
| Tobacco Control | 12.2 | 12.2 |
| Alcohol Misuse | 41.1 | 40.9 |
| Health Protection | 31.7 | 31.7 |
| Healthy Start | 13.9 | 13.9 |
| Mental Health Improvement and Service Delivery | 22.3 | 23.7 |
| Specialist Children's Services | 21.2 | 21.2 |
| Early Detection of Cancer | 8.5 | 9.3 |
| Integration Fund ³ | - | 73.5 |
| General Services | | |
| Research | 68.5 | 68.5 |
| Distinction Awards | 19.4 | 19.4 |
| Access and Quality Efficiency Support | 51.3 | 51.3 |
| Clean Hospitals / MRSA Screening Programme | 18.5 | 18.5 |
| eHealth | 88.7 | 90.7 |
| Self Directed Support Programme | 12.0 | 12.0 |
| New Medicines Fund ⁴ | - | 40.0 |
| Custody Healthcare and Forensics Services ⁵ | - | 7.6 |
| Miscellaneous Other Services | 145.9 | 153.0 |
| Care Inspectorate | 21.5 | 21.7 |

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Resource Income | (125.3) | (166.5) |
| Provision for Transfer to Health Capital | 120.0 | 47.5 |
| Revenue Consequences of NPD Schemes | 3.0 | 14.0 |
| Total Resource | 11,603.1 | 11,866.0 |
| Capital | | |
| Investment | 281.6 | 214.0 |
| Financial Transactions | 4.0 | 2.0 |
| Income | (31.6) | (20.9) |
| Total Capital | 254.0 | 195.1 |
| Annually Managed Expenditure | | |
| NHS Impairments | 100.0 | 100.0 |
| Total Health | 11,957.1 | 12,161.1 |
| <i>of which:</i> | | |
| DEL Resource | 11,603.1 | 11,866.0 |
| DEL Capital | 250.0 | 193.1 |
| Financial Transactions | 4.0 | 2.0 |
| AME | 100.0 | 100.0 |

Notes:

1. Allocations for 2015-16 for Primary and Community Care Services are still to be decided and are subject to UK pay negotiations with the professional groups concerned.
2. The Health Improvement and Health Inequalities budget line has decreased by £3.3 million from the figures published in the previous Draft Budget to reflect the transfer to the Commonwealth Games, Sport, Equalities and Pensioners' Rights portfolio.
3. The Integration Fund totals £73.5 million in 2015-16. Part of the investment (£21.5 million) is sourced from the anticipated funding arising from the migrant surcharge, introduced by the UK Immigration Act 2014.
4. The New Medicines Fund replaces the Rare Conditions Medicine Fund.
5. The Custody Healthcare and Forensics Services budget line is a permanent transfer into the Health portfolio from Justice.

Table 4.04: Territorial and Special Health Boards spending plans (Level 4)

| Level 4 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Territorial Boards | | |
| NHS Ayrshire and Arran | 618.9 | 632.4 |
| NHS Borders | 179.8 | 183.8 |
| NHS Dumfries and Galloway | 259.7 | 265.5 |
| NHS Fife | 557.3 | 571.4 |
| NHS Forth Valley | 449.6 | 459.3 |
| NHS Grampian | 773.3 | 812.6 |
| NHS Greater Glasgow and Clyde | 2,046.5 | 2,090.4 |
| NHS Highland | 522.8 | 541.8 |
| NHS Lanarkshire | 890.3 | 915.2 |
| NHS Lothian | 1,188.0 | 1,220.6 |
| NHS Orkney | 35.8 | 37.1 |
| NHS Shetland | 39.6 | 40.5 |
| NHS Tayside | 645.0 | 659.3 |
| NHS Western Isles | 62.2 | 63.6 |
| Total | 8,269.0 | 8,493.5 |
| Special Boards | | |
| NHS Waiting Times Centre | 45.2 | 46.0 |
| NHS Scottish Ambulance Service | 209.7 | 212.1 |
| NHS National Services Scotland | 280.5 | 283.3 |
| Healthcare Improvement Scotland | 15.2 | 15.2 |
| NHS State Hospital | 33.9 | 34.2 |
| NHS 24 | 62.1 | 62.7 |
| NHS Education for Scotland | 391.3 | 392.6 |
| NHS Health Scotland | 17.7 | 18.0 |
| Total | 1,055.6 | 1,064.0 |
| Other Income | 67.4 | 68.1 |
| Total Territorial and Special Boards | 9,392.0 | 9,625.6 |

What the budget does

The budget provides services to help people in Scotland to live longer and healthier lives, with reduced health inequalities and to provide more sustainable, high quality and continually improving healthcare services close to home.

NHS Boards provide free and universal frontline healthcare services for patients and their families. They will continue to build on their recent achievements in order to deliver quality healthcare services. Through their Local Delivery Plans and strategic commissioning plans as part of the integrated arrangements, NHS Boards will demonstrate how they will work in partnership to deliver accelerated improvements for key priorities, such as tackling health inequalities and improving outcomes for patients and service users.

Budget changes

Our total healthcare funding in 2015-16 of £12.2 billion shows an increase from the £12.1 billion published plan figure in the 2014-15 Draft Budget. This comprises resource funding of £11.9 billion, net capital funding of £195 million and annually managed expenditure of £100 million. The healthcare funding available in 2015-16 includes the full resource budget consequential arising from the increase to health in England. The increases from 2014-15 to 2015-16 represent real terms increases to the overall health budget.

Territorial NHS Boards will receive a resource allocation increase of 2.7 per cent in 2015-16. Increases above forecast inflation reflect the importance that we attach to protecting frontline point of care services, and is a commitment that this Government has delivered on in each year since 2010-11. To achieve this and to support an increase for Special NHS Boards delivering direct patient care, we continue with the differential approach whereby Special NHS Boards which do not provide direct patient care return their savings for them to be recycled into the overall funding envelope to support direct patient care.

Other budget changes to note include:

- commitment of £53.5 million for the centrally held Integration Fund in 2015-16, to support national initiatives (bringing the total to £73.5 million);
- additional £32 million to support the continued investment in NHSScotland infrastructure;
- the New Medicines Fund and associated income; and
- the permanent transfer of funding into Health from Justice of £7.6 million in relation to Custody Healthcare and Forensics Services.

In 2015-16 we will:

- increase the previously announced Integration Fund from £120 million to £173.5 million, recognising the need for new investment in primary care to support delivery of the 2020 Vision. This will support the development and delivery of new models of care in local areas, looking at innovative ways of supporting frontline professionals dealing with the challenges of multimorbidity, an ageing population, poverty and rurality. This will be done by allocating resource of £100 million to integrated partnerships via NHS Boards in 2015-16 to help drive the shift towards prevention. A further £73.5 million will be held centrally by the Scottish Government to support national initiatives;
- continue to support the implementation of legislation to introduce self-directed support in the context of integrated health and social care, enabling people to lead in directing their choice of care to deliver the best possible outcomes for them and their families and carers;

- support the development of new models of Primary Care and a new GP contract, support dental and optometrist teams in their vital work on oral and eye health, and work with pharmacists to deliver Prescription for Excellence;
- support NHS Boards to deliver elective and unscheduled waiting times targets and guarantees to ensure patients are able to access NHS services;
- continue the Detect Cancer Early programme focusing on breast, bowel and lung cancer which are the three most common cancers in Scotland;
- remain committed to the vital role that Community Nurses, including Health Visitors and District Nurses, make to improving the health of the people of Scotland. We will continue to support NHS Boards to modernise nursing in the community, improve care for patients and build capacity, capability and sustainability across the whole nursing workforce;
- implement the National Delivery Plan for the Allied Health Professionals (AHPs), which defines the future vision for AHPs and the services they deliver;
- improve services and outcomes for people with heart disease, stroke, cancer, diabetes, rare diseases and other long-term conditions through our focus on the whole patient pathway, earlier referral, speedier diagnosis and clinically effective treatments and follow up;
- develop in co-production with disabled people and their representative groups, a Scottish Independent Living Fund to replace the previous UK Independent Living Fund (ILF) enabling severely disabled people to live independently;
- respond to the recommendations of the Vale of Leven Hospital Inquiry once published;
- drive quality improvement in maternity services, supporting the provision of person-centred, safe and effective care for women and babies and support implementation of the Getting it Right for Every Child (GIRFEC) practice model in maternity services;
- continue implementation of the Scottish Patient Safety Programme – Maternity and Children Quality Improvement Collaborative;
- make a significant investment in Health Visiting to prepare for implementation of the Children and Young People (Scotland) Act, and to support the Early Years agenda;
- support implementation of Setting the Direction for Nursing and Midwifery Education to ensure our status as a world-class provider in this arena;
- support people to be able to manage their own mental health and continue to focus on prevention and anticipation through attention to early years, parenting and child and adolescent mental health;

- continue to improve the quality of life for those with dementia, their carers and families, building on the first Dementia Strategy by working to deliver the second strategy, with a continuing focus on diagnosis and post-diagnostic support and care in all settings, including general hospitals. Funding for dementia is drawn from the overall funds allocated to NHSScotland and local authorities; and
- continue to take forward the measures set out in our Strategy for a Tobacco-Free Generation, to reduce smoking rates to less than 5 per cent by 2034. We will do this by supporting young people to choose not to smoke, protecting people from second-hand smoke and supporting those who plan to quit smoking.

Food Standards Agency Scotland

Table 4.05: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|--|-------------------|----------------------------|
| Level 3 | £m | £m |
| Food Safety | 7.3 | 10.7 |
| Eating for Health | 2.0 | 3.0 |
| Choice (making it easier for consumers to make informed choices) | 1.6 | 2.0 |
| Total | 10.9 | 15.7 |
| <i>of which:</i> | | |
| DEL Resource | 10.9 | 15.7 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The Food (Scotland) Bill is currently following the legislative process through the Scottish Parliament and the passing of that Bill would allow Food Standards Scotland to take over the functions previously delivered in Scotland by the Food Standards Agency. Food Standards Scotland will provide consumers with an effective, proportionate and efficient food safety and standards regime which is responsive to Scottish needs. The increased budget in 2015-16 reflects a proposed Whitehall budget transfer and will be used to fund the additional responsibilities Food Standards Scotland will take on from 1 April 2015.

As Scotland's independent food safety and food standards body, Food Standards Scotland's objectives are to:

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

To deliver on these objectives, Food Standards Scotland has the following specific functions:

- to develop and help others develop policies on food and animal feeding stuffs;
- to advise the Scottish Government, other authorities and the public on food and animal feeding stuffs;
- to keep the public and users of animal feeding stuffs advised to help them make informed decisions about food and feed stuffs; and
- to monitor the performance of enforcement authorities in enforcing food legislation.

This will contribute to the Government's Purpose across a range of National Outcomes by:

- tackling poor diet and food-borne diseases to help people in Scotland live longer, healthier lives;
- being more efficient and more responsive to Scottish circumstances than the current UK-wide FSA, helping to ensure that our public services are high quality, continually improving, efficient and responsive to local people's needs; and
- supporting the growth of the Scottish food and drink industry by providing a strong, international reputation for safe, quality food and through proportionate and responsive regulation.

CHAPTER 5

Commonwealth Games, Sport, Equalities and Pensioners' Rights

PORTFOLIO RESPONSIBILITIES

The role of Cabinet Secretary for Commonwealth Games, Sport, Equalities and Pensioners' Rights was established in April 2014 in recognition of the crucial role that these issues play in Scottish society.

The portfolio is responsible for getting Scotland more active through increased participation in physical activity including sport. Getting Scotland more active will help secure a lasting legacy from the 2014 Commonwealth Games and contribute to improved wellbeing of Scotland's individuals and communities.

The inclusion of Equalities within this new Cabinet portfolio signals the importance of equality to Scotland's economic and social life and the Scottish Government's ongoing commitment to driving forward the advancement of equality across its interests. The portfolio is responsible for leading the Scottish Government's work to promote equality and tackle discrimination, disadvantage and inequality. Additionally, the portfolio provides cross-Government advocacy and coordination of Pensioners' Rights, including pensioners' welfare.

CONTRIBUTION TO NATIONAL OUTCOMES

Commonwealth Games and Sport

Physical inactivity results in around 2,500 premature deaths in Scotland each year and costs NHSScotland around £91 million annually. Physical activity can therefore make a significant contribution to our personal, community and national wellbeing and a significant contribution to a number of National Outcomes including "we live longer, healthier lives".

The Commonwealth Games in Glasgow was a resounding success, both in sporting terms – with Team Scotland fielding its biggest ever team and securing a record 53 medals – and in demonstrating Scotland's ability to successfully stage a complex multi-sport event. Glasgow 2014 was widely recognised, including by the Commonwealth Games Federation, as being 'the best Games ever' and demonstrated Scotland's status as a world-class destination for business, events and tourism, while also helping to regenerate the East End of Glasgow and South Lanarkshire.

The economic contribution of sport is not limited solely to the Commonwealth Games. The latest figures indicate that the sport and leisure industry contributes approximately £0.5 billion to the economy (in terms of Gross Value Added) and supports 37,600 jobs in addition to the clear economic benefits from having a healthier population.

Equalities and Pensioners' Rights

Equality is at the core of the Scottish Government's purpose to create a more successful country with opportunities for all of Scotland to flourish. Achieving a fair, more equal country where all can participate and where diversity is valued, is not just a moral imperative but is fundamental to any modern democracy. The Government's Economic Strategy recognises that failure to reduce inequalities in Scotland can place a drag on the economy and significant burdens on our public services. Equality is also at the heart of our ambition for improving public services, where an understanding of the diverse experiences of people and communities, the barriers they face and aspirations for change are key to creating person-centred, preventative approaches.

The Scottish Government also believes that it is vitally important that the rights of pensioners are appropriately represented in policies and programmes and that the welfare of pensioners is promoted. Maintaining a close engagement and dialogue with pensioners' groups and representative bodies is a priority, as is ensuring that representations are made to the UK Government when appropriate to ensure the rights and welfare of Scottish pensioners are taken into account.

OUR PRIORITIES

Commonwealth Games and Sport

Sport is a fantastic way to get active; it engages and inspires the young and old, from grassroots through to elite performance. The spectacular success of the 2014 Commonwealth Games and Ryder Cup demonstrated to the world Scotland's passion for sport. They provided Scotland with an extraordinary platform to build a deep and sustained legacy. We will continue to prioritise development of Scotland's world-class system for sport and continue to invest in world-class facilities.

The Commonwealth Games also showed the tremendous contribution that sport can make to equality. Glasgow 2014 had more medal opportunities in para-sports than ever before, with para-sport events fully integrated into the Games' schedule and medals gained incorporated in the full medals table. This, together with the focus on legacy activity in strengthening community cohesion and participation, declare the message that Scotland believes in equality.

Getting Scotland more active is a central element of our legacy activity and progress has already been made in encouraging greater levels of activity. The Scottish Household Survey shows that 78 per cent of adults participated in sport and exercise in 2013, up from 74 per cent in 2012. Our national implementation plan "A More Active Scotland: Building a Legacy from the Commonwealth Games" will build on this and sets out our priorities over one year, five years and ten years to deliver a step change in levels of physical activity.

A key challenge remains in getting those who are inactive to become more physically active. There is an important role for community sport in addressing these issues.

Priority areas for action

In 2015-16 we will prioritise the following:

- ensuring a deep and sustained legacy from the Commonwealth Games and Ryder Cup;
- continued development of Scotland's world-class system for sport, focused on increased participation and improved performance;
- reducing inequalities and encouraging greater equality of opportunity in relation to participation in sport and physical activity, and enhancing the role of community sport; and
- continuing to invest in world-class facilities including development of a National Performance Centre for Sport and a National Para-sport Centre, which will both be completed in 2016.

Equalities

Scotland is a great place in which to live and work. Our diverse communities are rich in talent and ambition and the new census results show that the profile of Scotland's society is changing. We have greater ethnic diversity, more people living in Scotland who were born outside of the UK and more people at either end of the age spectrum (under five or aged 80 and over).

However, we know that despite progress, inequalities still exist and some of these are structural and persistent. Promoting equality and tackling inequality are and will continue to be important features of the Scottish Government's work.

The Scottish Government is supporting work to promote equality and to tackle issues of inequality across the range of protected characteristics. It is committed to taking action to eliminate long-standing discrimination that holds Scotland and its people back. For example, within this budget, resource is being directed to support action to remove pay gaps, address occupational segregation and promote greater gender diversity on public boards. More broadly the budget is helping to focus on prevention and early intervention, increasing the capacity of communities to tackle the issues which confront them and to be part of shaping the solutions.

The Equality Budget Statement shows how the promotion of equality is integrated across Scottish Government policy and budget decision making and is embedded in its strategic approach to public services and work to reduce poverty and inequality.

The Equality Budget supplements this mainstreamed investment through specific strategic interventions aimed at promoting equality and tackling the discrimination, prejudice and disadvantage which act as a barrier to equality of opportunity, economic progress and the wellbeing of the people of Scotland.

Priority areas for action

In 2015-16 we will prioritise spending in the following areas:

- investing in specific funds to support frontline services which address the needs of communities, enable early intervention and prevention, help address the barriers faced in employment or other forms of participation and contribute to the capacity of equality communities to respond to issues such as poverty, social exclusion and the impacts of welfare reform;
- investing in infrastructure to develop the capacity of equality in communities and ensure their voice is heard in democratic decision making, service design and delivery; and
- taking forward specific actions to help advance equality of opportunity, eliminate discrimination and foster good relations across the range of protected characteristics, including action to support improved performance on the public sector equality duty across Scotland.

Budget changes

The budget for the Commonwealth Games, Sport, Equalities and Pensioners' Rights previously formed part of the Health and Wellbeing portfolio budget. The relevant budget areas now sit in their own distinct portfolio Budget as outlined below.

Table 5.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Sport (including Commonwealth Games and physical activity) | 211.0 | 211.0 | 71.8 |
| Promoting Equality | 20.3 | 20.3 | 20.3 |
| Total | 231.3 | 231.3 | 92.1 |
| <i>of which:</i> | | | |
| DEL Resource | 227.3 | 227.3 | 66.1 |
| DEL Capital | 4.0 | 4.0 | 26.0 |
| AME | - | - | - |

Table 5.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Sport (including Commonwealth Games and physical activity) | 211.0 | 211.0 | 70.7 |
| Promoting Equality | 20.3 | 20.3 | 20.0 |
| Total | 231.3 | 231.3 | 90.7 |
| <i>of which:</i> | | | |
| DEL Resource | 227.3 | 227.3 | 65.1 |
| DEL Capital | 4.0 | 4.0 | 25.6 |
| AME | - | - | - |

Commonwealth Games and Sport

Table 5.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Glasgow 2014: Delivery of Commonwealth Games | 169.4 | - |
| Sport and Legacy | 38.3 | 68.5 |
| Physical Activity ¹ | 3.3 | 3.3 |
| Total | 211.0 | 71.8 |
| <i>of which:</i> | | |
| DEL Resource | 207.0 | 45.8 |
| DEL Capital | 4.0 | 26.0 |
| AME | - | - |

1 The Physical Activity budget line previously sat in the Health Improvement and Health Inequalities budget line in the Health and Wellbeing portfolio, however this budget now falls within the remit of the new Commonwealth Games, Sport, Equalities and Pensioners' Rights portfolio.

What the budget does

As part of ensuring that there is a deep and sustained legacy from the Commonwealth Games, £2 million of funding will be provided specifically for legacy purposes, helping to ensure that we capitalise on the inspiration that the Games provided. £6 million will also be provided towards development of a new national para-sports centre to nurture and hone sporting talent in Scotland. This recognises the importance of equality of opportunity in participation in sport and physical activity, and the fantastic success of Scotland's para-athletes in the Games.

To continue to develop Scotland's world-class system for sport, and in particular the high performance system, over £4 million will be invested in the **sportscotland** institute of sport. This is in addition to investment in performance sport by Scottish governing bodies of sport.

The National Performance Centre for Sport (NPCS) will contribute further, creating an inspiring centre of excellence where the best athletes in Scotland can come together and train, and where we can foster improvement in the performance of Scottish athletes and their coaches over the next decade and beyond. In addition to the £24 million for the NPCS, we will also invest £2 million in Scotland's wider sporting infrastructure, to ensure an accessible network of quality sports facilities.

Clubs and athletes in communities across Scotland will benefit from £14 million of investment in more than 50 Scottish governing bodies of sport. This investment will support a range of outcomes, including the development of coaches, officials and volunteers, as well as performance sport programmes to deliver medal success.

It is important that children and young people have opportunities to take part and develop. In partnership with local authorities, **sportscotland** will provide all schools with the chance to benefit from £12 million of investment in the Active Schools programme which provides pupils with opportunities before and after school, and at lunchtime. This investment will contribute to the delivery of the sport strategy for children and young people by widening opportunities and improving the quality of sport for young people.

A further £3.3 million will be invested into physical activity programmes, including:

- support for key partner organisations such as Paths for All and Living Streets, to provide better places and opportunities to get active;
- Active Girls, which aims to provide more opportunities for girls and young women to participate in PE, physical activity and sport. It also improves access to leadership opportunities to enable young women to motivate and inspire their peers;
- programmes delivered by Scottish Swimming and **scottishathletics**, which increase the number of people participating in swimming and jogging/running; and
- support to local authorities, through **sportscotland**, for a network of PE lead officers who support the delivery of the two hour/two periods of PE target.

This physical activity investment complements the significant investment being made in active travel in particular cycling and walking.

Budget changes

Sport now includes a Physical Activity budget line of £3.3 million which previously sat in the Health Improvement and Health Inequalities budget line in Health and Wellbeing. The Physical Activity budget line now falls within the remit of the new Commonwealth Games, Sport, Equalities and Pensioners' Rights portfolio.

Equalities

Table 5.04: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------|-------------------------|----------------------------------|
| Promoting Equality | 20.3 | 20.3 |
| Total | 20.3 | 20.3 |
| <i>of which:</i> | | |
| DEL Resource | 20.3 | 20.3 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The Equality budget enables support for a range of national intermediary organisations which have a key role in driving forward change, in building capacity and leadership, and enabling Scotland's equality communities to be heard in public life and public policy development. The Scottish Government will maintain investment in actions which help to empower and enable the wellbeing of communities.

Through the specific funds directed at tackling violence against women, and more broadly to promoting equality and tackling discrimination, there is investment in frontline support – focusing on prevention and early intervention and in enabling communities to address some of their major challenges. In addition, the budget enables support to be given to interventions which are strategic or which can make a difference in the longer term or which can respond to specific immediate challenges. The Scottish Government will also carry on its work with partners to support the effective implementation of the public sector equality duty across Scotland and to make progress on its own equality outcomes.

In 2015-16 we will:

- take forward the 'Equally Safe' strategy to work towards preventing and eliminating violence against women and girls. As part of this work, we will align investment with the priorities identified in the strategy to direct support as effectively as possible towards frontline services and early intervention;
- invest in equality activity and interventions that focus on issues around poverty and employment, discrimination and hate crime, representation and participation in public and democratic life and in building strong, resilient communities;
- take forward 'New Scots: Integrating Refugees into Scottish Communities' so individuals can achieve their fullest potential and that services are shaped appropriately around their evolving circumstances;

- continue to promote religious tolerance and understanding;
- develop our strategic approach to race equality and continue to seek improvements in the experiences of Scotland's minority ethnic communities;
- take forward our work on disability equality and addressing issues of gender, age, Lesbian, Gay, Bisexual, and Transgender (LGBT);
- make use of new data and evidence to develop our overarching strategic approach to advance equality and, within that, identify specific issues and actions to take forward to help improve outcomes for different equality communities; and
- continue to invest in mainstreaming support and alignment to improve public sector performance on equality.

CHAPTER 6

Finance, Employment and Sustainable Growth

PORTFOLIO RESPONSIBILITIES

The Finance, Employment and Sustainable Growth (FESG) portfolio has a crucial part to play in supporting the economy, increasing prosperity, establishing a fairer and more equal society and enabling Scotland to use our people and resources to improve outcomes for all Scotland's citizens.

This broad ranging portfolio is working with key delivery partners to produce measurable improvements in: administering pensions, digital public services, community empowerment, planning, building regulations, growing the economy, business, tourism, renewable energy, entrepreneurship and innovation, third sector support and engagement, personal insolvency in Scotland, registration and regulation of Scotland's charities and the provision of a vital service to Scotland's economy and property market through its registration activities. The portfolio also includes Revenue Scotland.

CONTRIBUTION TO NATIONAL OUTCOMES

The Scottish economy has now been growing for almost two years. In the first quarter of this year output moved beyond pre-recession levels, shifting the economy from recovery into expansion mode.

We recently published *Reindustrialising Scotland*¹, which builds on the key theme of rebalancing the Scottish economy as set out last November in *Building Security and Creating Opportunity*². Priorities include:

- giving Scottish businesses a competitive edge;
- increasing female and parental participation in the workforce through transformational expansion of childcare provision and improving the gender balance on boards;
- continuing to focus on capital investment, our growth sectors, growth companies and growth markets;
- deepening our transition to a low carbon economy;

¹ [Reindustrialising Scotland](#)

² [Building Security and Creating Opportunity](#)

- continuing the development of the third sector and growing social enterprise and entrepreneurship;
- delivering on our stretching export target commitments; and
- supporting entrepreneurship and innovation.

OUR PRIORITIES

2015-16 will see a co-ordinated Team Scotland approach focusing on three over-arching themes: Innovation, Competitiveness and Internationalisation.

Innovation

We recognise that innovation is a key driver in boosting productivity and can act as a catalyst for increasing sustainable economic growth. Our commitment to supporting innovation is clearly articulated in the Government Economic Strategy and backed up by a range of programmes delivered by Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Funding Council.

Our research capabilities mean we are now attracting new partners, such as the Fraunhofer Centre for Applied Photonics at Strathclyde University, which is the UK headquarters for Europe's largest contract research organisation.

Our collective efforts are attracting positive recognition. The recent Ernst & Young UK Foreign Direct Investment Attractiveness Survey highlighted that the proportion of R&D inward investment projects into Scotland in 2013 was well ahead of the percentage for the UK as a whole, which provides support for the view that Scotland is able to punch above its weight in science and technology. This recognition is warmly welcomed and shows our Team Scotland approach is making measurable improvements.

Developments in our approach to innovation include:

- Opening of five new Innovation Centres: Industrial Biotech, Oil and Gas, Aquaculture, Big Data and Construction. These build on the original three launched in April 2013: Stratified Medicine, Sensors and Imaging Systems and Digital Health. All eight centres will be operational by the end of this year and Scottish Funding Council has set aside £124 million over six years for the programme;
- Bright Idea Scotland providing support for individuals and businesses with innovative ideas; and
- The Young Innovators Challenge, encouraging young people from academic disciplines to come up with innovative ideas to tackle health, wellbeing, green and sustainable energy resources and smarter communities and infrastructure.

We will continue to provide a broad range of support through our key partners, including:

- support through the innovative Encouraging Dynamic Growth Entrepreneurs fund – to date we have committed over £5 million;
- delivering the SMART: Scotland fund, which has delivered £45 million of funds since 2012 for a range of programmes to support innovation and entrepreneurship; and
- aiming for at least 85 per cent of premises to have Next Generation Broadband by 2015 and 95 per cent by 2017, through the Step Change programme as a key step on our road to becoming a world-class digital nation by 2020.

Competitiveness

To make Scottish businesses more competitive, we will:

- continue to offer the most competitive business rate regime in the UK; to date we have removed or reduced business rates taxation for over 92,000 (2 in 5) premises through our Small Business Bonus Scheme;
- continue to support local authorities in their management and delivery of the Business Gateway (BG) services which provide universal support and advice for all of Scotland's potential start-ups, early-stage and established businesses. BG assists in the formation of over 10,000 new businesses a year. Support includes general information, training seminars, business advice and information on possible financial support with more intensive support offered to those businesses with growth potential;
- build on the success of the Scottish Investment Bank (SIB) helping growth and exporting companies to access loans;
- deliver on our third National Planning Framework (NPF3), which will be taken into account in all strategic and local development plans in Scotland and support the delivery of the 14 national developments across Scotland identified to deliver the strategy;
- continue to stimulate the offshore renewables supply chain and to provide dedicated support for wave energy technologies. We are seeking to reduce dependence on fossil fuels, create alternative models for local energy supply and identify and overcome the obstacles to change;
- support businesses in the Environmental & Clean Technologies (ECT) sector in their development of low carbon products, processes and services in line with our Low Carbon Economic Strategy. We will continue to support emerging low carbon technologies and activity including non-domestic energy efficiency and District Heating Projects, with increased support to move projects to 'investor ready' stage;

- introduce grant funding to landlords of holiday-let properties to obtain Energy Performance Certificates (EPCs), to help towards meeting EU legislation requirements;
- deepen our support for the key role and development of the third sector in all its diversity and to building social enterprise and entrepreneurship. We will align funding and investment around innovative approaches, prevention, maximising the impact of the third sector in public service reform, strengthening community capacity, empowerment and initiative, and tackle poverty and social exclusion. We will continue to provide advice and support through Just Enterprise and work with the public sector, through Ready for Business to open up its markets to the third sector; and
- build on the Working Together Review to develop a partnership approach to industrial relations and fair work with Government, business and trade unions coming together.

Internationalisation

Business, culture and sporting success in 2014 sees Scotland's reputation of being energy rich, resource rich and talent rich growing substantially on the international stage.

As set out in the Government Economic Strategy, the Scottish Government has an ambitious target to increase exports by 50 per cent between 2010 and 2017.

Scottish businesses are making great strides towards achieving this target, despite difficult trading conditions in international markets. According to the most recent Global Connections Survey, Scottish international exports (excluding oil and gas) increased from £24.6 billion in 2011 to £26 billion in 2012; this represented a 5.9 per cent increase.

Since 2010, the nominal value of exports has increased 14 per cent from £22.8 billion in 2010 to £26 billion in 2012. This is broadly in line with meeting the Government's export target.

We acknowledge that more needs to be done and we intend:

- widening our export support to encourage more businesses to become active exporters. Scottish Development International (SDI) continues to work with partners to support 8,000-10,000 more businesses develop the skills to go international by 2015, working with them to develop the confidence and ambition to take those first steps into international markets;
- giving a greater focus on supporting growth companies already exporting to expand into new fast growing markets, working with them to fully capitalise on the link between innovation and internationalisation by, for example, supporting businesses to bring new products to international markets;
- supporting the continued international ambitions of our growth sectors by focusing on those global opportunities where we have a truly internationally competitive offering, for example, exploiting the global strengths of our universities and colleges, recognising both the £0.5 billion per annum export

contribution that international students already make by studying in Scotland as well as the commercial opportunities from their truly global research excellence and educational strengths;

- focusing on attracting strategic international investment which enhances the global competitiveness of our growth sectors, for example, by promoting Scotland as a destination of choice for renewables and low carbon opportunities.
- to enable VisitScotland to build on our enhanced international profile following the 'best ever' Commonwealth Games, the world-renowned Ryder Cup, Homecoming 2014 events and Bannockburn Live, an additional £5 million will be provided allowing further investment mainly within marketing of existing and new domestic and international air routes into Scotland as part of joint Team Scotland aviation strategy delivery and also to support golf legacy.

Table 6.01: Spending plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Scottish Public Pensions Agency | 2,702.7 | 2,702.7 | 3,905.4 |
| Revenue Scotland | - | - | 4.3 |
| Digital Public Services, Committees, Commissions and Other | 10.4 | 10.4 | 10.4 |
| Planning | 3.5 | 3.5 | 4.2 |
| Enterprise, Energy and Tourism | 444.5 | 444.5 | 469.0 |
| Third Sector | 24.5 | 24.5 | 24.5 |
| Accountant in Bankruptcy | 2.8 | 2.8 | 1.8 |
| Registers of Scotland | - | - | - |
| Office of the Scottish Charity Regulator | 3.0 | 3.0 | 3.0 |
| Total Level 2 | 3,191.4 | 3,191.4 | 4,422.6 |
| <i>of which:</i> | | | |
| DEL Resource | 376.7 | 376.7 | 361.4 |
| DEL Capital | 117.8 | 117.8 | 170.4 |
| AME | 2,687.4 | 2,687.4 | 3,882.3 |
| Financial Transactions | 9.5 | 9.5 | 8.5 |

Table 6.02: Spending plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Scottish Public Pensions Agency | 2,702.7 | 2,702.7 | 3,843.9 |
| Revenue Scotland | - | - | 4.2 |
| Digital Public Services, Committees, Commissions and Other | 10.4 | 10.4 | 10.2 |
| Planning | 3.5 | 3.5 | 4.1 |
| Enterprise, Energy and Tourism | 444.5 | 444.5 | 461.6 |
| Third Sector | 24.5 | 24.5 | 24.1 |
| Accountant in Bankruptcy | 2.8 | 2.8 | 1.8 |
| Registers of Scotland | - | - | - |
| Office of the Scottish Charity Regulator | 3.0 | 3.0 | 3.0 |
| Total Level 2 | 3,191.4 | 3,191.4 | 4,353.0 |
| <i>of which:</i> | | | |
| DEL Resource | 376.7 | 376.7 | 355.7 |
| DEL Capital | 117.8 | 117.8 | 167.7 |
| DEL Financial Transactions | 2,687.4 | 2,687.4 | 8.4 |
| AME | 9.5 | 9.5 | 3,821.2 |

Scottish Public Pensions Agency**Table 6.03: More Detailed Spending Plans (Level 3)**

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Agency Administration | 12.5 | 13.7 |
| IT Provision | 2.8 | 9.4 |
| Scottish Teachers' Superannuation Scheme | 1,158.5 | 1,515.4 |
| NHS Superannuation Scheme (Scotland) | 1,528.9 | 2,366.9 |
| Total | 2,702.7 | 3,905.4 |
| <i>of which:</i> | | |
| DEL Resource | 12.5 | 13.7 |
| DEL Capital | 2.8 | 9.4 |
| AME | 2,687.4 | 3,882.3 |

What the budget does

The Scottish Public Pensions Agency's principal role is to administer the pensions, premature retirement and injury benefits schemes for members of the NHS Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme. From 2015 the Agency will also administer the Police and Firefighter pension schemes in Scotland.

