

# SCOTTISH BUDGET: DRAFT BUDGET 2017-18



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

# **SCOTTISH BUDGET: DRAFT BUDGET 2017-18**

© Crown copyright 2016



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.scot](http://www.gov.scot)

Any enquiries regarding this publication should be sent to us at  
The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-78652-634-2

Published by The Scottish Government, December 2016

# CONTENTS

<b>FOREWORD</b>	<b>by the Cabinet Secretary for Finance and the Constitution</b>	<b>iv</b>
Chapter 1	Strategic Context for the Draft Budget 2017-18	1
Chapter 2	Tax and the Fiscal Framework	13
Chapter 3	Portfolio Plans	23
Chapter 4	Health and Sport	25
Chapter 5	Finance and the Constitution	38
Chapter 6	Education and Skills	46
Chapter 7	Justice	59
Chapter 8	Economy, Jobs and Fair Work	73
Chapter 9	Communities, Social Security and Equalities	85
Chapter 10	Environment, Climate Change and Land Reform	105
Chapter 11	Rural Economy and Connectivity	113
Chapter 12	Culture, Tourism and External Affairs	135
Chapter 13	Administration	144
Chapter 14	Crown Office and Procurator Fiscal Service	147
<b>ANNEXES</b>		
ANNEX A	Monitoring of Long-Term Investment Commitments	150
ANNEX B	Update on Progress with Innovative Financing Investments	154
ANNEX C	Public Service Reform: Delivery and Prevention Update	160
ANNEX D	Departmental Expenditure Limits	164
ANNEX E	Annually Managed Expenditure	165
ANNEX F	Departmental Expenditure Limits: Capital/Resource Split	166
ANNEX G	Comparison 2010-11 to 2017-18	169
ANNEX H	Estimated Payments Under PPP Contracts	173
ANNEX I	Glossary	174

# FOREWORD

## by the Cabinet Secretary for Finance and the Constitution



This is my first budget as Cabinet Secretary for Finance, and it is also the first budget in which the Scottish Government is making use of the powers devolved through the Scotland Act 2016 – including powers over income tax.

It marks a historic moment in the evolution of our budget process and the responsibilities vested in the Scottish Government and Scottish Parliament by the people of Scotland.

It means that more of the money we spend in Scotland next year will be funded from revenues collected in Scotland, through a combination of national and local taxation.

These are fundamental changes, which will require government, Parliament, the business community and civic Scotland to work together in new and different ways to support our economy and to maximise the benefit of Scotland's public finances.

For our part, the Scottish Government will use these new powers responsibly, in order to give certainty and stability at a time of economic and political challenge.

Our plans for income tax reflect the principles-based approach we have taken in other areas of tax policy, particularly that tax should be proportionate to the ability to pay. I am grateful to the Scottish Fiscal Commission for the work it has done to scrutinise and provide assurance about our tax forecasts.

The budget also reflects the Government's determination to drive inclusive economic growth, particularly through the priority we attach to education and learning, supporting business, investing in and reforming our public services and empowering communities across Scotland.

These proposals are rooted in the priorities expressed in the 'Programme for Government' published in September and the direction provided by 'Scotland's Economic Strategy' and the National Performance Framework.

Supported by our approach to taxation, this budget will deliver our commitments on healthcare, policing, educational attainment and the expansion of early learning and childcare. It provides investment in key drivers of growth, such as transport, higher and further education, digital infrastructure, housing and energy. It also ensures that Scotland has a highly competitive business rates regime.

The sharp constraint that the UK Government continues to apply to total public spending, exacerbated by the emerging implications of the EU Referendum and the Chancellor's indications of significant further budget reductions in 2019-20, requires us to make some difficult choices within our overall spending proposals, while ensuring that key commitments are funded, economic growth is supported and public services are protected.

Our plans have been shaped by our desire to take a different course in the belief that investment in our economy and public services brings stability and can help us create a fairer society with greater equality of economic opportunity.

### **Inclusive economic growth**

Scotland has a strong economy and great potential for future growth. However, the impact of the EU Referendum and continuing uncertainty about the approach the UK Government will take in response mean that we need to take steps now to provide stability in our economy and to support our businesses, foster innovation and maintain investment.

This budget provides over £1.6 billion of support for higher and further education, substantial funding for strategic transport projects and City Deals for Glasgow, Aberdeen and Inverness and for investment in affordable housing.

We will provide funding to establish new Innovation and Investment Hubs, launch our £500 million Scottish Growth Scheme and engage directly with the private sector to support innovation, internationalisation and entrepreneurship.

We will ensure that Scotland's businesses benefit from an expanded Small Business Bonus Scheme and from a reduction in the business rates poundage to maintain our competitiveness.

We will support Scotland's rural economy through the Scottish Rural Development Programme including increased support for the food and drink industry and funding to progress our target of 100 per cent superfast broadband access by 2021.

It is essential that we build on the economic opportunities presented by Scotland's international reputation and attractiveness. This budget provides funding for our vibrant culture sector and national events strategy.

The choices we make are intended not just to support growth, but to make sure that there are opportunities for all to participate in our economy. A fair and inclusive approach is essential if we are to build a resilient economy. We are providing the resources for our 'Opportunities for All' initiative, our Labour Market Strategy and to build on the outcomes of the Fair Work Convention, underpinned by the Scottish Business Pledge.

### **Strong public services**

This budget renews the Scottish Government's commitment to public service reform, guided by the recommendations of the Christie Commission on the future delivery of public services, and upholds much-valued commitments to free education, free personal care and healthcare free at the point of delivery.

It provides a real terms uplift to the NHS budget, additional funding for mental health services and continued support for the integration of adult health and social care, the largest reform of healthcare in Scotland since the establishment of the National Health Service.

Local authorities are key partners, and this budget proposes a fair settlement for local government, based on shared priorities and supported by reforms to council tax that will increase the local revenues and flexibility available to authorities.



Additional funding has been provided centrally both to support educational attainment in our schools and to expand the provision of early learning and childcare, as we take forward our commitment to 1,140 hours per year of funded provision by 2020-21.

The budget also delivers real terms protection for frontline policing and provides support for the transformational reform we need to equip our police service for the future.

These and other measures confirmed in this budget will help reform and improve our public services, but the challenging financial position also means that we must continue to drive efficiencies and value for money in service delivery.

I have published a public sector pay policy alongside the budget that I believe is fair and affordable, targeting support at the lowest paid and maintaining our commitment to a no compulsory redundancy policy and the Scottish Living Wage.

### **Empowering communities and protecting our environment**

Sustainability, equality and community empowerment are fundamental objectives for the Scottish Government. They underpin our policies, programmes and our allocation of public resources.

This budget provides an increase in funding for energy efficiency, reflecting the national priority status we attach to Scotland's Energy Efficiency Programme and the contribution it can make to addressing fuel poverty in Scotland.

Funding for sustainable and active travel and the zero waste programme has also been protected, underlining our commitment to meet the stretching climate change targets we believe are appropriate for Scotland.

We are investing to deliver 50,000 affordable homes over this Parliament, 35,000 of which will be social housing, and we will continue to help people buy an affordable home through our shared equity programmes.

We are providing the funding needed to progress the Fairer Scotland Action Plan and to deliver our commitment to a £10 million Scottish Land Fund.

The Scottish Government will also continue to do all it can to mitigate the worst effects of UK Government welfare reform, including the impact of the bedroom tax, while using the new powers in the Scotland Act 2016 to develop a devolved social security system for Scotland based on dignity and respect.

### **Conclusion**

Taken together, the Scottish Government's tax and spending proposals provide the resources needed to build a resilient and inclusive economy, provide high quality public services, protect the environment, and empower people and communities across the country.

At a challenging time for our economy, and as we take the next significant step in Scotland's journey towards greater responsibility for our public finances, I commend this Draft Budget to the Scottish Parliament and to the people of Scotland.



Derek Mackay MSP  
Cabinet Secretary for Finance and the Constitution

---

# CHAPTER 1

## Strategic Context for the Draft Budget 2017-18

---

This Draft Budget sets out the Scottish Government's tax and spending plans for 2017-18. It delivers on our pledge to support a more sustainable economy, invest in public services and promote an inclusive vision for Scotland's communities. In the face of the continued economic and fiscal uncertainty resulting from the EU Referendum and the UK Government's austerity agenda, the Scottish Budget provides stability and certainty for Scotland's economy and public services.

The Draft Budget sets out our spending priorities, including extra investment for the Scottish Government's top priority of raising standards in our schools and closing the attainment gap of our poorest pupils. It increases frontline NHS spending by more than inflation; invests in the expansion of early learning and childcare towards our pledge of 1,140 hours by the end of this Parliament; and protects in real terms the revenue budget for policing.

As well as setting out our spending plans for next year, for the first time this budget also sets out the Scottish Government's proposals for income tax in Scotland under the powers devolved through the Scotland Act 2016. These are underpinned by economic and fiscal forecasts independently scrutinised and endorsed by the Scottish Fiscal Commission.

### **Economic and fiscal outlook**

The Scottish economy has grown over the past year in spite of persistent external headwinds arising from weak global growth and a low oil price that has created challenging conditions for Scotland's oil and gas sector and its supply chain.

In the first half of 2016, the economy continued to grow, albeit at a slower rate than in recent years. The labour market has also remained resilient with unemployment falling to its lowest level since 2008 and continued high levels of employment.

The outcome of the EU Referendum in June has created a heightened level of uncertainty across Scotland and the UK. The result has triggered a 10 per cent fall in the value of Sterling and led to volatility across financial markets. This fall in the value of Sterling is expected to boost export growth over time. However, it is also increasing the cost of imports to the UK, resulting in higher inflation and increased pressure on household budgets that are already under strain as a direct consequence of the policy measures being implemented by the UK Government.



## **The EU Referendum and UK austerity**

We are yet to see any significant detail from the UK Government on their plans for leaving the EU. The Office for Budget Responsibility (OBR) underlined the uncertainty that this is causing in their 'Economic and Fiscal Outlook' where, despite asking the UK Government for clarity, they were unable to model anything other than their best assumption of what the economic outcome might be.

In contrast, we have set out clear ambitions to remain within the EU single market and will shortly set out our plans for protecting Scotland's place in Europe. It is incumbent upon the UK Government to engage positively with our proposal and make clear their own position.

The UK Government's approach to public spending is having a significant detrimental effect in Scotland. Between 2010-11 and 2019-20, the Scottish Government's Fiscal Departmental Expenditure Limit (DEL) from HM Treasury will fall by over nine per cent in real terms – the equivalent of over £2.8 billion – with a share of a further £3.5 billion of as yet unallocated budget reductions in 2019-20 still to come.

The Scottish Government has long argued that the UK Government's austerity programme is damaging. A more flexible approach would deliver significant additional public spending over the Parliament to be invested in improving and widening public service provision without undermining the long-term sustainability of the UK public finances.

The Chancellor of the Exchequer's 2016 Autumn Statement also failed to deliver on promises to help those families most in need by neither reversing cuts to the Work Allowance nor lifting the freeze to benefits announced in July 2015. As a result of the cuts to social security by the UK Government, and the deterioration in the economic outlook generated by the outcome of the EU Referendum, many families will see a significant reduction in their household incomes. As an example, the Resolution Foundation has estimated that a dual-earning family with three children on low incomes could be worse off by £3,650 a year, by 2020.<sup>1</sup>

The Draft Budget 2017-18 responds directly to these challenges, providing stability and certainty of approach. It delivers on the positive steps set out in the 'Programme for Government' to build a nation with a dynamic, sustainable and inclusive economy where every individual has equality of opportunity.

It supports our long-term aspiration for inclusive growth – the twin objectives of boosting competitiveness whilst tackling inequality – by targeting resources, reforming public services and the responsible use of tax powers.

---

<sup>1</sup> [www.resolutionfoundation.org/app/uploads/2016/11/Bending-the-rules-AS.pdf](http://www.resolutionfoundation.org/app/uploads/2016/11/Bending-the-rules-AS.pdf)

## Scottish Government spending limits

The Scottish Government DEL budget for 2017-18 is determined through the combination of three main elements: block grant funding from HM Treasury; forecasts of receipts generated by taxes devolved to Scotland through the Scotland Act 2012 and Scotland Act 2016; and planned use of available devolved borrowing powers.

The operation of the Block Grant Adjustment is explained in more detail in Chapter 2.

The DEL Spending limits for the Scottish Budget are set out in Tables 1.01 and 1.02 below.

**Table 1.01: Scottish Government Departmental Expenditure Limits 2015-16 to 2019-20**

SG Spending Limits – Cash Terms	2010-11 £m<	2015-16 £m	2016-17 £m*	2017-18 £m	2018-19 £m	2019-20 £m
UK Government SR settlement – November 2015			30,286	30,520	30,620	30,870
Subsequent Barnett consequential and other additions			(12)	416	559	635
<b>Total DEL Settlement from HMT</b>	<b>29,600</b>	<b>30,141</b>	<b>30,274</b>	<b>30,936</b>	<b>31,179</b>	<b>31,505</b>
Fiscal Revenue DEL	25,624	25,991	26,088	26,503	26,555	26,660
Non-cash DEL	642	1,030	967	1,057	1,105	1,145
Capital DEL	3,335	2,734	2,891	3,087	3,303	3,513
Financial Transactions	-	386	329	289	217	187
<b>Block Grant Adjustment</b>			<b>(5,500)</b>	<b>(12,450)</b>	<b>(13,210)</b>	<b>(13,778)</b>
Scottish Rate of Income Tax			4,900	11,829	12,290	12,912
Land and Buildings Transaction Tax			538	507	543	571
Scottish Landfill Tax			133	149	118	109
Air Passenger Duty (OBR Forecast)**					326	342
Non-Tax Adjustments***				36	36	36
<b>Net DEL Adjustment</b>			<b>71</b>	<b>71</b>	<b>103</b>	<b>192</b>
Capital Borrowing	-	306	316	450	450	450
<b>Total DEL</b>	<b>29,600</b>	<b>30,447</b>	<b>30,661</b>	<b>31,457</b>	<b>31,732</b>	<b>32,147</b>

< Adjusted to include Council Tax Benefit for comparison purposes.

\* 2016-17 includes the deferral of budget savings from June 2015 as agreed with HM Treasury.

\*\* Air Passenger Duty revenues are based on OBR forecasts of Scottish revenues in 2018-19 and 2019-20.

\*\*\* Non-tax adjustments are not yet finalised. We are assuming that the block grant adjustments are revenue neutral.

**Table 1.02: Real Terms Changes to Scottish Government Discretionary Spending Limits**

<b>SG Discretionary Spending Limits – Real Terms (2016-17 prices)</b>	<b>2010-11 £m</b>	<b>2015-16 £m</b>	<b>2016-17 £m</b>	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>
Fiscal Revenue DEL	27,866	26,351	26,088	26,124	25,632	25,272
Capital DEL	3,627	2,772	2,891	3,043	3,188	3,331
<b>Total</b>	<b>31,492</b>	<b>29,123</b>	<b>28,979</b>	<b>29,167</b>	<b>28,820</b>	<b>28,603</b>
Real-Terms Change - cumulative			-0.5%	0.2%	-1.0%	-1.8%
<b>Real-Terms Change on 2010-11 - cumulative</b>		<b>-7.5%</b>	<b>-8.0%</b>	<b>-7.4%</b>	<b>-8.5%</b>	<b>-9.2%</b>
<b>SG Adjusted Spending Limits – Real Terms (2016-17 prices)</b>						
Fiscal Revenue DEL Adjusted by BGA	27,866	26,351	26,159	26,194	25,731	25,454
Capital DEL + Capital Borrowing	3,627	3,082	3,207	3,486	3,622	3,757
<b>Total</b>	<b>31,492</b>	<b>29,433</b>	<b>29,366</b>	<b>29,680</b>	<b>29,353</b>	<b>29,212</b>
Real-Terms Change - cumulative			-0.2%	0.8%	-0.3%	-0.8%
<b>Real-Terms Change on 2010-11 - cumulative</b>		<b>-6.5%</b>	<b>-6.8%</b>	<b>-5.8%</b>	<b>-6.8%</b>	<b>-7.2%</b>

### Implementing the Scotland Act 2016

Draft Budget 2017-18 will, for the first time, operate under the Fiscal Framework established in support of the Scotland Act 2016. This heralds a material change in the financial responsibility of the Scottish Parliament, including the first opportunity to set income tax rates and thresholds with the exception of the personal allowance.

We set out in March 2016, and in our 2016 ‘Programme for Government’, how we intend to use the devolved powers over income tax. Those plans form the basis of the tax proposals set out in this Budget.

We will ensure that Scotland continues to be an attractive place to live, work and do business. The Scottish Government will not pass on austerity to the household budgets of the lowest income taxpayers. Instead, we will protect low and middle income taxpayers at a time of rising inflation by freezing the Basic Rate of Income Tax.

The Scottish Government will, however, give priority to the protection of public services over a substantial tax cut for individuals with the top 10 per cent of incomes. The Scottish Government will not cut tax for higher rate (40p) taxpayers through above-inflation increases in the higher rate threshold.

## **The impact of economic growth on Scotland's finances**

The newly-devolved powers place a greater emphasis on Scotland's relative economic performance in determining the resources available to fund devolved public spending. Once the Scotland Act 2016 powers are fully devolved, approximately half of devolved expenditure in Scotland will be funded by devolved or assigned tax revenue.

As a result, this Budget and future budgets will be informed by an annual adjustment to the Scottish Block Grant, based on OBR forecasts of the growth in corresponding tax receipts in the rest of the UK, offset by forecast and ultimately actual Scottish tax receipts.

## **Supporting sustainable growth**

Never before has such a direct link existed between Scotland's economic performance, tax revenue and the Scottish Government's budget. That is one key reason why this Draft Budget is focused on growing a sustainable and productive economy, supporting more and better jobs.

We will therefore cut the Business Rates Poundage, introduce additional reliefs in rural areas and expand the Small Business Bonus Scheme so that 100,000 properties will be exempt from paying rates altogether. Taken together, these proposals will support jobs by delivering a highly competitive tax environment, ensuring that Scotland is an attractive place to live and do business.

Scotland has already made huge progress in tackling climate change. We will publish new Climate Change and Energy plans in 2017 that set out our vision and strategy for developing the low carbon products and services that will be needed throughout the world in the future, keeping us at the international frontier of sustainable growth.

Scotland has always been an outward-looking nation, embracing the world beyond our borders and making a contribution to the international community. Through our Major Events Budget we will support the successful delivery of the new national events strategy. This will enable Scotland to further enhance and sustain an inspirational programme of events each year that generate business, create jobs and boost the economy.

In 2017-18, we will launch the £500 million Scottish Growth Scheme, which will provide support to businesses seeking access to finance. Good progress is being made in preparing the necessary operational arrangements for the scheme and the Government is working with the Scottish Parliament to ensure appropriate and effective scrutiny arrangements are in place to support it.

The Scottish Government has also intervened directly in supporting Scotland's economy where we feel it is necessary to provide certainty and a platform for future growth.