The Agency also develops the regulations covering the NHS Superannuation Scheme (Scotland), the Scottish Teachers' Superannuation Scheme, and the Local Government, Police and Firefighters' Pensions Schemes in Scotland. It determines appeals made by members of these schemes and provides a pensions calculation service for some small public pension schemes operating in Scotland and elsewhere.

Currently the Agency is heavily involved in the development of the UK Government's pension reform agenda, providing Scottish Ministers with policy advice across the five schemes for which they have responsibility and on other matters impacted by the 2013 Public Service Pensions Act.

Budget changes

The budgets changes since the publication of the 2014-15 Draft Budget are as follows:

- £2.8 million capital has been brought forward from 2015-16 to 2014-15 for the IT upgrade to reflect the pension changes brought about by the Public Services Pensions Act 2013.
- The deployment of £0.8 million ring-fenced DEL to cover depreciation charges in respect of new IT projects. The budget cover for depreciation has been sourced from within the portfolio.
- AME forecasts for 2015-16 is updated to reflect:
 - updated UK Treasury forecast on the scheme of accounts;
 - revised Government Actuary's Department (GAD) valuation of assets; and
 - revised UK Treasury discount rates.

In 2015-16 the Agency will:

- assume responsibility for the delivery of pension services to the Police Service of Scotland and Scottish Fire and Rescue Service schemes;
- provide core pension services to over 0.5 million members and pensioners within the NHS, Teachers, Police and Firefighter schemes;
- ensure pension changes brought about by the Public Services Pensions Act 2013 take effect from 1 April 2015 on an upgraded IT platform; and
- ensure the new governance regime for public sector pensions in Scotland is effectively implemented.

Revenue Scotland

Table 6.04: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------|-------------------------|----------------------------------|
| Revenue Scotland | - | 4.3 |
| Total | - | 4.3 |
| <i>of which:</i> | | |
| DEL Resource | - | 4.3 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The budget for Revenue Scotland has been transferred from the Scotland Act Implementation budget within the Infrastructure, Investment and Cities portfolio. Revenue Scotland is the new Scottish tax authority responsible for the administration of the two devolved taxes – Land and Buildings Transaction Tax and Scottish Landfill Tax – from 1 April 2015.

In 2015-16, Revenue Scotland will:

- implement robust compliance approaches to ensure that taxpayers pay tax due; and
- operate efficiently and effectively so that Scottish taxpayers receive high standards of service that offer good value for money.

Digital Public Services, Committees, Commissions and Other

Table 6.05: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------|-------------------------|----------------------------------|
| Fiscal Commission | - | - |
| Improving Public Services | 0.6 | 0.6 |
| Digital Public Services | 7.8 | 7.8 |
| Local Governance | 1.1 | 1.1 |
| Commissions | 0.5 | 0.5 |
| Local Government Elections | 0.3 | 0.3 |
| Council of Economic Advisers | 0.1 | 0.1 |
| Total | 10.4 | 10.4 |
| <i>of which:</i> | | |
| DEL Resource | 10.4 | 10.4 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The budget supports implementation of the strategy “Scotland’s Digital Future: Delivery of Public Services”. Its objective is to use digital technologies to design and deliver services that better meet people’s needs and in doing so to:

- create the opportunity for citizens to have more control over when and how they access services;
- deploy digital technologies in ways that reduce the cost of services to the user and provider; and
- manage data in a way that supports preventative and personalised services businesses and, through making non-personal data open, contribute to economic growth.

The budget supports a number of national level actions including the development of mygovscot and the digital transformation programme.

The budget enables the Local Government Boundary Commission for Scotland to take forward Fifth Reviews of Local Government electoral arrangements, in accordance with statutory requirements for completion in time for the next local government elections in May 2017. It also funds the new Scottish Fiscal Commission, set up to provide independent scrutiny of Scottish Government revenue forecasts for the two devolved taxes to be collected by Revenue Scotland from April 2015: Land and Buildings Transaction Tax and Scottish Landfill Tax.

It also provides a range of support to Community Planning Partnerships, community councils and community organisations to build capacity and improve outcomes at the local level; and funds the Council of Economic Advisers’ budget which supports the provision of economic advice to Ministers, both privately in meetings and publicly through its Annual Reports. The majority of the costs incurred are due to travel expenses and subsistence for the members attending meetings. Members are not remunerated for their time.

Budget Changes

There are no changes to planned budgets.

In 2015-16 we will:

- expand use of ‘myaccount’ and ‘mygovscot’ online portals to provide secure and accessible public services providing secure and easy sign-in to public services;
- implement the Open Data Strategy, published in 2014, including support to the public sector in publishing data; and
- support design of public services through use of spatial data products from Ordnance Survey.

Planning

Table 6.06: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------------|-------------------------|----------------------------------|
| Planning | 1.2 | 1.9 |
| Building Standards | 0.2 | 0.2 |
| Architecture and Place | 1.4 | 1.4 |
| Planning and Environmental Appeals | 0.7 | 0.7 |
| Total | 3.5 | 4.2 |
| <i>of which:</i> | | |
| DEL Resource | 3.4 | 3.4 |
| DEL Capital | 0.1 | 0.8 |
| AME | - | - |

What the budget does

The Planning budget supports the purpose of increasing sustainable economic growth through the planning modernisation programme. This includes an expansion of the e-Planning service and support for community engagement and sustainable communities through funding and promotion of good practice.

The budget targets improvements to the quality of the built environment including research and advice on developments in technology, building design and architecture.

Budget changes

An additional £0.7 million has been provided to support the extension and expansion to the current e-Planning contract which expires in December 2014. It has been extended to include e-Building Standards.

In 2015-16 we will:

- take forward a programme of targeted dissemination of the National Planning Framework 3 and the Scottish Planning Policy and work with partners to progress delivery of the priorities set out in the action programme;
- build on the success of e-Planning by investing in an enhanced online service to extend the current e-planning system to building standards services. The new solution will deliver an enhanced service with reduced lifecycle costs. Projected financial benefits of £73 million are estimated across all stakeholders over the next five years;
- continue to help people and organisations involved in building and development in Scotland to make better informed decisions to support the creation and renewal of sustainable buildings and places that will stand the test of time;

- 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
- progress projects and findings that will assist with improving the indoor air quality of new dwellings, taking forward the Sullivan Update Report 2013, improving the verification customer service, enhancing structural guidance and maintaining EU Directive implementation on the energy performance of buildings. One such initiative is the introduction of grant funding to landlords of holiday let properties to obtain Energy Performance Certificates (EPCs). This helps meet EU legislation.

Enterprise, Energy and Tourism

Table 6.07: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2015-16 Draft Budget £m |
|---------------------------|----------------------------------|----------------------------------|
| Enterprise Bodies | 337.0 | 341.3 |
| Energy | 81.9 | 108.4 |
| Tourism | 56.9 | 50.6 |
| Innovation and Industries | 8.7 | 8.7 |
| Strategic Forum | (40.0) | (40.0) |
| Total | 444.5 | 469.0 |
| <i>of which:</i> | | |
| DEL Resource | 321.6 | 300.8 |
| DEL Capital | 113.4 | 159.7 |
| AME | - | |
| Financial Transactions | 9.5 | 8.5 |

What the budget does

The budget supports our enterprise bodies to develop growth sectors, improve competitiveness, productivity and fair work, attract new investment and work with the financial sector to improve access to finance. The Enterprise Bodies budget funds Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE), including Scottish Development International (SDI), grants provided through the SMART: Scotland programme and the Regional Selective Assistance (RSA) scheme.

The Scottish Government maintains its commitment to renewable energy, however Scottish renewable development and investment plans have been affected by uncertainty arising from the reform of UK wide support schemes. Developers' concerns about the design of these mechanisms, and the budget available to support them, have slowed the rate at which projects are being developed in Scotland.

We will continue to maximise the social and economic opportunities of energy and resource efficiency through support for energy and resource efficiency advice and support programmes for domestic and non-domestic sectors.

The Tourism budget supports VisitScotland to promote Scotland as a tourism destination, both within the UK and in key overseas markets. The budget for 2014-15 includes non-recurring funding to support a unique year which saw Scotland Welcomes the World. Recognising the economic benefits that tourism brings and building on the successful legacy of the Commonwealth Games and the Ryder Cup, we have increased the planned level of funding in 2015-16 to VisitScotland by £5 million. This additional funding will enable further investment in aviation marketing and golf legacy. Our increased levels of support to VisitScotland reflect the unique potential of Scotland's portfolio of events and our themed years to contribute to tourism growth in Scotland.

The Innovation and Industries budget will continue to support enhanced collaboration between business and research in order to improve business innovation and investment in research and development, which is a key determinant in increasing sustainable economic growth. The budget will support the continuing implementation of Scotland CAN DO; our collective impact approach with public, private and third sector partners towards realising our shared ambition of ensuring Scotland becomes a world-leading entrepreneurial and innovative nation.

Initiatives include a range of support for established programmes, such as the Knowledge Transfer Programme; funding for Bright Idea Scotland, the advisory service for innovators and entrepreneurs; and competitive funding such as the EDGE Fund, the competition for Scotland's most talented and ambitious early-stage entrepreneurs. The funding will also support a major programme supporting the development of an entrepreneurial culture across Scotland, including in our schools, colleges and universities.

We remain committed to achieving savings through greater Strategic Forum collaboration and alignment. This challenge continues for 2015-16 and we will set the target for each of the five bodies before the start of the budget year.

Budget changes

The budgets changes since the publication of the 2014-15 Draft Budget are as follows:

- Release of £56 million financial transactions to support other initiatives, principally to support our efforts to tackle inequality through our housing and regeneration programme.
- An additional £5 million to the planned 2015-16 VisitScotland budget to build on the profile of the major events in 2014, to allow further investment mainly in marketing of existing and new domestic and international air routes into Scotland, as part of joint Team Scotland aviation strategy delivery and also to support golf legacy.

- For Energy, £20 million capital is reprofiled from 2015-16 into 2016-17 and resource is reduced by £2 million in 2015-16 to reflect the continuing industry caution arising from the reform of UK wide support schemes, given the continuing uncertainty over UK Energy policy, in particular Electricity Market Reform.
- Scottish Enterprise budgets reflect a classification change between capital and resource budgets of £18.2 million. It also includes a £1.8 million reduction to capital to reflect SE's planned level of capital commitments.
- The Highland and Islands Enterprise resource budget is reduced by £0.5 million due to review and realignment of budget requirement in 2015-16.
- A realignment, within the portfolio, of ring-fenced DEL depreciation budget. This budget cover has been deployed to Scottish Public Pensions Agency (SPPA) and Accountant in Bankruptcy (AiB).

In 2015-16 we will:

- continue to focus efforts on growth sectors, growth companies and growth markets through our Enterprise Bodies;
- continue to build on Scotland's position as a leading centre for investment in renewable energy. Through the Renewable Energy Investment Fund (REIF) we will continue to provide financial assistance for projects of benefit to Scotland that will deliver energy from a renewable source, reduce the cost of renewable energy or provide key solutions for renewable energy generation. REIF will seek to overcome wider market uncertainty linked to regulatory reform at a UK level through exploring the scope for strategic and innovative intervention;
- aim to put in place a new Local Energy Innovation Challenge Fund worth up to £20 million to demonstrate a holistic local energy approach, testing communities' capacity to stabilise and even reduce energy costs by reducing dependence on centralised generation and supply;
- aim to put in place a new Low Carbon Infrastructure Transition Programme. It will bring together individual work streams to deliver one integrated programme of project support activity across the public, private and community sectors through the creation of a wider Project Development Unit. That allows us to increase development feasibility support and due diligence to bring an increased number of projects to investor readiness stage; and
- remain committed to tourism, one of Scotland's key growth sectors (worth over £9 billion in visitor expenditure in 2013). VisitScotland will deliver its principal role of marketing Scotland to the world as a tourist destination, attracting as many visitors, with as high a visitor spend as possible, and encouraging them to buy local goods and services during their visits. VisitScotland will show leadership and influence change on key issues affecting the tourism industry and the wider visitor economy.

Third Sector

Table 6.08: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-----------------------------------|-------------------------|----------------------------------|
| Third Sector | 23.5 | 24.5 |
| Reducing Re-offending Change Fund | 1.0 | - |
| Total | 24.5 | 24.5 |
| <i>of which:</i> | | |
| DEL Resource | 24.5 | 24.5 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The third sector is helping to build the capacity and confidence of people and communities to take control of decisions about what goes on in their local areas, and helping to mitigate some of the worst effects of welfare reforms on vulnerable people. It is right at the heart of transforming lives and public service reform in Scotland, and is working directly with individuals and communities to co-produce solutions and approaches, that support resilience and wellbeing.

The budget will enable us to continue to significantly invest in the third sector as a key social partner, and we will maintain funding of £24.5 million. We are working closely with the sector to consider what approach might be taken in the period ahead to continue to secure a buoyant and sustainable third sector. We are also seeking where possible to align funding with new European Structural Funds (ESF) funding programmes.

Budget changes

Minor change in level 3 to reflect the end of the Change Fund, allowing £1 million to be included within the wider Third Sector budget.

In 2015-16 to maximise the contribution of the third sector, we will:

- recognise the role of the third sector as a social and economic partner, continuing to invest in the national infrastructure, and in local third sector interfaces to support the third sector's local role and as key-partners in community planning and on Community Planning Partnerships;
- invest £2.5 million over 2014-15 and 2015-16, to build the capacity and resilience of communities and local third sector organisations, particularly helping them to respond to the worst effects of welfare reform; and
- aim to maximise the impact of the third sector in public service reform and prevention, growing community capacity, empowerment and initiative, tackling poverty and social exclusion, and developing enterprising and innovative solutions to the challenges facing communities.

Accountant in Bankruptcy

Table 6.09: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------|-------------------------|----------------------------------|
| Operational Costs | 13.5 | 13.5 |
| Capital Expenditure | 1.5 | 0.5 |
| Less Retained Income | (12.2) | (12.2) |
| Total | 2.8 | 1.8 |
| <i>of which:</i> | | |
| DEL Resource | 1.3 | 1.3 |
| DEL Capital | 1.5 | 0.5 |
| AME | - | - |

1. The table now includes retained income to bring it in line with the Budget document.

What the budget does

Accountant in Bankruptcy (AiB) is an Executive Agency responsible for awarding personal bankruptcies, acting as trustee in bankruptcy where an external trustee is not appointed, supervising the performance of external trustees, registering all personal and corporate insolvencies and protected trust deeds and acting as the administrator of the debt arrangement scheme. The Agency is also responsible for developing policy and diligence in relation to these areas.

Budget changes

The budget changes since the publication of the 2014-15 Draft Budget are as follows:

- The deployment of £0.6 million ring fenced DEL to cover depreciation charges of the new Case Information System. This budget cover for depreciation has been sourced from within the portfolio.

AiB developed a new Case Information System (CIS) during 2014-15 which will provide new functionality required as part of the legislative changes set out in the Bankruptcy and Debt Advice (Scotland) Act, to be implemented in April 2015. The capital budget of £0.5 million in place for 2015-16 is for residual IT requirements. The system will deliver internal process efficiencies and value added services to stakeholders.

In 2015-16 the Agency will:

- implement the new Case Information System (CIS) whilst integrating new processes into the operational model and delivering residual requirements;
- continue to redesign the Agency's internet site in line with legislative and operational changes; and
- implement a new fees order reflecting the updated cost of delivering services on a full cost recovery basis.

Registers of Scotland

Table 6.10: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-----------------------|-------------------------|----------------------------------|
| Registers of Scotland | - | - |
| Total | - | - |
| <i>of which:</i> | | |
| DEL Resource | - | - |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

Registers of Scotland (RoS) is a Non-Ministerial Department with Trading Fund status and is entirely self-financing from fees and charges it makes for registration and information services.

RoS' purpose is to underpin the Scottish economy and enhance its efficiency and effectiveness by maintaining the public registers for which the Keeper is statutorily responsible, and making the information they contain publicly available. RoS provides Scotland's citizens and institutions with the social and economic benefits that flow from a publicly guaranteed system of rights in land and property.

In December 2014, RoS will be responsible for fully implementing the Land Registration etc. (Scotland) Act 2012. The 2012 Act modernises land registration practice in Scotland and allows new approaches and services. It also allows RoS to develop digital solutions to land registration and related activities, thus supporting the National Digital Public Services Strategy.

The Land Registration etc. (Scotland) Act 2012 also provides the basis for RoS to fulfil Scottish Ministers' commitment to completing the Land Register within 10 years and registering all public land within five years. RoS launched a public consultation in the summer of 2014 on how this policy objective is best achieved.

In 2015-16, RoS will:

- have a role in the collection of Land & Buildings Transactions Tax for Revenue Scotland from April 2015;
- improve and make additions to our IT systems to embrace the digital opportunities offered by new and emerging technologies;
- use our data sets to develop new and improved services to our commercial and public sector partners; and
- drive the process of completing the Land Register.

Office of the Scottish Charity Regulator

Table 6.11: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Office of the Scottish Charity Regulator | 3.0 | 3.0 |
| Total | 3.0 | 3.0 |
| <i>of which:</i> | | |
| DEL Resource | 3.0 | 3.0 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The Office of the Scottish Charity Regulator (OSCR) is responsible for the registration and regulation of all of Scotland's 23,800 charities. It has a statutory function to determine the charitable status of bodies to keep the public register of charities, to encourage, facilitate and monitor charities and investigate apparent misconducts.

In 2015-16, OSCR will:

- help the public to have more confidence in charities by being an effective regulator;
- make it easier for the public to get the information they want about charities;
- help charity trustees to understand and comply with their legal duties;
- keep registration and reporting straightforward and proportionate, and increase the number of online services offered; and
- identify and investigate apparent misconduct in charities, taking remedial or protective action as appropriate.

CHAPTER 7

Education and Lifelong Learning

PORTFOLIO RESPONSIBILITIES

The Education and Lifelong Learning portfolio is responsible for government policy related to improving outcomes for children, young people and, in collaboration with colleagues in Health and Social Care Directorates, users of social care. It covers all aspects of early years, school education and national qualifications; university research and science; further and higher education; community and adult learning and development; and Gaelic language broadcasting.

The work of the portfolio links closely to that of the Training, Youth and Women's Employment portfolio by ensuring effective provision of school and college education and helping to better prepare individuals for the world of work.

The majority of the budget is contained within the local government settlement which provides for local authority delivery of school education and social work.

CONTRIBUTION TO NATIONAL OUTCOMES

This Government has made clear its commitment to supporting Scotland's individuals and their families to learn and grow in a supportive, innovative and inclusive country. We are also committed to tackling child poverty as part of our drive to reduce inequalities. Ensuring that children do not grow up in poverty is key to enabling all of Scotland's citizens to participate fully in creating a more prosperous nation, where individuals are able to realise their full economic potential.

In the early years, the portfolio continues to provide a strong base for all of Scotland's children, irrespective of background, to develop, learn and achieve their potential.

Our decision to shift spend towards prevention and early intervention, supporting Community Planning Partnerships to deliver improved outcomes for children through our Early Years Collaborative, is providing a robust set of mechanisms aimed at ensuring Scotland's children and families get the best start in life, particularly given the recent economic challenges.

The successful introduction of the Children and Young People (Scotland) Act in 2014 is also providing the legislative basis to continue to improve levels of care and support to children and families across Scotland and to tackle child poverty.

The portfolio ensures that this support continues when young people enter full-time education. *Curriculum for Excellence* (CfE) is providing our young people with an education which will enhance their prospects and provide them with the skills and behaviours needed to ensure they are able to succeed in learning, life and work. We will build on this strong foundation in taking forward the recommendations of the Commission for Developing Scotland's Young Workforce, aimed at better preparing all young people for the world of work.

Scotland's Schools for the Future programme represents a strong commitment to improving the quality of Scotland's school estate, giving certainty to the construction sector and providing a welcome boost to our economic recovery. We are investing £1.13 billion towards a total package of £1.8 billion of investment resulting in the construction of over 100 schools by 2019-20, compared with the 55 schools initially envisaged at the outset of the programme in 2009.

Government support for Gaelic has also made a significant contribution to supporting recovery and increasing sustainable growth through the expansion of Gaelic Medium Education, and this has been achieved in areas of low population.

We are committed to supporting our Further and Higher Education sectors. We recognise the key role that colleges play in delivering educational opportunities that will support individuals into the workplace and onto higher learning. Through our programme of reform, we are ensuring that every college in Scotland is in a strong position to meet the needs of learners and employers in their region, again consistent with the recommendations of the Commission for Developing Scotland's Young Workforce.

We recognise the value of higher education and will continue to invest over a billion pounds on university teaching provision and research activity, ensuring the continued international excellence, accessibility and financial stability of our higher education sector and its contribution to the national economy. We are seeing the fruits of that investment: in 2014-15 the number of applicants accepted to study at Scottish universities has increased by 4 per cent compared with the same stage in 2013, with a record 28,530 Scottish-domiciled students placed at Scottish institutions.

BUDGET CHANGES

The majority of the Employability and Skills budget, which includes the budget for Skills Development Scotland, has been transferred to the new Training, Youth and Women's Employment portfolio. The funds remaining within the ELL portfolio relate to wider activity to support accreditation, student mobility and graduate internships as well as provision for the Office of the Chief Scientific Adviser.

There have been a number of other smaller changes to realign responsibilities across the portfolio and with the wider Scottish Government – including the renaming of some budget lines.

OUR PRIORITIES

In 2015-16 we will:

- tackle child poverty and improve prospects for our most vulnerable children by increasing support for the use of improvement methodology through the Early Years Collaborative and, with the support of Community Planning Partnerships, put Scotland firmly on course to shifting the balance of public services toward early intervention and prevention by 2016, including increasing the uptake of Healthy Start vouchers;
- start implementing our visionary plan to provide through care and after care for care leavers, as set out in the Children and Young People (Scotland) Act as another key part of our drive to tackle child poverty and improve prospects, develop a mentoring scheme for Looked After Children using volunteers to provide positive adult role models and help them achieve their life goals, and provide advocacy support for children in the Hearings system to make sure that the voice of the child is always heard;
- continue, through the Children and Young People (Scotland) Act, to prioritise our expansion of 600 hours flexible, funded early learning and childcare to three and four year olds, looked after two year olds, two year olds under a kinship care order and two year olds with a parent appointed guardian. We are extending this to two year olds with a parent in receipt of out of work benefits throughout 2014-15, and by 2015-16 will extend this to include two year olds who meet the current free school meals criteria – around 27 per cent of all two year olds in Scotland;
- maintain the momentum in our investment in school infrastructure in partnership with local authorities across the whole of Scotland and the Scottish Futures Trust;
- continue to support the introduction of Curriculum for Excellence (CfE), Scotland's approach to learning and teaching. In particular, we will support the development by the Scottish Qualifications Authority (SQA) of new qualifications to reflect and support the CfE approach;
- continue our commitment to funding improvements in the quality of teaching and leadership in the teaching profession;
- continue to ensure that children and young people develop the knowledge and understanding, skills, capabilities and attributes which they need for mental, emotional, social and physical wellbeing now and in the future. This is a key part of our Child Poverty Strategy;
- continue our commitment to raise attainment for all Scotland's children and young people with a specific focus on tackling child poverty by improving the prospects of children from our most disadvantaged communities. This includes funding the Access to Education Fund for a second year;

- ensure an increase in the numbers learning, speaking and using Gaelic;
- deliver on our commitment to increase college funding to £526 million, ensuring continued delivery of the Government's commitment to maintain student numbers as well as provide high quality learner experiences and outcomes;
- in response to the Commission for Developing Scotland's Young Workforce and complementing the work being undertaken within the Training, Youth and Women's Employment portfolio, we will strengthen links between our schools, colleges, employers, local authorities and Skills Development Scotland, ensuring a seamless transition for young people progressing into the world of work;
- continue to deliver on our commitment to ensure that education is based on the ability to learn and not the ability to pay by keeping free tuition at the core of our offer in higher education;
- continue to deliver on our commitment to support the poorest students with a minimum income guarantee of £7,500 per year in maintenance support;
- provide new living cost support of up to £4,500 for all eligible taught postgraduate students embarking on a course featured on the prescribed list;
- drive further and faster progress on widening access to university, particularly for students from more disadvantaged backgrounds and communities; and
- support translation of world-class research into economic growth through continued investment in Scotland's network of innovation centres.

Table 7.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| Learning | 173.0 | 177.7 | 191.3 |
| Children and Families | 99.5 | 101.5 | 120.4 |
| Lifelong Learning and Science* | 244.5 | 7.7 | 7.7 |
| SFC | 1,651.9 | 1,652.6 | 1,647.2 |
| HESS | 854.2 | 854.2 | 970.3 |
| Total Level 2 | 3,023.1 | 2,793.7 | 2,936.9 |
| <i>of which:</i> | | | |
| DEL Resource | 2,559.6 | 2,330.2 | 2,478.9 |
| DEL Capital | 114.7 | 114.7 | 103.0 |
| Financial Transactions | 1.0 | 1.0 | 7.2 |
| AME | 347.8 | 347.8 | 347.8 |
| Central Government Grants to Local Authorities | 4.5 | 4.5 | 4.5 |

*Previously Employability, Skills and Lifelong Learning

Table 7.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| Learning | 173.0 | 177.7 | 188.3 |
| Children and Families | 99.5 | 101.5 | 118.5 |
| Lifelong Learning and Science* | 244.5 | 7.7 | 7.6 |
| SFC | 1,651.9 | 1,652.6 | 1,621.3 |
| HESS | 854.2 | 854.2 | 955.0 |
| Total Level 2 | 3,023.1 | 2,793.7 | 2,890.6 |
| <i>of which:</i> | | | |
| DEL Resource | 2,559.6 | 2,330.2 | 2,439.9 |
| DEL Capital | 114.7 | 114.7 | 101.4 |
| Financial Transactions | 1.0 | 1.0 | 7.1 |
| AME | 347.8 | 347.8 | 342.3 |
| Central Government Grants to Local Authorities | 4.5 | 4.5 | 4.4 |

*Previously Employability, Skills and Lifelong Learning

Learning

Table 7.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------|-------------------------|----------------------------------|
| People and Infrastructure | 66.7 | 76.9 |
| Strategy and Performance | 27.0 | 29.8 |
| Learning and Support | 34.3 | 33.7 |
| Gaelic | 23.2 | 23.2 |
| Education Scotland | 23.6 | 24.8 |
| Education Analytical Services** | 2.9 | 2.9 |
| Total | 177.7 | 191.3 |
| <i>of which:</i> | | |
| DEL Resource | 124.9 | 128.6 |
| DEL Capital | 51.8 | 55.5 |
| Financial Transactions | 1.0 | 7.2 |
| AME | - | - |

**Formerly in Children and Families Level 2

What the budget does

The majority of expenditure on school education in Scotland is funded by local authorities from budgets outlined in the local government chapter.

The Learning budget delivers national challenge and improvement support for education. Education Scotland provides key frontline support for implementation of Curriculum for Excellence.

The People and Infrastructure budget includes funding for the establishment of the new Scottish College for Educational Leadership, which aims to deliver improvements to leadership in Scotland's schools.

Budget changes

The increase in Strategy and Performance will continue our commitment to raise attainment for all Scotland's children and young people with a specific focus on children from the most disadvantaged communities.

The budget for Education Analytical Services has transferred into Learning from Children and Families.

Children and Families

Table 7.04: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|---|-------------------|----------------------------|
| Level 3 | £m | £m |
| Care and Justice | 35.5 | 52.6 |
| Children's Rights and Wellbeing | 6.6 | 5.5 |
| Disclosure Scotland | 6.5 | 6.8 |
| Early Years | 36.3 | 38.8 |
| Office of the Chief Social Work Adviser | 16.6 | 16.7 |
| Education Analytical Services* | - | - |
| Total | 101.5 | 120.4 |
| <i>of which:</i> | | |
| DEL Resource | 101.0 | 120.4 |
| DEL Capital | 0.5 | - |
| AME | - | - |

*Now sits in Learning Level 2

What the budget does

Most of the expenditure on children's services is channelled through local authorities and NHS Boards.

The Children and Families budget primarily supports the functions of the children's services workforce regulator – the Scottish Social Services Council; and the children's hearings system via Children's Hearings Scotland, and Scottish Children's Reporter Administration.

The budget also supports a broad range of activity to improve children's services including commitments shared with local government, such as strategic commissioning of children services; Whole Systems Approach to youth justice to maximise early intervention and minimise impacts on young people coming to the notice of police; and implementation of the Children and Young People (Scotland) Act, including through care and after care for care leavers.

Budget changes

The significant expansion of early learning and childcare has resulted in additional £119 million resource and £39 million capital investment required by local authorities in 2015-16. This is reflected within the Local Government budget allocations.

Education Analytical Services budget of £2.9 million for 2015-16 has been transferred from Children and Families to Learning.

Since the publication of the previous spending plans, Children's Rights and Wellbeing have transferred policy responsibility and budget of £1.1 million for Youthwork to Education Scotland.

A reduction of indirect capital budget of £0.5 million is being delivered by the Scottish Children's Reporter Administration.

These planned reductions, coupled with savings across Children and Families, have allowed us to extend investment into 2015-16 of £15 million for the Third Sector Early Intervention Fund and Strategic Funding Partnerships.

Overall, the Children and Families budget in 2015-16 increases to continue to support early intervention and prevention; and support implementation of the Children and Young People (Scotland) Act, including through care and after care for leavers.

Lifelong Learning and Science

Table 7.05: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Qualifications and Accreditation | 2.3 | 2.3 |
| Higher Education | 2.0 | 2.0 |
| Office of the Chief Scientific Adviser | 3.4 | 3.4 |
| Total | 7.7 | 7.7 |
| <i>of which:</i> | | |
| DEL Resource | 7.7 | 7.7 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

These budgets support policy and development relating to qualification accreditation, international mobility opportunities to enhance employability for students as well as other student support initiatives and projects.

The work of the Office of the Chief Scientific Adviser supports public science engagement and promotion across Scotland, including support for Scotland's four science centres and 19 science festivals.

Budget changes

This budget line was previously called Employability and Skills and included the budget for Skills Development Scotland as well as funding for a number of other training interventions such as Opportunities for All, Community Jobs Scotland and Workforce Plus. These budget lines have been transferred to the Training, Youth and Women's Employment portfolio. The line previously called 'College and Adult Learning' has been renamed 'Qualifications and Accreditation' to better reflect its purpose.

In addition, since publication of previous spending plans, there are baseline transfers totalling £4 million from the Qualifications and Accreditation budget line into Education Scotland, the Scottish Funding Council and Children and Families.

Scottish Funding Council

Table 7.06: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------|-------------------------|----------------------------------|
| College Operational Expenditure | 687.1 | 695.7 |
| College Operational Income | (165.4) | (165.4) |
| Net College Resource | 521.7 | 530.3 |
| HE Resource | 1,061.6 | 1,062.5 |
| College Capital Expenditure | 46.1 | 45.0 |
| College Capital Receipts | (19.5) | (19.5) |
| Net College Capital | 26.6 | 25.5 |
| HE Capital | 34.8 | 21.0 |
| SFC Admin | 7.9 | 7.9 |
| Total | 1,652.6 | 1,647.2 |
| <i>of which:</i> | | |
| DEL Resource | 1,591.2 | 1,600.7 |
| DEL Capital | 61.4 | 46.5 |
| AME | – | – |

What the budget does

The Scottish Funding Council (SFC) budget funds strategic investment in Scotland's colleges and higher education institutions (including Open University (Scotland)). This funding will support the development and delivery of study programmes that offer coherent high-quality provision for learners across Scotland. It will also enable universities to undertake world-class research to maintain Scotland's international competitiveness.