We have introduced a £100 million capital stimulus package (which was announced earlier this year), and helped to secure a viable future for the Clydebridge and Dalzell steel plants and the aluminium smelter and hydro sites in the Lochaber area. We also welcome the progress made by Ferguson Marine Engineering, including the apprenticeship programme launched earlier this year.

## **Supporting local economies**

The Scottish Government continues to promote the case for City Deals for Edinburgh, Stirling and Dundee/Perth and will engage with the UK Government, local authorities and other partners. This budget confirms the Scottish Government's 2017-18 funding commitments to City Deals for Glasgow, Aberdeen and Inverness, as part of an overall Scottish Government contribution of more than £750 million over the lifetime of the deals.

City Deals, as well as Regional Partnership Plans such as the Clyde Gateway, provide additional resources while encouraging local and regional partners to identify and deliver a vision for inclusive growth in their areas. The Scottish Government, supported by the Scottish Futures Trust, will also continue to explore with local authorities the potential offered by the Growth Accelerator model that is being applied successfully in Edinburgh and Dundee. We will also work to explore and make progress on the development of a potential Ayrshire Growth Deal and invite proposals for two further Tax Incremental Financing projects.

The £25 million Regeneration Capital Grant Fund invests in disadvantaged areas to tackle inequality, increase opportunities and create jobs, while the Town Centre Action Plan has identified key actions across government to support effective town centre regeneration.

We will support Scotland's rural economy by delivering a reformed Common Agricultural Policy; building growth within our marine and coastal communities through investment in, and support of, our fisheries and aquaculture industries; investment in digital and transport infrastructure; increased funding to support the food and drink industry; and offering business rates relief in applicable rural areas.

We are also continuing to invest in community-led regeneration of some of Scotland's most deprived areas through the People and Communities Fund and the Empowering Communities Fund. These support communities to tackle poverty and exclusion on their own terms, and through the Community Empowerment Act we will promote the use of participatory democracy approaches such as participatory budgeting.

## **Supporting infrastructure**

This budget delivers significant further investment in infrastructure, including in core drivers of economic growth such as transport, energy, housing and digital infrastructure. This Draft Budget delivers:

- funding to bring the Queensferry Crossing to completion, progress on the M8/M73/M74 Motorway Improvements project, Aberdeen Western Peripheral Route, the A9 and A96 projects, the A737 Dalry Bypass, and commencement of procurement on projects such as the A90/A96 Haudagain junction and improvements on the A9 at Berriedale Braes (subject to the completion of statutory procedures);
- £460 million expenditure on rail network enhancements, such as the Edinburgh Glasgow Improvements Programme (EGIP) and enhancements to the Aberdeen to Inverness route;

- over £100 million investment in digital and mobile infrastructure, to improve digital connectivity, grow Scotland's digital economy and increase digital participation, including support for our commitment to deliver 100 per cent broadband access by 2021. The budget also confirms that the Scottish Government will consider matching the business rates reliefs for fibre infrastructure announced in the UK Chancellor's Autumn Statement of 23 November 2016; and
- substantial investment in social infrastructure, underpinning a modern and effective NHS, providing high quality education facilities that support our attainment objectives, and initial investment in the most significant infrastructure project of this Parliamentary session: the expansion in the provision of early learning and childcare.

The first phase report produced by the Enterprise and Skills Review suggested a range of actions to create growth driven by investment, innovation, exports and inclusion, such as aligning the functions of our learning and skills agencies to better join up education services and training. Our Trade and Investment Strategy sets out a vision to promote Scotland on the international stage, including through Innovation and Investment Hubs in London, Dublin, Brussels and Berlin.

### **Investing in housing**

Recognising that keeping housing costs affordable can have a positive impact on both the economy and people's experience of poverty, we are investing heavily in the provision of affordable housing. Over £470 million of direct capital investment in the Affordable Housing Supply Programme, combined with work to maximise the opportunities presented by innovative finance, will keep us on course to deliver 50,000 affordable homes during the life of this Parliament, including 35,000 for social rent. With every £100 million of investment in construction supporting 800 jobs, this will also support employment in construction and housing management and will leverage increased private investment. Help to Buy Scotland also continues to provide significant support to those seeking home ownership.

Scotland's Energy Efficiency Programme has been given National Infrastructure Priority status reflecting the key role energy efficiency can have across multiple outcomes including reducing carbon emissions and lowering fuel bills while supporting quality job opportunities and the environmental sustainability of the Scottish economy. This budget provides over £140 million of investment in energy efficiency measures as a significant first step in delivering our commitment to invest over £500 million in energy efficiency over this Parliamentary term.

### **Creating the conditions for longer-term economic growth**

Investment now in the infrastructure and support that businesses and entrepreneurs need to prosper must be coupled with investment in people, services and communities. By combining sustainable growth and tackling inequality, Scotland will build a fairer, more prosperous future with opportunities for all.

By helping to close the educational attainment gap, reduce child poverty and ensure access to higher education is on the basis of the ability to learn not the ability to pay,



our extensive educational investments not only benefit children, young people and their parents and carers, but also have the potential to generate significant longer-term benefits to society, the economy and our public finances.

This Government has, therefore, made education its number one priority and this budget underlines our determination to pursue our three key ambitions:

- to ensure our children and young people get the best possible start in life;
- to raise standards in our schools and close the educational attainment gap; and
- to create opportunities for all through widening access to higher, further and vocational education.

### **Investing in school education**

Additional resources made available through our Attainment Scotland Fund provides targeted support for those local authorities and schools who need it most and help make real progress in closing the attainment gap. Coupled with our joint commitment with local government to protect the ratio of teachers to pupils and the fair settlement for local government, this budget delivers the resources we need to drive improvement in our school system.

We know that it is not just our schools that can contribute to excellence and that high quality and flexible early learning and childcare has the dual benefit of raising educational attainment and allowing greater opportunities and flexibility for parents to work or study. This Draft Budget invests £60 million in the workforce and infrastructure necessary to start to undertake the radical and ambitious expansion in the provision of free early learning and childcare entitlement to 1,140 hours – essentially matching the time spent in primary school – by the end of this Parliament.

As with our approach with schools, we will focus investment in the most deprived areas and by 2018, nurseries in the most deprived areas will benefit from an additional qualified teacher or graduate.

The ‘Programme for Government’ established plans to support increased investment in educational attainment by directly targeting additional funding to schools in 2017-18. This Draft Budget will now go further and provide £120 million – £20 million more than previously planned – as the next step towards investing £750 million over the life of this Parliament.

The £120 million of additional funding for the Attainment Scotland Fund is included in the local government settlement. However, as we have made clear, it is intended that this money will be allocated to individual schools to be utilised at the discretion of headteachers in addition to the resources already available to them. Schools will be allocated around £1,200 for each pupil from P1-S3 known to be eligible for free school meals. This Pupil Equity Funding will be available for head teachers to use for additional staffing or resources that they consider will help raise attainment and reduce the attainment gap. Guidance will be issued to assist headteachers in the use of this additional funding. The remainder of the Attainment Scotland Fund will be invested through our current local authority and schools Attainment Challenge programmes.

The Scottish Government previously proposed that this direct investment in attainment in schools would come from the reform of council tax bands. Instead, this Draft Budget now proposes to fund this from central resources enabling each council to retain the revenues from council tax banding reform locally and invest them as they see fit. Each council will retain their share of the estimated £111 million of additional income from the reforms to council tax bands. Councils will also have the option of increasing council tax in 2017-18 up to a maximum of three per cent which would raise an additional £70 million of revenue.

### **Investing in post-16 education**

The Learner Journey Review aims to further improve the post-16 education system, enabling young people to access the right options for them once they leave school, and move more easily through the system towards employment. This sits alongside the Developing Scotland's Young Workforce Programme (DYW), which is taking forward our ambition to equip young people with the skills, experiences and qualifications needed to secure positive destinations after they leave school. This includes the development of the network of DYW Regional Groups.

Our budget for the further and higher education sectors delivers over £1.6 billion of investment in our institutions – this is augmented by our financial support for students. This ensures that access to further and higher education for eligible students remains free of tuition fees; that we maintain at least 116,000 full-time equivalent college places; that our capital investment across both college and university sectors continues to support excellence in teaching, research and infrastructure investment; that research, innovation and knowledge exchange flourishes; and that our teaching, research and innovation activities support Scotland's productivity and economic growth. In addition, students' living costs are supported during their period of free study through a mixture of bursaries and loans.

Revenues from the UK Government's Apprenticeship Levy replaced funding previously provided to the Scottish Government as a traditional share of UK Departmental spending and used, as part of the overall Scottish budget to support our extensive skills, training and employment provision, including our Modern Apprenticeship programme. In direct response to the views of employers in Scotland, and reflecting on the Apprenticeship Levy consultation responses we received, the Draft Budget 2017-18 delivers a range of interventions that further support skills, training and employment in Scotland.

In particular we will:

- continue to expand the number of Modern Apprenticeship opportunities as part of our planned growth to 30,000 new starts each year by 2020 alongside an increase in the number of Graduate Level and Foundation Apprenticeships during 2017-18;
- support measures to tackle structural unemployment issues and challenge inequalities and under-representation in the labour market by supporting people who face barriers to education, training or employment, in partnership with employers, local authorities and the third sector;

- continue with the implementation of the Developing Scotland's Young Workforce Programme; and
- respond to the skills needs of employers, through:
  - the establishment of a new Flexible Workforce Development Fund; and
  - ongoing and sector-specific skills support for priority sectors in the economy such as digital, care and early years.

### **High quality public services**

This Draft Budget renews the Scottish Government's commitment to public service reform, guided by the recommendations of the Christie Commission on the future delivery of public services. It also delivers the commitments the Government has made to invest in these services and to maintain or improve the outcomes they deliver for those that use and rely upon them. This budget delivers:

- over £300 million additional resource funding for the NHS, providing a real terms uplift in 2017-18 as part of the commitment to increase NHS resource funding by £500 million above inflation over the life of this Parliament;
- a transfer of resource from health to social care of £357 million, an increase from £250 million in 2016-17 – as part of a package of additional investment of almost £500 million from the NHS in social care;
- plans to secure a total of £8 billion of resources for Integration Authorities, giving them real power to ensure that people have access to the right care, at the right time and in the right place, by changing the way key services are delivered, with greater emphasis on supporting people in their own homes and communities and more appropriate use of hospitals and care homes. By combining resources that NHS Boards and local authorities previously managed separately, as part of the most significant reforms of public services in Scotland since the NHS was established in 1948, this Draft Budget supports:
  - continued delivery of the Living Wage;
  - sustainability in the social care sector;
  - the disregard of the value of war pensions from financial assessments for social care; and
  - pre-implementation work in respect of the new carers legislation.
- investment in mental health that exceeds £1 billion for the first time, and will in future years grow at a rate above the overall growth in the frontline NHS budget;
- investment of £72 million in improvements to Primary Care and GP services, contributing towards the additional £500 million being invested in this area in each year by the end of this parliament;
- a strong settlement proposal for local government which would deliver:
  - £120 million of additional funding (met centrally) for Educational Attainment;
  - increased capital resources and continued investment in city deals;

- additional investment from the NHS through Integration Authorities of £107 million to deliver the Living Wage for social care workers and protect our collective investment in social care;
  - the opportunity to raise up to an additional £181 million from council tax; and
  - taken together this amounts to a potential increase in the total spending power to support local authority services from a combination of the Scottish Government grant and increased revenue from local taxation of £267 million or 2.6 per cent compared to 2016-17.
- protection in real terms for the revenue budget for policing, as we seek to maintain current record low levels of crime, and a further £36 million to drive forward the reforms needed to equip the Police service for the challenges of the future and to protect the police from the unfair decision by UK Government which prevents them from reclaiming VAT in Scotland.

### **Empowering and supporting communities**

Our vision is for a fairer, more prosperous Scotland where every individual has the chance to take control and act on the ambitions they have for their own lives and for their communities.

For this vision to become a reality, we need high quality, responsive and affordable public services that put people's wellbeing and improved outcomes first. This relies on public services that are rooted in empowerment and help to break cycles of disadvantage; that work actively to place the needs and aspirations of people at their heart; and that value prevention – rather than relying on crisis intervention.

This budget seeks to protect the poorest members of our society from the most damaging effects of the UK Government's austerity policies. We are therefore supporting advice and advocacy services to ensure people are receiving all the income they are entitled to, and we will provide £47 million to continue to mitigate the 'bedroom tax' and £38 million for the Scottish Welfare Fund.

The Scottish Government wants to go further than mitigation and will use new devolved powers to create a stronger labour market based upon the work of the Fair Work Convention and a social security system based on dignity and respect for those that need it.

Public procurement contracts now stipulate adherence to Fair Work policies, including the Living Wage and the Business Pledge, to create more sustainable, fair and inclusive jobs in Scotland.

The additional investment of £107 million through Integration Authorities will continue to support delivery of the Living Wage for social care workers, recognising the contribution made by the formal care economy in Scotland.

The public sector pay policy for 2017-18 has been published alongside the Draft Budget. The policy is intended to be fair and affordable, targeting resources at those on the lowest incomes and maintaining the commitment to no compulsory redundancies at a time of economic uncertainty and challenges for household finances. The Scottish

Government will also consult on the future management of severance of employment in the public sector, following the devolution to Scotland of regulatory powers over the level of payments for early severance/early retirement and clawback arrangements.

Drawing on the responses to our recent consultation, we will introduce a Social Security Bill setting out the over-arching legislative framework for newly devolved powers. We are committed to using these powers to create a fair social security system, which will include the reform of assessments for disability benefits, the extension of winter fuel payments to families with severely disabled children, a new enhanced Best Start Grant to replace current Sure Start Maternity Grants and an increased Carer's Allowance. We will also abolish the 'bedroom tax' as soon as we can.

We have embarked on an ambitious and demanding reform portfolio working closely with organisations across the public sector and the vibrant third sector placing an emphasis on shared outcomes and a shared view on the means of delivery. It is grounded in the principle that local communities and service providers are best placed to design and meet the needs of Scotland's diverse communities.

We are already seeing these changes in health and social care integration and in improving educational attainment and our reforms will touch on many other aspects of everyday life.

Together, this suite of reforms will provide a coherent and complementary package which we believe will improve the lives of people across Scotland. They will be underpinned by opportunities offered through advances in digital technology and a recognition of the importance of integrated local access; helping us to provide effective, person-centred services which can meet the needs of every individual, regardless of their background or personal circumstances.

## **Conclusion**

The Draft Budget 2017-18 sets out tax and spending proposals that support sustainable and inclusive economic growth, that are prudent and progressive and will maintain and improve public services and empower communities across Scotland.

Looking ahead, the fiscal landscape in Scotland will continue to change, as other powers devolved through the Scotland Act 2016 take effect. Over time, this will require further evolution to the way in which the public finances are managed. The Scottish Government will work with the Scottish Parliament and other stakeholders to ensure that our budget processes reflect these changes, including through the tripartite working group established with the Scottish Parliament Finance and Constitution Committee and civic Scotland, which is due to make recommendations in the first half of next year.

# CHAPTER 2

## Tax and the Fiscal Framework

### INTRODUCTION

This is the first Draft Budget in which our spending plans are underpinned by revenue-raising powers devolved by the Scotland Act 2016 in addition to taxes already fully devolved.

Since 2015-16 a proportion of Scottish spending has been funded by revenues from Land and Buildings Transaction Tax and the Scottish Landfill Tax. In 2016-17, the Scottish Parliament was able to set the Scottish Rate of Income Tax, a power provided by the Scotland Act 2012. From 2017-18, the Scottish Parliament will be able to set the rates and bands for all Scottish non-savings non-dividend (NSND) income tax. The devolution of Air Passenger Duty and the Aggregates Levy will follow in future years.

In parallel with the devolution of new powers, a Fiscal Framework<sup>1</sup> was negotiated and agreed between the UK and Scottish Governments which sets out the financial arrangements which underpin and support the new powers. The Fiscal Framework also determines how the Scottish Government's block grant will be adjusted in light of its new fiscal powers.

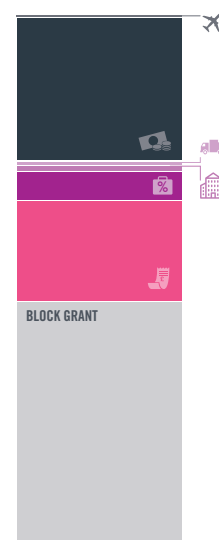
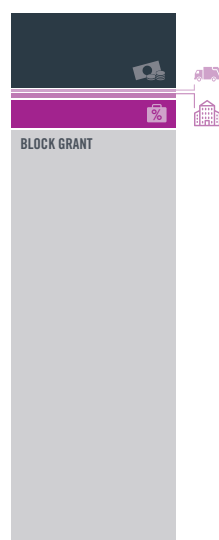
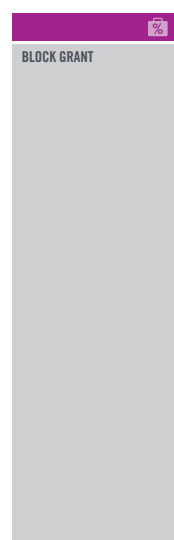
#### How our funding system is changing

#### WHERE THE SCOTTISH GOVERNMENT BUDGET COMES FROM

- AIR PASSENGER DUTY
- SCOTTISH RATE OF INCOME TAX / INCOME TAX
- SCOTTISH LANDFILL TAX
- LAND AND BUILDINGS TRANSACTION TAX
- NON DOMESTIC RATES
- VAT
- BLOCK GRANT

TABLE PROVIDES ILLUSTRATIVE SHARE OF BUDGET IN YEARS BASED ON ESTIMATES FROM 2016-17 FIGURES. ACTUAL PERCENTAGES IN GIVEN YEARS WILL VARY.

IN ADDITION LOCAL AUTHORITIES SET AND RAISE COUNCIL TAX TO FUND LOCAL SERVICES, BUT THIS IS OUTWITH THE SCOTTISH BUDGET.



ESTIMATES ONCE ALL FISCAL POWERS HAVE BEEN DEVOLVED BY 2019-20

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



For 2017-18, under the terms of the Fiscal Framework agreement, responsibility for forecasting Scottish income tax receipts has transferred to the Scottish Government, with the Scottish Fiscal Commission ('the Commission') providing independent scrutiny of the forecasting approach for income tax as well as existing taxes devolved under the Scotland Act 2012. The Commission has published a report on the Draft Budget and has assessed forecast tax receipts and economic determinants for forecasts of non-domestic rate income (NDRI) as reasonable.<sup>2</sup> A detailed methodology paper on Scottish Government tax forecasts has also been published.<sup>3</sup>

From 1 April 2017, the Commission will become an independent statutory body and will take responsibility for preparing and publishing forecasts of: demand-driven welfare spending, revenues from the fully devolved taxes and income tax; and onshore GDP in Scotland.

## **SCOTTISH INCOME TAX**

The Scotland Act 2012 provided that, for taxpayers resident in Scotland, the UK income tax rate would be reduced by 10 percentage points and the Scottish Parliament would then set the Scottish Rate, which would be paid in addition to the reduced UK income tax rate. In 2016-17 the Scottish Rate of Income Tax was set at 10 per cent, resulting in the overall income tax rates payable in Scotland being the same as in the rest of the UK.

The Scotland Act 2016 transferred to the Scottish Parliament the power to set all income tax rates and the thresholds of bands, with the exception of the personal allowance. From 2017-18 the Scottish Government will receive all the revenue from income tax on non-dividend and non-savings income of Scottish taxpayers.

Income tax remains a shared tax. The responsibility for defining the income tax base, including setting or changing income tax reliefs, continues to rest with the UK Government. HMRC will remain responsible for the collection and management of Scottish income tax. It is HMRC's responsibility to decide who is and who is not a Scottish taxpayer as provided for in legislation. The Scotland Act 2012 defines a Scottish taxpayer as someone who is a UK taxpayer and has their main place of residence in Scotland. It is essential that HMRC continue to take actions to test and improve the accuracy of their Scottish taxpayer database.

### **Policy**

On 22 March 2016 the Scottish Government published its proposals for using Scotland's new income tax powers. This Draft Budget document confirms those proposals.

The Scottish Government is committed to protecting low-income taxpayers and, as such, is proposing to freeze the basic rate of income tax at 20 per cent. The Scottish Government is also proposing to freeze the higher and additional rates at 40 per cent and 45 per cent respectively. The higher rate of income tax threshold is proposed to increase by inflation to £43,430 in 2017-18. This increase in the higher rate of income tax threshold, when combined with the increase in the personal allowance, means that

---

<sup>2</sup> <http://www.fiscal.scot/reportspublicationsandcorrespondence/>

<sup>3</sup> <http://www.gov.scot/Publications/Recent>

low and middle income taxpayers will be protected at a time of rising inflation, while priority is given to the protection of public services over a substantial tax cut for the top 10 per cent of taxpayers.

The Scottish Government can also confirm that the higher rate of income tax threshold will increase by a maximum of inflation in all future years of this Parliament.

### Rates and Bands

In 2017-18 we propose to set the rates and bands of Scottish Income Tax as summarised in Table 2.01 below.

**Table 2.01: Scottish Income Tax Rates and Bands**

Scottish Income Tax Rates	Scottish Bands
Scottish Basic rate 20%	Over £11,500* - £43,430
Scottish Higher rate 40%	Over £43,430 - £150,000
Scottish Additional Rate 45%	Over £150,000 and above**

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

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

### Forecasts

Scottish Government forecasts for income tax receipts are set out in Table 2.02 below.

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

Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22
Forecast Receipts	11,829	12,290	12,912	13,647	14,559

The net impact on the Scottish budget after the Block Grant Adjustment (BGA) relating to income tax is made, is £79 million in additional revenue for 2017-18. This reflects the policy choice of increasing the higher rate of income tax threshold in line with inflation, which means that more revenue is raised in Scotland than would have been under the UK Government's tax policy of increasing the higher rate threshold faster than inflation.

### LAND AND BUILDINGS TRANSACTION TAX

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

## Policy

Our policy priority for residential LBTT remains to help first-time buyers enter the property market and to assist people as they progress through the property market.

In the first 19 months of LBTT to end-October 2016, we:

- took nearly 15,700 residential purchases out of tax compared to SDLT;
- reduced the residential tax charge relative to SDLT for a further 66,500 house purchases; and
- ensured that 93 per cent of taxpayers were no worse off than under SDLT by paying either less tax or no tax at all.

Our approach to non-residential transactions ensures that smaller businesses pay the lowest or zero rates of LBTT. Our non-residential tax rates will ensure that Scotland is a competitive and attractive location for business.

## Rates and bands

In 2017-18 we propose to maintain residential and non-residential rates and bands of LBTT at their current (2016-17) levels, as summarised in Table 2.03 below.

**Table 2.03: Land and Buildings Transaction Tax rates and bands for residential and non-residential property transactions**

Purchase price (Residential transactions)	LBTT Rate	Purchase price (Non-residential transactions)	LBTT Rate	Net present value of rent payable (Non-residential leases)	LBTT Rate
Up to £145,000	0%	Up to £150,000	0%	Up to £150,000	0%
£145,001 to £250,000	2%	£150,001 to £350,000	3%	Over £150,000	1%
£250,001 to £325,000	5%	Over £350,000	4.5%		
£325,001 to £750,000	10%				
Over £750,000	12%				

The Additional Dwelling Supplement is three percentage points of the total price of the property for all relevant transactions above £40,000 and will be charged in addition to the rates set out in Table 2.03.

## Forecasts

Forecast tax revenues for residential and non-residential LBTT for the five-year period 2017-18 to 2021-22 are set out in Table 2.04 below.

**Table 2.04: Land and Buildings Transaction Tax Revenue Forecasts 2017-18 to 2021-22 (£ million)**

	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Land and Buildings Transaction Tax</b>	<b>507</b>	<b>543</b>	<b>571</b>	<b>597</b>	<b>624</b>
<i>of which:</i>					
Residential transactions (excl. ADS)	211	235	251	265	280
Additional Dwelling Supplement (ADS)	72	75	78	80	82
Non-residential transactions	224	233	242	252	262

## SCOTTISH LANDFILL TAX

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

### Policy

Scottish Landfill Tax rates continue to provide financial incentives to support delivery of our ambitious targets to reduce waste, increase recycling and cut waste going to landfill.

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

### Rates

We propose to increase the Standard Rate of SLfT to £86.10 per tonne and the Lower Rate of SLfT to £2.70 per tonne in 2017-18 in line with RPI inflation and Landfill Tax charges in the rest of the UK. This helps to address concerns over potential 'waste tourism' should one part of the UK have a lower tax charge than another.

We also propose that the credit rate for Scottish Landfill Communities Fund for 2017-18 will remain at a maximum of 5.6 per cent of an operator's tax liability. This will ensure that that landfill site operators can continue to contribute to community and environmental projects near landfill sites to a greater degree than their UK counterparts, without any increase in the overall tax burden.

## Forecasts

Forecast tax revenues for Scottish Landfill Tax in the period 2017-18 to 2021-22 are set out in Table 2.05 below.

**Table 2.05: Scottish Landfill Tax Revenue Forecasts 2017-18 to 2021-22 (£ million); Adjusted for payments to the Scottish Landfill Communities Fund**

	2017-18	2018-19	2019-20	2020-21	2021-22
Scottish Landfill Tax	149	118	109	112	106

## AIR PASSENGER DUTY

Following the commencement of section 17 of the Scotland Act 2016 on 23 May 2016, the Scottish Parliament now has the power to legislate for a tax which will replace Air Passenger Duty (APD) in Scotland.

As set out in the Programme for Government 2016-17, we will introduce a Bill in the first year of the current Parliament to establish the tax which will replace APD in Scotland from 1 April 2018.

We remain committed to delivering a 50 per cent reduction in the overall tax burden of APD by the end of this Parliament. This will deliver sustainable growth for the Scottish economy by helping to generate new direct air routes, sustain existing routes and increase inbound tourism.

## AGGREGATES LEVY

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

The ability to set the rate of Aggregates Levy will provide opportunities to better integrate waste and other environmental policies within Scotland. The Scottish Government is aware of concerns in relation to double taxation and will work with the UK Government and stakeholders to address this and other key issues.

## VALUE ADDED TAX ASSIGNMENT

The Scotland Act 2016 provided for the first 10 pence of the standard rate of Value Added Tax (VAT) and the first 2.5 pence of the reduced rate to be assigned to the Scottish Government. The assignment of VAT will be based on a methodology that will estimate expenditure in Scotland on goods and services that are liable for VAT. The details of the methodology are currently being agreed with HMRC.

The Fiscal Framework set out that VAT assignment will be implemented in 2019-20. In addition, there will be a transitional period during which VAT assignment will be forecast and calculated but with no impact on the Scottish Government's budget. The effectiveness of the methodology will be reviewed in the final year of the transition period.

## BLOCK GRANT ADJUSTMENT

Changes in the Scottish Government's block grant will continue to be determined via the operation of the Barnett Formula. The block grant to the Scottish Government will then be adjusted to reflect the retention in Scotland of devolved revenues.

As agreed in the Fiscal Framework, the adjustments involve two elements: (i) an initial block grant baseline adjustment; and (ii) an indexation mechanism.

### Initial baseline adjustments

The initial baseline adjustments are equal to the UK Government's tax receipts generated in Scotland in the year immediately prior to devolution of the powers. This is set out in Table 2.06 below:

**Table 2.06: Initial Baseline Adjustments (£ million)**

Tax	Initial Baseline Deduction	Notes
Income Tax NSND	11,525	This is based on OBR forecasts of total NSND income tax receipts in Scotland under UKG income tax policy in 2016-17. Initially this will be forecast and then reconciled against outturn data once this is available. <sup>4</sup>
LBTT	468	This is based on HMRC statistics of revenues in Scotland in 2014-15. <sup>5</sup> There is a reduction of £20 million to account for the forestalling effects associated with residential SDLT receipts in 2014-15.
SLfT	149	This is based on an average of the GERS <sup>6</sup> and HMRC methodology for apportioning UK Landfill Tax revenues to Scotland and applied to UK receipts in 2014-15.

### Indexation mechanism

An indexation mechanism will be applied to each initial baseline adjustment.

Over the period to 2021-22 the block grant adjustments for tax will be indexed using the Comparable Model (CM) and the results will then be adjusted to achieve the outcome delivered by Indexed Per Capita (IPC). Each year it will therefore be necessary to concurrently calculate the block grant adjustments based on both the CM and IPC mechanisms. The methodology for calculating the block grant adjustments is set out in the technical annex to the Fiscal Framework.<sup>7</sup>

<sup>4</sup> [http://budgetresponsibility.org.uk/docs/dlm\\_uploads/Devolved-supplementary-release.pdf](http://budgetresponsibility.org.uk/docs/dlm_uploads/Devolved-supplementary-release.pdf)

<sup>5</sup> <https://www.gov.uk/government/statistics/disaggregation-of-hmrc-tax-receipts>

<sup>6</sup> <http://www.gov.scot/Publications/2016/08/2132>

<sup>7</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508102/Fiscal\\_Framework\\_-\\_Text\\_-\\_Annex\\_to\\_the\\_fiscal\\_framework\\_-\\_15th\\_March\\_201....pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508102/Fiscal_Framework_-_Text_-_Annex_to_the_fiscal_framework_-_15th_March_201....pdf)



Table 2.07 below sets out up to 2021-22:

- the block grant adjustments for each tax using CM and IPC mechanisms;
- the Scottish Government forecasts of revenues from each tax; and
- the net impact on the Scottish budget (differences between the Scottish Government forecasts and IPC block grant adjustments).

**Table 2.07: Block Grant Adjustments (£ million)**

Block Grant Adjustments		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Income Tax NSND	Block grant adjustment (IPC)		11,750	12,159	12,672	13,233	13,898
	Block grant adjustment (CM)		11,790	12,240	12,794	13,399	14,110
	Scottish forecast		11,829	12,290	12,912	13,647	14,559
	Net impact against IPC		<b>79</b>	131	240	414	661
LBTT	Block grant adjustment (IPC)	504	545	585	634	689	741
	Block grant adjustment (CM)	507	550	592	643	700	755
	Scottish forecast	538	507	543	571	597	624
	Net impact against IPC	34	<b>(38)</b>	(42)	(63)	(92)	(117)
SLfT	Block grant adjustment (IPC)	137	119	104	97	92	90
	Block grant adjustment (CM)	138	120	106	99	94	93
	Scottish forecast	133	149	118	109	112	106
	Net impact against IPC	(4)	<b>30</b>	14	12	20	16
Total Tax	Block grant adjustment (IPC)	641	12,414	12,849	13,403	14,014	14,729
	Block grant adjustment (CM)	645	12,460	12,938	13,536	14,194	14,958
	Scottish forecast	671	12,485	12,951	13,592	14,356	15,289
	Net impact against IPC	30	<b>71</b>	102	189	342	560

Elements of the non-tax changes reflected in the total block grant adjustment are still under discussion with HM Treasury. In accordance with the principle of no detriment these are assumed to be revenue neutral pending final resolution of the position. Once final agreement has been reached between the Scottish and UK Government's these changes will be fully incorporated within the appropriate portfolio.

### Reconciliation

The forecasts for both Scottish tax revenues and the BGA are produced based on the latest available information at the time of the Draft Budget. Once the outturn data is available for the Scottish tax revenues and the BGA, a reconciliation will be carried out as per the timetable set out in the Fiscal Framework. For Scottish income tax outturn data is likely to be available 15 months after the end of the financial year and for LBTT and SLfT this is likely to be available six months after the end of the financial year.

The Office for Budget Responsibility (OBR) will continue to produce economic and fiscal forecasts for the whole of the UK as well as all forecasts of UK Government tax and spending required for the operation of the Fiscal Framework.

## **FISCAL FRAMEWORK**

The Fiscal Framework for Scotland determines: how the Scottish Government's block grant will be calculated in light of its new fiscal powers; an agreed transfer of funding for administration and implementation costs; the levels and conditions for resource and capital borrowing powers for Scotland; the establishment of the Scotland Reserve; information sharing requirements; and arrangements for independent fiscal scrutiny and forecasting.

### **Administration and Implementation Costs**

There are administration and implementation costs associated with the new powers and functions being devolved. The UK and Scottish Governments agreed that the UK Government will provide a one-off non-baselined transfer of £200 million to the Scottish Government to support the implementation of the new powers and a baselined transfer of £66 million to cover the ongoing administration costs associated with the new powers.

Within these totals, £100 million for implementation costs and £22 million administration costs will be transferred for 2017-18. The remaining transfer(s) will be agreed by both Governments in due course.

### **Machinery of Government Transfers**

To reflect the new powers and functions being devolved from April 2017, the Scottish Government has agreed with HM Treasury transfers to reflect the additional costs incurred or revenue generated as a result of delivering these powers and functions. These powers and functions are Consumer Protection (devolved in May 2016), the Coastal Communities Fund, the Crown Estate, Discretionary Housing Payments and Employment Support Services.

### **Borrowing and the Scotland Reserve**

The Fiscal Framework and the Scotland Act 2016 increase the Scottish Government's capital borrowing limits to £3 billion. The annual limit on capital borrowing also increased to 15 per cent of the overall borrowing cap, i.e. £450 million per year. The Scottish Government may borrow through the UK Government from the National Loans Fund, by way of a commercial loan or through the issue of bonds. The new limits come into effect from 2017-18.

From 1 April 2017, the Scottish Government will have the power to borrow up to £600 million each year within a statutory overall limit for resource borrowing of £1.75 billion. The Fiscal Framework set out the conditions and limits for elements of resource borrowing:

- for in-year cash management, an annual limit of £500 million;
- for forecast errors, an annual limit of £300 million; and
- for any observed or forecast shortfall where there is or is forecast to be a Scotland-specific economic shock, an annual limit of £600 million.

Resource borrowing will continue to be from the National Loans Fund and the repayment period will be between three and five years, as determined at the time of borrowing.

These borrowing powers replace those put in place under the Scotland Act 2012 whereby the Scottish Government had the power to borrow for resource spending up to an overall limit of £500 million and to borrow an overall limit of £2.2 billion.

The new Scotland Reserve applies from 2017-18 onwards and will enable the Scottish Government to manage tax volatility. The Scotland Reserve will be separated between resource and capital. Payments into the resource reserve may be made from the resource budget including tax receipts. Funds in the resource reserve may be used to fund resource or capital spending. Payments may be made into the capital reserve from the capital budget and capital reserve funds may only be used to fund capital spending.

Detailed arrangements for reporting and repaying borrowing and the operation of the Scotland Reserve are being agreed with the UK Government.

### **Reporting on Implementation**

Section 33 of the Scotland Act 2012 made provision for Scottish and UK Ministers to report on the implementation and operation of the finance powers and functions devolved under that Act. This requirement also extends to those functions and powers devolved under the Scotland Act 2016 and will also include reporting on the implementation of the Fiscal Framework. The first report will be laid before Summer 2017.

# CHAPTER 3

## Portfolio Plans

This section of the document provides greater detail on the Draft Budget for 2017-18, for all portfolios. The Draft Budget for 2017-18 will, subject to Parliamentary consideration, form the basis of the Budget Bill 2017-18 which will be laid before the Scottish Parliament in January 2017.

### 2017-18 PROPOSED BUDGET

Scotland's devolved Total Managed Expenditure (TME) amounts to £38,048.2 million in 2017-18, including allocated Departmental Expenditure Limit (DEL) budgets totalling £31,493.0 million.

**Table 3.01 Total Proposed Spending Plans for 2017-18**

	DEL Resource	DEL Capital*	DEL Total	AME	Total Managed Expenditure
2017-18 Draft Budget	£m	£m	£m	£m	£m
Health and Sport	12,717.8	408.1	13,125.9	100.0	13,225.9
Finance and the Constitution	172.5	2.0	174.5	3,406.4	3,580.9
Education and Skills	2,674.5	171.4	2,845.9	443.0	3,288.9
Justice	2,488.8	91.5	2,580.3	-	2,580.3
Economy, Jobs and Fair Work	246.9	137.7	384.6	-	384.6
Communities, Social Security and Equalities	6,991.4	1,485.1	8,476.5	2,605.8	11,082.3
Environment, Climate Change and Land Reform	164.2	142.8	307.0	-	307.0
Rural Economy and Connectivity	1,458.8	1,407.8	2,866.6	-	2,866.6
Culture, Tourism and External Affairs	292.8	32.0	324.8	-	324.8
Administration	179.5	13.1	192.6	-	192.6
Crown Office and Procurator Fiscal Service	107.5	3.6	111.1	-	111.1
<b>Scottish Government</b>	<b>27,494.7</b>	<b>3,895.1</b>	<b>31,389.8</b>	<b>6,555.2</b>	<b>37,945.0</b>
Scottish Parliament and Audit Scotland	102.0	1.2	103.2	-	103.2
<b>Total Scotland</b>	<b>27,596.7</b>	<b>3,896.3</b>	<b>31,493.0</b>	<b>6,555.2</b>	<b>38,048.2</b>

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

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

In order to manage our budgets between years, 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 proposed DEL capital budget reflects the Scottish Government's intention to utilise the borrowing powers available through the Scotland Act 2016 up to a maximum of £450 million. Given the variety of factors that impact on major projects, the capital programme will be proactively managed through the financial year.

### **COMPARATIVE SPENDING**

In order to ensure a transparent like-for-like comparison with previous years, the Level 2 and 3 Tables throughout this document show the figures that were included in the Draft Budget 2016-17, restructured in line with the new Cabinet Secretary portfolio responsibilities announced by the First Minister in May 2016, and as updated for the Budget (Scotland) Act 2016 Amendment Regulations 2016 alongside the Draft Budget 2017-18 proposals.

In order to aid comparison with previously published spending plans, Annex D 'Comparison 2010-11 to 2017-18' 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 1.5 per cent for 2017-18 (rounded).

---

# CHAPTER 4

## Health and Sport

---

### **PORTFOLIO RESPONSIBILITIES**

The Health and Sport portfolio is responsible for helping the population maintain and improve their health and wellbeing. It is crucial for the people of Scotland to know that the NHS will be there for them when they need it. The services provided also contribute directly to growth in the Scottish economy by supporting people to live longer, healthier lives.