Budget changes

There has been a slight increase in the college operational expenditure line reflecting the baselining of funding for both the English for Speakers of Other Languages (ESOL) programme, and funding provided to deliver childcare support for those studying HE qualifications at college.

Since the publication of previous spending plans, FE Capital has increased by £5.5 million and HE capital by £5 million to reflect funds required for planned capital projects.

In 2015-16 we will:

- deliver on our commitment to increase college funding to £526 million;

- continue to ensure that colleges deliver the best outcomes for learners and businesses through ambitious regional outcome agreements;
- deliver improved employability provision through the college sector by ensuring delivery of high quality training which meets the needs of individuals, local employers and employability partners;
- protect FE bursaries, and childcare support, from inflation;
- continue to invest over £1 billion in the university sector;
- continue to provide public value for money by encouraging ambitious outcome agreements with universities and support access to higher education for students from more disadvantaged areas through provision of additional widening access places;
- continue to provide support for university places in key subjects likely to address skills gaps and have the greatest economic impact; and
- continue to fund initiatives to support and enhance knowledge exchange including the ground-breaking Innovation Centres.

Higher Education Student Support

Table 7.07: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Student Support and Tuition Fee Payments | 306.0 | 301.6 |
| Student Loan Company Administration Costs | 4.5 | 4.5 |
| Student Loan Interest Subsidy to Bank | 3.0 | 3.0 |
| Cost of Providing Student Loans (RAB charge) | 181.6 | 302.1 |
| SAAS Operating Costs Resource | 10.3 | 10.3 |
| SAAS operating Costs Capital | 1.0 | 1.0 |
| SAAS DEL Total | 506.4 | 622.5 |
| AME | | |
| Net Student Loans Advanced | 468.3 | 468.3 |
| Capitalised Interest | (52.0) | (52.0) |
| Student Loans Fair Value Adjustment | (72.0) | (72.0) |
| Student Loan Sale Subsidy Impairment Adjustments | 3.5 | 3.5 |
| HESS AME Total | 347.8 | 347.8 |
| Total | 854.2 | 970.3 |
| <i>of which:</i> | | |
| DEL Resource | 505.4 | 621.5 |
| DEL Capital | 1.0 | 1.0 |
| AME | 347.8 | 347.8 |

What the budget does

The Higher Education Student Support (HESS) 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 for Scotland (SAAS).

The Annually Managed Expenditure (AME) figures are forecasts and relate to the amount of AME funding for student loans which HM Treasury made available to the Scottish Government through the UK Spending Review published in 2010.

Student loans are provided at a cost to the Scottish Government which is calculated using gross value of loans advanced in the year. The Student Loans Company administers the borrower's loan accounts on behalf of the Scottish Government.

SAAS administers bursary schemes covering support for higher education students (at college and university).

The £120 million increase in the cost of providing student loans Resource Accounting and Budgeting charge (RAB) is a result of the consequential arisings from the 2010 UK Spending Review when higher tuition fee loans were introduced in England.

Budget changes

The change in the student support and tuition fee budget line since the publication of previous spending plans reflects support for child care with an equivalent transfer of funds to SFC for distribution to colleges for HE students with childcare costs. This transfer is reflected in the increased college operational expenditure.

In 2015-16 we will:

- make loans available to postgraduate students on eligible courses to assist with living costs;
- continue to drive forward progress on priorities such as widening access, delivering on our commitment to ensure that education is based on the ability to learn and not the ability to pay; and
- continue to deliver on our commitment to support the poorest students with a minimum income guarantee of £7,500 per year in maintenance support and to keeping higher education free for Scottish domiciled students.

Local Government Gaelic

Table 7.08: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|-------------------------------|-------------------|----------------------------|
| Level 3 | £m | £m |
| Local Government Gaelic Grant | 4.5 | 4.5 |
| Total | 4.5 | 4.5 |
| <i>of which:</i> | | |
| DEL Resource | 4.5 | 4.5 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

This budget together with other Gaelic funding lines, supports costs attached to the delivery of Gaelic education and Gaelic-medium education in Scotland. This funding supports Gaelic education through a wide range of Gaelic education programme and projects.

Budget changes

There are no planned changes to this budget.

CHAPTER 8

Training, Youth and Women's Employment

PORTFOLIO RESPONSIBILITIES

The Training, Youth and Women's Employment portfolio was created in April 2014, extending the responsibilities of the Minister for Youth Employment to include female employment, employment training and to take forward the Scottish Government's response to the Commission for Developing Scotland's Young Workforce. The new Cabinet portfolio better reflects the strategic importance of these areas to the overall economic ambition of Scotland.

The portfolio budget contributes to the vision of Scotland as an innovative, high wage and high productivity economy which competes in international markets and is recognised for high value goods and services as well as a highly valued workforce.

Higher skills levels, greater participation in the labour market across all groups and reducing inequality across different areas of Scotland, are key to strengthening Scotland's economy. Our aim is to have more people doing more work and working better in good jobs, where their contribution is valued. We want to achieve higher levels of youth employment than those recorded pre-recession, higher levels of entrepreneurship among women, a more diverse workforce, and better support for young people to engage in vocational education and training.

The majority of the budget is allocated to support Skills Development Scotland (SDS) to deliver interventions including Modern Apprenticeships (MAs), the Employability Fund and careers services. The remaining resources are used to leverage funding from the EU as well as the public, private and third sector to fund initiatives that will reduce youth unemployment; offer vocational support to those furthest from the labour market; challenge inequalities and under-representation and, develop our workforce.

This year, significant priority will be given to implementing the recommendations of the Commission for Developing Scotland's Young Workforce and the Working Together: Progressive Workplace Policies for Scotland Commission. Developing Scotland's Young Workforce challenges are reflected in the additional budget allocation of £16.6 million in 2015-16.

CONTRIBUTION TO NATIONAL OUTCOMES

We are now seeing evidence of a sustained strengthening of the Scottish economy and employment at its highest ever level. We will continue to address legacy issues from the recession and support the long-term development of a labour market and economy that is resilient, adaptable and responsive to change, adopting workplace policies which demonstrate the value we attach to our workforce. A sustainable recovery will be built on higher levels of skills and participation. Such moves will also help to mitigate the impact of UK welfare reforms on unemployment and inactivity.

The lifelong negative impact of allowing young people to drift to long-term unemployment is well known. By focusing on tailored, early intervention we can realise benefits for the economy and individuals and realise improvements in social and health terms. Only nine out of the 28 EU countries have a lower youth unemployment rate than Scotland and our aim is improve on pre-recession levels of participation. A common feature of the top performing nations is an education system that values vocational training on a par with academic routes and offers an introduction to vocational training through secondary education.

Scotland is already recognised for its world-class Higher Education sector. We aim to deliver world-class vocational education and training that is designed to support people towards sustainable employment. The Commission for Developing Scotland's Young Workforce offers a clear pathway to move towards such a system in Scotland so that we match the youth employment rates of the best performing EU countries. Acting on the Commission's report and targeting interventions to tackle youth unemployment is a priority and our budget proposals reflect this.

Table 8.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Training, Youth and Women's Employment | - | 244.8 | 261.6 |
| Total Level 2 | - | 244.8 | 261.6 |
| <i>of which:</i> | | | |
| DEL Resource | - | 244.8 | 261.6 |
| DEL Capital | - | - | - |
| Financial Transactions | - | - | - |
| AME | - | - | - |

Table 8.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Training, Youth and Women's Employment | - | 244.8 | 257.5 |
| Total Level 2 | | 244.8 | 257.5 |
| <i>of which:</i> | | | |
| DEL Resource | - | 244.8 | 257.5 |
| DEL Capital | - | - | - |
| Financial Transactions | - | - | - |
| AME | - | - | - |

Table 8.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------------------|-------------------------|----------------------------------|
| Developing the Young Workforce | 12.0 | 16.6 |
| Employability and Skills | 48.0 | 48.8 |
| Youth Employment Scotland | - | 12.7 |
| Employability and Welfare | 0.8 | - |
| Skills Development Scotland | 184.0 | 183.5 |
| Total | 244.8 | 261.6 |
| <i>of which:</i> | | |
| DEL Resource | 244.8 | 261.6 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

These budgets support policy development relating to our investment in skills and national training programmes and our continued support for young people and women to overcome disadvantage that they face in the labour market. This is achieved largely through funding for Skills Development Scotland, but also by supporting a range of other initiatives including Opportunities for All and the Education Maintenance Allowance.

Budget changes

In 2015-16 we will:

- utilise the allocated budget of £16.6 million to take forward recommendations of the Commission for Developing Scotland's Young Workforce to:
 - work jointly with COSLA to further develop the opportunities on offer to young people in school to access learning which is directly relevant to getting a job;

- ensure that our colleges are contributing to economic growth by offering young people work relevant learning that is shaped and supported by employers;
 - in partnership with SDS, training providers and employers, building on the success of Modern Apprenticeships including offering more higher level MAs, encouraging more MAs in critical Science, Technology, Engineering and Mathematics (STEM) subjects, developing a support package for smaller businesses employing MAs, and developing pilots for advanced and foundation apprenticeships;
 - support a range of measures recommended by the Commission to encourage and support employers to engage with education and employ young people; and
 - work with the third sector to offer supported employment opportunities for groups who face barriers to employment.
- publish and implement a refreshed Youth Employment Strategy, focusing the allocated budget of £12.7 million on interventions that support the principle of early intervention and developing a right to work, training or education for young people across Scotland. To effectively challenge inequality, the budget will target areas of greatest need. Where possible the budget will be used to leverage European, private or other public sector support to add value and to improve alignment and efficiency;
 - extend the remit and membership of the Strategic Group on Women and Work (SGWW) to enable it to scrutinise work across government and to make recommendations on actions to drive change, including any actions from the Council of Economic Advisors report on maximising economic opportunities for women due later this year; and
 - consider how the recommendations of the Working Together Commission can be taken forward in partnership with employers and trade unions.

CHAPTER 9

Justice

PORTFOLIO RESPONSIBILITIES

The Justice portfolio has responsibility for the civil and criminal justice systems which include Scotland's prisons, courts, police, fire and rescue services, the legal aid system and criminal justice social work services. The portfolio also supports work to build Scotland's resilience through multi agency planning.

The purpose of the justice portfolio is to keep our communities safe, and to administer justice in its various forms: civil, criminal and administrative.

The justice system is a vital public service and one in which powers are largely devolved to the Scottish Parliament. 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 and where disputes are resolved fairly and swiftly.

The Justice portfolio has delivered radical reforms to Scotland's justice services, for example by reforming the police and fire services, whilst helping to protect frontline services from the impact of financial cuts.

This radical reform of public services has focused attention on preventative approaches to tackle the root causes of crime and help communities and individuals to achieve their potential. Scottish Ministers have driven the creation of a single national police service not only to harmonise and focus resources but to reconnect with local communities. Working in partnership with a wide range of public and third sector organisations they have radically re-shaped how social issues are tackled across Scotland. We have maintained access to justice for individuals and businesses through the Legal Aid system and are also investing in advice services to help people deal with the impact of the UK Government's radical welfare reforms.

CONTRIBUTION TO NATIONAL OUTCOMES

The Justice portfolio has specific goals which are designed to make a real difference to both our society and our economy. To achieve these goals, we focus our efforts on three National Outcomes, which guide our work within the justice system. These are:

- we live our lives safe from crime, disorder and danger;
- we have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others; and

- our public services are high quality, continually improving, efficient and responsive to local people's needs.

OUR PRIORITIES

Our priorities for 2015-16 are to:

- Support a modern and effective police force to ensure the safety and security of Scotland's people and communities.
- Work with the Scottish Police Authority (SPA), Police Scotland and the Scottish Fire and Rescue Service (SFRS) to ensure that the benefits of police and fire service reform are realised. These programmes of reform will deliver savings from 2016-17 in excess of £130 million, ensuring that frontline services are protected at a time of financial constraint.
- Reduce the harm from fires and other emergencies and to continue to invest in local and national multi agency shared service initiatives to ensure appropriate responses to emergencies.
- Work with national and local partners through our Building Safer Communities programme to reduce the number of victims of crime and unintentional injury. Our focus on prevention and early intervention will be targeted at addressing the underlying causes of crime and changing offending behaviour.
- Continue to support work which protects society from sex offenders, take action to tackle domestic abuse and violence against women and continue work directed towards reducing the damaging impacts of alcohol and drug problems.
- To continue to work with a range of partners and stakeholder organisations to address hate crime and sectarianism.
- Continue to transform civil and administrative justice, reforming the courts and tribunal systems and improving processes to make them more cost effective, efficient and accessible.
- Work to ensure that victims and witnesses have positive experiences of, and confidence in, the justice system.
- Focus on early and targeted intervention to prevent offending by young people and to reduce reoffending by improving links between employment, housing, education and health services. We have ensured that the proceeds of crime are reinvested in our communities and we will continue to support tough and effective community sentencing through the Community Payback Order.

- Enable young people to take part in sporting, cultural, educational and mentoring activities through our CashBack for Communities programme. Since 2008, we have invested and committed over £74 million across Scotland and funded 1.5 million activities and opportunities for young people.
- Support the Reducing Reoffending Change Fund to deliver services to provide offenders with substantial one-to-one support through evidence-based mentoring schemes which will be delivered by Public Social Partnerships (PSPs). Reducing reconviction rates and frequencies to a level which maintains or lowers the prison population will ensure that we avoid the significant costs of expanding the prison estate in the future.

Table 9.01: Spending Plans (Level 2)

| | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| Community Justice Services | 32.3 | 32.3 | 32.3 |
| Courts, Judiciary and Scottish Tribunals Service | 51.6 | 51.6 | 40.5 |
| Criminal Injuries Compensation | 17.5 | 17.5 | 17.5 |
| Legal Aid | 142.8 | 143.2 | 146.8 |
| Scottish Police Authority (SPA) | 1,082.6 | 1,082.6 | 1,063.9 |
| Scottish Fire and Rescue Service | 310.2 | 310.2 | 309.2 |
| Police Central Government | 101.3 | 101.3 | 98.1 |
| Safer and Stronger Communities | 40.3 | 39.9 | 40.3 |
| Police and Fire Pensions | 324.7 | 324.6 | 350.6 |
| Scottish Prison Service | 382.3 | 382.3 | 396.2 |
| Miscellaneous | 31.2 | 31.4 | 25.6 |
| Scottish Court Service | 72.3 | 72.3 | 87.4 |
| Total Level 2 | 2,589.1 | 2,589.2 | 2,608.4 |
| <i>of which:</i> | | | |
| DEL Resource | 2,543.0 | 2,543.1 | 2497.4 |
| DEL Capital | 46.1 | 46.1 | 111.0 |
| AME | - | - | - |
| Central Government Grants to Local Authorities | 86.5 | 86.5 | 86.5 |

Table 9:02: Spending Plans (Level 2 real terms) at 2014-15 prices

| | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| Community Justice Services | 32.3 | 32.3 | 31.8 |
| Courts, Judiciary and Scottish Tribunals Service | 51.6 | 51.6 | 39.9 |
| Criminal Injuries Compensation | 17.5 | 17.5 | 17.2 |
| Legal Aid | 142.8 | 143.2 | 144.5 |
| Scottish Police Authority (SPA) | 1,082.6 | 1,082.6 | 1,047.1 |
| Scottish Fire and Rescue Service | 310.2 | 310.2 | 304.3 |
| Police Central Government | 101.3 | 101.3 | 96.6 |
| Safer and Stronger Communities | 40.3 | 39.9 | 39.7 |
| Police and Fire Pensions | 324.7 | 324.6 | 345.1 |
| Scottish Prison Service | 382.3 | 382.3 | 390.0 |
| Miscellaneous | 31.2 | 31.4 | 25.2 |
| Scottish Court Service | 72.3 | 72.3 | 86.0 |
| Total Level 2 | 2,589.1 | 2,589.2 | 2,567.3 |
| <i>of which:</i> | | | |
| DEL Resource | 2,543.0 | 2,543.1 | 2,458.1 |
| DEL Capital | 46.1 | 46.1 | 109.3 |
| AME | - | - | - |
| Central Government Grants to Local Authorities | 86.5 | 86.5 | 85.1 |

Community Justice Services

Table 9.03: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------|-------------------------|----------------------------------|
| Offender services | 25.8 | 25.8 |
| Victim/witness support | 5.6 | 5.6 |
| Miscellaneous | 0.9 | 0.9 |
| Total | 32.3 | 32.3 |
| <i>of which:</i> | | |
| DEL Resource | 32.3 | 32.3 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

This budget provides funding for Community Justice Authorities/Local Authorities by supporting their expenditure in the delivery of criminal justice social work services. This 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.

This budget also provides core funding for third sector organisations whose work supports the victims of crime.

In 2015-16 we will continue to:

- support robust community disposals, such as community payback orders;
- implement the recommendations of the Commission on Women Offenders;
- fund voluntary organisations working in the criminal justice social work sector and meeting the needs of victims of crime; and
- support projects aimed at reducing the cycle of repeat offending.

Courts, Judiciary and Scottish Tribunals Service

Table 9.04: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------------|-------------------------|----------------------------------|
| Courts, Judiciary | 10.4 | 9.9 |
| Scottish Tribunals Service | 11.1 | - |
| Judicial Salaries* | 30.1 | 30.6 |
| Total | 51.6 | 40.5 |
| <i>of which:</i> | | |
| DEL Resource | 51.6 | 40.5 |
| DEL Capital | - | - |
| 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 budget does

The allocation for the Courts and the Judiciary element of this budget mainly provides for the Scottish Government contribution to the superannuation costs of judicial office holders in Scotland. It also provides for the running costs of the Judicial Appointments Board for Scotland and the Court of the Lord Lyon, as well as salary costs for the Lord Lyon, the Lyon Clerk, the Auditor of the Court of Session and members of the Scottish Law Commission. As noted above, the Judicial Salaries budget is allocated from the Scottish Consolidated Fund to meet the salary costs of judicial office holders in Scotland.

The Scottish Tribunals Service (STS) provides support to a range of tribunals operating in Scotland and is delivering the reform of the Scottish tribunal system.

Budget changes

From 1 April 2015 the Scottish Tribunals Service will merge with the Scottish Court Service. The budget for 2015-16 is included in Table 9.15.

In 2015-16 we will continue to focus our resources on ensuring an independent and effective judiciary, as well as ensuring timely and appropriate judicial appointments.

Criminal Injuries Compensation

Table 9.05: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------|-------------------------|----------------------------------|
| Administration Costs | 2.7 | 2.7 |
| CIC Scheme | 14.8 | 14.8 |
| Total | 17.5 | 17.5 |
| <i>of which:</i> | | |
| DEL Resource | 17.5 | 17.5 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

The GB-wide Criminal Injuries Compensation 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).

In 2015-16 we will:

- continue to meet the cost of compensation payments to victims of crime in Scotland, and fund a share of the running costs of the Criminal Injuries Compensation Authority in line with the Memorandum of Understanding; and
- consider options to review the current GB-wide Criminal Injuries Compensation Scheme to ensure compensation arrangements relevant to the needs of victims in Scotland.

Legal Aid

Table 9.07: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------|-------------------------|----------------------------------|
| Administration | 11.1 | 10.7 |
| Fund | 132.1 | 136.1 |
| Total | 143.2 | 146.8 |
| <i>of which:</i> | | |
| DEL Resource | 142.7 | 146.7 |
| DEL Capital | 0.5 | 0.1 |
| AME | – | – |

What the budget does

The Fund element of this budget enables the Scottish Legal Aid Board (“the Board”), an Executive Non-Departmental Public Body, to administer demand-led legal aid provision in Scotland. It also enables the Board to do the following:

- develop a network of Board employed solicitors who provide criminal legal advice and representation (Public Defence Solicitors Office) and develop advice services on civil matters using Board employed solicitors (Civil Legal Assistance Offices);
- administer grant-funded advice services, including the In Court Advice projects;
- advise Scottish Ministers on the availability and accessibility of legal services in Scotland; and
- research and analyse the operation of legal aid, the trends and impact on the wider justice system.

The Administration element enables the Board to meet its staffing and accommodation costs. It also includes a budget allocation to meet the Board’s capital expenditure.

Budget changes

An additional £0.4 million in the Administration budget reflects minor realignment of portfolio priorities.

In 2015-16 we will:

- direct resources to maintain access to justice, ensuring that legal aid expenditure supports the efficient operation of the wider justice system;
- ensure that those most in need are able to access publicly funded legal assistance and also progress a range of projects under the Making Justice Work programme to enable access to justice; and

- 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 changes in society and international standards.

Scottish Police Authority

Table 9.08: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------|-------------------------|----------------------------------|
| Scottish Police Authority | 1,082.6 | 1,063.9 |
| <i>of which:</i> | | |
| DEL Resource | 1,057.4 | 1,035.8 |
| DEL Capital | 25.2 | 28.1 |
| AME | - | - |

What the 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 in Scotland across our communities.

Budget changes

£7.6 million has transferred from the SPA to the Health and Wellbeing Portfolio in relation to the transfer of Custody Healthcare and Forensic Medical Services to NHSScotland.

£3.2 million has transferred to the SPA budget from the Police Central Government budget relating to work of the Specialist Crime Division (SCD) of Police Scotland.

A reduction in resource (£4.2 million) and capital (£0.5 million) budgets reflects agreed funding levels.

In 2015-16 we will:

- continue to support and work with the Scottish Police Authority and Police Scotland, in line with the published Strategic Police Plan, to ensure that the benefits of police reform are delivered at national level and for local communities;
- support the statutory policing principles and functions set out in the Police and Fire Reform (Scotland) Act 2012;
- retain police officer numbers at more than 1,000 higher than in 2007; and
- continue to support police services, including: training, forensics services, ICT and criminal records, tackling serious and organised crime, drug enforcement and counter terrorism.

The capital budget for 2015-16 will support the police in delivering key components of their capital plan, including the i-6 system and investment in ICT infrastructure.

Scottish Fire and Rescue Service

Table 9.09: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-----------------------|-------------------------|----------------------------------|
| Operating Expenditure | 310.2 | 283.9 |
| Capital Expenditure | - | 25.3 |
| Total | 310.2 | 309.2 |
| <i>of which:</i> | | |
| DEL Resource | 310.2 | 283.9 |
| DEL Capital | - | 25.3 |
| AME | - | - |

What the budget does

This budget funds the Scottish Fire and Rescue Service (SFRS) to work in partnership with other agencies, the public and private sector and communities on fire safety, prevention, protection and emergency response and to improve the safety and wellbeing of the people of Scotland. Details of the Scottish Fire and Rescue Service priorities are contained within the SFRS's Strategic and Annual Plans, which align with the Fire and Rescue Framework for Scotland 2013.

In 2015-16 we will continue to support and work with the SFRS in line with the Fire and Rescue Framework for Scotland 2013, to ensure that the full benefits of fire reform continue to be delivered across the communities of Scotland.

Police Central Government

Table 9.10: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------------|-------------------------|----------------------------------|
| Police Support Services | 2.8 | 2.8 |
| National Police Funding and Reform | 98.5 | 95.3 |
| Total | 101.3 | 98.1 |
| <i>of which:</i> | | |
| DEL Resource | 101.3 | 88.1 |
| DEL Capital | - | 10.0 |
| AME | - | - |

What the budget does

The Police Central Government budget in 2015-16 includes funding for the Police Investigation Review Commissioner (PIRC), Airwave, and support for police reform.

Budget changes

£3.2 million has transferred to the SPA budget from the Police Central Government budget relating to work of the Specialist Crime Division (SCD) of Police Scotland.

£10 million has transferred from Resource to Capital in the police reform budget to reflect experience in the new police service and actual patterns of expenditure.

In 2015-16 we will continue to:

- support the Police Investigation and Review Commissioner (PIRC);
- invest in police reform to deliver savings in this and future years; and
- fund the core Airwave communications system for police in Scotland.

Safer and Stronger Communities

Table 9.11: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------|-------------------------|----------------------------------|
| Community Safety | 7.6 | 7.6 |
| Drug Misuse | 32.3 | 32.7 |
| Total | 39.9 | 40.3 |
| <i>of which:</i> | | |
| DEL Resource | 39.9 | 40.3 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

The bulk of this budget (£30.4 million) is allocated to Alcohol and Drug Partnerships via NHS Boards to deliver improved outcomes and to promote recovery from problem drug use. This budget also supports a range of initiatives to build safer communities and tackle sectarianism, drug problems, misuse of guns and other crime.

Budget changes

During the course of the year the budget will be revised to include a proportion of funds recovered from the Proceeds of Crime Act to deliver the CashBack for Communities Programme.

£0.4 million has transferred to the Safer and Stronger Communities budget from the Health and Wellbeing portfolio. This will be used to provide a programme of national support and interventions to bring about local improvements in the quality of drug treatment services in Scotland.

A minor realignment of portfolio priorities has resulted in a reduction of £0.4 million in the Community Safety budget.

In 2015-16 we will:

- through our Building Safer Communities programme, work to reduce the number of victims of crime and unintentional injury; and to reduce fear of crime, violence and antisocial behaviour by tackling its root causes. We will fund violence reduction educational programmes, anti-violence initiatives, promoting positive behaviour and building strong and resilient communities;
- invest over £3 million to support community based initiatives to tackle sectarianism and further develop our understanding through research, while continuing to support work to tackle racial or ethnic hatred;
- work to reduce problem drug use by supporting people, families and communities to recover and to sustain recovery across Scotland; and
- undertake work to further protect the public from violent offenders.

Police and Fire Pensions

Table 9.12: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------|-------------------------|----------------------------------|
| Police Pensions | 262.5 | 278.4 |
| Fire Pensions | 62.1 | 72.2 |
| Total | 324.6 | 350.6 |
| <i>of which:</i> | | |
| DEL Resource | 324.6 | 350.6 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

This budget provides funding to SPA and SFRS to contribute towards the pension costs of retired police and fire officers.

Budget changes

A minor readjustment in portfolio priorities has resulted in an increase in the police and fire pensions budget of £3.8 million (£2.8 million to police and £1 million to fire).

In 2015-16 we will meet our obligations to provide for these pensions in full. Given the lack of clarity over the details of UK Government-driven reforms to public sector pensions, the numbers published above are based on historic trends. These will be updated in due course once likely budget requirements become clearer.

Scottish Prison Service

Table 9.13: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------|-------------------------|----------------------------------|
| Current expenditure | 368.9 | 356.2 |
| Capital spending | 13.4 | 40.0 |
| Total | 382.3 | 396.2 |
| <i>of which:</i> | | |
| DEL Resource | 368.9 | 356.2 |
| DEL Capital | 13.4 | 40.0 |
| AME | - | - |

What the 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.

Budget changes

A reduction of £2 million in the current expenditure budget reflects agreed funding levels.

£10 million has been moved from Resource to Capital in recognition of anticipated capital expenditure.

In 2015-16 we will:

- continue to implement the modernisation of the prison estate for female prisoners, including a new dedicated facility at HMP Inverclyde and the provision of a regional unit for women at HMP Edinburgh;
- work with partner organisations to reduce the risk of prisoners reoffending on release from custody;
- continue to implement the programme of change resulting from the SPS Organisational Review;
- take forward work on the planned replacement of HMPs Barlinnie and Inverness; and
- complete the closure and disposal of HMP Aberdeen.

Miscellaneous

Table 9.14: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Residential accommodation for children | 5.5 | 5.5 |
| Scottish Resilience | 14.4 | 8.4 |
| Other miscellaneous | 11.5 | 11.7 |
| Total | 31.4 | 25.6 |
| <i>of which:</i> | | |
| DEL Resource | 31.4 | 25.6 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

This budget covers a wide range of smaller justice-related spending areas such as residential accommodation for children, the Scottish Law Commission, the Parole Board for Scotland, the Risk Management Authority, the Scottish Criminal Cases Review Commission and provision for Her Majesty's Inspectorate of Prisons in Scotland, Her Majesty's Chief Inspector of Fire and Rescue in Scotland and Her Majesty's Inspectorate of Constabulary in Scotland.

In addition, the budget supports work to build Scotland's resilience through improved multi-agency planning and response to emergencies. This budget also provides funding to support the delivery of the Scottish Government's commitment to the armed forces and veterans community in Scotland while policy responsibility for this area lies within the Infrastructure, Investment and Cities portfolio.

Budget changes

From 2015-16, this budget includes provision for the Inspectorate of Prosecutions in Scotland (£0.3 million) which has transferred to the Justice portfolio from the Infrastructure, Investment and Cities portfolio.

In 2015-16 we will:

- support effective government and multi-agency response to emergencies through the operation of SGoRR (the Scottish Government Resilience room); and
- support the delivery of the Scottish Government's commitment to the armed forces and veterans community in Scotland.

Scottish Court Service

Table 9.15: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------------|-------------------------|----------------------------------|
| Operating expenditure | 65.3 | 68.8 |
| Scottish Tribunals Service | - | 11.1 |
| Capital | 7.0 | 7.5 |
| Total | 72.3 | 87.4 |
| <i>of which:</i> | | |
| DEL Resource | 65.3 | 79.9 |
| DEL Capital | 7.0 | 7.5 |
| AME | - | - |

What the budget does

The Scottish Court Service (SCS) provides the people, buildings and technology to support the judiciary, the courts, and the Office of the Public Guardian. The SCS is a Non-Ministerial Department, chaired by the Lord President. From April 2015, the Scottish Tribunals Service will merge with the SCS to create the Scottish Courts and Tribunals Service.

Budget changes

From 1 April 2015 the Scottish Tribunals Service will merge with the Scottish Court Service. The budget for 2014-15 is shown in Table 9.04 and the budget for 2015-16 is included in Table 9.15 above.

Minor realignment of portfolio priorities has resulted in increases to operating expenditure (£2.4 million) and capital (£0.5 million).

In 2015-16, we will work with the judicially-led SCS on:

- transforming civil justice by ensuring cases and appeals are heard by the right court and implementing simplified court rules and technology driven case management;
- delivering criminal justice reforms to improve the support and services to vulnerable victims and driving improvements to sheriff and jury procedures;
- placing digital innovation at the centre of service delivery to improve access to justice, support quicker outcomes and minimise physical appearance in courts;
- creating the Scottish Courts and Tribunals Service, fully independent of Government, ensuring that the specialism of courts and the identity of tribunals is fully supported; and
- continuing to build a more efficient and effective service to Scottish tribunals and further develop the work of tribunals through the proposed Tribunals (Scotland) Bill.

Central Government Grants to Local Authorities

Table 9.16: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------|-------------------------|----------------------------------|
| Criminal Justice Social Work | 86.5 | 86.5 |
| Total | 86.5 | 86.5 |
| <i>of which:</i> | | |
| DEL Resource | 86.5 | 86.5 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

Following the Concordat agreement between the Scottish Government and local authorities, most of the previous budget for ring-fenced grant was added to the budget for general support to local authorities. This table shows the remaining area, Criminal Justice Social Work (CJSW), that is ring-fenced grant to local authorities (or similar bodies) for justice purposes.

This funding supports local authorities in providing 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.

CHAPTER 10

Rural Affairs, Food and the Environment

PORTFOLIO RESPONSIBILITIES

Rural Affairs, Food and Environment is a wide-ranging portfolio that has responsibility for protecting and enhancing the environment as well as for developing rural Scotland through working with rural industries and communities. It includes the Scottish Government lead on climate change, agriculture, marine management, sea fisheries, aquaculture, forestry, rural development, food and drink and environmental policy. Our overarching aim is to protect and promote Scotland's environment and to grow the rural economy through:

- community empowerment;
- improving digital connectivity, particularly to remote and rural areas;
- building up our world-class food and drink industry;
- supporting renewables, enhancing our environment and natural resources, and tackling climate change; and
- investing in the research base.

CONTRIBUTION TO NATIONAL OUTCOMES

The Rural Affairs, Food and Environment portfolio has a particular focus on rural Scotland, enabling all those living and working in our rural areas to contribute to a strong, cohesive and sustainable Scottish economy. The portfolio is central to the Government's ambitions to seize the opportunities provided by the development of the low carbon economy and to deliver on our ambitious climate change targets. It contributes to a number of national outcomes including those related to our built and natural environment, our communities and the impact of our consumption.

A healthy, natural environment delivering a range of ecosystem services is a necessary foundation for sustainable development as well as a key factor in promoting Scotland's reputation as a prime tourist destination and as a producer of premium and world respected food and drink products.

A proportionate and targeted system of environmental regulation ensures that our environment is protected and enhanced while reducing the burden on business.

Promotion of reuse and recycling of valuable materials reduces the environmental impact of waste, while providing opportunities for new markets and innovation.

Improving connectivity in our most rural and remote communities will play a critical role in driving rural economic growth and competitiveness, creating more and better jobs and opening up new opportunities for a different way of living and working that encourages strong and growing rural towns and villages and respects and protects our environment.