The Scottish Government is committed to high quality services, with a focus on prevention and early intervention. Where people need hospital care, our aim is for day surgery to be the norm, and when stays must be longer, our aim is for people to be discharged as swiftly as it is safe to do so.

Our forthcoming delivery plan will set out our programme to further enhance health and social care services. It will bring together our planned reforms, including the integration of health and social care, the National Clinical Strategy, regional service, financial and workforce planning, along with our work on population health and primary care.

### **OUR PRIORITIES**

We have established a record of providing high quality healthcare. Our focus on quality and improvement remains at the heart of everything we do in the NHS, but our health and social care systems must continually evolve to meet the changing needs of our people – to help address health inequalities and improve the health of the population.

Like other healthcare systems around the world, we face the challenge of an ageing population, with people living with multiple conditions, and expectations arising from new drugs, treatments and technologies. This is why our twin approach of investment and reform of health and social care services is absolutely crucial.

In 2017-18 we will deliver an above inflation increase to the Health and Sport portfolio, against a backdrop of Scotland's fiscal DEL budget being reduced by 9.2 per cent in real terms by the UK Government between 2010 and 2020. We will use this funding uplift to support frontline delivery, and implement our delivery plan.

Our commitment to invest in our NHS remains firmly in place, with NHS Board budgets increasing by in excess of £300 million in 2017-18. This will include additional investment of over £100 million to be directed to Integration Authorities, which will deliver our commitment on the Living Wage and support sustainability in the care sector.



We will also increase the share of the frontline NHS budget being invested in primary care, community care, social care, and mental health in the coming year, and throughout this Parliament. This supports our efforts to prioritise investment which focuses on prevention and early intervention, to ensure the realisation of our 2020 Vision.

To ensure that public resources are used as effectively as possible and to help meet increasing demand and deliver reform, we have established a Sustainability and Value Programme to maximise the benefit from efficiency and productivity savings. These savings will be reinvested in frontline health and care services, supporting the shift in the balance of care towards our Community Health Service.

### **Further Improvement on the Quality of the Care**

We have broken down administrative barriers by creating 31 Integration Authorities to deliver adult health and social care services directly in the communities where people live. In 2017-18 this will be supported by £107 million of additional NHS investment in Integration Authorities to support the delivery of improved outcomes in social care and will deliver the Living Wage for social care workers. NHS contributions to Integration Authorities will be maintained at, at least, 2016-17 cash levels.

We will address the challenge of reducing admissions, length of stay and people delayed in hospital when clinically ready to be discharged, in partnership with Integration Authorities. We will further develop innovative ways of providing care, including housing-based solutions and increased use of intermediate care, such as step-down beds. We will also continue to prioritise more effective and efficient use of resources, through better use of data and commissioning, to deliver services that meet the needs of a growing population with longer-term and often complex needs.

In 2017-18, we will invest £72 million in improvements to primary care and GP services, going towards an additional £500 million being invested in this area each year by the end of this Parliament. This commitment will mean that by 2021-22, for the first time, more than half of the NHS frontline spending will be in our Community Health Service.

Primary and Community Care is where most healthcare interactions begin and end and our aim is to have as many people as possible receiving care at home or in a homely setting. To that end, we are working with GPs and other health practitioners to transform primary care and GP services, including support for more multi-disciplinary teams working with GPs. We will invest £10 million to implement the recommendations of the National Review of Primary Care Out of Hours Services.

By investing an additional £150 million over the next five years in improving mental health provision we will help to reduce the inequalities of access and support experienced by people with mental ill-health. This forms part of shifting the balance of spend towards preventing people from becoming ill and supporting people to manage their own conditions and stay well. As part of this, we are investing £10 million to provide new models of support in primary care settings, and £4.2 million to develop community support for people in distress.

By increasing the share of the frontline budget being invested in mental health in each year of this Parliament, we will help deliver person-centred care and treatment and improve services and support for children and young people. This commitment means that in 2017-18, investment in mental health will exceed £1 billion for the first time and will see mental health investment exceed £5 billion over this Parliament. This will help underpin our new 10 year Mental Health Strategy, which will be firmly based on the principles of 'ask once, get help fast'.

We will take forward the National Clinical Strategy by implementing a range of actions to support the improvement of primary, community and hospital services. Specifically, in 2017-18 we will strengthen population-based planning arrangements for hospital services, and we will undertake an analysis of unwarranted variation in intervention rates across Scotland and publish an Atlas of Variation. From this clear evidence base, we will ensure NHS Boards take effective, appropriate action.

We will continue to progress our £200 million commitment to expand the Golden Jubilee Hospital and create five elective care centres in Aberdeen, Dundee, Edinburgh, Inverness and Livingston. This will, for example, allow us to meet the increasing demand for hip and knee replacements and cataract operations. Dedicated elective capacity will help tackle the knock-on effect that peaks in demand from unscheduled, emergency patients can have on planned, elective care.

We will continue to implement our cancer strategy and, over the next five years, £100 million will be invested to enhance cancer services, improving outcomes, and reducing inequalities, as well as promoting greater consistency of access to treatment across the country.

Preparatory work in relation to the creation of the new National Trauma Network will be completed. This work is based on a four centre model – in Aberdeen, Dundee, Edinburgh and Glasgow. Following completion of this preparatory work, timescales for full implementation will be agreed.

We will enhance our commitment to nursing and midwifery in Scotland by setting out a delivery plan to create an additional 1,000 training places in this Parliament. We are also investing £3 million over five years to train an additional 500 advanced nurse practitioners, with the first intake beginning training in 2017.

We will train 1,000 new paramedics over the next five years, beginning with 200 this year and including 50 specialist paramedics with enhanced skills to work in the community, helping to reduce pressure on accident and emergency services. We will also recruit up to 250 community link workers during the lifetime of this Parliament to work in GP practices, with at least 40 being recruited in the coming year.

## **Improving the health of the population**

Getting it Right for Every Child is key to Scotland's future and we will bring together health, social care and education to build on the good work already underway to produce a Child and Adolescent Health and Wellbeing Strategy that will set the direction for the next 10 years.

In 2017-18 we will provide an additional £2 million to further expand access to in vitro fertilisation (IVF) treatment. Couples with children in the home, but where one partner does not have a biological child, are now able to access fertility treatment and the number of available cycles on the NHS will be increased from two to three during 2017-18.

Despite significant improvement in recent years, Scotland continues to have a poor record of healthy life expectancy and bears the costs associated with the resulting disease burden. We will continue to pursue a preventive agenda, beginning in the earliest years and concentrating on tackling Scotland's relationship with alcohol, reducing tobacco-related harm by significantly reducing smoking rates, and in increasing levels of physical activity, including through sport, and improving oral health. We will develop a new dental action plan following the analysis of the results of the consultation on the future of oral health.

We will consult on a new strategy on diet and obesity. This will include support for those at high risk of, or recently diagnosed with, type 2 diabetes, and families with young children. We will create a new national outcome for diabetes – this will support progress in addressing type 2 diabetes. We will also support those people with type 1 diabetes needing an insulin pump through investment of £2 million in 2017-18.

An extra £20 million will be invested over the next three years to increase the financial support provided to people affected by infected NHS blood and blood products. A new Scottish scheme will be introduced in 2017 to support those who are infected with Hepatitis C and/or HIV and their families.

The £13.5 million In Care Survivor Support Fund will be used over the next five years with survivors of child abuse in Scotland and the services that support them to expand and enhance existing survivor support. It will offer survivors personalised care and treatment based on their individual needs, aspirations and personal goals.

## **Securing the Value and Financial Sustainability of the Health and Care Services**

We are looking ahead to what NHSScotland and the wider health and social care sector will need from its workforce in the future, taking account of demographic challenges presented by an ageing and part-time workforce, changes in technology, patient demographics and available resources. We will continue to promote NHSScotland as an attractive place to work, providing a sustainable career option for graduates and a destination where school leavers have a variety of career options available. We will also continue our work to ensure that staff from across the EU working in Scotland's health and care sector have their rights and their place in our nation protected.

We will continue to maintain free tuition for nursing and midwifery students, retain the nursing and midwifery student bursary at least at its current level and ensure additional

support is provided to students to enable wider participation and increased retention, including through the £1 million discretionary fund.

We will provide support to Boards in delivering services more efficiently and will, additionally, facilitate the further spread of good practice through the Sustainability and Value Programme.

We remain fully committed to continued investment in NHSScotland's infrastructure, which enables our NHS to provide high quality, innovative health and social care services as well as contributing to the growth in the Scottish economy.

There will be continued focus on improving primary care facilities, maintaining the NHS estate, replacing and updating medical equipment, refreshing information management and technology and replacing key vehicles such as ambulances, providing over £200 million of investment in these areas. In addition the following capital projects will be prioritised:

- The £274 million new Dumfries and Galloway Royal Infirmary will become operational in March 2018. This new state of the art facility has single bedded en-suite rooms for 344 patients and includes a combined assessment unit, theatres complex, critical care unit, women's and children's unit and outpatients department.
- £230 million project to deliver the new Sick Children's Hospital and Department of Clinical Neurosciences in Edinburgh. This project will bring together services from the Royal Hospital for Sick Children, Child and Adolescent Mental Health Service and the Department of Clinical Neurosciences in a single building adjoining the Royal Infirmary of Edinburgh at Little France.
- £145 million Baird Family Hospital and the ANCHOR Centre in Aberdeen. The Baird Hospital will provide maternity, gynaecology and breast screening services while the ANCHOR Centre will provide outpatient and day-patient treatment for patients with cancer and blood disorders.

**Table 4.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Health	12,977.2	12,900.7	13,168.2
<i>Of which:</i>			
NHS Territorial Boards	9,102.3	9,102.3	9,354.6
NHS Special Boards	1,099.7	1,099.7	1,168.6
Community Health Services	1,513.8	1,518.7	1,574.1
Departmental Allocations	1,261.4	1,180.0	1,070.9
Sport	45.8	45.6	42.4
Food Standards Scotland	15.3	15.3	15.3
<b>Total Level 2</b>	<b>13,038.3</b>	<b>12,961.6</b>	<b>13,225.9</b>
<i>of which:</i>			
DEL Resource	12,413.8	12,329.9	12,717.8
DEL Capital	519.5	528.5	408.1
Financial Transactions	5.0	3.2	-
AME	100.0	100.0	100.0

**Table 4.02: Spending Plans (Level 2 Real Terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Health	12,977.2	12,900.7	12,979.6
<i>Of which:</i>			
NHS Territorial Boards	9,102.3	9,102.3	9,220.7
NHS Special Boards	1,099.7	1,099.7	1,151.8
Community Health Services	1,513.8	1,518.7	1,551.6
Departmental Allocations	1,261.4	1,180.0	1,055.5
Sport	45.8	45.6	41.8
Food Standards Scotland	15.3	15.3	15.1
<b>Total Level 2</b>	<b>13,038.3</b>	<b>12,961.6</b>	<b>13,036.5</b>
<i>of which:</i>			
DEL Resource	12,413.8	12,329.9	12,535.6
DEL Capital	519.5	528.5	402.3
Financial Transactions	5.0	3.2	-
AME	100.0	100.0	98.6

## Health

**Table 4.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
<b>Resource</b>			
<b>NHS Territorial Boards</b>	<b>9,102.3</b>	<b>9,102.3</b>	<b>9,354.6</b>
<b>NHS Special Boards</b>	<b>1,099.7</b>	<b>1,099.7</b>	<b>1,168.6</b>
<b>Community Health Services*</b>			
General Medical Services	783.0	786.5	821.4
Pharmaceutical Services Contractors' Remuneration	184.2	184.8	184.5
General Dental Services	407.1	408.9	414.0
General Ophthalmic Services	100.0	101.0	102.0
Mental Health Services	39.5	37.5	52.2
<b>Departmental Allocations</b>			
Outcomes Framework	200.1	160.6	137.1
Transformational Change Fund	10.0	10.0	25.0
Workforce and Nursing	171.1	112.6	176.4
Health Improvement and Protection**	103.4	100.2	46.1
Care, Support and Rights	111.2	97.7	112.2
Early Years	41.5	19.6	49.6
Performance and Delivery	86.4	93.0	87.2
Quality and Governance	30.9	22.1	23.7
Miscellaneous Other Services and Resource Income	(135.7)	(76.0)	(124.3)
Revenue Consequences of NPD Schemes	18.0	18.0	29.8
<b>Total Resource</b>	<b>12,352.7</b>	<b>12,278.5</b>	<b>12,660.1</b>
<b>Capital</b>			
Investment	540.4	539.9	428.1
Financial Transactions	5.0	3.2	-
Income	(20.9)	(20.9)	(20.0)
<b>Total Capital</b>	<b>524.5</b>	<b>522.2</b>	<b>408.1</b>
<b>Annually Managed Expenditure</b>			
NHS Impairments	100.0	100.0	100.0
<b>Total Health</b>	<b>12,977.2</b>	<b>12,900.7</b>	<b>13,168.2</b>
<i>of which:</i>			
DEL Resource	12,352.7	12,278.5	12,660.1
DEL Capital	519.5	519.0	408.1
Financial Transactions	5.0	3.2	-
AME	100.0	100.0	100.0

\* Allocations for 2017-18 for Primary and Community Care Services are still to be decided and are subject to UK pay negotiations with the professional groups concerned. These budget lines do not reflect the community health spend included within NHS Board baselines.

\*\* This budget line does not include £53.8 million that is being transferred to NHS Board baselines in 2017-18 for expenditure on Alcohol and Drug Partnerships.



**Table 4.04: Territorial and Special Health Boards Spending Plans (Level 4)**

Level 4	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
<b>Territorial Boards</b>			
NHS Ayrshire and Arran	669.0	669.0	682.1
NHS Borders	194.0	194.0	197.7
NHS Dumfries and Galloway	279.4	279.4	284.9
NHS Fife	604.3	604.3	616.2
NHS Forth Valley	485.3	485.3	494.7
NHS Grampian	867.2	867.2	899.4
NHS Greater Glasgow and Clyde	2,078.9	2,078.9	2,123.3
NHS Highland	576.5	576.5	591.8
NHS Lanarkshire	1,106.8	1,106.8	1,129.9
NHS Lothian	1,289.7	1,289.7	1,336.9
NHS Orkney	43.1	43.1	46.7
NHS Shetland	42.6	42.6	46.5
NHS Tayside	699.2	699.2	713.4
NHS Western Isles	66.6	66.6	71.6
NRAC Parity Funding	30.0	30.0	50.0
<b>Total</b>	<b>9,032.6</b>	<b>9,032.6</b>	<b>9,285.1</b>
<b>Special Boards</b>			
NHS Waiting Times Centre	46.5	46.5	51.9
NHS Scottish Ambulance Service	218.5	218.5	229.3
NHS National Services Scotland	293.4	293.4	324.7
Healthcare Improvement Scotland	15.5	15.5	24.7
NHS State Hospital	34.3	34.3	34.4
NHS 24	64.6	64.6	65.2
NHS Education for Scotland	408.7	408.7	420.0
NHS Health Scotland	18.2	18.2	18.4
<b>Total</b>	<b>1,099.7</b>	<b>1,099.7</b>	<b>1,168.6</b>
Other Income	69.7	69.7	69.5
<b>Total Territorial and Special Boards</b>	<b>10,202.1</b>	<b>10,202.1</b>	<b>10,523.2</b>
<i>Delivery Plan Funding that will be allocated to Boards in-year*</i>			<b>128.0</b>
<b>Total Investment</b>			<b>10,651.2</b>

\* This represents funding included within Level 3 budgets that will be allocated to Boards in year to support the delivery of service reform.

The health resource budget will increase by almost £2 billion by the end of this Parliament, by which time at least 50 per cent of spending will be in our Community Health Service. In contributing to this commitment, this draft budget for 2017-18 allocates funding towards mental health, primary, community and social care at a rate which is higher than the overall increase to the NHS frontline budget. Investment in primary care will be delivered through budget increases to General Medical Services and associated budget lines which support the wider primary care team. Investment in mental health as set out in this budget will be added to the existing investment which will take mental health spending to over £1 billion in 2017-18 for the first time.

### **Health & Social Care Integration**

We are integrating health and social care, bringing together NHS and local government services to deliver joined-up care and support that better meets the needs of Scotland's growing population of people whose needs are complex, many of whom are older. In one of the most significant reforms of public services since the NHS was set up in 1948, the Public Bodies (Joint Working) (Scotland) Act 2014 came into effect on 1 April 2016, establishing 31 Health and Social Care Partnerships whose responsibility it is to ensure health and social care services are planned and delivered jointly, to help maximise local people's wellbeing. By bringing together health and social care, and making best use of their combined resources, the new Partnerships are empowered to give real focus to preventative and anticipatory care, helping people to maintain their independence and wellbeing for as long as possible.

Integration is already changing the way key services are delivered, with greater emphasis on supporting people in their own homes and communities and less inappropriate use of hospitals and care homes. It is about ensuring people have access to the right care, at the right time, in the right place – too often, older people, and other people who have complex needs, are admitted to institutional care for long periods when a package of assessment, treatment, rehabilitation and support in the community, and help for their carers, would be better.

With the investment in this Draft Budget, including the additional £107 million in social care – almost £500 million in total – Integration Authorities have real power to address these challenges, managing more than £8 billion of resources that NHS Boards and local authorities previously managed separately. This is more than 50 per cent of territorial NHS Board expenditure and more than 80 per cent of local authority social care expenditure.

As our approach to integration enters its second year, we are providing practical as well as financial support to these Integration Authorities, so that they are well equipped to deliver services that respond effectively to the priorities of communities, based on real understanding of local needs.

### **What the budget does**

The budget provides services to help people in Scotland to live longer and healthier lives, with a focus on early intervention and prevention and reducing health inequalities and the provision of more sustainable, high quality and continually-improving health and care services close to home.

NHS Boards provide free and universal frontline healthcare services for people and their families. They work alongside Integration Authorities to deliver seamless health and care services. Through Local Delivery Plans and as part of the strategic commissioning plans within 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 personal outcomes.

In 2017-18 we will:

- invest £107 million in Integration Authorities, to ensure improved outcomes in social care. This builds upon the £250 million included in the 2016-17 budget for investment in Social Care, along with the £100 million Integrated Care Fund and £30 million delayed discharge fund, bringing the total additional support available for Health and Social Care Integration from the NHS to £487 million;
- support the development of more new models of Primary and Community Care in general practice and in out-of-hours, including in relation to provision of mental health services, begin to introduce 'Improving Together' for quality in GP clusters as a replacement to the Quality Outcomes Framework (QOF), 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 to contribute to improvement in survival outcomes. Early indicators suggest that the programme is already delivering benefits;
- 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;
- through Independent Living Fund Scotland, continue to deliver payments of ILF support to severely disabled people, to enable them to live independently in the community;
- 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 focus on Getting it Right for Every Child with more effective and widespread early intervention, better cooperation among professionals and a holistic approach to addressing a child's wellbeing;
- continue to improve the quality of life for those with dementia and their carers and families, building on the first Dementia Strategy by now 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;

- continue to pursue and refresh the package of measures, including minimum unit pricing, which make up 'Changing Scotland's Relationship with Alcohol: a Framework for Action', and which tackle the harms associated with alcohol;
- continue to tackle the damaging impact of drugs in Scotland and make recovery a reality for individuals, families and communities affected by drugs through our national drugs strategy. The Minister-led Partnership for Action on Drugs in Scotland will continue to progress actions to reduce problem drug use, complementing the work of the strategy, with particular focus on improving quality, reducing harm and building communities; and
- continue to invest in research and development infrastructure and capacity building, supporting vital collaborative working between the NHS, academia, industry and the medical research charities and deepening Scotland's global reputation as a destination of choice for health science.