OUR PRIORITIES

EU Support and Related Services

- Implement the reformed Common Agricultural Policy (CAP) from 2015 to obtain the best results for Scotland's rural economy, environment and communities.
- Maintain increased levels of support for the food and drink sectors to help sustain the dramatic increase in economic activity in recent years and provide impetus to Scotland's journey to becoming a Good Food Nation.

Environment and Rural Services

- Continue to protect and enhance our world class environment. We will maintain our efforts to halt the loss of biodiversity and to restore and enhance our ecosystems. We will invest in our natural resources, focusing on optimising the way that we use our land resources and ensuring that their role in health and wellbeing and in supporting Scotland's economy is fully recognised and taken into account.
- Continue to support an independent regulatory function that ensures the quality of Scotland's drinking water.
- Drive forward a transition to a circular economy to create a policy and regulatory environment in which Scotland's high value resources support jobs, foster innovation and inspire new technology and where we harness the value of recycling, transform attitudes to food waste, reduce the impacts of litter, and continue to deliver resource efficiency savings.
- Through funding the Scottish Environment Protection Agency (SEPA) the Scottish Government is supporting effective and proportionate environmental regulation. It allows SEPA and partners to continue to implement the Regulatory Reform (Scotland) Act 2014 and the wider better environmental regulation programme, as well as delivering longer-term benefits for regulated businesses and the environment. In particular it will support SEPA to deliver its new statutory purpose; to protect Scotland's environment whilst also delivering benefits for communities and the economy.

- The Scottish Government is committed to Scotland having a world-class digital infrastructure by 2020. In order to realise this ambition, the Scottish Government and its partners have allocated more than £280 million of public sector funding, including the Next Generation Digital Fund, to delivering the Infrastructure Action Plan.

Marine and Fisheries

- Implement the reformed Common Fishery Policy (CFP) to maximise the development of, and benefits from, sustainable sea fisheries, aquaculture, seafood processing and community-led local development.
- Deliver a comprehensive planning framework for Scotland's waters.
- Implement the Marine Strategy Framework Directive by developing a programme of measures to achieve and maintain good environmental status.
- Continue to maintain a strong research and evidence base in support of marine and fisheries policy developments and delivery.

Forestry Commission

- Contribute to the Government's net carbon emission reduction targets of planting 100,000 hectares of new woodland over the 10 year period to 2022.
- Continue to invest in visitor infrastructure on the national forest estate to generate further economic growth and new business opportunities for the private sector.
- Work with stakeholders to increase tree health surveillance and research to develop responses to the significant increase in the incidence of pests and diseases affecting our trees and woodlands.

Table 10.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------------|----------------------------------|-------------------------|----------------------------------|
| EU Support and Related Services | 132.8 | 132.8 | 172.3 |
| Research, Analysis and Other Services | 73.2 | 73.2 | 73.8 |
| Marine and Fisheries | 55.8 | 55.8 | 55.3 |
| Environment and Rural Services | 213.9 | 213.9 | 223.1 |
| Climate Change | 19.4 | 19.4 | 19.4 |
| Forestry Commission | 64.1 | 64.1 | 64.1 |
| Total Level 2 | 559.2 | 559.2 | 608.0 |
| <i>of which:</i> | | | |
| DEL Resource | 484.0 | 484.0 | 521.4 |
| DEL Capital | 75.2 | 75.2 | 79.1 |
| AME | - | - | - |
| Financial Transactions | - | - | 7.5 |

Table 10.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------------|----------------------------------|-------------------------|----------------------------------|
| EU Support and Related Services | 132.8 | 132.8 | 169.6 |
| Research, Analysis and Other Services | 73.2 | 73.2 | 72.6 |
| Marine and Fisheries | 55.8 | 55.8 | 54.4 |
| Environment and Rural Services | 213.9 | 213.9 | 219.6 |
| Climate Change | 19.4 | 19.4 | 19.1 |
| Forestry Commission | 64.1 | 64.1 | 63.1 |
| Total Level 2 | 559.2 | 559.2 | 598.4 |
| <i>of which:</i> | | | |
| DEL Resource | 484.0 | 484.0 | 513.2 |
| DEL Capital | 75.2 | 75.2 | 77.8 |
| AME | - | - | - |
| Financial Transactions | - | - | - |
| AME | - | - | 7.4 |

EU Support and Related Services

Table 10.03 More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Pillar 1 – Basic Payments | - | 262.0 |
| Pillar 1 – Greening payments | - | 131.5 |
| Other Pillar 1 payments | - | 44.5 |
| Single Farm Payment Scheme | 434.0 | - |
| Scottish Beef Scheme | 21.0 | - |
| Business Development | 46.6 | 31.2 |
| Less Favoured Area Support Scheme | 65.5 | 65.5 |
| Agri Environmental Measures | 43.0 | 46.8 |
| Forestry | 2.4 | 1.9 |
| Rural Enterprise | 9.0 | 0.1 |
| Rural Communities | 4.0 | 0.1 |
| Leader | 10.5 | 9.0 |
| Technical Assistance | 0.3 | 5.0 |
| Broadband | - | 3.0 |
| Crofting Assistance | 1.5 | 0.3 |
| Payments and Inspections Administration | 34.6 | 45.4 |
| CAP Compliance Improvements | 21.9 | 14.2 |
| Less EU Income | (561.5) | (488.2) |
| Total | 132.8 | 172.3 |
| of which: | | |
| DEL Resource | 92.5 | 126.8 |
| DEL Capital | 40.3 | 38.0 |
| AME | - | - |
| Financial Transactions | - | 7.5 |

What the 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 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 including providing support to ensure the beef supply chain is as efficient as it can be.
- The delivery is underpinned by the provision of regulatory inspection functions as well as scientific and technical advice, new improved business processes and associated IT functionality.

Budget changes

The following changes to 2015-16 budgets have been made since the publication of the Draft Budget 2014-15:

- An update to reflect the changes arising from CAP Reform both for direct payments (Pillar 1) and the SRDP 2014-20;
- An increase of £30.1 million of new money to fund the domestic part of the revised European funded Scottish Rural Development Programme (Pillar 2). This includes a beef package in support of our agri-environment;
- Payments and Inspections Administration budget increased by £6.2 million to bring AFRC staff together in the existing programme-funded unit;
- Part of the Crofting Assistance budget (£0.5 million) has been reclassified under Payment and Inspections Administration budget for the running costs of the Bull Stud Farm, Inverness; and
- The budget for financial transactions has been reduced by £22.5 million for amounts no longer required.

In 2015-16 we will:

- operate the CAP efficiently and effectively, in particular actively managing the transition to the launch of the new CAP from 1 January 2015 and the implementation of the new Scottish Rural Development Programme once approved by the EU;
- provide customers and staff with clear information and guidance, training on the implementation of new schemes and rules under the new CAP; and
- continue to invest in the development of new IT technologies and improved business processes to improve customer experience and realise significant operational efficiencies.

Research Analysis and Other Services

Table 10.04: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|--------------------------------|-------------------|----------------------------|
| Level 3 | £m | £m |
| Programmes of Research | 55.7 | 55.7 |
| Royal Botanic Garden Edinburgh | 11.1 | 11.7 |
| Contract Research Fund | 5.0 | 5.0 |
| Economic & Other Surveys | 1.4 | 1.4 |
| Total | 73.2 | 73.8 |
| <i>of which:</i> | | |
| DEL Resource | 71.2 | 71.8 |
| DEL Capital | 2.0 | 2.0 |
| AME | - | - |

What the budget does

The Research Analysis and Other Services budget funds a portfolio of strategic and policy-led research. The investment delivers a wide range of evidence on key future challenges such as climate change, animal and plant disease, food security and resource efficiency. The budget also facilitates science innovation and excellence and ensures the maintenance of critical infrastructure and research assets.

In addition the budget supports the work of the Royal Botanic Garden Edinburgh and enables the Scottish Government to collaborate with other funders and providers of research, including UK Research Councils and the Higher Education sector in Scotland.

In 2015-16 we will:

- agree the strategy and research deliverables for a new portfolio of strategic research for 2016-2021;
- explore further options to support innovation with relevant industry sectors in support of the Government's Economic Strategy;
- establish a Centre of Expertise on Plant Health to complement an existing Centre on Animal Health (EPIC) to help ensure Scotland's ability to mitigate against future threats from animal and plant disease; and
- continue to support the work of the Royal Botanic Garden Edinburgh on maintaining its National Collections and its contributions to environmental and biodiversity change, sustainable agro-forestry, and improving rural livelihoods in very poor areas of the world.

Marine and Fisheries

Table 10.05: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|---------------------------------------|-------------------|----------------------------|
| Level 3 | £m | £m |
| Marine Scotland | 48.4 | 47.9 |
| Fisheries Grants | 15.2 | 15.2 |
| Fisheries Harbour Grants | 0.4 | 0.4 |
| Less Retained Income/Capital receipts | (8.2) | (8.2) |
| Total | 55.8 | 55.3 |
| <i>of which:</i> | | |
| DEL Resource | 48.3 | 49.1 |
| DEL Capital | 7.5 | 6.2 |
| AME | - | - |

What the budget does

The Marine and Fisheries budget supports the sustainable use of Scotland's marine environment. Marine Scotland is the key body responsible for managing the sea and the activities which impact on it, and in it. It has responsibility for marine planning and licensing of activities in the marine environment – crucially marine renewables, sea fisheries, aquaculture, recreational fisheries and the scientific and evidence base required to support these sectors.

In 2015-16 we will:

- support the fisheries, aquaculture and fish processing sectors by maximising the benefits of the new European Maritime and Fisheries Fund to create and safeguard jobs in remote rural areas, and to develop and sustain markets for Scottish seafood and aquaculture products;
- implement the ban on discards for pelagic fisheries in the North East Atlantic in support of the discard plans agreed by the new regional groups established under the reformed Common Fisheries Policy;
- continue to develop regional marine planning including Shetland and Clyde;
- implement the National Marine Plan to support the delivery of social and economic growth and environmental sustainability linked with offshore renewables by establishing a comprehensive planning framework for the sustainable development of Scotland's waters; and
- support management measures for the network of Marine Protected Areas including new protection for our important seabird populations.

Environmental and Rural Services

Table 10.06: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Scottish Natural Heritage | 53.1 | 53.1 |
| National Park Authorities | 12.9 | 12.5 |
| Natural Resources | 1.3 | 1.3 |
| Scottish Environment Protection Agency | 37.5 | 39.0 |
| Zero Waste | 23.0 | 23.0 |
| Natural Assets and Flooding | 9.0 | 9.1 |
| Next Generation Digital Fund | 33.8 | 42.0 |
| Crofting Commission | 2.6 | 2.6 |
| Rural Cohesion | 4.8 | 4.6 |
| Agricultural and Horticultural Advice and Support | 4.1 | 4.1 |
| Veterinary Surveillance | 5.2 | 5.2 |
| Animal Health | 18.2 | 18.2 |
| Food Industry Support | 5.0 | 5.0 |
| Private Water | 2.8 | 2.8 |
| Drinking Water Quality Regulator | 0.6 | 0.6 |
| Total | 213.9 | 223.1 |
| <i>of which:</i> | | |
| DEL Resource | 190.1 | 191.8 |
| DEL Capital | 23.8 | 31.3 |
| AME | - | - |

What the budget does

The Environmental and Rural Services budget primarily supports the commitment to 'value and enjoy our built and natural environment and protect it and enhance it for future generations'. It also directly supports sustainable rural development, the food and drink industry and the empowerment of rural communities, as well as harnessing the economic value of material in the waste stream and delivering digital infrastructure.

Budget changes

Since the publication of the Draft Budget 2014-15, changes have been made to provide an increase of £0.8 million for adhoc food grants under Rural Cohesion and £1 million for the next Digital Generation Fund.

In 2015-16 we will:

- work with our key delivery partners to meet our European and other international obligations and targets for biodiversity;
- invest in the delivery of a high quality environment for local people and visitors throughout Scotland. Providing particular support to our National Parks and to the

Central Scotland Green Network to encourage and promote the environment as a driver of health and wellbeing and sustainable economic growth;

- continue to manage invasive and non-native species and combat wildlife crime, addressing especially the consequences of irresponsible behaviour associated with raptor persecution;
- ensure that we make the best use of our land resources by focusing on key delivery mechanisms including SRDP and the new CAP Greening measures and our Land Use Strategy pilots to optimise our land resources and achieve greater integration of land use;
- continue to support the quality of privately owned drinking water supplies by the provision of grant funding to raise awareness and facilitate improvements;
- deliver Scotland's first round of flood risk management plans that focus work locally to reduce the level of flood risk;
- support the Scottish Environment Protection Agency in its work to protect Scotland's environment;
- lead work on delivering Scotland's first round of flood risk management plans and the second round of river basin management plans utilising natural assets and flooding support activities. These deliver against climate change adaptation priorities and support preventative spend opportunities;
- continue to support Zero Waste Scotland, as a newly independent Scottish company, to help deliver on our zero waste and circular economy ambitions;
- continue to provide advice and support to the farming community, including on subjects where there is a public benefit. We will move towards integrating the provision of advice into the new Scotland Rural Development Programme;
- support development of the land reform agenda and specifically make progress towards 1 million acres in community ownership through the Scottish land fund;
- monitor for the presence of animal disease, prevent, control or eradicate any outbreaks and improve the welfare of kept animals; and
- implement the next phase of the national food and drink policy, helping Scotland become a Good Food Nation. This will involve supporting industry to meet its growth targets, local groups to celebrate food from their local area, public caterers to serve fresh, healthy produce, and schools and others to help our children understand more about the food they eat.

Connectivity

The Next Generation Digital Fund is designed to lay the foundations of a world class digital Scotland. It is boosted still further by contributions from Scottish local authorities, Highlands and Islands Enterprise, UK Government's Department of Culture, Media and Sport and European Regional Development Funding.

Responsibility for the fund rests with the Infrastructure, Investment and Cities portfolio and further details are available in Chapter 12. As much of the investment will be targeted in rural areas, the spending plans for the Next Generation Digital Fund are however shown in this portfolio chapter.

In 2015-16 we will:

- deliver next generation broadband infrastructure through our fibre broadband programme. This will make next generation access available to over 85 per cent of premises across Scotland by the end of 2015-16 and around 95 per cent by the end of 2017, with the potential to deliver £2 billion in economic benefits over 15 years;
- work in partnership with Scottish Local Authorities to ensure that the next generation fibre broadband programme meets local needs and priorities;
- continue to support and develop Community Broadband Scotland as the champion of community-based broadband solutions, with a particular focus on those communities that lie outside of the planned footprint of the fibre broadband programme;
- support a number of connectivity projects that will demonstrate the potential of new digital technology and enhance Scotland's international reputation;
- stimulate demand for connectivity by enhancing digital skills, supporting the growth of our digital economy and the transformation of public services to ensure that we make the most of the opportunities of the digital age; and
- develop plans, in conjunction with Scottish Futures Trust, industry and other stakeholders, to build upon our next generation broadband and ensure a world-class digital infrastructure, that realises our vision of providing connectivity anytime, anywhere and for any device.

Climate Change

Table 10.07: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget | 2015-16 Draft Budget |
|-------------------------------|-------------------|----------------------------|
| Level 3 | £m | £m |
| Climate Change Policy | 1.1 | 1.1 |
| Land Managers Renewables Fund | 3.0 | 3.0 |
| Sustainable Action Fund | 15.3 | 15.3 |
| Total | 19.4 | 19.4 |
| <i>of which:</i> | | |
| DEL Resource | 19.4 | 19.4 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

The Climate Change budget supports the portfolio's climate change coordination work, including development and implementation of the Scottish Government's climate change policy. In addition the budget provides resources for both the Sustainable Action Fund and the Land Managers' Renewables Fund. The Sustainable Action Fund supports the Scottish Government's flagship Climate Challenge Fund, which supports communities across Scotland to take action to tackle climate change.

Significant budgets elsewhere across the Scottish Government also support achievement of our climate change ambitions.

In 2015-16 we will:

- continue to support the delivery and achievement of the Scottish climate change targets, and other work to support implementing the requirements of the Climate Change (Scotland) Act 2009;
- continue the work of the Sustainable Action Fund (SAF), which includes the Climate Challenge Fund, working to influence low carbon behaviours across Scotland; and
- continue to offer funding for the Community and Renewable Energy Scheme (CARES) loans for rural businesses established in 2011-12 to address the costs associated with the pre-planning stage of renewable energy projects for farmers and land managers.

Forestry Commission

Table 10.08: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------------|-------------------------|----------------------------------|
| Woodland Grants | 36.0 | 36.0 |
| Policy, Regulation and Administration | 5.1 | 5.1 |
| Programme Costs | 21.0 | 21.0 |
| Forest Enterprise | 21.7 | 21.7 |
| Depreciation | 0.1 | 0.1 |
| EU Income | (19.8) | (19.8) |
| Total | 64.1 | 64.1 |
| <i>of which:</i> | | |
| DEL Resource | 62.5 | 62.5 |
| DEL Capital | 1.6 | 1.6 |
| AME | - | - |

What the budget does

Forestry Commission Scotland works to increase the contribution of Scotland's forests to people's health and wellbeing, the economy and the environment. The budget also supports the sustainable management of the Scottish Ministers' national forest estate, managed by Forest Enterprise Scotland.

Climate change will continue to be an area of major importance for forestry, with the aim of planting 100,000 hectares of new woodlands between 2012 and 2022. Forestry Commission Scotland is also a key delivery partner for the Central Scotland Green Network, championing action on the ground.

In 2015-16 we will:

- manage the National Forest Estate to deliver economic, social and environmental benefits to Scotland through programmes to produce timber, empower communities, develop renewable energy, provide opportunities for new entrants to farming, restore degraded ecosystems and provide diverse recreation opportunities to improve people's health and stimulate rural development;
- support and regulate forest and woodland management across Scotland, working with others to stimulate the planting and management of trees as a key component of rural development, and the transition to a low carbon economy;
- work with others to further develop Scotland's response to the increased risk of plant disease, and continue to respond to the ongoing spread of significant tree diseases across the country; and
- review and revise Scotland's Forest Strategy to set out a vision for the growth of Scotland's woodland sector for the next 10 years in alignment with other government strategies, such as the Land Use Strategy.

CHAPTER 11

Culture and External Affairs

PORTFOLIO RESPONSIBILITIES

The Culture and External Affairs portfolio includes policy on culture, creative industries, and the support and development of Scotland's national collections and performing arts organisations. It also covers the built environment, both historic and new, documentary heritage and European and International affairs.

The portfolio seeks to promote Scotland's interests and identity at home and abroad and contributes to delivering Scotland's economic ambition by investing in Scotland's heritage and culture.

It protects and provides access to Scotland's historic environment, promotes the delivery of high-quality places and buildings to support Scotland's communities, and produces trusted data about Scotland's people and places.

Our commitment to prevention, equality, diversity and inclusion underpins this portfolio's priorities. Our ambition is for the portfolio to support and raise the profile of Scotland's heritage and cultural life to flourish at home and abroad predicated on the belief that culture sits at the heart of our quality of life and wellbeing, empowering, enriching and shaping our communities.

The portfolio helps to ensure our diverse and evolving cultural heritage thrives and is celebrated and that our historic environment, our national and international collections and our intangible heritage are cared for and enjoyed now and by future generations. It also seeks to strengthen our infrastructure, helping to ensure that all of Scotland's communities have the opportunity to participate, benefit and flourish.

CONTRIBUTION TO NATIONAL OUTCOMES

The Scottish Government continues to deepen its relationships with key countries in the pursuit of furthering sustainable economic growth in Scotland and increasing Scotland's visibility on the world stage.

The Government's key international priority is to increase the level of engagement with European countries. This includes pressing the case for an ambitious EU reform agenda, building on relations with Nordic countries and deepening our ties with countries around the world.

Active engagement in the EU and internationally makes a major contribution to the Scottish economy, securing trade with EU and worldwide partners, as well as increasing public investment in agriculture, structural funds and research and development. Within the EU the Scottish Government is also committed to increasing Scotland's return on EU competitive funding programmes and seconding staff to key European institutions to extend our knowledge base. Scotland's leadership in areas such as climate change and renewable energy contributes substantially to Scotland's attractiveness as a destination for inward investment.

We will seek opportunities to promote Scottish Government priorities in Scotland and around the world. Over the past 12 months, Ministers have visited a range of countries. A Ministerial visit to Qatar and the United Arab Emirates in November resulted in five companies confirming new partnerships with local Emirate partner organisations, including a new flight route from Edinburgh to Abu-Dhabi by Qatar airlines. The First Minister also carried out an extensive programme of targeted business engagements with top American companies during Scotland Week 2014, developing both new and existing relationships, and featuring 1,075 new and secured jobs.

Scotland is well established as a leading events destination yielding significant immediate and legacy benefits for the economy while enhancing Scotland's international profile and reputation. The Homecoming Scotland 2014 programme (with over 1,030 events), Commonwealth Games, the 2014 Ryder Cup and the MTV Europe Music Awards in 2014 are all reinforcing Scotland's reputation as the perfect stage for major events. The Cultural Programme that sat alongside the Commonwealth Games in Glasgow this year was the most ambitious national cultural celebration that has ever taken place in Scotland. Incorporating over 1,500 events, involving thousands of artists, performers and participants, across hundreds of locations and venues the length and breadth of Scotland, it provided an incredible opportunity for Scotland to share our great cultural traditions and contemporary creativity with a worldwide audience.

The focus on further developing this important sector will continue as we build on the legacy of Homecoming 2014 through delivery of the second phase of themed year activity (2015 Year of Food and Drink; 2016 Year of Innovation, Architecture and Design; 2017 Year of History, Heritage and Archaeology; and 2018 Year of Young People).

Scotland is a nation where artists and our world-class cultural economy thrive. A key focus for cultural policy in Scotland is to widen access to and participation in culture and heritage. Engaging with culture is life-enhancing in its own right, but participation in cultural activities is also known to deliver positive outcomes across a range of policy areas, including health, justice and education, thereby making a significant contribution to the prevention agenda.

International studies have found significant association between cultural participation and good health, good satisfaction with life and low anxiety and depression scores. Evidence also shows that people in Scotland who were encouraged to take part in cultural activities as a child are more likely to participate in cultural activities in adulthood.

Scotland's historic environment is valued both locally and internationally for its rich diversity and the contribution it makes to our sense of place, cultural identity and health and wellbeing. The quality of our architecture and of our places is important in attracting tourism and business and in supporting and developing Scotland's communities. A key driver of tourism and Scotland's reputation abroad, it supports in excess of 60,000 Full-time equivalent (FTE) employees (including indirect and induced effects) and contributes more than £2.3 billion to Scotland's Gross Value Added (GVA) economic growth.

Our National Collections and National Performing Companies, Creative Scotland, Historic Scotland and the National Records of Scotland all make a vital contribution to supporting recovery and increasing sustainable economic growth by attracting significant numbers of visitors to Scotland through their cultural, heritage and ancestral tourism activities.

The National Companies, Collections and culture and heritage agencies and bodies are expected to address access and barriers caused by inequalities particularly for children. Free access to museums, galleries, the universal Youth Music Initiative and Sistema, for example, will continue to contribute to this.

OUR PRIORITIES

In 2015-16 we will:

- deliver an increased level of engagement with the European Union and its member states, strengthen our role as active members of the British-Irish Council and continue to enhance Scotland's reputation as a good global citizen through our international development agenda;
- maximise the international engagement opportunities and associated long term economic benefits through the programme of themed years that will continue to run from 2015 through to 2018, and continue to support the legacy benefits of Homecoming 2014, the Commonwealth Games and the 2014 Ryder Cup;
- continue to invest in culture and heritage across Scotland both through direct investment in capital projects such as the V&A Dundee, the Engine Shed, Scotland's Building Conservation Centre, and continued investment in the arts and culture through Creative Scotland, the National Collections and the National Performing Companies;
- ensure that the full cultural, social, environmental and economic value of the historic environment is realised by continuing to support the implementation of Our Place in Time, the historic environment strategy;
- secure the sustainability of the lead historic environment bodies in Scotland by establishing Historic Environment Scotland to build on the successes of Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland; and
- continue to focus on planning for a census in 2021 at the National Records of Scotland.

Table 11.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------|----------------------------------|-------------------------|----------------------------------|
| Europe and External Affairs | 15.5 | 15.5 | 17.9 |
| Culture | 150.6 | 150.6 | 174.7 |
| Historic Scotland | 37.8 | 37.8 | 40.1 |
| Young Scots Fund | 7.5 | 7.5 | - |
| National Records of Scotland | 19.8 | 19.8 | 23.2 |
| Total Level 2 | 231.2 | 231.2 | 255.9 |
| <i>of which:</i> | | | |
| DEL Resource | 216.2 | 216.2 | 219.2 |
| DEL Capital | 15.0 | 15.0 | 28.7 |
| Financial Transactions | - | - | 8.0 |
| AME | - | - | - |

Table 11.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------|----------------------------------|-------------------------|----------------------------------|
| Europe and External Affairs | 15.5 | 15.5 | 17.6 |
| Culture | 150.6 | 150.6 | 171.9 |
| Historic Scotland | 37.8 | 37.8 | 39.5 |
| Young Scots Fund | 7.5 | 7.5 | - |
| National Records of Scotland | 19.8 | 19.8 | 22.8 |
| Total Level 2 | 231.2 | 231.2 | 251.8 |
| <i>of which:</i> | | | |
| DEL Resource | 216.2 | 216.2 | 215.7 |
| DEL Capital | 15.0 | 15.0 | 28.2 |
| Financial Transactions | - | - | 7.9 |
| AME | - | - | - |

Europe and External Affairs

Table 11.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2015-16 Plans £m |
|-------------------------------|----------------------------------|------------------------|
| Major Events and Themed Years | 2.4 | 3.2 |
| International Relations | 13.1 | 14.7 |
| Total | 15.5 | 17.9 |
| <i>of which:</i> | | |
| DEL Resource | 15.5 | 17.9 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The Europe and External Affairs budget supports the promotion of Scotland as well as its interests and identity at home and abroad in pursuit of sustainable economic growth. It contributes to the positioning of Scotland on the world stage as a good global citizen, particularly through our international development work. The budget also supports the attraction of talented and skilled individuals to live, study and work in Scotland.

Budget changes

The budgets for 2015-16 remain as set out in the Draft Budget 2014-15, with the addition of a £1 million transfer of running costs for the SG EU office to programme budget.

In 2015-16 we will:

- increase the level and frequency of Scottish engagement with EU institutions (including through the secondment of staff) to advance our policy objectives, develop our expertise in European affairs and increase our return on EU competitive funding programmes;
- develop further strategic links with key priority countries such as the Nordic and Baltic States, Ireland, France, Germany, Poland, the USA, Canada, Pakistan, India and China and deepen economic and cultural relationships with key states in the Gulf Region whilst also taking advantage of opportunities to expand Scotland's international engagement;
- maintain the International Development Fund at £9 million, enabling us to provide support to development projects in our seven priority countries: Malawi, Zambia, Tanzania, Rwanda, Pakistan, Bangladesh and the three poorest states in India, covering themes such as health, education, renewable energy, civic governance and economic development; and seek new ways for Scotland to share our knowledge, skills and technical expertise, particularly in water, sanitation, renewable energy and education, to global benefit; and
- support funding of the 2015 Scottish Open in Gullane.

Culture

Table 11.04: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2015-16 Plans £m |
|----------------------------------|----------------------------------|------------------------|
| Creative Scotland and Other Arts | 51.9 | 56.7 |
| Cultural Collections | 75.2 | 90.4 |
| National Performing Companies | 23.5 | 27.6 |
| Total | 150.6 | 174.7 |
| <i>of which:</i> | | |
| DEL Resource | 136.1 | 139.5 |
| DEL Capital | 14.5 | 27.2 |
| Financial Transactions | - | 8.0 |
| AME | - | - |

What the budget does

The Culture budget contributes towards enhancing the quality of life for communities and individuals throughout Scotland by creating the conditions which enable artists to flourish and as many people, groups and organisations as possible to benefit from and enjoy our culture and heritage. Our rich culture is not only valuable in its own right, but participating in creative activities such as making, or engaging with, music or art can lead to a broad range of positive personal, social and economic benefits.

Creative Scotland plays a significant role in coordinating the leadership of the Creative Industries sector working in partnership with our enterprise and skills agencies to help identify talent and maximise opportunities for creative enterprises to develop sustainable business models from their products and services. The sector has a turnover of £5 billion and supports 65,000 jobs.

Scotland's 430 museums and galleries attract around 25 million visits per annum and sustain over 3,000 tourism-related jobs. The estimated gross impact to Scotland's economy of the museums sector is £271 million.

Budget changes

The budgets for 2015-16 include additional financial transactions of £6 million for investment in cultural projects and additional capital of £10 million for investment in Scotland's cultural infrastructure.

In 2015-16 we will:

- invest in Scotland's cultural infrastructure including continuing our support for the V&A Dundee project;
- continue funding for the National Collections, maintaining their assets and enabling free access to the public;

- support the artistic and educational activity of our five National Performing Companies with over £25 million in direct funding, including £350,000 for the International Touring Fund;
- provide Creative Scotland with over £48 million in core and ring-fenced funding to support artists and cultural activity across all art-forms and for the benefit of communities right across Scotland;
- provide continued support of £4 million for non-national museums, galleries and libraries, strengthening their connections with communities and developing the skills of those in the sector; and
- provide loan facilities for investment in Scotland's cultural sector including enabling the National Theatre to proceed with the development of a new headquarters for its production needs.

Historic Scotland

Table 11.05: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------|-------------------------|----------------------------------|
| Level 3 | | |
| Operational Costs | 71.8 | 77.9 |
| Capital Expenditure | - | - |
| Less Income | (34.0) | (37.8) |
| Total | 37.8 | 40.1 |
| <i>of which:</i> | | |
| DEL Resource | 37.8 | 40.1 |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

Historic Scotland protects and promotes Scotland's historic environment. It is the largest operator of paid visitor attractions in Scotland, and provides advice on the management of Scotland's wider historic environment.

Through its grant schemes, Historic Scotland contributes funding for the repair of buildings and the regeneration of Scotland's town centres. Between 2004 and 2014, Historic Scotland awarded grants of £134 million that assisted repairs of over £537 million, evidencing the significant leverage that historic environment investment can deliver. Historic Scotland employs many skilled craftsmen to maintain its properties, working with colleges and others to promote and support traditional skills.

Budget changes

Income is expected to grow to £37.8 million in 2015-16.

In 2015-16 Historic Scotland will:

- play a lead role in the delivery of Our Place in Time, Scotland's first historic environment strategy. A key part of this will be through the creation of Historic Environment Scotland as a new Non Departmental Public Body (NDPB) for the sector in partnership with the Royal Commission on the Ancient and Historical Monuments of Scotland; and
- continue taking forward its core work in support of Scotland's historic environment.

Some of the priorities which this work will include are:

- deliver the Traditional Skills Strategy, including progressing the Engine Shed Building Conservation Centre in Stirling; and
- maintain grant support to the historic environment of £14.5 million in this period.

Young Scots Fund

Table 11.06: More Detailed Spending Plans (Level 3)

| | 2014-15 Draft Budget £m | 2015-16 Plans £m |
|------------------|----------------------------------|------------------------|
| Level 3 | | |
| Young Scots Fund | 7.5 | - |
| Total | 7.5 | - |
| <i>of which:</i> | | |
| DEL Resource | 7.5 | - |
| DEL Capital | - | - |
| AME | - | - |

What the budget does

The £50 million Young Scots Fund was started in 2012-13 with the aim of investing in emerging young talent in sport, enterprise and creativity over a 4-year period. The Young Scots Fund is delivering a National Conservation Centre, and improved opportunities for young people to participate in the arts and culture. The final element of the Young Scots Fund is the National Performance Centre for Sport.

Budget changes

In 2015-16, the entire Young Scots Fund budget is allocated to the National Performance Centre for Sport. Funding has therefore been allocated directly to the Sport budget within the Commonwealth Games, Sport, Equalities and Pensioners' Rights portfolio.

National Records of Scotland

Table 11.07: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2015-16 Plans £m |
|----------------------|----------------------------------|------------------------|
| Operational Costs | 26.8 | 29.2 |
| Capital Expenditure | 0.5 | 1.5 |
| Less Retained Income | (7.5) | (7.5) |
| Total | 19.8 | 23.2 |
| <i>of which:</i> | | |
| DEL Resource | 19.3 | 21.7 |
| DEL Capital | 0.5 | 1.5 |
| AME | - | - |

What the budget does

National Records of Scotland performs the registration and statistical functions of the Registrar General for Scotland, including responsibility for the census and for demographic data, the archival and public records functions of the Keeper of the Records of Scotland, and maintaining the archives as one of Scotland's five National Collections.

Budget changes

In 2015-16 we will:

- continue to focus on planning for a census in 2021, which will be primarily online, while offering alternative modes of completion where necessary;
- continue work on our Digital Preservation Strategy, and establish a five-year digital preservation programme;
- work to extend digital access to our family history and other records and deliver continuous service improvement through a variety of different business models; and
- work with others to build on work done to date to extend capacity and capability to link, particularly, public sector datasets, which has the potential to provide a rich source of new information to help improve decisions within government and beyond.

CHAPTER 12

Infrastructure, Investment and Cities

PORTFOLIO RESPONSIBILITIES

The Infrastructure, Investment and Cities portfolio is responsible for transport policy and delivery, housing, regeneration, welfare reform mitigation, fuel poverty, veterans, digital economy, European Structural Funds, Scottish Water, Scottish Government procurement, Scottish Futures Trust, cities strategy, parliamentary business and government strategy.

In line with the *Government Economic Strategy* the majority of the portfolio spend is focused on investment in transport and water infrastructure, providing good quality, sustainable and affordable housing, tackling fuel poverty, helping to regenerate our communities and mitigating, where we can, the adverse impacts of the UK Government's reforms to the social security system. Overall, the portfolio will look to support a renewed focus on cities, towns and their regions, recognising the critical contribution they make as drivers of economic growth.

CONTRIBUTION TO NATIONAL OUTCOMES

The IIC portfolio plays a significant role in helping achieve the Scottish Government's Purpose of increasing sustainable economic growth and reducing inequalities.

Our transport, housing, welfare reform mitigation, water, digital and cities policies have a wide range of inter-connections and play an important role in the lives of the people of Scotland.

Cities are vital to the success of the Scottish economy. The more successful our cities, and their city regions, the more successful Scotland will become as a whole. We will continue to invest directly in cities, working with them to take account of their own priorities.

An efficient transport system and digital infrastructure is essential for enhancing productivity and delivering faster, more sustainable growth in a low carbon economy and ensure Scotland's business base can remain competitive in the global digital environment. It can help open up new markets, increase access to employment and help build a critical mass of business that can drive up competitiveness and thereby deliver faster sustainable economic growth.

Ongoing investment in transport also connects regions and people to economic opportunity, thus contributing to national social cohesion and reducing the disparity between the regions of Scotland. Our investment in Scotland's transport infrastructure therefore plays a key role in creating the best possible conditions for business success.

The Scottish Government has committed to provide at least 30,000 additional affordable homes over the five years to 2015-16, of which at least 20,000 will be for social rent, including 5,000 new council homes. We have also increased our budgets for new affordable homes and will now invest over £1.7 billion over the 5-year period to March 2016.

We know that every £100 million of housing expenditure, whether from the Scottish Government or other sources, supports a total of £180 million of economic activity and around 1,300 jobs. The investment above will maintain momentum in the programme, and deliver vital support for construction and house building companies throughout Scotland.

The Scottish Government is committed to tackling fuel poverty and has allocated £79 million in 2015-16. Latest statistics show that in mid-2012, 74,000 fewer households (a drop of 3.4 percentage points) were in fuel poverty than in October 2011, with improved energy efficiency contributing two-thirds of the fall.

Evidence from a range of sources also suggests that the UK Government's changes to the welfare system and reductions in welfare budgets are having a negative impact on people and services across Scotland. We believe that our commitments to economic growth and to tackling inequalities and promoting social cohesion will be undermined by these reforms. We will continue to mitigate the impacts wherever possible. This includes increasing the Welfare Reform Mitigation spend to £81 million in 2015-16, part of which will be the £35 million used to compensate councils for the cost of the "Bedroom Tax".

Scottish Ministers' aspiration is to transform Scotland into a world leading digital nation by 2020. This requires world-class levels of digital connectivity, a vibrant digital/ICT sector, high levels of digital participation and the widespread delivery of digital public services that are built around the needs of their users. Digital connectivity supports future innovation, enhances competitiveness and helps create more and better jobs. It will also support the transition to a low carbon economy, opening up new opportunities for a different way of living and working that encourages strong and growing rural towns and villages and respects and protects our environment.

Scottish Water has an annual turnover of some £1.2 billion, and is one of Scotland's twenty largest businesses. It employs some 3,600 staff and sustains a further 20 per cent of the Scottish civil construction industry.

We are committed to retaining Scottish Water within the public sector and supporting it to deliver its vision to be Scotland's most valued and trusted business. It is demonstrating that it is possible to deliver high quality public services at efficiency levels reached by the best of private sector comparators, whilst keeping the average household charge at £54 per annum lower than in England and Wales. Our support for Scottish Water's investment programme is key to the delivery of improvements to water and sewerage services – services which are essential for safeguarding public health and protecting our environment.

The Scottish model of procurement aims to secure the maximum economic benefit from the £10.6 billion spent by the public sector on goods and services each year, through an approach that balances business needs and social responsibility. The public procurement reform programme delivers value that goes well beyond savings and benefits – improving supplier access to public contracts, particularly for SMEs; maximising efficiency and collaboration; and placing the local, social and economic aspects of sustainability at the heart of the purchasing process. Scottish Government led collaborative procurement exercises have delivered £278 million savings since 2011-12; over 3500 apprenticeships and training opportunities have been created through community benefits; and procurement policy has been used to promote the payment of the living wage and to address blacklisting. A total of 46 per cent of public procurement spend (where company size is known) goes directly to SMEs, and SMEs won over 80 per cent of contracts advertised on the national Public Contracts Scotland portal. The development of a programme of reform in construction procurement, the implementation of the Procurement Reform (Scotland) Act 2014, and the transposition of the new European procurement directives, as well as the continued delivery of savings and benefits, will further enhance Scotland's international reputation for leading edge innovation in sustainable public procurement.

The Scottish Futures Trust (SFT) was established to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value for money and ultimately improved public services. SFT has reported the delivery of £139.7 million of net future benefits and savings during 2013-14, as set out in their Statement of Benefits 2013-14. SFT has now reported a total of £640 million of savings and benefits to the people of Scotland and is active across the public sector and is delivering innovative new ways of working that will result in improved value for money.

Budget Changes

Overall the portfolio has seen an increase in the 2015-16 budgets of £169.9 million since the plans were published in 2013, alongside a re-profiling of £40 million of loan funding to Scottish Water. This enables an additional investment of £10 million in Sustainable and Active Travel, £30 million to fund the first year of the UK and Scottish Governments' commitments to the Glasgow and Clyde Valley City Deal, £35 million in funding to councils to compensate for the cost of the "Bedroom Tax" (now included in Welfare Reform Mitigation) and an additional £125 million Financial Transactions to housing and regeneration.

In addition, there has been movement between budgets within the portfolio, primarily between rail and ferry services, which reflect the ongoing commitment to the delivery of the ferries strategy, utilising efficiencies that are anticipated through the current rail franchise procurements.

Our Priorities

In 2015-16, the Scottish Government will continue to focus expenditure on activity that will stimulate economic growth. We will continue to strive for efficiencies from existing activity and look for innovative ways to deliver maximum benefit for the public pound. We will continue our significant investment in the road network, spending £695 million on motorways and trunk roads, including £219 million on the construction of the new Queensferry Crossing.

We will continue with our ambitious investment in the rail network including completing the construction of the Borders railway and progressing the development of the route between Edinburgh Waverley and Glasgow Queen Street.

The Scottish Government has increased its plans for expenditure on air and ferry services, recognising the importance of these services to particular groups in our society and reflecting the acquisition of Prestwick Airport in November 2013, whilst also increasing our expenditure on support for sustainable and active travel by a further £10 million to £25 million.

In 2015-16, we will spend over £625 million through the Housing and Regeneration budget on supporting economic growth through regeneration initiatives and housing supply. Over £390 million of this will be used to deliver 6,000 more affordable homes, of which 4,000 will be for social rent. We will continue to support recovery in the private sector through Help to Buy and we will encourage the provision of sustainable, greener homes. An additional £125 million of Financial Transactions has been allocated to housing in this Draft Budget and will be invested in a package of measures spanning social, affordable and market housing.

The Scottish Parliament has legislated for two new taxes – Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) – which will replace Stamp Duty Land Tax (SDLT) and UK Landfill Tax in Scotland from 1 April 2015.

Our tax rate proposals for LBTT complement our commitment to support home ownership in a balanced and sustainable way by helping people on low to moderate incomes to become home owners.

We will provide funding of £79 million for the Home Energy Efficiency Programme for Scotland (HEEPS), which we anticipate will lever in additional funding from other sources. Based on the independent Fuel Poverty Forum's recommendations, the majority of funding will be allocated to local authorities to carry out area-based energy efficiency schemes, and we will also launch our new national energy assistance scheme for more vulnerable households. The area-based schemes are expected to fund the installation of up to 35,000 energy efficiency measures across Scotland and the new national scheme to help up to 3,000 households. Both schemes will therefore contribute to our legislative commitment to tackle fuel poverty as well as help to meet Climate Change targets.

Through the £25 million Regeneration Capital Grant Fund, we will support further large scale regeneration projects and our £50 million Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund will continue to support the Scottish economy by investing in areas affected by market failure and by potentially unlocking stalled projects.

We will maintain the provision of £10 million in 2015-16 for Registered Social Landlords (RSLs) to continue adapting their properties to help meet the needs of older people and disabled people. The investment will reduce pressure on health and social care services by enabling people to live independently, safely and comfortably at home. Through this preventative approach, average expenditure on each adaptation of £1,800 can save health and social care systems over £10,000.

As part of our commitment to tackling inequalities, we will continue to do all we can to mitigate the impacts of welfare reform on people in Scotland. We continue to invest in a range of third sector initiatives for income maximisation and to tackle poverty, particularly in support of our new Child Poverty Strategy for Scotland, published in March 2014.

We are committed to a significant programme of investment in Scotland's water and sewerage infrastructure for 2015-21 worth £3.5 billion. This includes our agreement to invest £250 million over the next five years to upgrade Glasgow's wastewater infrastructure to improve the environment of the River Clyde and tackle flooding.

We will also continue to develop digital infrastructure in accordance with our investment plans and strategies, working with partners that include Local and UK Governments. This is a cross-portfolio investment and the Scottish Government's investment is now detailed within the Rural Affairs, Food and Environment (RAFE) portfolio, given the significant role that digital infrastructure will play in ensuring the future of Scotland's rural economy. We will also use European Structural Funds to support projects that will improve Scotland's competitiveness.

We will continue to invest in the Scottish Model of Procurement through a transfer of procurement resources from the core Scottish Government administration budget. This will secure the continued provision of shared services to underpin the transformation of public procurement in Scotland, delivering further savings and maximising the social, environmental and economic benefits of public purchasing activity.

The Draft Budget for 2015-16 is set out below:

Table 12.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Air Services | 50.4 | 50.4 | 63.4 |
| Concessionary Fares and Bus Services | 253.6 | 253.6 | 260.6 |
| Ferry Services | 146.8 | 146.8 | 187.1 |
| Motorways and Trunk Roads | 639.0 | 639.0 | 694.8 |
| Other Transport Policy, Projects and Agency Administration | 69.9 | 69.9 | 65.9 |
| Rail Services | 842.8 | 832.8 | 808.3 |
| Scottish Futures Fund | 50.0 | 50.0 | 20.3 |
| Housing & Regeneration | 532.9 | 543.2 | 743.3 |
| Welfare Reform Mitigation | 45.2 | 81.2 | 81.2 |
| Digital Economy and Infrastructure | 13.8 | 13.8 | 1.0 |
| European Regional Development Fund – 2014-20 Programmes | – | – | – |
| European Social Fund – 2014-20 Programmes | – | – | – |
| Scottish Water | 20.5 | 20.5 | (14.5) |
| Other Expenditure | (17.8) | (17.8) | 23.3 |
| Parliamentary Business and Government Strategy | 29.4 | 27.3 | 75.8 |
| Scottish Housing Regulator | 4.0 | 4.0 | 4.0 |
| Total Level 2 | 2,680.5 | 2,714.7 | 3,014.5 |
| <i>of which:</i> | | | |
| DEL Resource | 1,158.5 | 1,175.7 | 1,213.6 |
| DEL Capital | 1,326.7 | 1,333.4 | 1,455.9 |
| Financial Transactions | 195.3 | 205.6 | 345.0 |
| AME | – | – | – |
| Central Government Grants to Local Authorities | 162.2 | 162.2 | 150.1 |

Table 12.02: Detailed Spending Plans (Level 2 real terms at 2014-15 prices)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|----------------------------------|-------------------------|----------------------------------|
| Air Services | 50.4 | 50.4 | 62.4 |
| Concessionary Fares and Bus Services | 253.6 | 253.6 | 256.5 |
| Ferry Services | 146.8 | 146.8 | 184.2 |
| Motorways & Trunk Roads | 639.0 | 639.0 | 683.9 |
| Other Transport Policy, Projects and Agency Administration | 69.9 | 69.9 | 64.9 |
| Rail Services | 842.8 | 832.8 | 795.6 |
| Scottish Futures Fund | 50.0 | 50.0 | 20.0 |
| Housing and Regeneration | 532.9 | 543.2 | 731.6 |
| Welfare Reform Mitigation | 45.2 | 81.2 | 79.9 |
| Digital Economy and Infrastructure | 13.8 | 13.8 | 1.0 |
| European Regional Development Fund – 2014-20 Programmes | – | – | – |
| European Social Fund – 2014-20 Programmes | – | – | – |
| Scottish Water | 20.5 | 20.5 | (14.3) |
| Other Expenditure | (17.8) | (17.8) | 22.9 |
| Parliamentary Business and Government Strategy | 29.4 | 27.3 | 74.6 |
| Scottish Housing Regulator | 4.0 | 4.0 | 3.9 |
| Total Level 2 | 2,680.5 | 2,714.7 | 2,967.0 |
| <i>of which:</i> | | | |
| DEL Resource | 1,158.5 | 1175.7 | 1,194.5 |
| DEL Capital | 1,326.7 | 1333.4 | 1,433.0 |
| Financial Transactions | 195.3 | 205.6 | 339.6 |
| AME | – | – | – |
| Central Government Grants to Local Authorities | 162.2 | 162.2 | 147.7 |

Air Services**Table 12.03: More Detailed Spending Plans (Level 3)**

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Highlands and Islands Airports Limited | 36.4 | 35.4 |
| Prestwick Airport | – | 10.0 |
| Support for Air Services | 14.0 | 18.0 |
| Total | 50.4 | 63.4 |
| <i>of which:</i> | | |
| DEL Resource | 38.4 | 40.4 |
| DEL Capital | 12.0 | 23.0 |
| AME | – | – |

What the budget does

The budget supports Highlands and Islands Airports Limited (HIAL) and Prestwick Airport. It includes resources for capital investment and sustains the operation and development of airport services throughout the country.

It also supports the Air Discount Scheme (ADS) which provides discounted fares on eligible routes and lifeline Public Service Obligation (PSO) air services which cannot be provided commercially.

Budget changes

Since the spending plans were published in 2013, budget cover has been identified to provide interest bearing loans funding to Prestwick Airport to assist the airport to return to profitability, to help cover operational requirements, essential backlog maintenance and ongoing repositioning capital. Additional funding has also been provided to cover increased operational costs of lifeline services and the Air Discount Scheme.

In 2015-16 we will:

- ensure that HIAL has the necessary resources to maintain its 11 airports at current levels of operational ability;
- continue to fund the Air Discount Scheme and the lifeline PSO air services to Barra, Campbeltown and Tiree; and
- continue to support the re-positioning of Prestwick Airport.

Through continuing to invest in these air services, we will help to ensure that Scotland is a cohesive nation where all its people are able to access the services and amenities that they need and are connected to the opportunities provided by the global economy.

Concessionary Fares and Bus Services

Table 12.04: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------------|-------------------------|----------------------------------|
| Level 3 | | |
| Smartcard Programme | 2.8 | 2.8 |
| Concessionary Fares | 197.0 | 204.0 |
| Support for Bus Services | 53.8 | 53.8 |
| Total | 253.6 | 260.6 |
| <i>of which:</i> | | |
| DEL Resource | 251.6 | 258.6 |
| DEL Capital | 2.0 | 2.0 |
| AME | - | - |

What the budget does

The budget provides support for the development and delivery of concessionary travel schemes for older, disabled and young people. Access to national concessionary travel is through Smartcards issued as part of the Scottish Citizens' National Entitlement Card project.

Bus Service Operators' Grant (BSOG) provides support to the bus industry across Scotland. Its aim is principally to benefit passengers by helping operators to keep their fares down and enabling operators to run services that might not otherwise be commercially viable, thus contributing to the maintenance of the overall bus network. It helps sustain the economy and to reduce the cost to local authorities of supporting non-commercial socially necessary services.

The Bus Investment Fund supports partnership working to improve bus services, standards and infrastructure across Scotland.

Budget changes

Since the spending plans were published in 2013, budget cover has been identified to provide an additional £4 million for the demand led concessionary fares schemes.

In 2015-16 we will continue to deliver the concessionary travel schemes and support partnership working to improve bus services, standards and infrastructure through the bus investment fund.

Ferry Services

Table 12.05: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------------|-------------------------|----------------------------------|
| Level 3 | | |
| Support for Ferry Services | 113.9 | 131.6 |
| Vessels and Piers | 26.9 | 45.5 |
| Road Equivalent Tariff | 6.0 | 10.0 |
| Total | 146.8 | 187.1 |
| <i>of which:</i> | | |
| DEL Resource | 119.9 | 141.6 |
| DEL Capital | 26.9 | 45.5 |
| AME | - | - |

What the budget does

The Support for Ferry Services budget line covers the subsidy paid for the:

- Clyde and Hebrides Ferry Services (CHFS) contract;
- Northern Isles Ferry Services contract;
- Northern Isles Lift-On Lift-Off Freight Services contract; and
- Gourock-Dunoon Ferry Service contract.

The Vessels and Piers budget provides for loans to Caledonian Maritime Assets Ltd (CMAL) for the procurement of vessels used on the CHFS network and grants to ports (other than those owned by local authorities) for improvement works to piers and harbours that support lifeline ferry services.

The budget for RET funds the Road Equivalent Tariff approach to ferry fare setting on services on the CHFS network.

All spending on Ferry Services is guided by the Scottish Government's Ferries Plan, published in December 2012.

Budget changes

Additional funding has been allocated in 2015-16 to support the delivery of improved ferry services in line with the Ferries Strategy and the planned roll out of RET.

In 2015-16 we will:

- maintain ferry services on the Clyde and Hebrides, Gourock – Dunoon and Northern Isles routes whilst continuing implementation of the Ferries Plan;
- progress the re-tender for the Clyde and Hebrides Ferry Services contract to replace the current contract which expires in October 2016; and
- complete the roll out of RET to all Clyde and Hebrides ferry services.

Motorways and Trunk Roads

Table 12.06: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------------|-------------------------|----------------------------------|
| Structural Repairs | 25.0 | 25.0 |
| Network Strengthening | 38.8 | 36.0 |
| Private Finance Initiative Payments | 84.7 | 89.2 |
| Routine and Winter Maintenance | 74.0 | 77.2 |
| Other Current Expenditure | 9.0 | 9.0 |
| Roads Improvement | 14.2 | 14.2 |
| Capital Land and Works | 51.0 | 102.1 |
| Queensferry Crossing | 241.0 | 219.0 |
| Roads Depreciation | 89.0 | 110.8 |
| Forth and Tay Road Bridge Authorities | 12.3 | 12.3 |
| Total | 639.0 | 694.8 |
| <i>of which:</i> | | |
| DEL Resource | 263.8 | 293.1 |
| DEL Capital | 375.2 | 401.7 |
| AME | - | - |

What the 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.

The budget also covers the construction of the Forth Replacement Crossing (Queensferry Crossing).

Budget changes

Budget changes relate to the phasing of construction works in Capital Land and Works and the Queensferry Crossing.

In 2015-16 we will:

- continue construction of the Queensferry Crossing as programmed;
- progress construction of the M8 Baillieston to Newhouse motorway upgrade, together with improvements to the M74 Raith Interchange and the M8 associated improvements; the Aberdeen Western Peripheral Route (AWPR) and Balmedie projects and the A96 Inveramsay Bridge;

- progress development work on the A77 Maybole Bypass, A82 Tarbet to Inverarnan and A90 Haudagain Improvement and the A737 Dalry Bypass;
- progress design and development work on dualling the A9 and A96 and commence construction of the Kincaig to Dalraddy section;
- focus on essential improvements and on safety and congestion relief improvements that offer value for money; and
- continue to maintain the safe operation of the Forth and Tay Road Bridges.

Other Transport Policy, Projects and Agency Administration

Table 12.07: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Transport Information | 1.2 | 1.2 |
| Agency Administration Costs | 16.9 | 16.9 |
| Strategic Transport Projects Review | 3.6 | 3.6 |
| Support for Freight Industry | 1.1 | 1.1 |
| Scottish Canals | 10.0 | 10.0 |
| Support for Sustainable and Active Travel | 29.0 | 25.0 |
| Travel Strategy and Innovation | 5.1 | 5.1 |
| Road Safety | 3.0 | 3.0 |
| Total | 69.9 | 65.9 |
| <i>of which:</i> | | |
| DEL Resource | 39.2 | 43.9 |
| DEL Capital | 30.7 | 17.0 |
| DEL Financial Transactions | | 5.0 |
| AME | – | – |

What the budget does

The budget funds:

- the provision of impartial travel information services such as Traveline and Transport Direct;
- the running costs of Transport Scotland;
- measures which encourage the freight industry to reduce emissions by transferring freight from road to rail and water;
- the maintenance of Scotland's canals and their contribution to economic regeneration;

- support for the promotion of more sustainable travel choices, including support for the actions in the Cycling Action Plan for Scotland;
- support for the Regional Transport Partnerships and the Mobility and Access Committee for Scotland (MACS); and
- Road Safety Scotland's delivery of road safety research, education and publicity and support for partnership working under the *Road Safety Framework to 2020*.

Budget changes

Since indicative spending plans were originally published, additional funding of £10 million in 2015-16 has been allocated for Support for Sustainable and Active Travel, aimed at cycling and walking infrastructure of which £5 million is in the form of Financial Transactions.

In 2015-16 we will:

- operate the Mode Shift Revenue Support and Waterborne Freight Grant schemes and promote best practice in the freight industry;
- continue to contribute to economic regeneration through Scottish Canals involvement in the Helix project;
- continue to support the operation of Regional Transport Partnerships and mobility/accessibility interest groups such as MACS;
- continue to support road safety initiatives to deliver the Road Safety Framework; and
- continue to invest in infrastructure to encourage cycling and walking, working in partnership with local authorities across the country. As part of this process we will develop proposals for the deployment of loan finance utilising the Financial Transactions funding.

This investment will help to reduce the local and global environmental impact of our consumption and production and will also help us to live longer and healthier lives.

Rail Services

Table 12.08: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------|-------------------------|----------------------------------|
| Rail Franchise | 370.7 | 325.4 |
| Rail Infrastructure | 427.6 | 452.5 |
| Rail Development | 7.0 | 6.0 |
| Major Public Transport Projects | 27.5 | 24.4 |
| Total | 832.8 | 808.3 |
| <i>of which:</i> | | |
| DEL Resource | 377.7 | 331.4 |
| DEL Capital | 455.1 | 476.9 |
| AME | - | - |

What the budget does

The budget supports the delivery of ScotRail passenger rail services and the Caledonian Sleeper services, the maintenance and safe operation of the Scottish rail infrastructure and investment in network enhancements. The rail infrastructure and track access charge elements of rail services costs paid to Network Rail are determined by the Office of Rail Regulation (ORR).

Funding is provided under Major Public Transport Projects for the delivery of major elements of rail public transport projects such as the Edinburgh to Glasgow Improvement Programme (EGIP), the Borders Railway and the Caledonian Sleeper Service.

Budget changes

The budgets for rail franchise and rail infrastructure have been updated to reflect the latest position on the ORR's Draft Determination for Control Period 5 (2014-2019), including the split between resource and capital. They have also been updated to reflect the efficiencies being secured through the on-going rail franchise procurement exercises.

In 2015-16 we will:

- complete construction of the Borders Railway to open in 2015;
- continue design, development and delivery of EGIP;
- continue delivery of the wider programme of network electrification, including the Rutherglen and Coatbridge (Whifflet) route; and
- commence the new contracts for the provision of ScotRail passenger and Caledonian Sleeper services.

Scottish Future Fund

Table 12.09: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-----------------------------|-------------------------|----------------------------------|
| Warm Homes Fund | 31.3 | * |
| Future Transport Fund | 18.7 | 20.3 |
| Total | 50.0 | 20.3 |
| <i>of which:</i> | | |
| DEL Resource | 24.0 | - |
| DEL Capital | - | 20.3 |
| DEL Financial Transactions* | 26.0 | - |
| AME | - | - |

* Further financial transactions have been made available and are now shown as part of the Housing and Regeneration level 3 numbers

What the budget does

The Future Transport Fund will reduce the impact of transport on our environment, reducing congestion and supporting better public transport, active travel and low carbon vehicles. This investment provides a platform for increasing support thereafter for a range of sustainable transport initiatives, including cycling infrastructure and freight modal shift.

The Warm Homes Fund aims to invest £50 million in renewable energy and energy efficient homes for fuel poor communities. The fund has been available to support investment during the period 2012-13 to 2014-15. Further loan funding will be available in 2015-16 to support Warm Homes Fund eligible projects. The Warm Homes Fund has provided grant support to social landlords for feasibility studies and loans to deliver renewable energy schemes such as district heating and wind turbines, working alongside wider Scottish Government schemes such as the Community And Renewable Energy Scheme (CARES) and the District Heating Loan Fund.

In 2015-16 we will:

- continue to progress initiatives to advance adoption of electric and other low carbon vehicles, including buses;
- continue to promote active travel choices, through support for cycling and walking initiatives; and
- continue to support freight modal shift.

Housing and Regeneration

Table 12.10: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Supporting Economic Growth/Housing Supply | 412.4 | 628.6 |
| Supporting Sustainability | 108.9 | 90.6 |
| Supporting Transitions | 26.9 | 29.1 |
| Less Income | (5.0) | (5.0) |
| Total | 543.2 | 743.3 |
| <i>of which:</i> | | |
| DEL Resource | 36.2 | 43.8 |
| DEL Capital | 327.4 | 359.5 |
| Financial Transactions | 179.6 | 340.0 |
| AME | - | - |

What the budget does

Along with the funding for housing supply within the local government capital settlement, the budget enables us to deliver on our commitment to provide 30,000 new affordable homes over the life of this Parliament, boosting the housebuilding industry through this and other measures. It also enables us to undertake a range of other housing and regeneration activities. This includes funding for regeneration initiatives, energy-efficiency upgrades and renewables to tackle fuel poverty and climate change, adaptations for older and disabled Registered Social Landlord (RSL) tenants, and projects which promote best practice in dealing with homelessness and other housing issues.

Budget changes

There has been an additional £125 million Financial Transactions added to housing and regeneration (shown in Supporting Economic Growth Level 3). There has also been a transfer of £0.3 million from Supporting Transitions to Scottish Housing Regulator (see SHR section below for details).

In 2015-16 we will:

- work in partnership with COSLA to use the £25 million Regeneration Capital Grant Fund to assist regeneration projects nationwide, including continued support to Urban Regeneration Companies;
- help community anchor organisations to grow and respond to the aspirations of their communities through our People and Communities Fund;
- continue to use the £50 million Scottish (JESSICA) SPRUCE Fund and any recycled receipts to target sustainable investment within the 13 eligible local authority areas;

- use our funding to improve the energy efficiency of existing housing to tackle fuel poverty and to meet the targets within the Climate Change Act 2009;
- deliver 6,000 affordable homes, of which 4,000 will be social homes;
- continue to support first-time buyers through our existing shared equity programmes and current home owners through the mortgage rescue schemes; and
- continue to support the construction industry, private house building and people buying a new home through our work with Homes for Scotland and the Council for Mortgage Lenders.

Welfare Reform Mitigation

Table 12.11: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------------------|-------------------------|----------------------------------|
| Level 3 | | |
| Scottish Welfare Fund | 37.6 | 38.0 |
| Other Welfare Reform Mitigation | 43.6 | 43.2 |
| Total | 81.2 | 81.2 |
| <i>of which:</i> | | |
| DEL Resource | 81.2 | 81.2 |
| DEL Capital | – | – |
| AME | – | – |

What the budget does

The budget provides funding for organisations in Scotland that provide advice and support services to help people affected by welfare reforms. It supports the Scottish Welfare Fund and other initiatives with the third sector, Scottish local authorities and others, designed to maximise household resources for vulnerable groups.

Budget changes

Funding for Welfare Reform Mitigation includes a further £1 million allocated from UK Budget Barnett consequentials for Scotland. This was announced as part of the Budget Statement made to Parliament on 1 April 2014. In addition, we have provided £35 million to compensate for the cost of the “Bedroom Tax”.

In 2015-16, we will:

- provide £33 million for the Scottish Welfare Fund and take forward the Welfare Funds (Scotland) Bill to provide a statutory basis for a permanent local welfare safety net, delivered by local authorities;
- work with COSLA, Scottish local authorities and a wide range of third sector partners to improve further our understanding of, and response to, the impact of the UK Government’s welfare reforms;

- continue our programme of activity in response to the UK Government's welfare reforms, including funding for advice services;
- with Scottish Legal Aid Board (SLAB) and Money Advice Service (MAS), continue to support the Making Advice Work grant funding programme and the new Tackling Money Worries grant funding programme;
- support the Emergency Food Aid Action Plan to help food aid organisations combat food poverty in Scotland;
- continue to tackle poverty, particularly child poverty, within the limits of the powers we have;
- prepare a third report on the impact that the UK Welfare Reform Act 2012 is likely to have on the people of Scotland, as required by the Welfare Reform (Further Provision) (Scotland) Act 2012; and
- provide funding to local authorities to support all people who are affected by the "Bedroom Tax".

Digital Economy and Infrastructure

Table 12.12: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------------|-------------------------|----------------------------------|
| Level 3 | | |
| Digital Economy and Infrastructure | 13.8 | 1.0 |
| Total | 13.8 | 1.0 |
| <i>of which:</i> | | |
| DEL Resource | 1.0 | 1.0 |
| DEL Capital | 12.8 | – |
| AME | – | – |

What the budget does

Responsibility for the delivery of digital infrastructure rests with the Infrastructure, Investment and Cities portfolio, but the bulk of the fund is shown in the Rural Affairs, Food and Environment portfolio given the importance of this infrastructure to the rural economy of our country. Further details are available in that chapter.

The budget supports the delivery of Scotland's integrated digital strategy that includes support for infrastructure, participation, public services and the digital economy. Current priorities include the roll out of a national fibre broadband infrastructure and working through our enterprise agencies and business gateway to support businesses to up-skill and encourage better use of digital technology. Work with the Scottish Futures Trust (SFT) will set out new approaches to deliver our vision of providing connectivity anytime, anywhere and for any device.

The Scottish Government plans to make a significant additional investment in the fibre broadband programme that will provide access to a next generation network to 85 per cent of premises by end 2015-16 and 95 per cent of premises by end 2017. This programme also receives significant contributions from Local and UK Government and offers an important step along the road to achieving a world-class digital infrastructure.

European Regional Development Fund – 2014-20 Programmes

Table 12.13: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Level 3 | | |
| Grants to Local Authorities | – | – |
| Central Government Spend | – | – |
| Grants to Local Authorities – EC Income | – | – |
| Central Government Spend – EC Income | – | – |
| Total | 0.0 | 0.0 |
| <i>of which:</i> | | |
| DEL Resource | – | – |
| DEL Capital | – | – |
| AME | – | – |

These figures net to zero because of matching receipts from the European Union

European Social Fund – 2014-20 Programmes

Table 12.14: More Detailed Spending Plans (Level 3)

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Level 3 | | |
| Grants to Local Authorities | – | – |
| Central Government Spend | – | – |
| Grants to Local Authorities – EC Income | – | – |
| Central Government Spend – EC Income | – | – |
| Total | 0.0 | 0.0 |
| <i>of which:</i> | | |
| DEL Resource | – | – |
| DEL Capital | – | – |
| AME | – | – |

These figures net to zero because of matching receipts from the European Union

What the budget does

The European Regional Development (ERDF) and European Social Funds (ESF) make significant resources available to Scotland over the EU's seven-year budget cycle. For the period 2014 to 2020, some €800 million has been allocated to Scotland. The Scottish Government will manage these funds and allocate them according to programmes agreed with the EU Commission and in accordance with EU regulations.

When the programmes have been agreed, the Scottish Government, working through partnership governance structures, will allocate the funds to projects, schemes or programmes devised by public bodies and local authorities across Scotland. When funds have been allocated and spent the lead bodies will seek payment of the funds from the Scottish Government. As the Scottish Government pays out to these bodies it will recover the funds from the Commission. The funds never increase the Scottish Government's overall budget and therefore the funds are represented as £0 in the budget.