## Sport

**Table 4.05: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Sport and Legacy	42.5	42.3	39.1
Physical Activity	3.3	3.3	3.3
<b>Total</b>	<b>45.8</b>	<b>45.6</b>	<b>42.4</b>
DEL Resource	45.8	36.1	42.4*
DEL Capital	-	9.5	-

\* This total of £42.4 million includes an indicative £9.5 million which was used as capital grants in 2016-17. Any requirement for this funding will be confirmed prior to the Budget (Scotland) Bill 2017-18.

### What the budget does

Our vision is of a Scotland where more people are more active, more often. The Active Scotland Outcomes Framework sets out our ambitions for achieving that, and is underpinned by a commitment to equality.

Over the course of this Parliament, the number of Community Sports Hubs will be increased from 150 to 200 by 2020, targeting areas of deprivation to ensure everyone has the opportunity to lead an active lifestyle. The new National Performance Centre for Sport and Scotland's first fully inclusive para-sports facility will be complemented by a network of regional sports centres around the country with a mixture of facilities for both community and elite use so that more people can fulfil their sporting potential.

To encourage the removal of barriers to participation in sport, including those for women and the LGBTI community, an Equality in Sport and Physical Activity Forum will be established and an annual £300,000 Gender Equality in Sport fund implemented to address the barriers specific to women's participation.

In 2017-18 we will:

- build on our success in getting Scotland more active through continued support for walking and developing a world-class sporting system for everyone in Scotland, focused on increased participation and improved performance;
- reduce inequalities and encourage greater equality of opportunity in relation to participation in sport and physical activity; and
- enhance the role of community sport and give due recognition to community involvement and support.

## Food Standards Scotland

**Table 4.06: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Food Safety	10.3	10.3	10.3
Eating for Health	3.0	3.0	3.0
Choice (making it easier for consumers to make informed choices)	2.0	2.0	2.0
<b>Total</b>	<b>15.3</b>	<b>15.3</b>	<b>15.3</b>
<i>of which:</i>			
DEL Resource	15.3	15.3	15.3
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

Food Standards Scotland's primary concern is consumer protection – making sure that food is safe to eat, ensuring consumers know what they are eating and improving nutrition. With that in mind, its vision is to deliver a food and drink environment in Scotland that benefits, protects and is trusted by consumers. The objectives of Food Standards Scotland as set out in the Food (Scotland) Act 2015, are to:

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

In 2016-17 Food Standards Scotland launched its first strategy, setting out the high-level direction for the next five years. In 2017-18, this strategy will be delivered through a corporate plan outlining the priorities and key activities to be taken forward using an outcomes based approach. Those outcomes will ensure:

- food is safe and authentic;
- consumers have healthier diets;
- responsible food businesses flourish;
- Food Standards Scotland is a trusted organisation; and
- Food Standards Scotland is efficient and effective.

---

# CHAPTER 5

## Finance and the Constitution

---

### **PORTFOLIO RESPONSIBILITIES**

The Finance and the Constitution portfolio is a wide-ranging portfolio that is at the heart of implementing and delivering the new powers over taxation that are provided for in the Scotland Act 2012 and 2016 and providing public services that are efficient, fair, flexible and valued.

The Scottish model of procurement aims to secure the maximum economic benefit from the £11 billion spent by the public sector on goods and services each year, through an approach that balances being both business friendly and socially responsible.

As part of its role, the portfolio includes:

- Scotland's devolved tax authority, Revenue Scotland, which operates as a Non-Ministerial Department; and
- the Scottish Fiscal Commission, which will be a Non-Ministerial Department from 1 April 2017.

The portfolio also has responsibility for Scottish Parliamentary and local government elections and includes the Scottish Public Pensions Agency (SPPA) which administers some public sector pension schemes, including the Scottish teachers' superannuation scheme and the NHS superannuation scheme.

The Digital Strategy budget is the responsibility of the Cabinet Secretary for Finance and the Constitution, but is held and described within the Rural Economy and Connectivity portfolio chapter. This budget includes dedicated funding to support action to design, deliver and continuously improve modern, efficient public services enabled by digital technology.

### **OUR PRIORITIES**

In 2017-18 we will use the additional powers over income tax provided for in the Scotland Act 2016 for the first time in a way that will protect low-income taxpayers while supporting investment in high quality public services.

The Scottish Public Pensions Agency (SPPA) has built on the Scottish Government's 'One Scotland' approach with its own change programme which aims to deliver transformation of services to pension scheme members and employers over the period to 2019-20. This programme will deliver better digital services based on an integrated pension administration and pensioner payroll system.



We will continue to invest in the successful Scottish model of procurement which will secure the continued provision of shared services across the public sector in Scotland, delivering further savings and maximising the social, environmental and economic benefits of public purchasing activity.

The Scottish Futures Trust (SFT) will continue 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.

In October 2016, the SFT Statement of Benefits 2015-16 estimated £146 million of net future benefits and savings. SFT is on course to reach its corporate objective of securing £500-£750 million of benefits and savings during its second corporate plan period covering 2014-15 to 2018-19. SFT estimates that since its inception in 2008 it has delivered over £920 million of savings and benefits to the people of Scotland through innovative new ways of working and improved value for money.

**Table 5.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Public Pensions Agency	3,461.9	3,322.2	3,424.7
Revenue Scotland	5.2	5.2	6.1
Scottish Fiscal Commission	1.0	1.0	1.7
Finance & Constitution	52.4	75.3	148.4
<b>Total level 2</b>	<b>3,520.5</b>	<b>3,403.7</b>	<b>3,580.9</b>
<i>of which</i>			
DEL Resource	75.4	96.1	172.5
DEL Capital	3.5	4.0	2.0
AME	3,441.6	3,300.3	3,406.4
Financial Transactions	-	3.3	-

**Table 5.02: Spending Plans (Level 2 Real Terms) at 2016-17 Prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Public Pensions Agency	3,461.9	3,322.2	3,375.6
Revenue Scotland	5.2	5.2	6.0
Scottish Fiscal Commission	1.0	1.0	1.7
Finance & Constitution	52.4	75.3	146.3
<b>Total level 2</b>	<b>3,520.5</b>	<b>3,403.7</b>	<b>3,529.6</b>
<i>of which</i>			
DEL Resource	75.4	96.1	170.0
DEL Capital	3.5	4.0	2.0
AME	3,441.6	3,300.3	3,357.6
Financial Transactions	-	3.3	-

**Scottish Public Pensions Agency****Table 5.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Agency Administration	16.8	18.4	16.3
IT Provision	3.5	3.5	2.0
Scottish Teachers' Superannuation Scheme	1,259.1	1,208.3	1,229.6
NHS Superannuation Scheme (Scotland)	2,182.5	2,092.0	2,176.8
<b>Total</b>	<b>3,461.9</b>	<b>3,322.2</b>	<b>3,424.7</b>
<i>of which</i>			
DEL Resource	16.8	18.4	16.3
DEL Capital	3.5	3.5	2.0
AME	3,441.6	3,300.3	3,406.4

**What the budget does**

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

The Agency also develops scheme regulations covering, and working with, Scheme Advisory Boards and provides policy advice to Ministers on Scotland's local government, NHS, Teachers', Police and Firefighters' pension schemes. It also determines appeals made by members of these pension schemes.

In 2017-18 we will:

- commission an integrated pension administration and payroll IT system;
- enhance services to scheme members and employers through better digital web services; and
- conclude quadrennial actuarial valuations for the Scottish NHS, Teachers', Police and Firefighters' pension schemes.

## Revenue Scotland

**Table 5.04: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Revenue Scotland	5.2	5.2	6.1
<b>Total</b>	<b>5.2</b>	<b>5.2</b>	<b>6.1</b>
<i>of which</i>			
DEL Resource	5.2	5.2	6.1
DEL Capital	-	-	-
AME	-	-	-

## What the budget does

Revenue Scotland is the Scottish tax authority and is responsible for the collection and management of the devolved taxes – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). The taxes collected are paid into the Scottish Consolidated Fund where they are invested in Scotland's public services.

In 2017-18, Revenue Scotland will:

- continue to improve its systems and process for the collection and management of the devolved taxes, including compliance; and
- prepare for the collection and management of a Scottish replacement for Air Passenger Duty which will be devolved under the Scotland Act 2016 with effect from April 2018. We will continue to take a collaborative approach, working with aircraft operators and other stakeholders to develop the systems, processes and guidance needed for the administration of the tax.

## Scottish Fiscal Commission

**Table 5.05: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Fiscal Commission	1.0	1.0	1.7
<b>Total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.7</b>
<i>of which</i>			
DEL Resource	1.0	1.0	1.7
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

The Scottish Fiscal Commission is currently a non-statutory body that provides independent scrutiny of Scottish Government forecasts of tax receipts and the economic determinants underpinning forecasts of receipts from non-domestic rates. From 1 April 2017 the Commission will be a Non-Ministerial Department established by the Scottish Fiscal Commission Act 2016. The Act also expands the Commission's functions and responsibilities.

In 2017-18, the Scottish Fiscal Commission will:

- prepare independent forecasts of all revenue from fully devolved taxes, income tax and Non-Domestic Rates. Subject to secondary legislation being approved by the Scottish Parliament, the Commission will also prepare forecasts for demand-led social security expenditure and Scottish GDP; and
- lay before the Scottish Parliament two reports on its forecasts of tax receipts, first when the Scottish Government publishes its Draft Budget and then when the Budget Bill is published.

## Finance & Constitution\*

**Table 5.06 More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Public Information and Engagement	2.8	2.8	2.8
Procurement Shared Services	18.4	18.2	16.8
Scottish Futures Trust	4.7	13.0	4.7
Royal and Ceremonial	0.3	0.3	0.3
Scottish Parliamentary Elections	9.6	17.3	0.6
Local Government Elections	0.4	7.4	1.0
Local Government Boundary Commission**	-	0.2	0.2
Scotland Acts - Tax Provision implementation and management	16.2	16.1	12.0
Scotland Act 2016 non-tax Implementation	-	-	80.0
Capital Borrowing Repayment	-	-	30.0
<b>Total</b>	<b>52.4</b>	<b>75.3</b>	<b>148.4</b>
<i>of which</i>			
DEL Resource	52.4	71.5	148.4
DEL Capital	-	0.5	-
AME	-	-	-
Financial Transactions	-	3.3	-

\*This Level 2 was previously called 'Other Finance'.

\*\*Local Government Boundary Commission was transferred to this portfolio from the Communities, Social Security & Equalities portfolio at the 2016-17 Autumn Budget Revision.

### What the budget does

The Finance & Constitution budget covers a broad range of important functions ranging from delivering public information to the implementation of the new powers in the Scotland Act 2016.

Good communication lies at the heart of any competent and ambitious organisation and especially one which has committed to becoming Scotland's most open and accessible government. Insightful, creative and effective engagement with the public, with partners, with stakeholders and with staff helps to raise awareness, shift attitudes and change behaviours. It has the power to improve lives.

Under the Fiscal Framework, the UK Government agreed to provide a contribution towards the costs which the Scottish Government will incur in developing its existing, or establishing new, operations required to support the devolution of further powers under the Scotland Act 2016.

The agreed sums are: £200 million non-baselined transfer towards 'one off' implementation costs; and £66 million baselined transfer each year towards the

annual running costs of those operations. The first tranche of funding – £100 million for implementation and £22 million for running costs – will form part of the Scottish Government’s budget in 2017-18. Further discussions will take place in 2017 to agree the timetable for transferring the remaining funds in future years.

During 2017-18 the Cabinet Secretary for Finance and the Constitution will agree with Cabinet Secretaries detailed allocations of those funds to portfolios responsible for implementing the new powers. Some initial allocations have been made to support ongoing activity in support of the transfer of powers, and £80 million is included in the Finance and the Constitution Portfolio for this purpose.

Other associated transfers to fund the transfer of powers set out in the Act where activity is commencing in 2017-18 are reflected in the appropriate portfolio chapters.

The £30 million budget to cover the capital borrowing repayments reflects our estimated repayment costs for planned borrowing in 2016-17, although final figures for this commitment will not be settled until the end of 2016-17.

The SFT will continue to work to enhance value for money from infrastructure investment across the public sector in Scotland. This includes working in partnership with others to progress delivery of the extended pipeline of revenue funded investment and support other innovative ways of financing and procuring infrastructure.

The next local government elections will be held in May 2017. Local government councillors in Scotland are elected by the single transferrable vote (STV) system of proportional representation. Due to the complex calculations involved in the system of STV used for local government elections, electronic counting is used. A project to deliver e-counting is being taken forward by the Scottish Government, the 32 local authorities and the contracted e-counting supplier, CGI.

The Government’s procurement shared services support the delivery of procurement reform across the public sector. Public procurement in Scotland delivers value that goes well beyond financial savings, which includes:

- improving supplier access to public contracts, particularly for small and medium sized enterprises (SMEs);
- maximising efficiency and collaboration; and
- placing the local, social and economic aspects of sustainability at the heart of the purchasing process.

Our procurement shared services provide cost effective, fast and reliable services and systems across the public sector. These:

- reduce risk;
- increase efficiencies, collaboration and financial savings;
- free up resources for public bodies to focus on making their own improvements; and
- simplify how government interacts with businesses.

Scottish Government-led procurement has delivered:

- some £753 million of savings from 2008-09 to 2015-16 and is on track to deliver another £100 million savings in 2016-17;
- over 3,500 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'.

In 2017-18 we will:

- fund the implementation and operation of the financial provisions in the Scotland Act 2016 and the ongoing operation of the powers devolved under Scotland Act 2012;
- continue to pursue the most cost-effective means of communications that deliver tangible results and outcomes;
- continue to work with Scottish Futures Trust to improve the efficiency and effectiveness of infrastructure investment in Scotland;
- deliver £96 million of savings through Scottish Government-led procurement exercises;
- continue with the implementation of the Procurement Reform (Scotland) Act 2014 and the new European Procurement Directives to deliver social, economic and environmental benefits across the public sector;
- provide a suite of e-commerce shared services across the public sector;
- implement recommendations to reform the procurement of construction;
- cover Royal and Ceremonial events and tasks within Scotland; and
- support the delivery of the 2017 local government elections and any Scottish Parliamentary by-elections, should they be required.



---

# CHAPTER 6

## Education and Skills

---

### **PORTFOLIO RESPONSIBILITIES**

Education is our Government's defining mission: to improve the life chances of our children. The Education and Skills portfolio is responsible for government policy related to transforming the lives of our children and young people as well as developing and championing the social care workforce. This includes all aspects of early years provision; support for children and families; school education; further and higher education; university research, innovation and knowledge exchange; science; community and adult learning and development, and the promotion of Gaelic.

The Portfolio also has responsibility for producing a skilled workforce and providing opportunities for young people to move into sustained employment.

### **OUR PRIORITIES**

Our priorities cover three main themes. To ensure our children and young people get the best possible start in life, to raise standards in our schools and close the educational attainment gap and to create opportunities for all through widening access to higher, further and vocational education.

Our universal approach to prevention starts from the very earliest age. Our plan to provide a Baby Box to every baby born in Scotland is part of the early engagement of families. We will continue to invest in early learning and childcare (ELC) as we work towards delivering the increased entitlement of 1,140 hours a year by the end of this Parliament. Our vision is for this expansion to deliver high quality, flexible early learning and childcare which is affordable and accessible for all. This policy has huge potential to transform the lives of children and their families while improving the prospects of Scotland's economy.

We will continue to tackle inequalities and improve outcomes for our youngest and most disadvantaged children, including through the work of the Children and Young People Improvement Collaborative. In addition, as part of the Child Protection Improvement Programme, we are specifically improving practice within universal services to tackle neglect and are reviewing the Child Protection Systems.

Reflecting our broadening ambitions to tackle disadvantage and make significant, lasting improvements to the life chances of our most vulnerable children and young people, we have committed to undertake a 'root and branch' review of the care system. This will be driven by the voices and experiences of care-experienced young people themselves

and will ensure those children and young people who need corporate parents for any length of time are able to feel claimed and loved from the earliest point and through into adulthood.

We will continue to pursue the twin goals of raising standards for all and closing the attainment gap through the implementation of our National Improvement Plan. By investing resources through our Attainment Scotland Fund, we will target funding at schools and local authorities in greatest need. We will include significant additional resource through the Pupil Equity Funding programme increased to £120 million for 2017-18 – £20 million more than previously planned. We will also empower teachers, schools and communities with the tools required to deliver for our children and young people. We will reduce workloads for teachers including the removal of mandatory unit assessments at National 5, Highers and Advanced Highers over the next three years. We will gather information on achievement of Curriculum for Excellence levels, based on a system of teacher judgement supported, next year, by the new national standardised assessments. This will help teachers identify individual progress and help everyone to focus efforts where they are most needed. Our continuing work through dedicated programmes such as Read, Write, Count will provide parents and families with resources to support learning from an early age.

We will continue to invest in the quality of our teaching profession by creating opportunities for teachers to undertake high quality professional learning, while encouraging the development of high performing school leaders in conjunction with the Scottish College for Educational Leadership. We will attract more talented graduates into the profession and will work with the universities and the General Teaching Council for Scotland to diversify the available routes to teaching. We will also continue to invest in Scotland's school estate through the Schools for the Future programme.

As announced in the 'Programme for Government', we will review the 15-24 learner journey to ensure young people are supported to make well-informed choices and can achieve the best qualifications and outcomes. The learner journey review aims to further improve the post-16 system, enabling young people to access the right options and move more easily through the system towards employment. This will sit alongside the Developing Scotland's Young Workforce Programme, which is taking forward our ambitions to equip our young people with the skills, experiences and qualifications needed to secure positive destinations after they leave school.

Our college sector provides a modern, responsive and valued part of our education and training system. We will increase our investment in our college sector to ensure that it continues to add real value to our economy and offer opportunities to adults of all ages. We will continue to maintain at least 116,000 full-time equivalent college places.

This Government believes in access to higher education being based on a student's ability to learn, not their ability to pay. We will continue to protect free university tuition for all eligible undergraduates. Our widening access programme will support our ambition that a child born today in one of our most deprived communities will have the same chance of getting to university as a child from one of the most well-off parts of our country. We are currently enabling an independent review of student support to make sure the system is fair and effective. We will protect the core teaching grant, research grant and funding available to support widening access in the higher education sector.