In addition to managing ERDF and ESF, the Scottish Government plays a significant role in the management of trans-national and territorial co-operation funding programmes.

ERDF, ESF and the trans-national and territorial funds aim to support economic and social cohesion across the EU. They do this by providing 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. The EU priorities for the funds align well with the Scottish Government's purpose and strategic priorities.

As the 2014-20 EU funding programmes are gearing-up, the 2007-13 programmes are winding down. During budget years 2014-15 and 2015-16, EU funds will be allocated and spent from both the winding-down and gearing-up programmes. The process to reconcile the final spend in the winding-down programmes will be commence during 2014-15 and is likely to be completed around 2017.

The most significant change in the 2014-20 programmes is the strategic and thematic concentration of the funds prescribed by the European Commission. This concentration aims to encourage more rapid growth and ensure the funds contribute as fully as possible to the EU 2020 objective of "Smart, Sustainable and Inclusive Growth". The Scottish Government's approach to concentration is to focus the funds on "strategic interventions" which means large scale projects, schemes or programmes aiming for transformative change, delivered by public bodies and local authorities who are confident they can contribute their share of the total project funding.

Scottish Water

Table 12.15: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-------------------------|-------------------------|----------------------------------|
| Interest on Voted Loans | (94.5) | (100.5) |
| Voted Loans | 115.0 | 80.0 |
| Hydro Nation | - | 4.0 |
| Exemption Scheme | - | 2.0 |
| Total | 20.5 | (14.5) |
| <i>of which:</i> | | |
| DEL Resource | (94.5) | (94.5) |
| DEL Capital | 115.0 | 80.0 |
| AME | - | - |

What the budget does

In 2015-16 and 2016-17 Scottish Water will deliver the improvements required by Ministers as agreed in summer 2014 as part of the £3.5 billion investment programme for the period 2015-21. This will be financed through customer charges and new loans from the Scottish Government as set out above. The budget also recognises the receipt of interest to the resource budget from the loans issued to Scottish Water, spending in relation to the Hydro Nation agenda, and a scheme to assist charities with the payment of water and sewerage charges.

In 2015-16 Scottish Water plans to deliver the improvements to our vital water and sewerage services as agreed in its Delivery Plan. The Delivery Plan and its updates may be viewed on Scottish Water's website <http://www.scottishwater.co.uk/about-us/publications/delivery-plan>.

We have set up a specific group, the Output Monitoring Group (OMG), to ensure that the improvements that we require are delivered. Quarterly reports summarising progress in delivering Ministers' objectives by reference to the targets and milestones shown in Scottish Water's Delivery Plan are published on the Government's website <http://www.scotland.gov.uk/Topics/Business-Industry/waterindustryscot/publications/deliveryprogress>.

Budget changes

We have confirmed that up to £720 million will be available to support the delivery of the 2015-21 capital programme. Sums to be lent will be confirmed in each budget. Increased interest receipts reflect the increases in the Scottish Government debt held by Scottish Water.

As a 'Hydro Nation' we can capitalise on global economic opportunities and support the good stewardship of water resources in an increasingly water-stressed world. We have made resources available from within the Scottish Water budget to promote this agenda, which includes the climate justice fund. Current estimated profile expenditure £4 million in each of the years 2015-16 and 2016-17.

Other Expenditure

Table 12.16: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|-----------------------------|-------------------------|----------------------------------|
| ESF Programme Operation | 1.5 | 1.5 |
| Scottish Futures Trust | 4.7 | 4.7 |
| Asset Management | (24.0) | - |
| Procurement Shared Services | | 17.1 |
| Total | (17.8) | 23.3 |
| <i>of which:</i> | | |
| DEL Resource | 6.2 | 23.3 |
| DEL Capital | (24.0) | - |
| AME | - | - |

What the budget does

European funds are used to support economic recovery and future growth. The ESF Programme Operation budget provides the resources necessary to run these programmes of support.

In 2015-16, the Scottish Futures Trust (SFT) will continue to work to enhance value for money for infrastructure investment across the public sector in Scotland. This includes working in partnership with others to progress delivery of the extended pipeline of investment through the Non-Profit Distributing (NPD) model, and support other innovative ways of financing and procuring infrastructure.

The Government's procurement shared services support the delivery of the public procurement reform programme across the public sector. In 2015-16 this will include the delivery of a further £230 million savings since 2014-15 through collaborative and Scottish Government procurement exercises; the implementation of the Sustainable Procurement (Scotland) Act 2014 and transposition of the new European Procurement Directives; the provision of the suite of e-commerce shared services across the public sector, including a new pilot on e-invoicing; and, with SFT, driving forward the reform of construction procurement. These services are supported by a transfer of procurement resources from the core Scottish Government administration budget.

Parliamentary Business and Government Strategy

Table 12.17: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--------------------------------------|-------------------------|----------------------------------|
| Strategic Communications | 3.0 | 4.9 |
| Royal and Ceremonial | 0.3 | 0.3 |
| Office of the Chief Statistician | 1.4 | 1.4 |
| Strategic Research and Analysis Fund | 0.9 | 0.9 |
| Scotland Act Implementation | 10.0 | 25.7 |
| Office of the Chief Economic Adviser | 0.6 | 0.5 |
| Referendum on Scottish independence | 10.8 | – |
| COPFS Inspectorate | 0.3 | – |
| Cities Investment and Strategy | – | 30.1 |
| Scottish Parliamentary Elections | – | 12.0 |
| Total | 27.3 | 75.8 |
| <i>of which:</i> | | |
| DEL Resource | 27.3 | 45.8 |
| DEL Capital | – | 30.0 |
| AME | – | – |

What the budget does

The Parliamentary Business and Government Strategy Budget;

- enables Scottish Ministers to engage with audiences in Scotland and across the world to support the delivery of the Scottish Government's purpose and outcomes;
- supports procurement of data and specific technical assistance to strengthen understanding of key developments in the economy and public finances;
- funds implementation of the financial provisions in the Scotland Act 2012;
- supports economic development in cities and city regions through the Scottish Cities Alliance and other appropriate mechanisms;
- covers Royal and Ceremonial events and tasks within Scotland; and
- provides for advance payment to Scotland's local authorities to cover 75 per cent of the costs of operating the 2016 Scottish Parliamentary elections.

Budget changes

The following changes have been made to the 2015-16 spending plans:

- funding for the Crown Office and Procurator Fiscal Service Inspectorate has been transferred to the Justice portfolio;
- we have identified £15 million in 2015-16 to support the Glasgow and Clyde Valley City Deal infrastructure investment alongside the £15 million contribution from the UK Government. We expect to make contributions to the Deal totalling £500 million over a 20-year period and we will continue to explore opportunities for investment in our cities and their regions through the new Growth Accelerator Model of funding;
- funding will be provided for the delivery of elections to the Scottish Parliament following the transfer to Scottish Ministers of new powers under the Scotland Act 2012;
- we will meet the costs incurred by Her Majesty's Revenue and Customs (HMRC) in setting up the Scottish rate of income tax, and provide additional funding to support implementation in Scotland of new devolved taxation responsibilities set out in the Scotland Act 2012; and
- additional Strategic Communications funding will support work to enhance the Scottish Government's digital communications.

In 2015-16, we will:

- continue to deliver public information and marketing that promotes Scotland around the world as a modern, creative and dynamic nation; and helps people in Scotland make informed choices, improve their opportunities and understand the positive role of public services in their lives;
- engage with our partners to drive excellence and best value across public sector communications, maximising digital communications opportunities;
- procure data and technical expertise to help inform and advise on developments in the Scottish economy; and
- develop the data the Scottish Government needs to make robust evidence based decisions, to explore and deliver efficiencies in collecting this data.

Scottish Housing Regulator

Table 12.18: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------------|-------------------------|----------------------------------|
| Scottish Housing Regulator | 4.0 | 4.0 |
| Total | 4.0 | 4.0 |
| <i>of which:</i> | | |
| DEL Resource | 3.7 | 4.0 |
| DEL Capital | 0.3 | - |
| AME | - | - |

What the budget does

The Scottish Housing Regulator (SHR), the independent body established by the Housing (Scotland) Act 2010, has the statutory objective of safeguarding and promoting the interests of the 600,000 households in social rented housing. The budget will allow the Regulator to continue to drive up the quality of services delivered to tenants, homeless people and other service users.

Budget changes

An additional £0.3 million resource DEL has been provided that will support the greater demands being placed on the SHR in the current financial climate to address the challenges facing the sector and to build on work on the Scottish Social Housing Charter. This should allow the organisation to increase its capacity and capability to contribute to reactive and proactive work in these areas.

Central Government Grants to Local Authorities

Table 12.19: More Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2015-16 Plans £m |
|---|----------------------------------|------------------------|
| Regional Transport Partnership | 22.5 | 21.9 |
| Cycling, Walking and Safer Routes | 8.2 | 8.0 |
| Housing Support Grant & Hostels Grant* | 8.0 | 1.0 |
| National Housing Trust Provision (AME) | 4.0 | 4.0 |
| Vacant Derelict Land grant | 11.0 | 10.7 |
| Transfer of Management of Development Funding | 107.3 | 104.5 |
| Assistance to owners – Glasgow Stock Transfer | 1.2 | – |
| Total | 162.2 | 150.1 |
| <i>of which:</i> | | |
| DEL Resource | 8.0 | 1.0 |
| DEL Capital | 150.2 | 145.1 |
| AME | 4.0 | 4.0 |

* The reduction in Housing Support Grant and Hostels Grant relates to the transfer of the Hostels Deficit Grant into the local government main settlement.

CHAPTER 13

Administration

PORTFOLIO RESPONSIBILITIES

The Administration budget covers the costs of running the core administration required to support the Scottish Government's Purpose and Strategic Objectives. These costs comprise primarily staffing, but also accommodation, information technology, travel and training. The budget contributes to the achievement of all the Strategic Objectives across each of the Ministerial portfolios and to the delivery of our 16 National Outcomes.

CONTRIBUTION TO NATIONAL OUTCOMES

The framework for delivering the Purpose, and our priorities for accelerating recovery, driving sustainable growth, tackling inequality and boosting employment, were set out in the Government Economic Strategy published in September 2011. Our vision is to work with greater flexibility and higher impact for Ministers and for Scotland to deliver these priorities. More directly, our commitment to the Modern Apprenticeship programme is a key part of our economic strategy and we have taken action to ensure that we contribute fully as an employer in our own right.

BUDGET CHANGES

Our spending plans include the following changes made since the publication of Draft Budget 2014-15 which showed total budget plans of £201.6 million for 2015-16. These changes in total result in a net decrease of £3.9 million, giving the revised budget figure of £197.7 million for 2015-16 in Table 10.01 below.

Transfers to/from Portfolio programme budgets

The 2015-16 budget reflects the transfer of £3.6 million to the Infrastructure, Investment and Cities portfolio for the costs of services that will be provided to the Scottish Government by the procurement shared service.

The 2015-16 budget reflects the transfer of £0.7 million from the Culture and External Affairs portfolio budget for the move of the Historic Scotland policy function to Culture and Heritage. This is an annual transfer previously given effect through an in-year budget revision and does not reflect an increase in total expenditure.

Resource Budget

Decrease in budget provision of £4 million for 2015-16 reflecting a continued constraint in running costs within the portfolio.

Capital Budget

Additional budget provision of £3 million for 2015-16 for essential upgrades and replacements to maintain the resilience of IT networks.

OUR PRIORITIES

In 2015-16 we will continue to make progress in ensuring efficiency in the administration costs of the Scottish Government while maintaining a high quality service to Scottish Ministers and the people of Scotland. Key priorities will include the delivery of the objectives and outcomes set out in the Government Economic Strategy and the National Performance Framework.

In 2015-16 we will:

- ensure the organisation is equipped to deliver the required functions of government, positive engagement with the UK Government and joint working with delivery partners, trade unions and other stakeholders;
- ensure the organisation has the capacity and capability to deliver the priority outcomes and objectives set for it by Ministers and the people of Scotland, as set out in the Government Economic Strategy and the Scotland Performs Framework;
- provide leadership in the delivery of public service reform including effective preventative interventions and collaboration between public service partners;
- as an employer, ensure that we meet annual targets for Modern Apprenticeships. Since the Scottish Government launched the direct entrant Modern Apprenticeship Programme in April 2011 we have recruited 190 Modern Apprentices and provided youth employment opportunities such as student placements and mentoring;
- continue to pursue a Business Strategy which includes a commitment to investing in our people and demonstrating that we are an exemplar in employee engagement, diversity, equality and wellbeing, through the implementation of our People Strategy, public sector equality duties and the delivery of the Civil Service diversity agenda;
- offer maximum value for public money, building on significant efficiencies already achieved in procurement, facilities, and other operational costs, and ensuring resources are deployed flexibly to key priorities;
- implement public sector pay policy for Scottish Government staff, including the opportunity to continue the commitment to no compulsory redundancies and priority support for those on the lowest incomes; and

- implement a range of measures to reduce greenhouse gas emissions across the Scottish Government.

Table 10.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------------|----------------------------------|-------------------------|----------------------------------|
| Scottish Government Administration | 198.0 | 198.0 | 197.7 |
| Total Level 2 | 198.0 | 198.0 | 197.7 |
| <i>of which:</i> | | | |
| DEL Resource | 192.9 | 192.9 | 189.6 |
| DEL Capital | 5.1 | 5.1 | 8.1 |
| AME | - | - | - |

Table 10.02: Spending Plans (Level 2 real terms) at 2013-14 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|------------------------------------|----------------------------------|-------------------------|----------------------------------|
| Scottish Government Administration | 198.0 | 198.0 | 194.6 |
| Total Level 2 | 198.0 | 198.0 | 194.6 |
| <i>of which:</i> | | | |
| DEL Resource | 192.9 | 192.9 | 186.6 |
| DEL Capital | 5.1 | 5.1 | 8.0 |
| AME | - | - | - |

Table 10.03: More Detailed Spending Plans (Level 3)

| Level 3 | 2013-14 Budget £m | 2014-15 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Scottish Government Staff | 143.3 | 137.9 |
| Retained Income | (16.5) | (16.5) |
| Accommodation | 16.5 | 16.5 |
| Other Office Overheads ¹ | 30.0 | 28.5 |
| Training | 3.8 | 3.8 |
| Office of the Queen's Printer for Scotland | 0.1 | 0.1 |
| Depreciation ² | 15.7 | 19.3 |
| Capital Projects | 5.1 | 8.1 |
| Total³ | 198.0 | 197.7 |
| <i>of which:</i> | | |
| DEL Resource | 192.9 | 189.6 |
| DEL Capital | 5.1 | 8.1 |
| AME | - | - |

Note 1: Includes ICT projects and minor non-pay items e.g. travel, transport, stationery, hospitality, etc.

Note 2: Additional non-cash provision of £3.6 million for 2015-16 to cover depreciation in respect of assets on the Scottish Government estate. This does not increase the discretionary spending power available in the Administration Budget.

Note 3: The breakdown of spending plans is subject to change as we seek to reduce overhead costs in favour of minimising the reduction necessary in the number of people to support existing and new priority activities.

CHAPTER 14

Crown Office and Procurator Fiscal Service

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's position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act.

COPFS's main objectives are that:

- criminal cases are investigated and prosecuted or otherwise resolved in the public interest in a timely and effective manner;
- deaths which need further explanation are appropriately and promptly investigated;
- victims, nearest relatives, witnesses and those accused of an offence are treated with respect;
- profits and capital gained from criminal conduct are removed using the Proceeds of Crime legislation;
- the way we work and the operation of the Scottish criminal justice system are made more efficient, effective and sustainable by working collaboratively; and
- equality and fair treatment for all is promoted.

We support the "Strategy for Justice in Scotland", particularly its priorities of:

- reducing crime, particularly violent and serious organised crime;
- tackling hate crime and sectarianism;
- supporting victims and witnesses; and
- increasing public confidence and reducing fear of crime.

COPFS' Proceeds of Crime Unit and Civil Recovery Unit both take action to attempt to recover proceeds of crime. This has delivered in excess of £80 million for the people of Scotland since the Proceeds of Crime Act came into force 10 years ago.

CONTRIBUTION TO NATIONAL OUTCOMES

The criminal justice system maintains the security and confidence of the people of Scotland by providing just and effective means to investigate crimes and bring offenders to justice. An effective, independent prosecution service is essential to the achievement of sustainable economic growth.

COPFS has contributed to the significant falls in recorded crime seen in Scotland over recent years by our ongoing responses to deep seated problems such as those associated with knife crime, sexual crime, domestic violence, hate crime, drug misuse and youth crime.

Our targeting and disruption of serious and organised crime is fundamental to Scotland being seen as an attractive place to live, work and visit and assists towards Scotland becoming the most attractive place for doing legitimate business in Europe.

BUDGET CHANGES

In respect of the 2015-16 indicative plans published as part of Draft Budget 2014-15, an additional £2.7 million of Resource DEL has been allocated for 2015-16 for prospective major/complex cases.

OUR PRIORITIES

Our main spending priorities will continue to be bringing criminals to justice, protecting the people of Scotland from further harm from perpetrators of crime whilst ensuring justice is obtained, leading to safer, healthier and flourishing economic environments for individuals and communities. During 2015-16 our priorities will be to:

- prosecute complex, serious and organised crime including terrorism, murder, serious assaults, sexual offences, serious domestic violence, hate crime, drug and people trafficking and significant financial crime before the High Court and Sheriff and Jury courts;
- take action to recover associated proceeds of crime;
- conduct prosecutions before Justice of the Peace and Sheriff courts in respect of anti-social behaviour, domestic abuse and hate crime; and
- meet the challenges arising from changes in the legal environment, including changes in the causes of crime, judicial decisions and planned legislation.

Table 14.01: Spending Plans (Level 2)

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------|----------------------------------|-------------------------|----------------------------------|
| COPFS | 108.7 | 108.7 | 112.1 |
| Total Level 2 | 108.7 | 108.7 | 112.1 |
| <i>of which:</i> | | | |
| DEL Resource | 105.1 | 105.1 | 108.5 |
| DEL Capital | 3.6 | 3.6 | 3.6 |
| AME | - | - | - |

Table 14.02: Spending Plans (Level 2 real terms) at 2014-15 prices

| Level 2 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|----------------------|----------------------------------|-------------------------|----------------------------------|
| COPFS | 108.7 | 108.7 | 110.3 |
| Total Level 2 | 108.7 | 108.7 | 110.3 |
| <i>of which:</i> | | | |
| DEL Resource | 105.1 | 105.1 | 106.8 |
| DEL Capital | 3.6 | 3.6 | 3.5 |
| AME | - | - | - |

Level 2 Crown Office and Procurator Fiscal Service**Table 14.03 : More Detailed Spending Plans (Level 3)**

| Level 3 | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---------------------|-------------------------|----------------------------------|
| Staff Costs | 69.1 | 69.1 |
| Office Costs | 4.3 | 4.3 |
| Case Related | 13.0 | 15.7 |
| Centrally Managed | 18.7 | 19.4 |
| Capital Expenditure | 3.6 | 3.6 |
| Total | 108.7 | 112.1 |
| <i>of which:</i> | | |
| DEL Resource | 105.1 | 108.5 |
| DEL Capital | 3.6 | 3.6 |
| AME | - | - |

What the budget does

The COPFS portfolio contributes to a safer and stronger Scotland. COPFS is proactive in prosecuting crime which is committed but our work is also preventative to help reduce crime and fear of crime, improve conditions which support economic development and social capital in communities and enhances the quality of life of Scotland's people.

COPFS has a strong record in tackling inequality. Operational priorities make it clear that prosecutors are targeting hate crime, domestic abuse and sexual offending – all of which involve significant equalities issues for those who have protected characteristics across all sections of society. In particular we have:

- Appointed a dedicated Procurator Fiscal who leads on domestic abuse cases, together with compulsory training for staff who deal with these cases. A revised joint protocol dealing with domestic abuse cases has been agreed with Police Scotland. The combined effect of this, coupled with improvements due to the priority placed on the policing of domestic abuse by Police Scotland, has seen an increase in the numbers of cases prosecuted in court.
- Undertaken collaborative work with the transgender community in order to reassure them about being involved in the court process, both as a victim or witness and as an accused. The Lord Advocate spoke at the annual transgender conference and a bespoke policy for dealing with transgender individuals has been issued for consultation. The transgender community fully support the proposed policy.
- Launched an Older Persons policy in August 2013. The policy states that COPFS will consider it an aggravating offence if a victim is targeted because of vulnerability or perceived vulnerability based on their age. We now issue next of kin with a revised deaths booklet, which is sensitive to the needs of ethnic communities in relation to post mortems and the release of bodies for burial.

In 2015-16 we will:

- support victims of crime, vulnerable witnesses and bereaved relatives;
- work with Police Scotland and the Scottish Court Service to respond to emerging changes in their structures and capabilities; and
- use infrastructure expenditure to maintain and improve our Information Technology systems, to increase case-processing efficiency, improve communications with victims and witnesses and to ensure compliance with employer and public authority legislative requirements.

CHAPTER 15

Local Government

PORTFOLIO RESPONSIBILITIES

Local government is an integral and essential element of the overall good governance of Scotland: it assesses and responds to local circumstances and aspirations to deliver a range of services, from education and care to transport and planning, that form the bedrock of our society.

Local government also continues to be a critical partner in the Scottish Government's transformative programme of public service reform. A high level of consensus on the optimal approach to public service reform in Scotland has been established, and our partnership with local government is key to ensuring a coherent, comprehensive and effective response. A wide range of reforms are already being delivered nationally and locally, and we have a shared ambition to build upon these foundations and make reform happen at pace and scale.

The Scottish approach has a focus on improving outcomes which, through the National Performance Framework and Single Outcome Agreements, has been central to policy development and service delivery since 2007. It builds on the findings of the Christie Commission on the Future Delivery of Public Services, which helped inform the clear strategic direction that has been set and is built around the four pillars of reform: partnership working, investment in those delivering our public services, a relentless focus on performance and making a decisive shift to prevention. Local government makes a vital contribution to this approach, which has an ultimate purpose of creating a more successful country, with opportunities for all of Scotland to flourish.

This approach will be further supported by the launch of *What Works Scotland* – an independent research centre funded by both the Scottish Government and the Economic and Social Research Council (ESRC), which is bringing together academics, policy makers, practitioners and local people in their communities to find, create, evaluate and communicate the evidence of what works in delivering outcomes by applying the Scottish model of public service delivery. *What Works Scotland* is adopting a case study approach, working closely with Community Planning Partnerships (CPPs) and sharing learning across each of them.

Our commitment to an outcomes-based approach is demonstrated by the actions we have taken with COSLA and other partners to strengthen arrangements for community planning, and this approach will continue with the full integration of adult health and social care provision, continued investment in prevention and wider improvement

actions, such as the Early Years Collaborative. We are also encouraging and contributing to work being led by local government and scrutiny bodies to improve how performance information and audits and inspections can help local government to perform better.

CONTRIBUTION TO NATIONAL OUTCOMES

The partnership between local and central government has achieved a great deal to help support recovery and increase sustainable economic growth. In 2015-16, the Scottish Government will provide a total baseline package of resource and capital funding of £10,756.7 million in support of local authorities' services. This figure includes income from non-domestic (business) rates. However, it does not include the Council Tax, income from fees and charges which local authorities collect themselves, funding provided directly from the UK Government or funding from the European Union. This total funding package for 2015-16 consists of:

- a general revenue grant, which supports all services;
- non-domestic rate income (NDRI), collected by local authorities, paid into a central pool. This is then redistributed, along with the general revenue grant, to each local authority, using a formula that takes account of relative need;
- a general capital grant to support local authorities' spending on infrastructure and other projects; and
- a small number of specific revenue and capital grants.

The Scottish Government guarantees the combined general revenue grant and distributable non-domestic rate income figure, approved by Parliament, to each local authority. A drop in non-domestic rate income is compensated for by an increase in general revenue grant and vice versa.

BUDGET CHANGES

The changes to our spending plans for 2015-16 since publication of the Draft Budget 2014-15 in respect of local government revenue funding are as follows: an increase of £54 million to give all children in primary 1 to primary 3 the option of a free school meal; an additional £44 million to fund the extended pre-school entitlement following the enactment of the Children and Young People (Scotland) Act 2014; an additional £6.5 million to support the administration costs of the Council Tax Reduction Scheme; a transfer of £7.0 million from the former Hostels Specific Resource Grant to General Resource Grant; and an increase of £83.5 million in General Resource Grant with the corresponding decrease of £83.5 million in non-domestic rates following the decision to cap the increase in non-domestic rate poundage following the 2013 UK Government's Budget, and further estimating changes. Although not currently included in the published local government figures, additional resource will be added to the 2015-16 local government revenue settlement, in discussion with COSLA, to support the extension of kinship care allowances.

The changes to 2015-16 capital funding since Draft Budget 2014-15 are as follows: an increase of £39.0 million to facilitate capital work resulting from the Children and Young People (Scotland) Act 2014; and an increase of £5.0 million for Shetland Islands Council following the Scottish Government's commitment to match fund the contribution from the UK Government to provide debt relief and support for future house building projects.

In addition to, but outwith, the local government finance settlement, Glasgow City Council will receive an additional £30 million for 2015-16 in support of the City Deal.

OUR PRIORITIES

In 2015-16 we will make available to local government a total funding package amounting to £10,756.7 million. These total figures include the Government's best estimate of non-domestic rate income to be collected during 2015-16. The final non domestic rates figure for each year cannot be confirmed until the relevant September Retail Price Index (RPI) figure has been announced, as the RPI figure is used in the calculation of the total NDRI income figures.

For 2015-16 each local authority will require to agree formally to work with the Scottish Government to deliver a council tax freeze for the eighth consecutive year. Agreement has also been reached that the Scottish Government and Local Government will work in an inclusive process with others towards reaching an in-principle agreement to an educational outcomes-based approach subject to the completion of work which is satisfactory to both parties. This first phase of this work will be completed by 1 March 2015. In addition, local government will work with their NHS partners to work towards the full integration of adult Health and Social Care.

The financial support to be distributed to authorities will be the subject of consultation with COSLA and set out in a Scottish Local Government Finance Circular early in December.

Given the continuing significant financial constraints on the Scottish Budget, this represents a challenging but fair settlement for local government which builds upon the financial commitment demonstrated in settlements over the previous 7 years.

Within the Local Government portfolio, the 2011 spending review and 2013 budget review maintained the 2011-12 cash settlement for RDEL/NDRI. The capital settlement, although calculated on maintaining share of the reduced capital share, (-£8.8 million/-£74.5 million/-£52.1 million), was then reprofiled with reductions in 2012-13 and 2013-14 of £120 million and £100 million respectively, with a corresponding increase in 2014-15 of £120 million and the remaining £100 million to be added back in 2015-16. Following the transfer of funding as a result of police and fire reform, this reduced the sum added back in 2015-16 to £94.2 million. By the end of 2015-16 the outcome will be that local government's share of RDEL/NDRI will have been maintained above the level inherited in 2007.

As part of the wider partnership based approach to delivering joint priorities, the Scottish Government and local government will each continue to do what is required to ensure delivery of the specific commitments as described below. In addition, the Scottish Government and local government are committed to working together to ensure

that our collective capital resources are used to best effect to support economic growth. The Scottish Government and local government have also ensured that a preventative approach to key strategic outcomes was embedded in the new Single Outcome Agreements (SOAs). As a result, we expect CPPs to work together to fully implement the plans, provide the resources required, oversee the arrangements for the delivery of this approach and ensure these arrangements are fully built into their own budget decision-making processes.

Making a decisive shift towards prevention across mainstream service provision is fundamental to our transformative programme of public service reform. Local government is delivering improved outcomes for people through early intervention, which is also helping to ensure long-term fiscal sustainability by reducing demand on services.

The Early Years Change Fund signified a shift to preventative spend over the current parliamentary term and includes contributions from local government, as well as from the Scottish Government and the NHS. The Scottish Government commitments will continue in 2015-16, with £8.5 million of transitional funding. Change is being delivered through a multi-agency quality improvement programme including social services, health, education, police and third sector professionals who are all committed to ensuring that every baby, child, mother, father and family in Scotland has access to the best support available.

The Reshaping Care for Older People Programme focuses on giving older people the support they need to live independently in their own home, or in a homely setting, and in good health for as long as possible. This is reducing hospital admissions, aiding discharge after a crisis and promoting the concepts of community capacity building and co-production of services between providers and users.

Funding of £100 million will be allocated via NHS Boards in 2015-16 to support partnerships to further drive the shift towards prevention across all adult services. The intention is that this will also be a partnership resource accessible to local authorities, working with NHS Boards, the third sector and others.

The new generation of SOAs include a focus by CPPs on moving beyond the change funds and embedding prevention across mainstream services, built on a clear and shared understanding of local needs and priorities.

Building on these developments, CPPs will continue to play a leading role in driving the approach forward at a local level, including through the SOAs which describe how the CPP will plan and provide resources for and oversee delivery of key strategic priorities, with a specific focus on prevention and reducing inequalities. To enable more effective and integrated local planning, CPPs, including local government, are expected to show a demonstrable commitment to the *Agreement on Joint Working on Community Planning and Resources* published alongside the Draft Budget 2014-15.

Local government also makes a vital contribution to a more equal Scotland, including working with wider public and private and third sector partners and communities themselves in CPPs. Protecting the most vulnerable in our society continues to be more difficult because of the financial constraints, but local and national government agree that decisions needed to balance the budget must take full account of their needs. The Scottish Government's commitment to a more equal Scotland includes, in this portfolio, a preventative approach which is at the heart of the SOAs and the council tax freeze, and the extension of exemption from Council Tax to articulating students progressing from HNC or HND study at college to second or third year of first degree-level study at university.

The council tax freeze, although providing welcome relief to all Council Tax payers in these difficult economic times, continues to provide the greatest benefit, as a proportion of net household income, to households in the lower deciles. The preventative spending change funds covering early years and reshaping care for older adults have also brought about positive impacts on vulnerable groups and support the greater alignment of budgets more generally. The Scottish Government will continue to work collaboratively with local government towards outcome-focused public services, using the framework provided by the Equality Act 2010. This helps public bodies to recognise and reduce negative impacts on vulnerable groups and also helps to promote equality by ensuring that services are responsive to local people's needs.

Changes made to Housing Benefit by the UK Government in April 2013, known as the bedroom tax, resulted in 70,000 social rented sector households losing on average £50 per month in Housing Benefit. 80 per cent of those households affected in Scotland are estimated to contain an adult with a Disability Discrimination Act recognised disability. The Scottish Government will provide £35 million for the second year running to allow local authorities to fully mitigate this measure.

Council Tax

As part of the overall funding package, the Scottish Government will provide a further £70 million in 2015-16 to those councils which freeze their Council Tax rates at 2007-08 levels for an eighth consecutive year. In the light of current continuing tough economic circumstances, extending the council tax freeze for another year will provide further protection to hard pressed households across Scotland, many of whom have been affected by the economic downturn and UK welfare reforms.

In addition, as part of our efforts to mitigate the impacts of UK welfare reform where we are able to do so, the Scottish Government will roll forward its contribution of £23 million to fill the cut in funding from the UK Government for Council Tax Benefit successor arrangements, with an expectation that local government will again contribute £17 million. This will ensure we are able to maintain support for vulnerable groups in meeting their Council Tax liabilities through the Scottish Council Tax Reduction Scheme.

Table 15.01: Detailed Spending Plans (Level 3)

| Level 3 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| General Resource Grant ¹ | 6,971.3 | 7,041.6 | 7,004.0 |
| Non-Domestic Rates (NDR) ¹ | 2,688.0 | 2,649.5 | 2,799.5 |
| Support for Capital ² | 623.0 | 646.5 | 716.2 |
| Specific Resource Grants ³ | 98.9 | 98.9 | 91.9 |
| Specific Capital Grants ³ | 150.2 | 150.2 | 145.1 |
| Total Local Government Level 3⁴ | 10,531.4 | 10,586.7 | 10,756.7 |
| <i>of which:</i> | | | |
| DEL Resource | 7,070.2 | 7,140.5 | 7,095.9 |
| DEL Capital | 773.2 | 796.7 | 861.3 |
| AME | 2,688.0 | 2,649.5 | 2,799.5 |

Notes:

1. The Scottish Government guarantees the combined General Resource Grant plus the distributable Non Domestic Rates (NDR) Income figures. The figures above are provisional as the NDR figure cannot be finalised until the September RPI figure is known and a decision taken on whether to increase the non-domestic rates poundage by the full increase in RPI. Any increase in NDR will be matched by the same reduction in General Resource Grant and vice versa.
2. The 2012-15 capital allocations were reprofiled (-£120m/-£100m/+£120m with the remaining £94.2m now added in 2015-16). Although the sum to be added back was originally £100 million this was reduced proportionately to £94.2 million following the transfer of the police and fire funding resulting from police and fire reform.
3. Held within other portfolio chapters includes both resource and capital specific grants.
4. A further £12 million will be added in-year to these sums for both 2014-15 and 2015-16 following a transfer from the Enterprise budget to meet the anticipated costs of the Enterprise Areas business rates relief scheme.

Table 15.02: Detailed Spending Plans (Level 3 real terms) at 2014-15 prices

| Level 3 | 2014-15 Draft Budget £m | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|----------------------------------|-------------------------|----------------------------------|
| General Resource Grant ¹ | 6,971.3 | 7,041.6 | 6,893.7 |
| Non-Domestic Rates (NDR) ¹ | 2,688.0 | 2,649.5 | 2,755.4 |
| Support for Capital ² | 623.0 | 646.5 | 704.9 |
| Specific Resource Grants ³ | 98.9 | 98.9 | 90.5 |
| Specific Capital Grants ³ | 150.2 | 150.2 | 142.8 |
| Total Local Government Level 3⁴ | 10,531.4 | 10,586.7 | 10,587.3 |
| <i>of which:</i> | | | |
| DEL Resource | 7,070.2 | 7,140.5 | 6,984.2 |
| DEL Capital | 773.2 | 796.7 | 847.7 |
| AME | 2,688.0 | 2,649.5 | 2,755.4 |

Notes:

1. The Scottish Government guarantees the combined General Resource Grant plus the distributable Non Domestic Rates (NDR) Income figures. The figures above are provisional as the NDR figure cannot be finalised until the September RPI figure is known and a decision taken on whether to increase the non-domestic rates poundage by the full increase in RPI. Any increase in NDR will be matched by the same reduction in General Resource Grant and vice versa.
2. The 2012-15 capital allocations were reprofiled (-£120m/-£100m/+£120m with the remaining £94.2m now added in 2015-16). Although the sum to be added back was originally £100 million this was reduced proportionately to £94.2 million following the transfer of the police and fire funding resulting from police and fire reform.
3. Held within other portfolio chapters includes both resource and capital specific grants.
4. A further £12 million will be added in-year to these sums for both 2014-15 and 2015-16 following a transfer from the Enterprise budget to meet the anticipated costs of the Enterprise Areas business rates relief scheme.

Table 15.03: Specific Grant Funding and other Local Government Funding 2014-2016

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|---|-------------------------|----------------------------------|
| Justice | | |
| <i>Resource Specific</i> | | |
| Criminal Justice Social Work | 86.5 | 86.5 |
| | | |
| Infrastructure, Investment and Cities | | |
| <i>Resource Specific</i> | | |
| Housing Support Grant* | 1.0 | 1.0 |
| Hostels Grant** | 7.0 | |
| <i>Capital Specific</i> | | |
| Vacant and Derelict Land | 11.0 | 10.7 |
| Transfer of Management of Development Funding (TMDF) | 107.3 | 104.5 |
| Assistance to Owners affected by Glasgow Stock Transfer | 1.2 | |
| Regional Transport Partnership | 22.5 | 21.9 |
| Cycling, Walking and Safer Routes | 8.2 | 8.0 |
| | | |
| Education and Lifelong Learning | | |
| <i>Resource Specific</i> | | |
| Gaelic | 4.5 | 4.5 |
| | | |
| Total Specific Revenue Grants (DEL) | 98.9 | 91.9 |
| Total Specific Capital Grants | 150.2 | 145.1 |

Notes:

* A decision on whether to subsume the grant within the General Revenue Grant is still subject of discussion with COSLA.

** The grant has been rolled up in the General Revenue Grant in 2015-16.

What the budget does

Local Government's Spending Plans 2014-15

For information purposes only, 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 as set out in Table 12.04.

Table 15.04: Local Government Revenue Expenditure Plans 2014-15

| 2014-15 Budget Estimate – Net Revenue Expenditure | 2014-15 Budget £m |
|---|-------------------|
| Education | 4,614.5 |
| Social Work | 3,018.1 |
| Roads and Transport | 449.2 |
| Environmental Services | 681.6 |
| Planning and Development Services | 298.3 |
| Culture and Related Services | 619.4 |
| Emergency Planning | 3.6 |
| Administration of Housing Benefits and Council Tax Reduction Scheme | 40.8 |
| Private Sector Housing Renewal | 21.8 |
| Housing Benefit: Rent Allowance and Rebates | 10.2 |
| Non Housing Revenue Account Housing | 59.7 |
| Homelessness | 83.6 |
| Housing Support Services | 161.3 |
| Welfare Services | 8.9 |
| Licensing | (0.4) |
| Elections | 11.8 |
| General Grants, Bequests and Donations | 7.2 |
| Registration of Births Marriages and Deaths | 4.6 |
| Local Tax Collection (including Non Domestic Rates) | 32.6 |
| Council Tax and Non Domestic Lands Valuation | 28.3 |
| Non-Road Lighting | 10.2 |
| Corporate and Democratic Core | 159.4 |
| Statutory Repayment of Debt | 1,317.5 |
| Equal Pay/Single Status (prior year cost provision only) | 0.2 |
| Other Miscellaneous Services | 44.5 |
| Non Distributed Costs | 97.9 |
| Trading Services | 3.9 |
| Total Budgeted 2014-15 Net Revenue Expenditure | 11,788.4 |

Note: The difference between the individual figures and the total figure of £11,788.4 million is due to roundings.

In addition, Scotland's local authorities are planning a capital expenditure programme for 2014-15 as set out in table 15.05. The capital resources available to them to fund this programme come from grants from the Scottish Government and its agencies; self-financed borrowing, capital receipts from the sale of assets and other sources.

Table 15.05: Local Government Capital Expenditure Plans 2014-15

| 2014-15 Budget Estimate – Gross Capital Expenditure (Figures taken from 2014-15 Quarter 1 forecasts)* | 2014-15 £m |
|--|-----------------------|
| Non Housing Revenue Account Housing | 162.1 |
| Roads and Transport | 518.1 |
| Education | 563.6 |
| Social Work | 111.0 |
| Environmental Services | 167.7 |
| Culture and Related Services | 163.4 |
| Planning and Economic Development | 107.5 |
| Trading Services | 7.9 |
| Central Services | 188.9 |
| Other Services | 60.9 |
| Capitalisation of Other Revenue Expenditure | 42.2 |
| Total Estimated 2013-14 Capital Expenditure | 2,039.4 |

* Data for councils are taken from 2014-15 CRQ1 Return and shows capital expenditure forecast at 30 June 2014 for 2014-15.

* Data for Valuation Joint Boards, Regional Transport Partnerships and Bridge Authorities is taken from 2013-14 CRQ4 Return and shows capital expenditure forecast at 31 March 2014 for 2014-15.

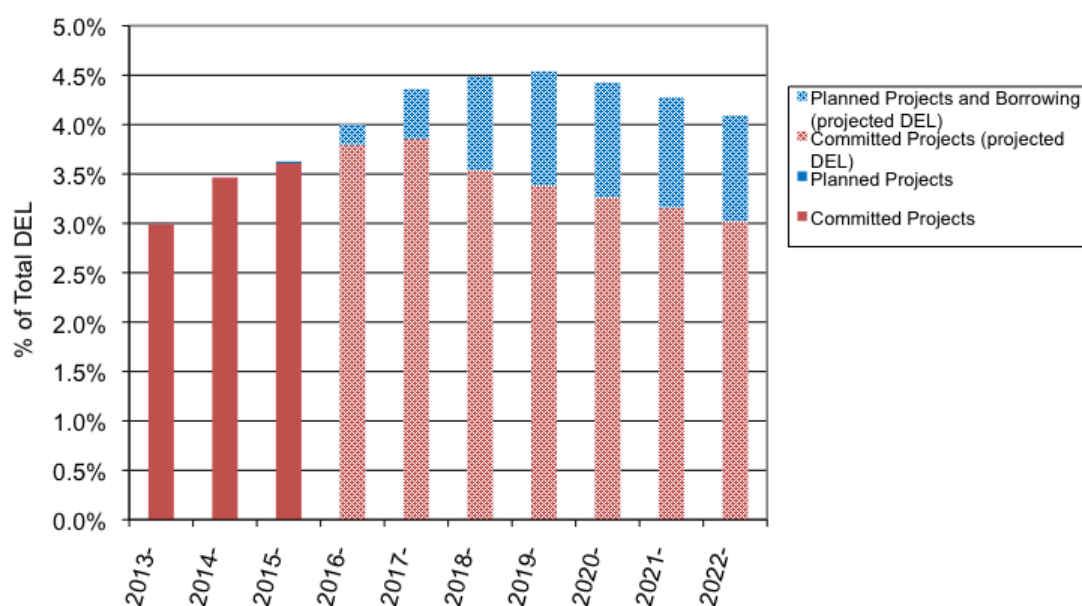
ANNEX A

MONITORING OF LONG-TERM INVESTMENT COMMITMENTS

In the Infrastructure Investment Plan 2011, we set out our commitment to ensure that we use revenue funded methods of investment at a sustainable level, and do not overly constrain our choices in future years. We will limit our future revenue commitments to a maximum of 5 per cent of our expected future annual DEL budget. The commitments included in the calculation are the Scottish Government's share of the costs of: previous Public-Private Partnership (PPP) contracts that are now operational, the current Non-Profit Distributing (NPD) programme, rail Regulatory Asset Base (RAB) investment and costs of borrowing.

The following shows our current assessment of the liabilities associated with our committed projects and our planned projects and borrowing. Committed projects are estimated to peak in 2017-18 at just under 3.9 per cent of total annual DEL. Committed projects plus planned projects and planned borrowing, peak just over 4.5 per cent in 2019-20.

Figure 1: Long-Term Investment Commitments – the Scottish Government's Share of Costs as a Proportion of the Total Projected DEL Budget



Committed projects are those where the contract has been signed and either the assets are under construction or the project is operational.

- Within the NPD and hub pipeline, Aberdeen Health Village and the Forres, Woodside and Tain Health Facilities are now operational; Inverness, Glasgow and Ayrshire Colleges, M8, M73 and M74 motorway improvements, Ayrshire and Arran Acute Mental Health & North Ayrshire Community Hospital facilities, the Wishaw, East Kilbride and Kilsyth Health Centres, James Gillespie's High, Alford Academy, Brechin High, Clyde Valley High School and Inverness Royal Academy, are all now in construction.
- RAB payments for the existing rail network, plus Edinburgh Glasgow Improvement Programme (EGIP), Borders, Aberdeen Inverness enhancements, Highland Mainline and other enhancement projects agreed for the regulatory period from 2014 to 2019. The Scottish Government's servicing of the RAB is reflected by the annual network grant payment to Network Rail as determined by the Office of Rail Regulation.
- The Scottish Government's share of ongoing Private Finance Initiative (PFI) projects.
- The Scottish Government's share of the five NPD pre-pipeline projects.
- Annex H sets out the total unitary charges for all Scottish PPP projects including those elements met from other public bodies' own resources. The monitoring of long-term investment commitments is based on those elements that impact on Scottish Government budgets only.
- Many of the unitary charges will cover ongoing maintenance commitments as well as the costs associated with the initial construction and financing of the project.

Planned projects and investments supported by borrowing are those where the contract is not yet signed, and include:

- RAB payments for further rail enhancements, beyond those included in the June 2012 Scottish Ministers' High Level Output Specification, including Aberdeen to Central Belt and further phases of Aberdeen to Inverness, Highland Mainline and network electrification.
- NPD and hub pipeline – Aberdeen Western Peripheral Route (AWPR), Royal Hospital for Sick Children, Scottish National Blood Transfusion Service, Dumfries and Galloway Hospital, Balfour Hospital, community health projects and revenue financed schools.
- Scottish Government borrowing of up to £304 million which, for modelling purposes, is assumed to be drawn down as required from the National Loans Fund in 2015-16 with repayment over 25 years, that an interest rate of 5 per cent is charged, and that the repayments cover both principal and interest from 2016-17 onwards.

We do not have allocations from HM Treasury for Scottish Government DEL beyond 2015-16, and total UK Government DEL is not available beyond 2017-18. For the purposes of this estimate, for the years between 2015-16 and 2017-18, Scottish total DEL estimates have been produced on the assumption that the UK Government continues to protect health, education, and international development spending in real terms, and that this delivers partial protection to Scottish Government DEL in line with the operation of the Barnett Formula. Beyond 2017-18, we have assumed that UK public spending will grow in line with projections for UK long-term nominal GDP growth in the Office of Budget Responsibility's fiscal sustainability report 2013, and that Scottish public spending grows marginally slower as a result of the Barnett squeeze. Financial transactions are excluded from these figures. The years without firm DEL allocations are shown within the hatched pattern in Figure 1.

ANNEX B

UPDATE ON PROGRESS WITH INNOVATIVE FINANCING INVESTMENTS

Innovation in housing investment

Innovation is at the heart of the Scottish Government's approach to delivering affordable homes. Action taken continues to attract private sector investment by using a modest level of public sector funding as leverage. This includes the ground-breaking use of government guarantees to support housing investment through the National Housing Trust initiative and other innovative financing approaches, which have so far secured approval for over 2,500 new affordable homes across Scotland. Scottish Ministers are also exploring options to attract large scale investment from financial institutions to support new affordable and private rented sector housing. The pioneering use of a Charitable Bond, a new mechanism that makes use of loan funding to help finance development of affordable homes has been established. A Scottish Government guarantee is also facilitating Homes for Scotland's 'MI New Home' mortgage indemnity scheme, which is supported by 27 housebuilders and two lenders. The scheme is currently due to come to an end in March 2015. In September 2013, the Deputy First Minister announced the launch of Help to Buy (Scotland), a three-year £275 million shared equity scheme which is available for new-build properties with a maximum value of £400,000 (threshold under review).

JESSICA fund

The £50 million JESSICA fund (Joint European Support for Sustainable Investment in City Areas) – is an innovative way of using money from the Scottish Government and European Structural Funds to lever in significant co-investment from the public and private sectors, providing loans or equity investment to revenue generating projects.

Four projects have been funded to date, with £30.6 million of investment:

- £1.8 million to create Business Units at Dundyvan, Coatbridge, to support development of commercial workspace for Small and Medium Sized enterprises (SMEs). The investment should support up to 100 jobs and provide space for up to 16 SMEs, while generating 12 new jobs during the construction phase. The project at Dundyvan is complete with the first repayment of loan received, one of if not the first such repayment of JESSICA funding.
- £9.6 million to create a substantial Grade 'A' office development in Queen Street, Glasgow city centre. It will accommodate up to 1,500 workers and during construction help to support 250 jobs in the sector and 30 apprenticeships.
- £9.6 million to support a new Grade A' office development at St Vincent Plaza in Glasgow city centre, which will support approximately 400 jobs in the construction sector, accommodating up to 2,600 workers, while community benefit clauses in the agreement will ensure 54 training and apprentice opportunities during its construction. Construction got underway late 2013.

- £9.6 million Scottish Partnership for Regeneration of Urban Centres (SPRUCE) contribution for Haymarket development in Edinburgh to remediate a four-acre site and undertake some groundworks. Total anticipated project costs for Phase 1 are £29.5 million. The overall £200m project will provide five mixed use development buildings (comprising offices, retail, leisure and a hotel), with the total space of 650,000 square feet. Through the community benefit clauses this project will provide eight employment opportunities and 26 training places and six apprenticeships for local residents and support up to 300 jobs.

Tax Incremental Financing

Tax Incremental Financing (TIF) allows local authorities to fund regeneration and growth from future business taxes that are generated as a result of attracting more businesses into the area because of upfront public sector enabling investment.

Current legislation allows for up to six pilot projects to test the applicability of TIF to the breadth of Scottish circumstances. Scottish Ministers decide which projects can progress to pilot status once business cases have been assessed to ensure that these deliver value for money and additionality to the Scottish economy. Scottish Futures Trust is working with six councils on their individual projects, with four projects fully approved (three of which are in the construction phase), one project approved in principle and the remaining project expected to obtain full approval by the end of 2014-15.

Ministers gave final approval for Glasgow City Council's Buchanan Quarter scheme (£77 million) in October 2012, and construction work is now well under way. Final approval for Falkirk Council's project focusing on strategic road improvements and flood defences (£67 million) was given in August 2013 and construction has been progressing on time and to budget. Argyll and Bute Council's (£19 million) TIF project has also received full approval and the Council is preparing to make its first investment under TIF shortly. Fife Council has fully developed its business case for the Levenmouth area and will submit this for consideration imminently. Construction is expected to commence early in 2015. Work is also continuing on progressing projects under the pilot schemes in Edinburgh and Ravenscraig.

Based on the business cases approved to date and proposals relating to the remaining pilots, it is forecast that public sector investment of around £350 million in the six TIF pilot projects has the capability to generate an additional c. £1.8 billion of long-term private sector investment in Scotland.

Growth Accelerator Model

The Growth Accelerator Model is a new financial model which will combine public and private sector investment in local infrastructure and public space to deliver outcomes that grow the economy. This model unlocked an £850 million investment in the St James Quarter in Edinburgh, through an innovative funding agreement between Scottish Government, the City of Edinburgh Council and private sector developers. The model will be the basis for a new funding mechanism which could help to see significant infrastructure investment across Scotland's cities. Public and private sectors will share the risks by taking a payment by results approach. The new funding model is designed

to stimulate growth, create jobs and support businesses, with an initial focus across Scotland's seven cities – Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth and Stirling. This approach will help to unlock stalled sites and ensure the public sector also benefits from the success of investments. The Scottish Government and Scottish Futures Trust are currently working with each of the cities to better understand how the model could be deployed to support and accelerate investment in economically sustainable infrastructure.

Non-Profit Distributing Programme

Good progress continues to be made in delivering the full Non-Profit Distributing (NPD) pipeline of investments. Projects with a combined value of over £750 million started construction in 2013-14 including the M8, M73, M74 improvements and the City of Glasgow College.

The NPD programme was announced in November 2010, as part of the Draft Budget 2011-12. It was a response to the reduction in traditional capital DEL in the UK Spending Review, initially a cut of 36 per cent over four years in real terms. NPD provides an alternative way of financing projects through future revenue rather than capital now, and means that projects can continue to be developed, rather than be delayed until future capital DEL becomes available.

As noted in Chapter 1, we are extending our revenue-funded capital programme to 2019-20 with the indicative allocation of the £1 billion extension to the programme as set out below, increasing the total estimated capital value of the programme to £3.5 billion.

| Sector | Projects | Value £m |
|--------------------|---|--------------|
| Health | 10 projects in total | 400 |
| Schools | Immediate support to Local Authorities for new and refurbished buildings. | 100 |
| | Further improvements to the schools estate. | 230 |
| Colleges | Will deliver 2 new college campuses | 140 |
| Justice | Work underway to deliver up to 3 New Justice Centres | 60 |
| Digital/Low Carbon | Innovative project development in these key priority areas | 70 |
| Total | | 1,000 |

We have already announced the allocation of £120 million of NPD investment to fund two Health developments at Aberdeen Royal Infirmary (ARI) Campus – a new maternity hospital on the ARI site to be followed by the development of a cancer centre. In addition to the projects already announced, provision is made here for three further major capital projects and five community health facilities, with further details on individual projects to be announced before the end of the year.

Component 1 of the schools programme extension has been immediately released to support Local Authorities in delivering new and refurbished school buildings. Through close engagement with local authorities additional leveraged funding has been achieved. The £100 million of Government support will enable approximately

£200 million of earlier investment in the school estate. The Cabinet Secretary for Education and Lifelong Learning will announce the projects to benefit from funding for Component 1 in October 2014.

An additional £230 million from the NPD programme extension will be made available to make further improvements in the school estate. In line with earlier phases of the Scotland's Schools for the Future programme, investment will be shared between Government and local authorities. The Cabinet Secretary for Education and Lifelong Learning will announce the projects to benefit from this funding in 2014. This total commitment of an additional £330 million of government support will result in an increase in the value of Scotland's Schools for the Future programme from £1.25 billion to £1.8 billion and is expected to benefit over 15,000 pupils. The number of schools to be delivered through the programme is expected to increase from 67 projects to more than 100.

The NPD programme is already supporting over £300 million of investment in the college sector through delivery of three college projects in Inverness, Ayrshire and Glasgow. The 2015-16 Draft Budget will build on that investment by making available support for a further £140 million investment to deliver two college projects, demonstrating the Scottish Government's commitment to supporting the college sector by delivering an improved, efficient college estate.

The Scottish Funding Council will work in partnership with the Scottish Futures Trust and the colleges to deliver state of the art campus developments. The result will provide students with opportunities to develop their skills in modern, flexible learning spaces, enabling colleges to have a greater focus on the needs of employers and allow for new partnerships, including with schools – an approach wholly in line with our response to Developing Scotland's Young Workforce and our investment in Inspiring Learning Spaces.

The Scottish Court Service (SCS) are undertaking scoping work examining the possible delivery of up to three new Justice Centres. These centres would allow the SCS to significantly improve and modernise court facilities, while integrating delivery of other justice organisations specialist support services for victims, witnesses, accused and offenders. The outcome of this work will be announced as part of the Budget Bill process.

Work is also underway on exploring innovative investment opportunities in both digital infrastructure and on low carbon. This work is looking at ways of leveraging in additional private sector investment in these areas to support key policy priorities. As a new element of the NPD programme and reflecting the innovative nature of the work, these projects are at a less advanced stage and more detail on individual projects will again be provided as part of the Budget Bill process.

The current NPD programme includes around 50 large, complex projects which are being procured by more than 30 different procuring authorities. An initial high level estimate of the capital investment profile through the NPD programme was provided to the Finance Committee of the Scottish Parliament in January 2011, noting that individual procuring authorities would control actual project timescales and profiles. Work remains ongoing to develop and procure the individual projects either through stand-alone NPD procurements for the 10 larger roads, acute hospital and college projects or through the

hub programme for community health and schools projects. The following table provides an up-to-date profile of estimated capital investment, which reflects this more detailed level of scrutiny and planning. These figures are included within the estimated total capital investment graph shown in Chapter 1. For comparison, the investment profile estimates at the time of the Draft Budget 2014-15 is also provided (figures are adjusted to allow for significant savings on the M8, M73 and M74 improvement works). The latest estimates demonstrate that the NPD programme is delivering substantive additional investment, reaching over half a billion pounds in 2014-15 and close to £1 billion in 2015-16. They also reflect a reduced profile of estimated investment in 2014-15, which is primarily a result of value for money achieved in the M8, M73 and M74 contract, the re-scoping of some community health projects and timing issues relating to some schools projects, including the need to reflect the outcomes of several relevant consultations. We have also introduced an adjustment to the forecast for 2015-16 to reflect the fact that estimates of future annual investment across a portfolio of complex projects sit within a range of potential outcomes and that individual projects are subject to a number of factors that can influence implementation timetables.

Non-Profit Distributing Pipeline – Estimated Capital Investment Profile (£m cash terms)

| Year | Project | Draft Budget 2014-15 | Draft Budget 2015-16 ¹ |
|--------------|---|----------------------|-----------------------------------|
| 2013-14 | M8 M73 M74 Motorway Improvements ² | 53 | 53 |
| | A90 Aberdeen Western Peripheral Route/Balmedie – Tipperty | - | 8 |
| | Schools | 15 | 21 |
| | Colleges | 61 | 63 |
| | Community Health | 27 | 26 |
| | Standalone Health (various) | - | 6 |
| | 2013-14 TOTAL | 156 | 177 |
| 2014-15 | M8 M73 M74 Motorway Improvements ² | 95 | 95 |
| | A90 Aberdeen Western Peripheral Route/Balmedie – Tipperty | 106 | 107 |
| | Schools | 226 | 144 |
| | Colleges | 162 | 146 |
| | NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences | 18 | 19 |
| | NHS Ayrshire & Arran Acute Mental Health and North Ayrshire Community Hospital | 27 | 21 |
| | NHS NSS Scottish National Blood Transfusion Service National Centre | 13 | 10 |
| | NHS Dumfries & Galloway Acute Services Redevelopment Project | 0 | 21 |
| | Community Health | 110 | 51 |
| | 2014-15 TOTAL | 757 | 614 |
| 2015-16 | M8 M73 M74 Motorway Improvements ² | 101 | 101 |
| | A90 Aberdeen Western Peripheral Route/Balmedie – Tipperty | 147 | 181 |
| | Schools | 220 | 326 |
| | Colleges | 58 | 66 |
| | NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences | 110 | 99 |
| | NHS Ayrshire & Arran Acute Mental Health and North Ayrshire Community Hospital | 23 | 25 |
| | NHS NSS Scottish National Blood Transfusion Service National Centre | 24 | 22 |
| | NHS Dumfries & Galloway Acute Services Redevelopment Project | 93 | 119 |
| | Community Health | 89 | 115 |
| | Pre-contract uncertainty ³ | - | (100) |
| | 2015-16 TOTAL | 865 | 954 |
| TOTAL | 2013-14 to 2015-16 investment total | 1,778 | 1,745 |

Notes

1. Estimated profile of construction activity associated with Scottish Government revenue-funded projects in the budget period based on dates and values updated by Local Authorities, Health Boards and other procuring bodies for the August 2014 Infrastructure Investment Plan update.
2. Investment values for the M8, M73 and M74 motorway improvements project have been restated in the Draft Budget 2014-15 column to reflect the significant value for money impact of the final contract value being well under previous budget figures and allow comparison net of this effect to be made.
3. Across the programme deals are progressing faster than historic norms. Uncertainty remains in the progress of projects yet to be contracted. It is critical that projects are finalised to deliver the best possible value for money and user experience over their life. Reflecting the greater uncertainty further out in time, a programme level adjustment to the 15-16 total has been made.

Notes to table:

Update on the 2013-14 capital investment delivered: £21 million more capital investment in the NPD programme was delivered in 2013-14 than the forecast from last year adjusted for the M8 being under budget. Overall there are 10 revenue funded projects with a value of over £760 million which have reached financial close to date and are in the construction phase or open to deliver services across the education, health and transport sectors.

M8, M73 and M74 Motorway Improvements: Project commenced construction in February 2014. Strong competition and robust procurement process resulted in a final tender price significantly under budget. Over the period 2013-14 to 2015-16 the value achieved reduces the anticipated profile by £148 million.

Aberdeen Western Peripheral Route (AWPR): Preferred bidder has been appointed and pre-start works agreement signed in August 2014 allowing preparatory works to commence.

Schools: Significant construction activity has occurred across the schools programme to date including James Gillespie's High School in Edinburgh, Alford Community Campus in Aberdeenshire, Levenmouth High School in Fife and Wick High School projects. For a number of reasons local authorities and their partners have changed their delivery dates on the schools programme to ensure that land, planning and wider value for money considerations are properly resolved resulting in a lower forecast for 2014-15 and a higher forecast in 2015-16 when compared with estimates last year.

Colleges: Inverness, Ayrshire and City of Glasgow College projects are now all in the construction phase with Inverness College and the Glasgow Riverside Campus due to reach completion in summer 2015.

NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences: NHS Lothian are currently working with their preferred bidder to reach financial close in 2014.

NHS Ayrshire & Arran Acute Mental Health and North Ayrshire Community Hospital: Following a 17-month procurement the project started on site on programme and under budget.

NHS NSS Scottish National Blood Transfusion Service National Centre: Preferred bidder has been appointed and financial close expected in 2014.

NHS Dumfries & Galloway Acute Services Redevelopment Project: Preferred bidder recently appointed. NHS Dumfries and Galloway is working with their bidder to achieve financial close in early 2015.

Community Health: The Aberdeen Health Village and Forres, Tain and Woodside health centres delivered through the hub programme are all now open. The 2014-15 profile also includes work on primary care centres in Kilsyth, East Kilbride and Wishaw for NHS Lanarkshire alongside health and community centres for NHS Greater Glasgow and Clyde one of which is a joint facility with East Renfrewshire Council, phase 1 of the redevelopment of Royal Edinburgh Hospital Campus, and health centres at Firhill, Muirhouse and Blackburn. The 2014-15 investment has been re-profiled showing a larger proportion falling into 2015-16. This predominantly reflects the decision of NHS boards and their delivery partners to reschedule dates, allowing re-scoping of a number of projects, to deliver increased service integration across health and community care, and review of the corresponding cost movements to support long-term value for money and affordability.

ANNEX C

PUBLIC SERVICE REFORM DELIVERY AND CHANGE FUND UPDATE

We have continued to drive forward our ambitious programme of reform across public services in line with the approach set out in “Renewing Scotland’s Public Services”.

In 2014-15 we have:

PUBLIC SERVICE REFORM DELIVERY UPDATE

Partnership

Community Planning Partnership (CPPs) audits conducted for the Accounts Commission and Auditor General show that, while there is more work to be done, good progress is being made with partnerships clarifying their purpose and direction, focusing more closely on preventative work and addressing inequality, and working in partnership towards shared priorities.

Delivered the **national community planning conference 2014 – Changing Lives, Celebrating Success** – which brought together over 200 practitioners to showcase innovative examples from across Scotland and support CPPs to share good practice and identify practical ways to improve how they work.

Provided funding for **The Improvement Programme**, a partnership between Voluntary Action Scotland, the Improvement Service and five partner Third Sector Interfaces across Scotland to identify improvements which will enable a consistent Scotland-wide third sector role and influence in community planning.

Piloting an approach whereby young people can, while still in the senior phase of secondary school, embark on **training and education which is relevant to an apprenticeship**. This is a partnership between the regional college, local authority, Scottish Funding Council and Skills Development Scotland. It is planned that a foundation apprenticeship in engineering will be available in five to six secondary schools with between 80-100 young people involved.

Trialling the implementation of **Quality Principles in Alcohol and Drugs Partnerships**, which set out what individuals can expect as they move through a recovery-oriented system of care, including full strengths-based assessments and person-centred recovery plans.

People

Published the **Community Empowerment Bill** for consideration by Parliament. This will further stimulate pace and scale of public service reform by cementing the focus on achieving outcomes and improving the process of community planning, as well as empowering community bodies through the ownership of land and buildings and strengthening their voices in the decisions that matter to them.

Driving the innovative use of digital technology through the **Digital Champions programme** which brings together Chief Executives and Directors using these tools to meet our public services objectives across Scotland.

Investing to build the capacity and resilience of communities and local third sector organisations, helping them to **respond to the worst effects of welfare reform**, co-designing the aims and delivery of the funding with community and third sector organisations.

Graduation of the first cohort of Single Fire and Rescue Service firefighters: all 18 were former support and control room staff from the previous eight fire services who took the opportunity to retrain. A second cohort will begin their training in 2015-16.

Further growth and development of the **Scottish Leaders Forum (SLF) Workforce Development work streams**, including increased engagement and participation in Leadership Exchanges, the Scottish Coaching Collaborative and the Dialogue Community of Practice and the creation of an extensive and dynamic learning community around Skilled Workers, Skilled Citizens.

Prevention

Launched **What Works Scotland**, a partnership initiative, led by the Universities of Edinburgh and Glasgow, which will work closely with Community Planning Partnerships to build evidence in support of the assets and co-production approach to Public Service Reform and delivery.

Greater levels of integration and early intervention are helping to give children the best start in life, with clear evidence of a **strategic and structured approach to the early years** at a local level and all 32 CPPs embracing the use of quality improvement methodology to help bridge the gap between what we know works and what we do.

Implementation of provisions to provide an **additional 125 hours (from 475 to 600) of Early Learning/Childcare to three and four year olds**, with full implementation of Getting it Right for Every Child (GIRFEC) provisions (Named Person, Child's Plan, Information Sharing) expected in 2016.

Funded two national services, and four regional or specialised projects to provide one-to-one **mentoring support for prolific male offenders and woman at risk of reoffending**. Each is based on a Public-Social Partnership (PSP) model of third and public sector organisations and nearly 4,000 people are expected to receive assistance in the first two years of delivery.

Supported the third sector to collect and present evidence about its contribution to the Reshaping Care for Older People Fund through the **Stitch in Time programme**, enabling a better understanding of how third sector interventions can contribute to older people's health, wellbeing and care, with a particular focus on anticipatory care and prevention.

Performance

Developing **Mygovscot** to provide a place to access digital public services which are easy to find and simple to use – services so convenient that people choose digital first. As public services become available online individuals will be able to sign-in securely and easily using the myaccount service that is now live with *NHS My Diabetes My Way* and *City of Edinburgh Council*.

Delivered year one of **Police reform** with a single service where local policing is at the heart, with a designated Local Commander and plan for each local authority area, and which allows officers and specialist equipment and expertise to be deployed flexibly whenever and wherever required.

Introduced **The Courts Reform (Scotland) Bill** which seeks to implement recommendations contained in the Report of the Scottish Civil Courts Review (2009) which will ensure more efficient use of court resources and will encourage earlier resolution of disputes to improve the public's access to effective justice.