This Government will continue to expand the provision of apprenticeships in Scotland, increasing the number of Modern Apprenticeships toward our target of 30,000 starts a year by 2020 – and expanding both Graduate Level Apprenticeships and Foundation Apprenticeships. In addition this portfolio will continue to support expanded entitlement to Education Maintenance Allowances, work with industry to enhance links between Scotland’s education and employer communities, provide a range of support for young people facing barriers to employment and, working with our colleges, will contribute to the development of a new Flexible Workforce Development Fund.

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

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Learning	201.5	211.6	217.0
Children and Families	117.2	109.2	167.2
Advanced Learning and Science	6.7	4.8	6.2
Scottish Funding Council	1,652.1	1,742.5	1,734.8
Higher Education Student Support (HESS)	876.3	854.3	940.0
Skills and Training	232.6	230.9	223.7
<b>Total Level 2</b>	<b>3,086.4</b>	<b>3,153.3</b>	<b>3,288.9</b>
<i>of which:</i>			
DEL Resource	2,607.6	2,676.0	2,674.5
DEL Capital	85.5	85.5	157.4
Financial Transactions	14.0	12.5	14.0
AME	379.3	379.3	443.0
<b>Central Government Grants to Local Authorities</b>	<b>4.5</b>	<b>4.5</b>	<b>124.5</b>

**Table 6.02: Spending Plans (Level 2 real terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Learning	201.5	211.6	213.9
Children and Families	117.2	109.2	164.8
Advanced Learning and Science	6.7	4.8	6.1
Scottish Funding Council	1,652.1	1,742.5	1,710.0
HESS	876.3	854.3	926.5
Skills and Training	232.6	230.9	220.5
<b>Total Level 2</b>	<b>3,086.4</b>	<b>3,153.3</b>	<b>3,241.8</b>
<i>of which:</i>			
DEL Resource	2,607.6	2,676.0	2,636.2
DEL Capital	85.5	85.5	155.1
Financial Transactions	14.0	12.5	13.8
AME	379.3	379.3	436.7
Central Government Grants to Local Authorities	4.5	4.5	122.7

## Learning

**Table 6.03: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
People and Infrastructure	67.5	53.3	76.8
Strategy and Performance	48.1	69.6	65.7
Learning and Support	36.7	32.9	27.1
Gaelic	23.2	24.3	23.2
Education Scotland	23.3	28.7	21.5
Education Analytical Services	2.7	2.8	2.7
<b>Total</b>	<b>201.5</b>	<b>211.6</b>	<b>217.0</b>
<i>of which:</i>			
DEL Resource	170.8	182.4	190.6
DEL Capital	26.7	26.7	22.4
Financial Transactions	4.0	2.5	4.0
AME	-	-	-

## What the budget does

The majority of expenditure on school education in Scotland is funded by local authorities from budgets outlined in the Communities, Social Security and Equalities chapter. The Learning budget will support excellence and equity in Scottish education through targeted national programmes and related support. This budget includes implementation of the priorities set out in the Delivery Plan for Scottish Education – closing the attainment gap; a curriculum which delivers; and empowering teachers, schools and communities. The budget will also continue to support the Attainment Scotland Fund which is providing targeted investment of £750 million over the lifetime of this Parliament, to schools and local authorities as part of the Scottish Attainment Challenge programme. The Draft Budget will also facilitate the delivery of programmes, such as Read, Write, Count, to drive up levels of literacy and numeracy across our schools, and support delivery of National Qualifications.

In 2017-18 we will:

- allocate additional funding, within the overall spend of £750 million in this Parliament, to support the delivery of the Scottish Attainment Challenge through the Attainment Scotland Fund which will focus on targeted improvements in literacy, numeracy and health and wellbeing;
- fund the introduction of national standardised assessment at primaries 1, 4 and 7 and in the third year of secondary school;
- fund the continuing implementation of the National Improvement Framework and the provision of data and evidence to support improvement, including the measurement and closing of the attainment gap;
- provide £19 million capital funding to invest in the Schools for the Future programme to contribute to the delivery of new or improved schools across Scotland;
- ensure that we develop the right number of new teachers whilst maintaining teacher numbers and investing to strengthen the skills of the existing workforce, investing in new routes to teaching and high quality professional learning;
- provide support for continued curricular development including literacy, numeracy, STEM and languages;
- act on the findings of the Governance Review of Scottish Education by continuing to support the delivery of Scotland’s approach to learning and teaching;
- provide funding for bodies and projects which maintain momentum in the use of Gaelic and increase the numbers speaking, learning and using Gaelic; and
- support our manifesto commitments to grow Gaelic education by aiding the delivery of wide-ranging Gaelic establishments through the Gaelic capital fund and implementation of legal duties.

## Children and Families

**Table 6.04: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Care and Justice	32.6	32.7	37.4
Care and Protection*	23.3	18.2	12.5
Disclosure Scotland	0.8	1.8	5.3
Creating Positive Futures	43.7	36.6	92.8
Office of the Chief Social Work Adviser	16.8	19.9	19.2
<b>Total**</b>	<b>117.2</b>	<b>109.2</b>	<b>167.2</b>
<i>of which:</i>			
DEL Resource	113.1	105.1	127.1
DEL Capital	4.1	4.1	40.1
AME	-	-	-

\*In 2017-18 £10.1 million Kinship Allowances allocation permanently moved from Care and Protection budget into Local Government budget.

\*\*2016-17 ABR budget figures reflect internal restructuring within Children and Families and budget transfer to local government for CYP (Scotland) Act 2014 implementation.

### What the budget does

The Children and Families budget supports a broad range of activity to improve outcomes for children, young people and families. Our approach, underpinned by the UN Convention on the Rights of the Child, is founded on the vision and practice of Getting it Right for Every Child (GIRFEC) to enable children and families to realise their potential and interrupt generational disadvantage. It empowers those working with children and families to operate across professional boundaries to provide support and to identify and address need at the earliest opportunity to prevent problems escalating.

We will continue to focus on supporting early intervention and prevention through strengthened universal entitlements to health and education, underpinned by partnership working around the child. We will drive improvement through the multi-agency work of the Children and Young People's Improvement Collaborative and build capacity including by supporting the third sector through the Children, Young People and Families Early Intervention Fund.

We are also investing in building capacity in targeted services to improve outcomes for the most vulnerable, with a focus on building relationships to achieve lasting change.

In 2017-18 we will:

- deliver a Baby Box offering essential items for a child's first weeks to the families of all newborn babies in Scotland, to promote the fair and equal start we want for every child regardless of circumstance;
- bring together health, social care and education to produce a Child and Adolescent Health and Wellbeing Strategy;
- continue to invest in a high quality early learning and childcare sector, including starting to build the capacity required to double provision of fully funded ELC to 1,140 hours by 2020;
- implement the Getting it Right for Looked After Children Strategy and commence a 'root and branch' review of the care system to consider broader systemic change, focusing on the transformative power of long-term, nurturing relationships;
- implement our refreshed youth justice strategy: 'Preventing Offending – Getting it Right for Children and Young People';
- provide strengthened protection and care for children at risk through more effective evidence-based interventions, earlier permanence, better support for carers and embedding our collective approach to corporate parenting;
- as part of the Child Protection Improvement Programme, improve practice within universal services to tackle neglect; and review the Child Protection Systems;
- continue investment in the third sector to support the delivery of vital services to those children and families who need them most;
- support delivery of the children's hearings system via Children's Hearings Scotland and Scottish Children's Reporter Administration;
- maintain our commitment to upskilling and raising the quality of the social service workforce including through our support for full delivery of the functions of the social services workforce regulator – the Scottish Social Services Council;
- drive and support implementation of the Social Services Shared Vision and Strategy;
- support the implementation of key provision in the Children and Young People (Scotland) Act 2014; and
- continue to meet the full costs of the Scottish Child Abuse Inquiry as required by the Inquiries Act 2005 and ensure that it operates independently of government.



## Advanced Learning and Science

**Table 6.05: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Qualifications and Accreditation	2.2	0.6	1.7
Higher Education	1.5	1.2	1.5
Office of the Chief Scientific Adviser	3.0	3.0	3.0
<b>Total</b>	<b>6.7</b>	<b>4.8</b>	<b>6.2</b>
<i>of which:</i>			
DEL Resource	6.7	4.8	6.2
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

The Advanced Learning and Science budget principally supports policy and development relating to qualification accreditation; science promotion and international mobility opportunities to enhance employability for students. It also provides funding for the promotion of the Scottish Credit and Qualifications Framework.

This budget includes work to promote Scotland as a science and innovation nation and enables the Scottish Government to make best use of science advice and knowledge. This includes support for science engagement and promotion across Scotland, through our science centres and science festivals.

In 2017-18 we will:

- build on the work of the Chief Scientific Adviser and the Scottish Science Advisory Council to ensure we make best use of science advice, knowledge and techniques.

## Scottish Funding Council

**Table 6.06: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
College Operational Expenditure	715.1	721.4	741.3
College Operational Income	(184.8)	(184.8)	(190.0)
<b>Net College Resource</b>	<b>530.3</b>	<b>536.6</b>	<b>551.3</b>
College NPD expenditure	24.4	24.4	29.1
College Depreciation Costs	-	30.0	30.1
Higher Education (HE) Resource*	1,027.2	1,081.3	1,013.9
College Capital Expenditure	50.0	50.0	70.4
College Capital Receipts	(23.0)	(23.0)	(23.0)
<b>Net College Capital</b>	<b>27.0</b>	<b>27.0</b>	<b>47.4</b>
Higher Education Capital	25.7	25.7	45.5
Higher Education Financial Transactions	10.0	10.0	10.0
Scottish Funding Council Administration	7.5	7.5	7.5
<b>Total</b>	<b>1,652.1</b>	<b>1,742.5</b>	<b>1,734.8</b>
<i>of which:</i>			
DEL Resource	1,589.4	1,679.8	1,631.9
DEL Capital	52.7	52.7	92.9
Financial Transactions	10.0	10.0	10.0
AME	-	-	-

\*The HE resource budget was adjusted at the Autumn Budget Revision to take into account a number of funding transfers from across government. These include an annual increase to HE funding to deliver nursing places which was £54 million in 2016-17.

### What the budget does

The Scottish Funding Council (SFC) budget invests in Scotland's further and higher education sector. Scottish Government funding combines with other sources of complementary investment secured by colleges and universities to deliver teaching, research and innovation activities that can accelerate Scotland's productivity and economic growth. The budget will also support the implementation of Developing the Young Workforce.

In 2017-18 we will:

- increase our investment in our college sector to ensure that it continues to add real value to our economy and offer opportunities to adults of all ages;
- increase overall investment in our university sector to support our universities to continue to make a significant contribution to Scottish society, culture and economy;
- maintain at least 116,000 full-time equivalent college places;

- provide capital funding to both the college and university sectors to support research and infrastructure investment;
- ensure that no eligible Scottish or EU domiciled undergraduate student has to pay for access to higher education;
- drive progress on implementation of the recommendations made by the Commission on Widening Access;
- introduce an expanded taught postgraduate support package comprising a tuition fee and a living cost loan;
- continue to support our Innovation Centres to assist in the commercialisation of world-class research;
- work in partnership with our colleges and universities to improve Scotland's skills base; to enhance knowledge exchange; and to maximise the impact of research and innovation in line with the recommendations of the Enterprise and Skills Review; and
- continue to work with the college and university sectors, with students and trade unions to ensure our colleges and universities reflect the highest possible principles of good governance.

## Higher Education Student Support

**Table 6.07: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Student Support and Tuition Fee Payments	301.6	328.0	301.6
Student Loan Company Administration Costs	4.5	4.4	4.2
Student Loan Interest Subsidy to Bank	3.0	3.0	2.0
Cost of Providing Student Loans (RAB charge)	175.6	125.6	175.6
SAAS Operating Costs Resource	10.3	12.0	11.6
SAAS Operating Costs Capital	2.0	2.0	2.0
<b>SAAS DEL Total</b>	<b>497.0</b>	<b>475.0</b>	<b>497.0</b>
<b>AME</b>			
Net Student Loans Advanced	491.3	491.3	560.0
Capitalised Interest	(55.0)	(55.0)	(60.0)
Student Loans Fair Value Adjustment	(60.5)	(60.5)	(57.5)
Student Loan Sale Subsidy Impairment Adjustments	3.5	3.5	0.5
<b>HESS AME Total</b>	<b>379.3</b>	<b>379.3</b>	<b>443.0</b>
<b>Total</b>	<b>876.3</b>	<b>854.3</b>	<b>940.0</b>
<i>of which:</i>			
DEL Resource	495.0	473.0	495.0
DEL Capital	2.0	2.0	2.0
AME	379.3	379.3	443.0

### 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 Scotland (SAAS).

The Annually Managed Expenditure (AME) figures are forecasts of the amount of funding anticipated for student loans.

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 student loans Resource Accounting and Budgeting (RAB) charge is non-cash ringfenced resource to cover the cost of providing student loans and cannot be used for any other purpose.

In 2017-18 we will:

- continue to deliver a minimum income guarantee of £7,625 in maintenance support for students from households with an annual income of £19,000, made up of a mixture of bursary and loans;
- introduce a new enhanced support package for taught postgraduate students. Eligible students will be able to access a total student loan package of £10,000, to assist them to take up on any taught postgraduate course at a Scottish higher education institutions up to full Masters level; and
- enable a thorough independent review of the student support system for students in further and higher education in Scotland.

## Central Government Grants to Local Authorities

**Table 6.08: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Local Government Gaelic Grant	4.5	4.5	4.5
Local Government Attainment Grant	-	-	120.0
<b>Total</b>	<b>4.5</b>	<b>4.5</b>	<b>124.5</b>
<i>of which:</i>			
DEL Resource	4.5	4.5	124.5
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

This budget supports local authorities with any additional costs associated with the delivery of Gaelic education and Gaelic-medium education in Scotland. There are currently twenty-two authorities in receipt of grant from this fund for a wide range of Gaelic education programme and projects.

This budget also provides additional resource to be made available through the Attainment Scotland Fund.

In 2017-18 we will:

- support local authorities with implementing the Gaelic provisions in the Education (Scotland) Act 2016; and
- increase the additional resource to be made available through the Attainment Scotland Fund from £100 million to £120 million which will be paid as a ring-fenced grant as part of the local government settlement. This is on top of the existing £50 million Attainment Scotland funding that will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

## Skills and Training

**Table 6.09: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Skills Development Scotland (SDS)*	176.1	186.4	179.6
Employment and Training Interventions**	56.5	44.5	44.1
<b>Total</b>	<b>232.6</b>	<b>230.9</b>	<b>223.7</b>
<i>of which:</i>			
DEL Resource	232.6	230.9	223.7
DEL Capital	-	-	-
AME	-	-	-

\* The Budget reflects a number of regular in-year transfers made to SDS, including funding to support the Employability Fund and Scotland's Employer Recruitment Incentive.

\*\* Previously Youth Employment Support Initiatives. Includes funding for Education Maintenance Allowance and the budget for 2017-18 is in line with the recent spending trends. EMA is an entitlement in Scotland which means that any applicant who meets the eligibility criteria will receive financial support.

### What the budget does

This budget supports Skills Development Scotland to deliver interventions including Modern Apprenticeships, pre-employment training, careers services, and play a central role in the implementation of Developing the Young Workforce (DYW). The budget also funds Education Maintenance Allowances which support young people to remain in education and other programmes which are aligned with the DYW Strategy, to support young people into employment, education or training. Key elements of this budget underpin the Scottish Government's response to the introduction of the UK Apprenticeship Levy.

In 2017-18 we will:

- support the continued expansion of Modern Apprenticeships as a step towards providing 30,000 starts by 2020;
- support the ongoing implementation of Modern Apprenticeship Equality Action Plan to increase participation by under-represented groups;
- maintain delivery of the Education Maintenance Allowance as an entitlement in Scotland to ensure young people from financially disadvantaged households receive support to overcome financial barriers to stay in school, college and Activity Agreements;
- continue to invest in the Inspiring Scotland 14-19 Fund which supports young people to make the transition into education, training or employment;
- continue to tackle structural issues and help challenge inequalities and under-representation in the labour market, by supporting people who face barriers to education, training or employment, in partnership with employers, local authorities and the third sector; and
- contribute to a new Flexible Workforce Development Fund to help meet the skills needs of the existing workforce.

---

# CHAPTER 7

## Justice

---

### **PORTFOLIO RESPONSIBILITIES**

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

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

The Justice portfolio provides a range of vital public services 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. It contributes towards tackling inequalities by helping to build safer communities, by reducing re-offending, supporting victims and preventing unintentional harm.

The Scottish Government continues to deliver radical reforms to Scotland's justice system, to improve access to justice and efficiency and to safeguard public safety. This includes major reforms implemented to Scotland's courts; securing the benefits of reform to police and fire services; and creating a new body for national leadership in community justice. This radical reform of public services has focused attention on preventative approaches and community-based solutions to tackle the root causes of crime and help communities and individuals to achieve their full potential. We have maintained access to justice for individuals through the Legal Aid system. Through the Fire and Rescue Framework (2016), we are promoting and encouraging the next phase of transformative reform of the fire and rescue service in Scotland.

### **OUR PRIORITIES**

#### **Safer Communities**

We will continue to support a modern and effective police service to ensure the safety and security of Scotland's people and communities, and will ensure that Scotland is appropriately and proportionately ready and able to address a sustained high level of terrorist threat and deal with violent extremism.



Working with the Scottish Fire and Rescue Service we will continue to reduce the harm from fires and other emergencies, through a focus on prevention and shared service initiatives.

Building on the success of police and fire reform we will work collaboratively on the plans of the Scottish Police Authority, Police Scotland and the Scottish Fire and Rescue Service for further transformation of these services.

Developing and maintaining resilience in Scotland requires a flexible and adaptive approach. We will continue to develop community resilience, building on themes of empowerment and preparedness through identifying trends and new risks, prevention, planning, response and recovery to ensure that the people of Scotland are able to cope both with potential disasters such as fire, flood or climate change, and with the everyday challenges and risks faced by families in need. We will collaborate with partners to ensure we have the capacity and capability to tackle the threat posed by terrorism, organised crime and the developing cyber security threat. We will also continue to build safer communities, reducing violence and harm.

### **Veterans**

We are committed to help former Service personnel and their families. Funding will be maintained for the Scottish Veterans' Commissioner and other measures to support veterans, primarily through the Scottish Veterans' Fund.

### **Domestic abuse and violence against women**

We will continue to strengthen the justice system response to tackle and prevent the unacceptable levels of violence against women and girls in Scottish society, including by creating a specific offence of domestic abuse and supporting advocacy and other services for victims and their families.

### **Community Justice: reducing re-offending**

We will work with our new national body, Community Justice Scotland, and local partners, including the third sector, to support robust sentencing options and greater diversion, where appropriate. This will include a 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 will support efforts for increasing the use of and confidence in community services, including the expansion of electronic monitoring.

With the Scottish Prison Service we will continue work on our innovative approach to addressing female offending through progressing both the design of a new, smaller, women's national facility as well as local, multi-disciplinary, community custody units.

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

## Justice Reform

We will continue to improve the administration of justice. As part of our approach we will make best use of digital technology to enable and transform the services we provide for users of the justice system. We will continue to transform civil and administrative justice by securing the benefits of reform to the courts and tribunal systems and improving processes to make them more cost effective, efficient and accessible. We will continue work to facilitate the transfer of administrative responsibilities for reserved tribunals, including employment tribunals.

## Victims and Witnesses

We will continue to support the efficient investigation and prosecution of crimes. We will work to ensure that victims and witnesses (and particularly child and vulnerable witnesses) have positive experiences of, and confidence in, the justice system.

## Human trafficking

We will publish and implement Scotland's first human trafficking and exploitation strategy, with the explicit vision of eliminating human trafficking and exploitation through actions to identify victims and support them to recovery, identify perpetrators and disrupt their activity, and address the conditions that foster trafficking and exploitation.

**Table 7.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Community Justice Services	30.7	26.6	33.6
Judiciary	40.5	32.0	31.6
Criminal Injuries Compensation	17.5	17.5	17.5
Legal Aid	136.9	138.4	137.2
Scottish Police Authority	1,069.6	1,069.8	1,092.4
Scottish Fire and Rescue Service	294.7	294.4	316.4
Police Central Government	80.4	79.1	92.9
Safer and Stronger Communities	7.1	5.1	4.1
Police and Fire Pensions	350.6	350.6	350.6
Scottish Prison Service	357.2	355.7	361.0
Miscellaneous	38.2	42.6	37.4
Scottish Courts and Tribunals Service	88.9	102.0	105.6
<b>Total Level 2</b>	<b>2,512.3</b>	<b>2,513.8</b>	<b>2,580.3</b>
<i>of which:</i>			
DEL Resource	2,437.5	2,439.0	2,488.8
DEL Capital	74.8	74.8	91.5
AME	-		
<b>Central Government Grants to Local Authorities</b>	<b>86.5</b>	<b>88.0</b>	<b>86.5</b>

**Table 7.02: Spending Plans (Level 2 Real Terms) at 2016-17 Prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Community Justice Services	30.7	26.6	33.1
Judiciary	40.5	32.0	31.1
Criminal Injuries Compensation	17.5	17.5	17.2
Legal Aid	136.9	138.4	135.2
Scottish Police Authority	1,069.6	1,069.8	1,076.8
Scottish Fire and Rescue Service	294.7	294.4	311.9
Police Central Government	80.4	79.1	91.6
Safer and Stronger Communities	7.1	5.1	4.0
Police and Fire Pensions	350.6	350.6	345.6
Scottish Prison Service	357.2	355.7	355.8
Miscellaneous	38.2	42.6	36.9
Scottish Courts and Tribunals Service	88.9	102.0	104.1
<b>Total Level 2</b>	<b>2,512.3</b>	<b>2,513.8</b>	<b>2,543.4</b>
<i>of which:</i>			
DEL Resource	2,437.5	2,439.0	2,453.2
DEL Capital	74.8	74.8	90.2
AME	-	-	-
Central Government Grants to Local Authorities	86.5	88.0	85.3

**Community Justice Services****Table 7.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Offender Services	29.8	25.6	30.4
Miscellaneous	0.9	1.0	3.2
<b>Total</b>	<b>30.7</b>	<b>26.6</b>	<b>33.6</b>
<i>of which:</i>			
DEL Resource	30.7	26.6	33.6
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

This budget includes funding for Community Justice Scotland, the Risk Management Authority and to support offenders who are serving community-based sentences, electronic monitoring of offenders (e.g. through Restriction of Liberty Orders) and offender mentoring services.

In 2017-18 we will continue to:

- support robust community disposals, such as community payback orders;
- support services to meet the needs of women offenders;
- progress the recommendations of the expert Electronic Monitoring Working Group to expand access to electronic monitoring; and
- support projects aimed at reducing the cycle of repeat offending.

### Judiciary

**Table 7.04: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Judicial Salaries*	30.6	30.6	30.6
Judiciary**	9.9	1.4	1.0
<b>Total</b>	<b>40.5</b>	<b>32.0</b>	<b>31.6</b>
<i>of which:</i>			
DEL Resource	40.5	32.0	31.6
DEL Capital	-	-	-
AME	-	-	-

\*This is non-voted spend which is met from the Scottish Consolidated Fund but is also part of the Department spending limit.

\*\*From 1 April 2016 the judicial pensions element of the Judiciary line sits with the Scottish Courts and Tribunals Service.

### What the budget does

The Judicial Salaries budget is allocated from the Scottish Consolidated Fund to meet the salary costs of judicial office holders in Scotland.

The Judiciary budget 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 and the Auditor of the Court of Session.

From 1 April 2016, the responsibility for Judicial Salaries (payable from the Scottish Consolidated Fund) and Judicial Pensions transferred to the Scottish Courts and Tribunals Service.

## Criminal Injuries Compensation

**Table 7.05: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Administration Costs	2.7	2.7	2.7
CIC Scheme	14.8	14.8	14.8
<b>Total</b>	<b>17.5</b>	<b>17.5</b>	<b>17.5</b>
<i>of which:</i>			
DEL Resource	17.5	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 2017-18 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.

### Legal Aid

**Table 7.06: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Administration	10.8	11.2	11.1
Fund*	126.1	127.2	126.1
<b>Total</b>	<b>136.9</b>	<b>138.4</b>	<b>137.2</b>
<i>of which:</i>			
DEL Resource	136.8	138.3	137.1
DEL Capital	0.1	0.1	0.1
AME	-	-	-

\*The 2016-17 Budget includes £1.1million transferred to the Board for a grant-funded programme for advice services.

### What the budget does

The Fund element of this budget pays for demand-led legal aid provision in Scotland, which is administered by the Scottish Legal Aid Board ('the Board'), an Executive Non-Departmental Public Body. It also enables the Board to:

- develop a network of Board-employed solicitors who provide criminal legal advice and representation (Public Defence Solicitors Office) and to develop and monitor advice services on civil matters using Board-employed solicitors (Civil Legal Assistance Offices); and
- administer grant-funded advice services, including the In Court Advice projects.

The Administration element enables the Board to meet its staffing and accommodation costs, as well as cover costs relating to various matters including researching and analysing the operation of legal aid, the trends and the impact on the wider justice system. It also includes a budget allocation to meet the Board's capital expenditure.

In 2017-18 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 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 7.07: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Police Authority	1,069.6	1,069.8	1,092.4
<b>Total</b>	<b>1,069.6</b>	<b>1,069.8</b>	<b>1,092.4</b>
<i>of which:</i>			
DEL Resource	1,053.4	1,053.6	1,072.4
DEL Capital	16.2	16.2	20.0
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 of Scotland that reflects the needs of local communities.

In 2017-18 we will:

- protect the revenue budget of the SPA in real terms;
- work with the SPA and Police Scotland to strengthen the community focus of policing in line with the Strategic Policing Priorities;
- ensure that Police Scotland has the right mix and numbers of officers and staff, including more specialists in cyber-crime and counter fraud to respond to the changing nature of crime; and
- continue to support police services, including community policing, specialist support, training, forensic services, ICT and criminal records, tackling serious and organised crime, drug enforcement and counter terrorism.

The capital budget for 2017-18 will support the police in delivering key components of their capital plan.

### Scottish Fire and Rescue Service

**Table 7.08: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Fire and Rescue Service	294.7	294.4	316.4
<b>Total</b>	<b>294.7</b>	<b>294.4</b>	<b>316.4</b>
<i>of which:</i>			
DEL Resource	283.9	283.6	283.9
DEL Capital	10.8	10.8	32.5
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 sectors and communities on fire safety, prevention, protection and emergency response to improve the safety and wellbeing of the people of Scotland. The Scottish Fire and Rescue Service priorities are contained within its Strategic and Annual Plan, which aligns with the Fire and Rescue Framework for Scotland 2016.



In 2017-18 we will:

- ensure that the full benefits of fire reform continue to be delivered across the communities of Scotland;
- explore opportunities for SFRS to make a wider contribution to public sector outcomes through working more closely with other emergency services; and
- work with SFRS to deliver the Fire and Rescue Framework for Scotland 2016.

## Police Central Government

**Table 7.09: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Police Support Services	0.1	0.1	0.1
National Funding and Police Change*	80.3	79.0	92.8
<b>Total</b>	<b>80.4</b>	<b>79.1</b>	<b>92.9</b>
<i>of which:</i>			
DEL Resource	62.6	61.3	85.4
DEL Capital	17.8	17.8	7.5
AME	-	-	-

\*Funding for the Scottish Government's contribution to the Home Office-led Emergency Service Mobile Communications Plan (ESMCP) has transferred from Miscellaneous to Police Central Government.

## What the budget does

The Police Central Government budget for 2017-18 includes funding for the Police Investigations and Review Commissioner and Airwave. It also supports the police change and reform programmes.

In 2017-18 we will:

- continue to support the work of the Police Investigation and Review Commissioner;
- support Police Scotland and the SPA in transforming the service, reflecting the changing nature of crime and society;
- fund the core Airwave communications system for police in Scotland; and
- ensure Scotland's participation in the GB-wide Emergency Services Mobile Communication Programme to deliver next-generation telecommunications capability for the Emergency Services in Scotland.

## Safer and Stronger Communities

**Table 7.10: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Safer Communities	5.1	5.1	4.1
Drug Misuse*	2.0	-	-
<b>Total</b>	<b>7.1</b>	<b>5.1</b>	<b>4.1</b>
<i>of which:</i>			
DEL Resource	7.1	5.1	4.1
DEL Capital	-	-	-
AME	-	-	-

\*Responsibility for Drug Misuse now sits within the Health and Wellbeing Portfolio.

### What the budget does

This budget supports a range of initiatives to build safer communities, reduce violence, tackle sectarianism and prevent misuse of guns and other crime.

In 2017-18 we will:

- through our Building Safer Communities programme, work to reduce the number of victims of crime and unintentional injury, and reduce fear of crime, violence and anti-social behaviour by tackling its root causes;
- fund violence reduction educational programmes and anti-violence initiatives to build strong and resilient communities; and
- continue to develop our understanding of what works to combat sectarianism, hate crime and behaviours that lead to these.

## Police and Fire Pensions

**Table 7.11: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Police Pensions	278.4	278.4	278.4
Fire Pensions	72.2	72.2	72.2
<b>Total</b>	<b>350.6</b>	<b>350.6</b>	<b>350.6</b>
<i>of which:</i>			
DEL Resource	350.6	350.6	350.6
DEL Capital	-	-	-
AME	-	-	-

## What the budget does

This budget provides funding to the Scottish Police Authority and the Scottish Fire and Rescue Service to contribute towards the pension costs of retired police and fire officers.

In 2017-18 we will meet our obligations to provide for these pensions in full.

## Scottish Prison Service

**Table 7.12: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Operating Expenditure	347.2	345.7	345.2
Capital Spending	10.0	10.0	15.8
<b>Total</b>	<b>357.2</b>	<b>355.7</b>	<b>361.0</b>
<i>of which:</i>			
DEL Resource	347.2	345.7	345.2
DEL Capital	10.0	10.0	15.8
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 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.

In 2017-18 we will:

- contribute to public service reform in Scotland by ensuring that SPS is equipped for the future through the delivery of our programme of transformational change arising from the SPS Organisational Review;
- take forward the Strategy for the Management of Women in Custody including the development of a smaller national facility at HM Prison Cornton Vale and the design of innovative community-based custody units for women;
- contribute to the Scottish Government's defining mission to close the poverty related attainment gap through continuing to deliver our strategy for young people at HM YOI Polmont;
- support the National Community Justice Strategy in working to deliver better outcomes for offenders and communities through our work with partner organisations and the further development of our through-care support services;

- support the Scottish Government's vision for penal reform reflecting the values of a modern and progressive Scotland. We will continue to take forward work on the future of Scotland's prison estate; and
- work with partners to develop models of care and support for an ageing prison population with heightened social care needs.

## Miscellaneous

**Table 7.13: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Residential Accommodation for Children*	4.0	4.0	-
Safe and Secure Scotland**	16.2	16.2	8.8
Victim/Witness Support	5.4	5.4	15.8
Other Miscellaneous	12.6	17.0	12.8
<b>Total</b>	<b>38.2</b>	<b>42.6</b>	<b>37.4</b>
<i>of which:</i>			
DEL Resource	30.7	35.1	36.3
DEL Capital	7.5	7.5	1.1
AME	-	-	-

\*Funding for Residential Accommodation for Children has been transferred to the Education and Lifelong Learning portfolio.

\*\*Funding for the Scottish Government's contribution to the Home Office-led Emergency Service Mobile Communications Plan (ESMCP) has transferred from Miscellaneous to Police Central Government.

## What the budget does

This budget covers a wide range of smaller justice-related spending areas including the Scottish Law Commission, the Parole Board for Scotland and the Scottish Criminal Cases Review Commission. It also includes provision for Her Majesty's Inspectorate of Prisons in Scotland; Her Majesty's Chief Inspector of Fire and Rescue in Scotland; Her Majesty's Inspectorate of Constabulary in Scotland; Her Majesty's Chief Inspector of Prosecutions in Scotland; core funding for third sector organisations whose work supports the victims of crime; and support for the justice contribution to tackling violence against women and girls.

In addition, the budget supports work to build Scotland's resilience through improved multi-agency planning and response to emergencies. This budget also provides funding to support the delivery of the Scottish Government's commitment to the armed forces and veterans community in Scotland.

In 2017-18 we will:

- continue to lead on the development of vision, guidance, policy and training on resilience in Scotland recognising the challenges and risks that impact on Scotland;
- engage with Essential Services operators to encourage them to further protect and enhance the critical infrastructure resilience of their assets, systems, networks and people;
- support the delivery of the Scottish Government's commitment to the armed forces and veterans community in Scotland;
- fund voluntary organisations working in the criminal justice sector and meeting the need of victims of crime; and
- fund the justice contribution towards the delivery of the Equally Safe Strategy for preventing and eradicating violence against women and girls.

## Scottish Courts and Tribunals Service

**Table 7.14: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Operating Expenditure*	76.5	89.6	91.1
Capital	12.4	12.4	14.5
<b>Total</b>	<b>88.9</b>	<b>102.0</b>	<b>105.6</b>
<i>of which:</i>			
DEL Resource	76.5	89.6	91.1
DEL Capital	12.4	12.4	14.5
AME	-	-	-

\*From 1 April 2016, the budget includes funding for the administration of judicial pensions.

## What the budget does

The Scottish Courts and Tribunals Service (SCTS) provides the people, buildings and technology to support the judiciary, the courts, the tribunals and the Office of the Public Guardian. The SCTS is a Non-Ministerial Department, chaired by the Lord President.

In 2017-18, SCTS working with justice partners will:

- continue to deliver criminal justice reforms and improvements to sheriff and jury procedures; place digital innovation at the centre of service delivery to improve access to justice, support quicker outcomes and minimise physical appearance in courts, and develop a new approach to summary crime, using digital evidence and online case management;

- develop solutions that will better protect the interests of children and vulnerable witnesses;
- continue to transform civil justice by implementing new court rules and introducing technology-driven case management systems in civil courts and in the Office of the Public Guardian; and
- support the Scottish Tribunals through the creation of the new First-tier Tribunal for Scotland and the Upper Tribunal for Scotland, bringing existing tribunal jurisdictions together and providing a structure for new jurisdictions, including the work to enable the transfer of the current reserved Tribunals.

### Central Government Grants to Local Authorities

**Table 7.15: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Criminal Justice Social Work	86.5	88.0	86.5
<b>Total</b>	<b>86.5</b>	<b>88.0</b>	<b>86.5</b>
<i>of which:</i>			
DEL Resource	86.5	88.0	86.5
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

This ring-fenced funding supports local authorities in providing Criminal Justice Social Work (CJSW) services across Scotland. These services include supervising those offenders aged 16 and over who have been subject to a community disposal from the courts; providing reports to courts to assist with sentencing decisions; and providing statutory supervision (throughcare) for certain offenders on release from prison. There are also special services for certain key groups of offenders.

---

# CHAPTER 8

## Economy, Jobs and Fair Work

---

### **PORTFOLIO RESPONSIBILITIES**

Economy, Jobs and Fair Work is a wide-ranging portfolio. It has a crucial part to play in fulfilling our purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth. The portfolio is central to driving progress towards a more competitive and inclusive economy, improving Scotland's ability to withstand economic shocks, sustain higher employment, and to identify, plan for and seize opportunities to create better quality jobs and fairer work.

### **OUR PRIORITIES**

The portfolio works with key delivery partners to grow the economy through its support of businesses, entrepreneurship, trade, innovation, securing inward investment and the promotion of fair work. It is central to the implementation of the nationwide drive to implement economic and productivity growth.

Key to this is the portfolio's support of the energy sector including hydrocarbon production and renewable energy generation, whilst playing a key role in improvements in energy efficiency. We are committed to driving the decarbonisation of our economy more quickly than our competitors, developing the low carbon products and services that will be needed throughout the world in the future and creating new job opportunities.

The Scottish Government also recognises that for the Scottish economy to be genuinely sustainable it is imperative that social and geographic exclusion continues to be tackled, ensuring there is a broad contribution from every section of society in every area of Scotland. We continue to promote workplace policies that value our workforce, recognising that greater employee voice, security, opportunity, respect and fulfilment are directly linked to increasing inclusion and competitiveness.

These principles are at the heart of our approach to fair work and we will continue to support the work of the independent Fair Work Convention and to promote their Fair Work Framework to employers across the country.

In one of the first exercises of devolved powers under the Scotland Act 2016, the Scottish Government will begin to deliver new employment support programmes from April 2017.



Scotland's Labour Market Strategy, published earlier this year, sets out a package of measures which will support a resilient and fair labour market as well as detailing the outcomes we intend to measure to monitor progress in future.

A sustainable economic recovery will be built on higher levels of skills and participation, a key goal as we seek to help mitigate the impact of continued UK welfare reforms on unemployment and inactivity.

The portfolio's work is guided by the 'Scottish Economic Strategy' and by focusing on the two mutually supportive pillars of boosting competitiveness and tackling inequality. The strategy also established the four priorities which are vital to our approach to growing an inclusive economy:

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

## **Investing**

We will:

- further develop the city region deals we have agreed with Glasgow, Inverness and Aberdeen and make progress with deals for the Edinburgh city region, Stirling (and Clackmannanshire) and the Tay cities (Perth and Dundee together with Angus and the north of Fife). We will also encourage regions facing economic challenge to identify and deliver a vision for inclusive growth, beginning with the proposals being developed by the three Ayrshire Councils;
- implement our new Scotland's Energy Efficiency Programme (SEEP) with accompanying regulation to improve the energy efficiency of the building stock over the long term, helping reduce energy costs and tackling fuel poverty;
- continue to invest in Scotland's low carbon infrastructure through the Low Carbon Infrastructure Transition Programme and Scotland's Energy Efficiency Programme;
- continue working with business organisations, the UK Government and the Scottish Parliament to establish a new Scottish Growth Scheme focused on new and early-stage, high growth potential companies, with clear export growth plans. This will provide up to £500 million over three years of investment guarantees and loans;
- ensure SMEs have access to finance through the introduction of the SME Holding Fund, utilising European funding, to provide microcredit finance up to £25,000, loans up to £100,000 and equity investment up to £2 million through delivery partners in the public and private sector; and

- pass on the UK Government's guarantee on European structural funding in full meaning that all projects formally approved will be honoured should the UK leave the EU. We will continue to negotiate with the UK Government to ensure, in the event of the UK leaving the EU, future financial support for the range of initiatives currently supported by European funds is allocated on a fair and equitable basis across the UK.