Building upon the achievements of ePlanning by **expanding into other online application types to include Building Standards**. The new enhanced service is anticipated for 2015-16, with further financial benefits for public and private sectors.

Introduced the **Procurement Reform (Scotland) Act** to provide the statutory foundations for the Scottish Model of Procurement, simplifying, standardising and streamlining procedures for both businesses and public bodies. It will place sustainable and socially responsible purchasing at the heart of the process.

CHANGE FUND UPDATE

Reshaping Care for Older People Change Fund & Integrated Care Fund

The £300 million Reshaping Care for Older People's Change Fund is giving older people the support they need to live independently in their own home, or in a homely setting, and in good health for as long as possible.

The fund was introduced to improve the way that public, private and third sector organisations work in partnership to deliver health and social care services for Scotland's growing older population.

This is helping to reduce hospital admissions, aiding discharge after a crisis and promoting the concepts of community capacity building and co-production of services between providers and users. The fund has also enabled the testing of new approaches that can be scaled-up to wider populations and implemented following health and social care integration.

An additional resource of £100 million will be available to health and social care partnerships in 2015-16 to support delivery of improved outcomes from health and

social care integration, to help drive the shift towards prevention and further strengthen our approach to tackling inequalities.

The new Integrated Care Fund builds upon the Reshaping Care of Older People (RCOP) Change Fund (which will continue as planned until April 2015) and will be accessible to local partnerships to support investment in integrated services for all adults. Funding will support partnerships to focus on prevention, early intervention and care and support for people with complex and multiple conditions, particularly in those areas where multi-morbidity is common in adults under 65, as well as in older people.

This investment recognises the need to move to a more targeted but transformational redesign focused on the complex and high cost service models that are in many cases not delivering the outcomes that people need, especially in less affluent areas.

It will enable partnerships to test and drive a wider set of innovative and preventative approaches in order to reduce future demand. Central to these approaches must be the shift to support the assets of individuals and communities so that they have greater control over their own lives and capacity for self-management. The third sector has a particularly crucial role to play in supporting such an approach.

Early Years Change Fund

The £274.25 million Early Years Change Fund is helping to deliver a shared commitment to give children the best start in life and support families at risk to improve their outcomes. The fund was designed to have a limited lifespan with the funding commitments from Health and Local Government ending in 2014-15. The Scottish Government commitments will continue in 2015-16, with £8.5 million of transitional funding.

The Early Years Change Fund encouraged partnership working, establishing the Early Years Collaborative, the world's first multi-agency, local quality improvement programme to be delivered at a national scale. This has been embraced by all 32 CPPs and, through the use of quality improvement methodology, it has been helping to bridge the gap between what we know works and what we do.

The first year of returns from CPPs provided clear evidence that the Early Years Change Fund has been a catalyst for change, helping to create the environment for moving to integrated early intervention and prevention.

This is having an impact on improving processes, systems and ways of working at the local level, which can result in savings, for example, in staff time. The impact of these improvements will in turn inform future decisions and budgets. The next round of returns will do more to capture data on wider spend and to give more accuracy in terms of an overall figure for early years spend in Scotland.

Reducing Re offending Change Fund

The £10 million Reducing Re offending Change Fund is enabling the development of a more preventative approach to reducing reoffending. This has funded the development of new services, delivered by third sector organisations, providing one-to-one mentoring and support to women offenders and prolific young male offenders.

This is bringing substantial direct benefits across a range of public sector activity including reducing demand on police, courts, prisons and other criminal justice services. Subsidiary benefits include supporting service users to engage more effectively with universal public services. Ultimately, investment in reducing reoffending produces broad social benefits by reducing crime, and lessening the impact on victims and communities.

The approach taken has enhanced the participation of the third sector in the design and delivery of more effective public services, through the use of the Public-Social Partnership finance model. Over 2013-15, £7.7 million is available to two national services and four regional or specialised projects – each based on a PSP structure of third and public sector organisations. Nearly 4,000 individuals are expected to receive assistance in the first two years of delivery.

Benefits will be shown in improvements in medium to long-term outcomes. A robust, independent evaluation programme has been put in place, examining how mentoring services encourage improvements in the individuals' behaviours and circumstances – leading to long-term improvement in their desistance from crime.

The Reducing Re offending Change Fund will be extended for PSPs delivering offender mentoring for up to another two years (2015-17), which will provide them with the opportunity to demonstrate the full capabilities of these new services, and to gather substantial evidence of the effect that these interventions are having. Scottish Government funding will be supplemented by a £2 million charitable donation from The Robertson Trust.

ANNEX D

Table 1: Departmental Expenditure Limits

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Health and Wellbeing | 11,868.0 | 12,076.8 |
| Commonwealth Games, Sport, Equalities & Pensioners' Rights | 231.3 | 92.1 |
| Finance, Employment & Sustainable Growth | 504.0 | 540.3 |
| Education and Lifelong Learning | 2,445.9 | 2,589.1 |
| Training, Youth and Womens' Employment | 244.8 | 261.6 |
| Justice | 2,589.2 | 2,608.4 |
| Rural Affairs, Food & the Environment | 559.2 | 608.0 |
| Culture & External Affairs | 231.2 | 255.9 |
| Infrastructure, Investment & Cities | 2,714.8 | 3,014.5 |
| Administration | 198.0 | 197.7 |
| Crown Office & Procurator Fiscal | 108.7 | 112.1 |
| Local Government | 7,937.2 | 7,957.2 |
| Scottish Parliament and Audit Scotland | 95.7 | 95.9 |
| Total | 29,728.0 | 30,409.6 |

ANNEX E

Table 2: Annually Managed Expenditure

| | 2014-15 Budget £m | 2015-16 Draft Budget £m |
|--|-------------------------|----------------------------------|
| Health and Wellbeing | 100.0 | 100.0 |
| Commonwealth Games, Sport, Equalities & Pensioners' Rights | - | - |
| Finance, Employment & Sustainable Growth | 2,687.4 | 3,882.3 |
| Education and Lifelong Learning | 347.8 | 347.8 |
| Training, Youth and Womens' Employment | - | - |
| Justice | - | - |
| Rural Affairs, Food & the Environment | - | - |
| Culture & External Affairs | - | - |
| Infrastructure, Investment & Cities | - | - |
| Administration | - | - |
| Crown Office & Procurator Fiscal | - | - |
| Local Government | 2,649.5 | 2,799.5 |
| Scottish Parliament and Audit Scotland | - | - |
| Total | 5,784.7 | 7,129.6 |

ANNEX F

Table 3: Departmental Expenditure Limits: Capital/Resource Split

| Level 2 | 2014-15 | | | 2015-16 | |
|--|---------|----------|---------|--------------|----------|
| | Budget | | | Draft Budget | |
| | Capital | Resource | Capital | Resource | Resource |
| | £m | £m | £m | £m | £m |
| Health | 254.0 | 11,603.1 | 195.1 | 11,866.0 | |
| Food Standards Agency | - | 10.9 | - | 15.7 | |
| Total Health & Wellbeing | 254.0 | 11,614.0 | 195.1 | 11,881.7 | |
| | | | | | |
| Equalities | - | 20.3 | - | 20.3 | |
| Sport | 4.0 | 207.0 | 26.0 | 45.8 | |
| Total Commonwealth Games, Sport, Equalities & Pensioners Rights | 4.0 | 227.3 | 26.0 | 66.1 | |
| | | | | | |
| Scottish Public Pensions Agency | 2.8 | 12.5 | 9.4 | 13.7 | |
| Digital Public Services, Committees, Commissions & Other expenditure | - | 10.4 | - | 10.4 | |
| Planning | 0.1 | 3.4 | 0.8 | 3.4 | |
| Enterprise, Energy & Tourism (inc Employability) | 122.9 | 321.6 | 168.2 | 300.8 | |
| Accountant in Bankruptcy | 1.5 | 1.3 | 0.5 | 1.3 | |
| Third Sector | - | 24.5 | - | 24.5 | |
| Revenue Scotland | - | - | - | 4.3 | |
| Office of the Scottish Charity Regulator | - | 3.0 | - | 3.0 | |
| Total Finance, Employment & Sustainable Growth | 127.3 | 376.7 | 178.9 | 361.4 | |
| | | | | | |
| Learning (inc Gaelic) | 52.8 | 124.9 | 62.7 | 128.6 | |
| Children, Young People & Social Care | 0.5 | 101.0 | - | 120.4 | |
| Student Awards Agency for Scotland | 1.0 | 505.4 | 1.0 | 621.5 | |
| Scottish Funding Council | 61.4 | 1,591.2 | 46.5 | 1,600.7 | |
| Other ELL (ELL) | - | 7.7 | - | 7.7 | |
| Total Education & Lifelong Learning | 115.7 | 2,330.2 | 110.2 | 2,478.9 | |
| | | | | | |
| Employment and Skills | - | 244.8 | - | 261.6 | |
| Total Training, Youth and Womens' Employment | - | 244.8 | - | 261.6 | |
| | | | | | |
| Community Justice Services | - | 32.3 | - | 32.3 | |

| | 2014-15 | | 2015-16 | |
|--|-------------|----------------|--------------|----------------|
| | Budget | | Draft Budget | |
| | Capital | Resource | Capital | Resource |
| | £m | £m | £m | £m |
| Level 2 | | | | |
| Courts, Judiciary & Tribunal support | - | 51.6 | - | 40.5 |
| Criminal Injuries Compensation | - | 17.5 | - | 17.5 |
| Legal Aid | 0.5 | 142.7 | 0.1 | 146.7 |
| Scottish Police Authority (SPA) | 25.2 | 1,057.4 | 28.1 | 1,035.8 |
| Scottish Fire and Rescue Service | - | 310.2 | 25.3 | 283.9 |
| Miscellaneous | - | 31.4 | - | 25.6 |
| Police Central Government | - | 101.3 | 10.0 | 88.1 |
| Safer and Stronger Communities | - | 39.9 | - | 40.3 |
| Police and Fire Pensions | - | 324.6 | - | 350.6 |
| Scottish Court Service | 7.0 | 65.3 | 7.5 | 79.9 |
| Scottish Prison Service | 13.4 | 368.9 | 40.0 | 356.2 |
| Total Justice | 46.1 | 2,543.1 | 111.0 | 2,497.4 |
| EU Support and Related Services | 40.3 | 92.5 | 45.5 | 126.8 |
| Research, Analysis & Other Services | 2.0 | 71.2 | 2.0 | 71.8 |
| Marine & Fisheries | 7.5 | 48.3 | 6.2 | 49.1 |
| Environmental and Rural Services | 23.8 | 190.1 | 31.3 | 191.8 |
| Climate Change | - | 19.4 | - | 19.4 |
| Forestry Commission Scotland | 1.6 | 62.5 | 1.6 | 62.5 |
| Total Rural Affairs, Food and the Environment | 75.2 | 484.0 | 86.6 | 521.4 |
| Europe and External Affairs | - | 15.5 | - | 17.9 |
| Culture | 14.5 | 136.1 | 35.2 | 139.5 |
| Historic Scotland | - | 37.8 | - | 40.1 |
| National Records of Scotland | 0.5 | 19.3 | 1.5 | 21.7 |
| Young Scots Fund | - | 7.5 | - | - |
| Total Culture & External Affairs | 15.0 | 216.2 | 36.7 | 219.2 |
| Rail Services | 455.1 | 377.7 | 476.9 | 331.4 |
| Concessionary Fares and Bus Services | 2.0 | 251.6 | 2.0 | 258.6 |

| Level 2 | 2014-15 | | | 2015-16 | | |
|--|--|----------|---------|--------------|------|----------|
| | Budget | | Capital | Draft Budget | | Resource |
| | Resource | | | | | |
| | £m | £m | | £m | £m | |
| | Other Transport Policy, Projects and Agency Administration | 30.7 | 39.2 | 22.0 | 43.9 | |
| Motorways and Trunk Roads | 375.5 | 263.5 | 401.7 | 293.1 | | |
| Ferry Services in Scotland | 26.9 | 119.9 | 45.5 | 141.6 | | |
| Air Services | 12.0 | 38.4 | 23.0 | 40.4 | | |
| European Structural Funds - local authorities 2014-2020 | - | - | - | - | | |
| European Structural Funds - central government 2014-2020 | - | - | - | - | | |
| Scottish Water | 115.0 | (94.5) | 80.0 | (94.5) | | |
| Scottish Futures Fund | 26.0 | 24.0 | 20.3 | - | | |
| Other Expenditure | (23.7) | 5.9 | - | 23.3 | | |
| Digital Economy & Infrastructure | 12.8 | 1.0 | - | 1.0 | | |
| Housing and Regeneration | 507.1 | 36.2 | 699.5 | 43.8 | | |
| Welfare Reform Mitigation | - | 81.2 | - | 81.2 | | |
| Parliamentary Business & Government Strategy | - | 27.3 | 30.0 | 45.8 | | |
| Scottish Housing Regulator | 0.3 | 3.7 | - | 4.0 | | |
| Total Infrastructure, Investment & Cities | 1,539.7 | 1,175.1 | 1,800.9 | 1,213.6 | | |
| Total Administration | 5.1 | 192.9 | 8.1 | 189.6 | | |
| Total Crown Office & Procurator Fiscal | 3.6 | 105.1 | 3.6 | 108.5 | | |
| Total Local Government | 796.7 | 7,140.5 | 861.3 | 7,095.9 | | |
| Total Scottish Parliament & Audit | 3.6 | 92.1 | 3.8 | 92.1 | | |
| Total DEL | 2,986.0 | 26,742.0 | 3,422.2 | 26,987.4 | | |

ANNEX G

Table 4: Comparison 2008-09 to 2015-16

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|-----------------------|
| | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Est Outturn £m | Budget £m | Draft Budget £m |
| Health | 10,479.8 | 10,909.9 | 11,181.3 | 11,333.7 | 11,595.7 | 11,814.5 | 11,957.1 | 12,161.1 |
| Food Standards Agency | 10.3 | 10.2 | 9.6 | 9.7 | 9.0 | 10.3 | 10.9 | 15.7 |
| Total Health and Wellbeing | 10,490.1 | 10,920.1 | 11,190.9 | 11,343.4 | 11,604.7 | 11,824.8 | 11,968.0 | 12,176.8 |
| Equalities | 22.3 | 22.9 | 20.1 | 19.1 | 19.7 | 18.8 | 20.3 | 20.3 |
| Sport | 45.5 | 55.5 | 54.2 | 66.6 | 81.0 | 143.5 | 211.0 | 71.8 |
| Total Commonwealth Games, Sport, Equalities & Pensioners' Rights | 67.8 | 78.4 | 74.3 | 85.7 | 100.7 | 162.3 | 231.3 | 92.1 |
| Scottish Public Pensions Agency | 2,535.0 | 2,390.7 | 2,938.8 | 2,988.5 | 2,565.4 | 2,659.1 | 2,702.7 | 3,905.4 |
| Committees, commissions & other expenditure | 9.3 | 13.3 | 8.1 | 4.3 | 9.4 | 7.2 | 10.4 | 10.4 |
| Planning | 9.1 | 7.5 | 4.9 | 3.6 | 4.1 | 3.7 | 3.5 | 4.2 |
| Enterprise, Energy & Tourism (inc employment) | 460.3 | 497.8 | 428.1 | 403.8 | 417.1 | 449.1 | 444.5 | 469.0 |
| Accountant in Bankruptcy | 4.8 | 4.3 | 1.8 | 3.0 | 0.9 | 0.7 | 2.8 | 1.8 |
| Third Sector and Social Economy | 19.3 | 33.4 | 36.1 | 24.5 | 19.4 | 21.9 | 24.5 | 24.5 |
| Office of the Scottish Charity Regulator | 3.0 | 3.0 | 3.0 | 3.0 | 2.9 | 3.1 | 3.0 | 3.0 |
| Revenue Scotland | - | - | - | - | - | - | - | 4.3 |
| Registers of Scotland | (4.3) | - | - | - | - | - | - | - |
| Total Finance, Employ & Sustain Growth | 3,036.5 | 2,950.0 | 3,420.8 | 3,430.7 | 3,019.2 | 3,144.8 | 3,191.4 | 4,422.6 |
| Learning | 98.1 | 98.4 | 110.4 | 148.8 | 175.2 | 157.7 | 177.7 | 191.3 |
| Children, Young People & Social Care | 98.5 | 94.7 | 85.3 | 80.6 | 90.0 | 92.9 | 101.5 | 120.4 |
| Student Awards Agency for Scotland | 387.9 | 521.2 | 477.5 | 520.0 | 644.6 | 669.9 | 854.2 | 970.3 |
| Scottish Funding Council | 1,730.4 | 1,871.2 | 1,865.8 | 1,661.3 | 1,675.7 | 1,681.1 | 1,652.6 | 1,647.2 |

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|-----------------------|
| | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Est Outturn £m | Budget £m | Draft Budget £m |
| Other ELL** | 266.4 | 282.7 | 271.1 | 260.3 | 233.1 | 268.8 | 7.7 | 7.7 |
| Total Education & Lifelong Learning | 2,581.3 | 2,868.2 | 2,810.2 | 2,671.0 | 2,818.6 | 2,870.4 | 2,793.7 | 2,936.9 |
| Employment and Skills** | n/a | n/a | n/a | n/a | n/a | n/a | 244.8 | 261.6 |
| Total Training, Youth and Womens' Employment | - | - | - | - | - | - | 244.8 | 261.6 |
| Community Justice Services | 11.4 | 26.6 | 29.2 | 29.9 | 30.7 | 27.6 | 32.3 | 32.3 |
| Courts, Judiciary & Tribunal Services | 41.8 | 53.2 | 50.8 | 49.8 | 48.6 | 50.6 | 51.6 | 40.5 |
| Criminal Injuries Compensation | 29.4 | 28.4 | 28.0 | 21.6 | 25.1 | 20.6 | 17.5 | 17.5 |
| Legal Aid | 160.6 | 163.5 | 220.7 | 210.2 | 160.8 | 170.1 | 143.2 | 146.8 |
| Scottish Police Authority (SPA) | - | - | - | - | - | 1,216.1 | 1,082.6 | 1,063.9 |
| Scottish Fire and Rescue Service | - | - | - | - | - | 323.4 | 310.2 | 309.2 |
| Miscellaneous | 20.8 | 16.2 | 23.2 | 17.4 | 16.0 | 32.3 | 31.4 | 25.6 |
| Police Central Government | 238.2 | 265.0 | 256.7 | 228.4 | 245.9 | 45.4 | 101.3 | 98.1 |
| Safer and Stronger Communities | 5.7 | 6.7 | 5.4 | - | 3.4 | 2.9 | 39.9 | 40.3 |
| Scottish Resilience | 17.4 | 44.5 | 18.4 | 16.3 | 16.3 | - | - | - |
| Police and Fire Pensions | - | - | 245.7 | 299.9 | 329.1 | 327.6 | 324.6 | 350.6 |
| Scottish Court Service | 85.2 | 87.5 | 92.8 | 81.5 | 78.5 | 87.8 | 72.3 | 87.4 |
| Scottish Prison Service | 409.2 | 356.7 | 454.1 | 364.2 | 426.2 | 297.0 | 382.3 | 396.2 |
| Total Justice² | 1,019.7 | 1,048.3 | 1,425.0 | 1,319.3 | 1,380.6 | 2,601.4 | 2,589.2 | 2,608.4 |
| EU Support and Related Services | 130.3 | 172.7 | 148.4 | 134.0 | 133.9 | 111.5 | 132.8 | 172.3 |
| Research, Analysis & Other Services | 85.7 | 76.5 | 79.9 | 77.9 | 76.0 | 72.4 | 73.2 | 73.8 |
| Marine & Fisheries | 63.8 | 55.2 | 77.2 | 50.3 | 54.6 | 63.1 | 55.8 | 55.3 |
| Natural Heritage & Rural Services | 104.1 | - | - | - | - | - | - | - |
| Environment Protection, Sustainable Development & Climate Change | 68.1 | - | - | - | - | - | - | - |
| Water Quality | 2.9 | - | - | - | - | - | - | - |

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------------|---------------|---------------|---------------|---------------|----------------------|--------------|-----------------------|
| | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Est Outturn £m | Budget £m | Draft Budget £m |
| Environmental and Rural services | - | 181.7 | 180.3 | 172.9 | 184.8 | 202.8 | 213.9 | 223.1 |
| Climate Change | - | - | - | 11.9 | 7.5 | 13.6 | 19.4 | 19.4 |
| Forestry Commission Scotland | 55.5 | 50.7 | 71.4 | 60.8 | 77.4 | 68.8 | 64.1 | 64.1 |
| Total Rural Affairs, Food and the Environment | 510.4 | 536.8 | 557.3 | 507.8 | 534.2 | 532.2 | 559.2 | 608.0 |
| Europe and External Affairs | 11.9 | 10.0 | 11.1 | 11.5 | 12.1 | 12.6 | 15.5 | 17.9 |
| Culture | 159.5 | 166.2 | 190.9 | 187.4 | 186.6 | 170.9 | 150.6 | 174.7 |
| Historic Scotland | 47.4 | 47.6 | 48.5 | 45.5 | 47.5 | 42.1 | 37.8 | 40.1 |
| National Records of Scotland | 27.5 | 23.2 | 38.2 | 33.9 | 22.3 | 20.1 | 19.8 | 23.2 |
| Young Scots Fund | - | - | - | - | 0.8 | - | 7.5 | - |
| Total Culture & External Affairs | 246.3 | 247.0 | 326.7 | 278.3 | 269.3 | 245.7 | 231.2 | 255.9 |
| Rail Services in Scotland | 702.9 | 638.9 | 749.8 | 778.0 | 783.6 | 838.1 | 832.8 | 808.3 |
| Concessionary Fares and Bus Services | 257.0 | 264.8 | 249.5 | 248.8 | 258.9 | 246.7 | 253.6 | 260.6 |
| Other Transport Policy, Projects and Agency | 180.9 | 201.9 | 70.8 | 63.8 | 61.3 | 74.6 | 69.9 | 65.9 |
| Motorways and Trunk Roads | 498.9 | 655.2 | 615.7 | 520.3 | 766.0 | 606.5 | 639.0 | 694.8 |
| Ferry Services in Scotland | 92.9 | 103.9 | 112.4 | 128.7 | 120.4 | 137.3 | 146.8 | 187.1 |
| Air Services in Scotland | 36.2 | 36.0 | 33.1 | 37.3 | 38.0 | 53.1 | 50.4 | 63.4 |
| European Structural Funds - local authorities 2014-2020 | - | - | - | - | - | - | - | - |
| European Structural Funds - central government 2014-2020 | - | - | - | - | - | - | - | - |
| Scottish Water and Climate Change | 145.9 | 138.0 | 18.6 | (43.0) | 9.5 | (66.8) | 20.5 | (14.5) |
| Other Expenditure | 6.9 | 9.8 | 10.4 | 7.6 | 13.8 | 9.9 | (17.8) | 23.3 |
| Scottish Futures Fund | - | - | - | - | 2.1 | 7.8 | 50.0 | 20.3 |
| Digital Economy and Infrastructure | 40.1 | 45.7 | 10.8 | 10.9 | 9.9 | 4.2 | 13.8 | 1.0 |

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|-----------------------|
| | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Outturn £m | Est Outturn £m | Budget £m | Draft Budget £m |
| Housing and Regeneration | 481.7 | 693.3 | 494.1 | 411.9 | 394.8 | 444.8 | 543.3 | 743.3 |
| Welfare Reform Initiatives | - | - | - | - | 0.3 | 3.7 | 81.2 | 81.2 |
| Parliamentary Business & Government Strategy | 13.9 | 13.2 | 13.0 | 13.1 | 12.9 | 16.5 | 27.3 | 75.8 |
| Scottish Housing Regulator | - | - | - | - | 3.7 | 4.8 | 4.0 | 4.0 |
| Total Infrastructure, Investment & Cities | 2,457.3 | 2,800.7 | 2,378.1 | 2,177.4 | 2,471.5 | 2,381.2 | 2,714.8 | 3,014.5 |
| Administration | 249.4 | 278.5 | 275.7 | 238.9 | 224.8 | 210.9 | 198.0 | 197.7 |
| Total Administration | 249.4 | 278.5 | 275.7 | 238.9 | 224.8 | 210.9 | 198.0 | 197.7 |
| Total Crown Office & Procurator Fiscal | 107.4 | 118.3 | 117.5 | 108.3 | 109.0 | 109.7 | 108.7 | 112.1 |
| Total Crown Office & Procurator Fiscal | 107.4 | 118.3 | 117.5 | 108.3 | 109.0 | 109.7 | 108.7 | 112.1 |
| Local Government ² | 11,168.3 | 11,804.3 | 11,696.4 | 11,327.6 | 11,225.1 | 10,310.5 | 10,586.7 | 10,756.7 |
| Total Local Government | 11,168.3 | 11,804.3 | 11,696.4 | 11,327.6 | 11,225.1 | 10,310.5 | 10,586.7 | 10,756.7 |
| Police Loan Charges | 9.2 | 8.6 | 7.3 | - | - | - | - | - |
| Total Scottish Government Budget | 31,934.5 | 33,650.6 | 34,272.8 | 33,488.3 | 33,757.7 | 34,393.9 | 35,417.0 | 37,443.3 |

¹Latest position, i.e. includes any additions announced since publication of Draft Budget 2014-15.

²It is not possible to provide a comparable outturn split between Other ELL and the new "Training, Youth and Womens' Employment" portfolio for previous years

1. For comparison purposes, in line with 2010-11 cost of capital has been removed from earlier years' outturn.

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.

ANNEX H

Table 5: Estimated Payments Under PPP Contracts

| | 2014-15 | 2015-16 |
|--|----------------|----------------|
| | £m | £m |
| Health and Wellbeing | 240.4 | 245.4 |
| Commonwealth Games, Sport, Equalities and Pensioners' Rights | - | - |
| Finance, Employment and Sustainable Growth ¹ | 144.6 | 147.1 |
| Education and Lifelong Learning | 342.0 | 348.1 |
| Training, Youth and Womens' Employment | - | - |
| Justice | 52.4 | 53.5 |
| Rural Affairs, Food and the Environment | - | - |
| Culture and External Affairs | - | - |
| Infrastructure, Investment and Cities | 227.9 | 246.9 |
| Administration | - | - |
| Total | 1,007.3 | 1,041.0 |

Notes

1. The table shows the total unitary charge payments relating to all Public Private Partnerships (PPP) projects (prior to those projects announced as part of the current £2.5 billion Non Profit Distributing (NPD) pipeline) that are operational. The figures represent the total amount that public sector bodies estimate they will pay or will expect to pay, in each of the years for the associated PPP contracts.

The unitary charge payments cover all the integrated services that the private sector consortium will provide for the length of the PPP contract and include the upfront construction costs, lifecycle maintenance and, facilities management where appropriate.

The unitary charge payment figures comprise both what public sector procuring authorities are paying and Scottish Government funding/part funding in support of the projects.

2. The Finance, Employment and Sustainable Growth figures comprise PPP projects undertaken by local authorities in the 'Level Playing Field Support' funding round and include for example, waste management and schools projects. Figures for the majority of school projects however are included under Education and Lifelong Learning.

ANNEX I

GLOSSARY

Annually Managed Expenditure (AME)

Annually Managed Expenditure is spending that does not fall within Departmental Expenditure Limits (DEL). AME is generally less predictable than expenditure in DEL and is not subject to multi-year limits. It is set each year and contains those elements of expenditure that are not readily predictable, for example NHS and Teachers' pensions.

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. For comparable expenditure, Scotland gets exactly the same pounds per head change (either increase or decrease) as in England. Comparability is the extent to which services delivered by Whitehall departments correspond to services delivered by the devolved administrations. Barnett only applies to expenditure classified within Departmental Expenditure Limits – about 85 per cent of Scotland's total budget. Details can be found in the Statement of Funding Policy available on the HM Treasury website.

Best Value

Best Value is about continuous improvement, seeking to change what we do in a way that transforms and sustains the delivery of quality public services in Scotland.

Block Grant Adjustment (BGA)

Most Scottish taxes are collected by HMRC, which operates at UK level. Scotland receives most of its funding via the block grant. When taxes are devolved, receipts are paid directly into the Scottish budget and are no longer available to the UK Government. In recognition of this, the block grant is adjusted downward on the basis of a calculation that is agreed between the Scottish and the UK Governments.

Budget Exchange (BX)

HM Treasury allows the Scottish Government to carry forward DEL underspends and draw down those underspends up to a maximum of 0.6 per cent on the Resource budget and 1.5 per cent on the Capital budget.

Cash Terms

Figures expressed in cash, or nominal, terms are not adjusted for the effect of inflation (See Real Terms).

Common Agricultural Policy (CAP)

The CAP was set up under the 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.

Community Planning Partnerships

Community Planning, as set out in the Local Government in Scotland Act 2003, is delivered by local Community Planning Partnerships (CPPs). There are 32 CPPs in Scotland, one for each local authority area. As well as the statutory partners, a wide range of other organisations such as Jobcentre Plus, Further and Higher Education institutions and Scottish Natural Heritage are involved in CPPs, as are the third and private sectors. Third sector participation in CPPs is delivered through the third sector interfaces that have been established in each local authority area.

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 Scotland that do not relate to reserved matters. (GB/UK bodies which deal only with reserved matters in Scotland cannot be cross-border public authorities.) Examples include the Forestry Commission and the National Criminal Intelligence Service.

Consumer Prices Index (CPI)

The Consumer Prices Index is an internationally comparable measure of inflation used by the UK Government that measures 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.

Departmental Expenditure Limits (DEL)

Departmental Expenditure Limits (DEL) form the majority of the Scottish Government's budget. This is the budget provision that the Scottish Government can plan and control over the Spending Review period. The DEL budget is presented for both resource DEL and capital DEL. Resource DEL consists of fiscal DEL and non cash ring-fenced DEL. Non cash ring-fenced DEL covers depreciation and impairments and does not represent spending power for the Scottish Government.

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 Minister, who in turn accounts to Parliament for the work of the agency.

Financial Transactions

Financial Transactions are allocated by HM Treasury to the Scottish Government and can only be used for the provision of loans or equity investment beyond the public sector. Financial Transactions facilities have to be repaid to HMT in future years.

Gross Domestic Product (GDP)

The Gross Domestic Product is a measure of the total economic activity in a region. References to growth in the economy are quoting growth in 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.

Land and Buildings Transaction Tax (LBTT)

A tax on land and property transactions which replaces Stamp Duty Land Tax (SDLT) in Scotland from April 2015. LBTT will have 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 as is the case under SDLT.

Local Government

All 32 local authorities in Scotland.

Non-Departmental Public Body (NDPB)

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-Profit Distributing (NPD)

The Non-Profit Distributing model is a system for funding capital infrastructure projects. It is 100 per cent debt-financed and maximises value for money and allows shareholder transparency.

Office for Budget Responsibility (OBR)

The Office for Budget Responsibility (OBR) was formed in May 2010 to make an independent assessment of the public finances and the economy for each UK Budget and Pre-Budget Report.

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 decisions about how much to borrow or spend, but they are under a duty to determine how much they can afford and to keep that under review.

Real Terms

Any price or value adjusted for the effect of inflation.

Regulatory Asset Base (RAB)

The value of a regulated industry's assets. 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 Regulated Asset Base.

Scottish Fiscal Commission

The Scottish Fiscal Commission provides independent assurance of the Scottish Government's devolved tax forecasts and the economic determinants underpinning forecast receipts from non-domestic rates. The Scottish Parliament endorsed the creation of the Commission and approved the appointment of its chair and members in June 2014.

Scottish Futures Trust (SFT)

The Scottish Futures Trust is the independent company established by the Scottish Government to deliver value for money across public infrastructure development.

Scottish Landfill Tax

Scottish Landfill Tax is a tax on the disposal of waste to landfill. It will replace UK Landfill Tax in Scotland from April 2015.

Single Outcome Agreement (SOA)

The Concordat between the Scottish Government and COSLA in November 2007 required each local authority and its Community Planning Partners to develop a Single Outcome Agreement. They are intended to set out outcomes at a local level which local public bodies will work towards in order to contribute to the National Outcomes set by government. They are characterised by streamlined external scrutiny, effective performance management and an outcomes focus.

STPR

The Strategic Transport Projects Review (STPR) supports the process of prioritisation applied by Scottish Ministers when allocating the capital budget across all sectors and when determining the level of infrastructure investment that can be supported from revenue finance (e.g. public private partnerships (PPP/PFI), non-profit distributing, and borrowing against regulated asset base (RAB)) for investment in rail infrastructure.

Total Managed Expenditure (TME)

Total Managed Expenditure comprises the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

Tax Incremental Financing (TIF)

Tax Incremental Financing is a way 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 revenues due to increased business creation resulting from the local authority's investment.



**The Scottish
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Riaghaltas na h-Alba

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