## **Innovation**

We will:

- simplify and streamline innovation support, finance and administration. Through the Scotland CAN DO innovation forum, work with partners across the public, private and third sectors to deliver our innovation action plan that will focus on maximising the contribution that innovation makes to the economy;
- encourage more business innovation by communicating, celebrating and showcasing the best in Scottish innovation, creating an expanded and collaborative 'Scale Up' programme and improving support for supply chain and business-to-business innovation;
- drive innovation engagement across sectors and regions through actions such as maintaining Scotland's competitive advantage in the development and deployment of nascent wave and tidal energy technologies and offshore wind energy;
- equip people with the tools and skills to innovate by identifying innovative and productive workplace practices through the independent Fair Work Convention and supporting Scottish Enterprise to develop a workplace innovation service; and
- derive greater economic returns from Scotland's world class research base by supporting our network of innovation centres to use academic expertise to address real world business issues, helping them to raise their profile with businesses in Scotland and beyond.

## **International**

We will:

- progress the 'One Scotland' approach set out in our Trade and Investment Strategy, implementing 'Global Scotland - Scotland's Trade & Investment Strategy 2016-2021', driving forward our actions on growth sectors and continuing to target areas where we have a clear advantage, such as food and drink and tourism;
- double the number of people working for Scottish Development International across Europe to market Scotland as an open economy and welcoming society and to help companies expand internationally and attract investment to Scotland; and
- continue our work to establish new Innovation and Investment Hubs in London, Brussels, and Dublin. We will establish a further hub in Berlin.

## Inclusive Economic Growth

We will:

- take forward the recommendations within the enterprise and skills review, maintaining locally based and dedicated support managed by HIE in the Highlands and Islands and creating a new vehicle to meet the enterprise and skills needs of the south of Scotland;
- continue the shared mission between government, the trade unions and business on the promotion of fair work, working with the Fair Work Convention and through the Scottish Business Pledge to boost productivity, competitiveness, employment, and workforce engagement and development;
- continue to engage with stakeholders to develop detailed proposals for the implementation of a consumer and competition policy for Scotland;
- expand the level of support available to help local communities take control of their own energy through the Community and Renewable Energy Scheme (CARES) and the associated Local Energy Challenge Fund. This will include support for community investment in commercial schemes and negotiation of community benefits, as well as for directly-owned community projects; and
- continue to put fairness at the heart of our drive to boost the economy through our Labour Market Strategy, creating more and better jobs, promoting a real living wage and removing any barriers to work.

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

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Employability and Training	20.0	21.4	43.0
Enterprise and Energy	313.9	309.5	279.6
Accountant in Bankruptcy	1.2	1.2	1.2
Parliamentary Business and Government Strategy	33.9	33.8	60.8
European Regional Development Fund - 2014-20 Programmes	-	-	-
European Social Fund - 2014-20 Programmes	-	-	-
<b>Total Level 2</b>	<b>369.0</b>	<b>365.9</b>	<b>384.6</b>
<i>of which:</i>			
DEL Resource	230.5	227.5	246.9
DEL Capital	103.0	102.9	123.7
AME	-	-	-
Financial Transactions	35.5	35.5	14.0

**Table 8.02: Spending Plans (Level 2 Real Terms) at 2016-17 Prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Employability and Training	20.0	21.4	42.4
Enterprise and Energy	313.9	309.5	275.6
Accountant in Bankruptcy	1.2	1.2	1.2
Parliamentary Business and Government Strategy	33.9	33.8	59.9
European Regional Development Fund - 2014-20 Programmes	-	-	-
European Social Fund - 2014-20 Programmes	-	-	-
<b>Total Level 2</b>	<b>369.0</b>	<b>365.9</b>	<b>379.1</b>
<i>of which:</i>			
DEL Resource	230.5	227.5	243.4
DEL Capital	103.0	102.9	121.9
AME	-	-	-
Financial Transactions	35.5	35.5	13.8

### Employability and Training

**Table 8.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Employability and Training	20.0	21.4	43.0
<b>Total</b>	<b>20.0</b>	<b>21.4</b>	<b>43.0</b>
<i>of which:</i>			
DEL Resource	20.0	21.4	43.0
DEL Capital	-	-	-
AME	-	-	-
Financial Transactions	-	-	-

## What the budget does

The Employability and Training budget directly supports the Scottish Government's approach to employability and the essential role fair work plays in growing our economy. Tackling barriers to work, supporting training and promoting fairer work is essential to improve Scotland's economy and improve opportunities for all.

For our new range of employment services our focus will be on helping those further from the labour market, providing continuity of support for those who face multiple challenges in finding work. We will also work on a longer-term programme of joining up services to better align employability support in Scotland.

We will build on the work of the independent Fair Work Convention and this budget will continue to deliver a package of employment and training measures to support a resilient and inclusive labour market.

In 2017-18 we will:

- deliver a Scottish employment service from 1 April 2017 through transitional employment support services for some of the most vulnerable people in society, including disabled people and those with long-term health conditions, ahead of delivering full employment services in April 2018. To do this we have committed up to £20 million to support delivery in 2017-18;
- work to better align employability support in Scotland across the public sector, third sector and other delivery partners;
- continue with our successful 'Opportunities for All' commitment to support 16-19 year olds not already in education, training or employment and support the key component of local authority activity agreements;
- establish a flexible workforce development fund as part of a uniquely Scottish response to the introduction of the UK Government's Apprenticeship Levy;
- develop a new programme, to specifically support young people who have been in care into appropriate work, training or educational opportunities;
- continue support for the STUC for the Scottish Union Learning Fund as part of our ongoing commitment to supporting workforce development and strong industrial relations; and
- continue to provide skills development and employability support to individuals facing redundancy through our initiative, Partnership Action for Continuing Employment (PACE).

## Enterprise and Energy

**Table 8.04: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Enterprise*	273.9	241.9	188.8
Energy	71.3	57.4	80.1
Innovation and Industries	8.7	10.2	10.7
Strategic Forum	(40.0)	-	-
<b>Total</b>	<b>313.9</b>	<b>309.5</b>	<b>279.6</b>
<i>of which:</i>			
DEL Resource	206.1	201.7	199.2
DEL Capital	72.3	72.3	66.4
AME	-	-	-
Financial Transactions	35.5	35.5	14.0

\*Now includes ESF Programme.

### What the budget does

The Enterprise budget funds Scottish Enterprise (SE) including Scottish Development International (SDI) to provide practical support and opportunities for businesses to grow and invest in Scotland. SE is determined to develop growth sectors, improve competitiveness and increase productivity, recognising the links between these ambitions and increased participation in the labour market through work which is fairly paid.

The Energy budget will support our ability to respond to a number of drivers of change. It will continue to be focused on development of a balanced energy mix. It will facilitate our transition to a low carbon economy with an emphasis on developing and delivering non-domestic elements of Scotland's Energy Efficiency Programme and low carbon and renewable energy projects and technology, whilst maximising return from our offshore oil and gas reserves and assisting the diversification of energy supplies.

The Innovation and Industries budget will invest in the development and application of research, innovation and technology and support entrepreneurial activity. The budget will support the continuing implementation of Scotland CAN DO; working towards realising our shared ambition of ensuring Scotland becomes a world-leading entrepreneurial and innovative nation.

In 2017-18 we will:

- work with our enterprise agencies and others to create the conditions for a competitive and low carbon economy with access to finance through the Scottish Investment Bank;

- support Scotland's manufacturing base through the Manufacturing Action Plan and by developing the business case for a new manufacturing centre of excellence and skills academy, the National Manufacturing Institute for Scotland;
- support a coordinated programme of challenges and inducement prizes, including a collaborative public sector challenge fund and a new innovation prize;
- commit further funding to establish and embed Innovation and Investment Hubs in London, Brussels, Dublin, and Berlin;
- ensure the distinct needs and priorities of Scotland's businesses and investors are reflected in wider trading activity by doubling the number of people working for SDI Europe;
- work with key delivery bodies to establish Consumer Scotland and thus ensure a high quality system of consumer advice which will play a vital role in empowering consumers and tackling inequality;
- support low carbon demonstrator projects and activity designed to bring an increased number of projects to investor readiness stage by delivering the Low Carbon Infrastructure Transition Programme, the Renewable Energy Investment Fund and increasing the support available to the CARES Local Energy Challenge Fund;
- continue to fund Wave Energy Scotland and the European Marine Energy Centre as they work towards progressing wave energy technology to be a reliable, commercial product; and
- fund commercial and industrial projects in Scotland's Energy Efficiency Programme (SEEP) – including pilot projects, district heating and energy efficiency loans – helping to boost investment and decarbonise heat provision over the long term.



## Accountant in Bankruptcy

**Table 8.05: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Operational Costs	13.3	13.3	13.0
Capital Expenditure	0.7	0.7	0.7
Less Retained Income	(12.8)	(12.8)	(12.5)
<b>Total</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<i>of which:</i>			
DEL Resource	0.5	0.5	0.5
DEL Capital	0.7	0.7	0.7
AME	-	-	-

### What the budget does

Accountant in Bankruptcy (AiB) is responsible for administering and supervising the process of personal bankruptcy and recording corporate insolvencies in Scotland. Most of the costs of the Agency are met by fees from those using our services.

In 2017-18 we will:

- continue to deliver, with stakeholders, a range of options for individuals seeking debt relief and debt management, supervise insolvency in Scotland, and maintain the public register of insolvencies and the Debt Arrangement Scheme register;
- implement legislative changes to the Debt Arrangement Scheme and Protected Trust Deeds arising from the recent policy reviews and commence a further review of the wide-ranging reforms introduced through the Bankruptcy and Debt Advice (Scotland) Act 2014;
- complete the modernisation of Scottish corporate insolvency law through the laying and commencement of revised corporate insolvency rules; and
- improve functionality across our core IT systems to help drive forward the government's digital agenda.

## Parliamentary Business and Government Strategy

**Table 8.06: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Cities Investment and Strategy	30.3	30.3	56.9
Office of the Chief Economic Adviser	0.5	0.6	0.5
Office of the Chief Statistician	1.6	1.5	1.9
Strategic Research and Analysis Fund	0.8	0.7	0.8
Citizens Advice Direct	0.6	0.6	0.6
Council of Economic Advisers	0.1	0.1	0.1
<b>Total</b>	<b>33.9</b>	<b>33.8</b>	<b>60.8</b>
<i>of which:</i>			
DEL Resource	3.9	3.8	4.2
Del Capital	30.0	30.0	56.6
AME	-	-	-

### What the budget does

The Parliamentary Business and Government Strategy budget provides high quality analytical support for Ministers and colleagues across the Scottish Government. It ensures the Government can develop the quality, robustness and breadth of coverage of data and make it easier for the people of Scotland to access the data they need. It facilitates informed choices, improved opportunities and an understanding of the positive role of public services in the lives of the people of Scotland.

It funds the Council of Economic Advisers' work on improving the competitiveness of the Scottish economy and tackling inequality. It supports economic development in cities and city regions. It also pays for the provision of detailed information on Scotland's economy and evidence to underpin economic policy.

In 2017-18, we will:

- support economic development in identified cities and city regions through the Scottish Cities Alliance, city region deals and other appropriate mechanisms;
- support social research and analysis to improve policy making in Scotland;
- support the procurement of data and specific technical assistance to strengthen understanding of key developments in the economy and public finances; and
- support statutory functions around the publication of official statistics.

## European Regional Development Fund – 2014-20 Programmes

**Table 8.07: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Grants to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<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 8.08: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Grants to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<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 Fund (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 €941 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.

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 Scottish Government. As the Scottish Government pays out to these bodies it will recover the funds from the Commission. The funds do not increase the Scottish Government's overall budget and therefore are represented as zero in the budget.

In addition to managing ERDF and ESF the Scottish Government plays a significant role in the implementation 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.

During 2017-18 EU funds will continue to be allocated and spent from the 2014-20 EU funding programmes. In addition the process to reconcile the final spend in the 2007-13 programmes commenced in 2014-15 and is expected to be completed in 2017-18.

The most significant change in the 2014-20 programmes is the strategic and thematic concentration of the funds prescribed by the EU 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 focuses 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.

The Scottish Government has confirmed that the UK Government's guarantee on European structural funding will be passed on in full.

---

# CHAPTER 9

## Communities, Social Security and Equalities

---

### **PORTFOLIO RESPONSIBILITIES**

The portfolio is focused on our overarching aims to create a fairer Scotland, support inclusive growth, and promote community empowerment and the participation of people in all aspects of Scottish life. We have continued to prioritise funding to support a major expansion of affordable housing supply; to tackle fuel poverty and support our targets on climate change; to support the planning system; to regenerate and strengthen our communities; to support the third sector and develop social enterprise; to promote equality; to tackle poverty and develop our plans for a fairer Scotland; to mitigate the worst impacts of the UK Government's welfare changes; and continuing to develop policy and operational plans for our new social security powers.

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

### **OUR PRIORITIES**

#### **Creating a Fairer Scotland**

Achieving a fairer and more equal Scotland is at the heart of this Government's ambitions. In October 2016 we published our Fairer Scotland Action Plan (FSAP) with the key message that it will take all of us to build a fairer Scotland.

There are five ambitions in the FSAP: a Fairer Scotland for all; ending child poverty; a strong start for young people; fairer working lives; and a thriving third age. The action plan takes forward these ambitions via 50 concrete actions. These include introducing a new Socio-Economic Duty on public bodies, bringing forward legislation to set ambitious targets to reduce child poverty and introducing two complementary programmes – one for third sector and the other for communities activity totalling £29 million in funding, including £12.5 million from the European Social Fund, which will look at innovative approaches to combating poverty and tackling inequality locally.

We know that accessible, affordable, energy-efficient housing can contribute significantly to tackling poverty and addressing health inequalities, building confidence and capacity in communities. We will continue to focus our investment on increasing the supply of good quality, affordable housing and on enhancing the energy efficiency and quality of existing homes.

This Government is ambitious for housing with a commitment of over £3 billion to deliver 50,000 affordable homes over the five years of this Parliament. Government investment in housing, in partnership with councils, housing associations and developers, will, on average, leverage economic activity in the region of £1.7 billion per year, supporting around 14,000 jobs in the construction and related industries in Scotland.

The Draft Budget 2017-18 will make available over £100 million for our Home Energy Efficiency Programmes for Scotland (HEEPS) in 2017-18 to help improve the condition of Scotland's homes as part of our commitment to make half a billion pounds available to support Scotland's Energy Efficiency Programme (SEEP) over the next four years.

Funding will again be made available in 2017-18 for SEEP pilot projects that demonstrate an integrated approach to delivering area-based heating and energy efficiency programmes. Pilots will build on the first round of activity and help identify economies of scale and locally-driven models that will help even more domestic households, public sector organisations and businesses to reduce their energy bills. We will issue a call for pilots early in 2017.

We will continue to take action to protect the poorest members of our society from the most damaging effects of the UK Government's austerity policies through a range of mitigation measures including supporting advice services to ensure people are receiving all the income they are entitled to. We will provide £47 million to continue to fully mitigate the 'bedroom tax' through Discretionary Housing Payments, and sustain funding for the Scottish Welfare Fund to help as many people as possible affected by emergencies, financial crises and the effects of the UK Government's welfare cuts. Since the fund was set up in April 2013, £107 million worth of grants have been given to around 217,000 households in Scotland.

We will also continue to tackle the effects of these cuts through other means such as our £1 million a year Fair Food Fund. The fund supports projects which promote dignity and develop sustainable solutions to food poverty.

In 2017-18 we will invest over £75 million in regeneration activity that stimulates inclusive economic growth and tackles inequality in disadvantaged communities. This investment will support regeneration projects which respond to local circumstances, and increase opportunities to attract investment and jobs to disadvantaged and fragile areas and improve the wellbeing of communities.

In 2017, we will introduce a Social Security Bill setting out the over-arching legislative framework for newly-devolved powers over social security, drawing on the responses received to our recent consultation. We are committed to using these powers to create a fair social security system based on dignity and respect. This will include the reform of assessments for disability benefits, the extension of winter fuel payments to families with severely disabled children, a new enhanced Best Start Grant to replace the current Sure Start Maternity Grant, and an increased Carer's Allowance.

In addition, we want Scotland to be an open, welcoming and inclusive country, and will continue to give priority to tackling inequality and to promoting equality by investing over £20 million in organisations working to advanced equality in 2017-18. This resource will support the progression of human rights, progress work to prevent

violence against women and girls, and strengthen community engagement. In order to advance equality, it is vital to empower groups experiencing discrimination and disadvantage to have a voice and influence as this will assist us in our aim to deliver true equality of opportunity for all.

### **Empowering People and Communities**

Building on the recommendations of the Christie Commission, regeneration activity seeks to devolve power to communities, empowering them and involving local residents in the process because, most of all, regeneration is about people themselves.

People's life chances and opportunities are directly affected by inequalities in the power and influence they have over matters that affect their lives, and in the way that public services help them to achieve what they need. The 'Programme for Government' aims for a fairer Scotland and to support economic growth through empowering people and achieving greater democratic equality.

As part of our approach to prevention, we want communities across Scotland to be able to participate in, and make decisions on, the priorities that matter most to them. In 2017-18 we will continue to invest in the Empowering Communities Fund, to ensure that communities are well equipped and supported to deliver long-term solutions that tackle poverty and inequality on their own terms.

We will better align Scottish Government funding for communities to simplify accessibility and improve our support for communities in their efforts to deliver on the priorities that matter to them.

We will be working with local government and communities on the commitment for councils to ensure at least one per cent of their budget is used for Community Choices budgeting, backed by our Community Choices Fund. This means that thousands of people will have a direct say in how millions of pounds are spent by their councils on their communities and on their priorities.

### **Local Government**

Local government is an integral and essential element of the overall good governance of Scotland and continues to be a key partner in the Scottish Government's transformative programme of public service reform. This funding package builds on the priorities laid out in the 2016 'Programme for Government', and continues to be focused on delivery of our joint priorities to deliver sustainable economic growth together with protecting frontline services and the most vulnerable in our society.

In 2017-18 we will make available to local government a total funding package amounting to £10,131.1 million. This figure includes both the general revenue and capital grant funding, specific revenue and capital grants as well as the Government's estimate of non-domestic rate income to be collected during 2017-18, which local authorities collect and retain. The economic determinants underpinning the non-domestic rates income estimates have been agreed by the Scottish Fiscal Commission. The Scottish Government guarantees each local authority their formula share of the combined general revenue grant and non-domestic rate income funding allocations.



In addition to this direct funding to local government we see health as being about all the services that help people to maintain their wellbeing, not just frontline NHS services. In view of this, £107 million will be transferred from NHS Boards to Integration Authorities to support continued delivery of the Living Wage, sustainability in the social care sector, disregarding the value of war pensions from financial assessments for social care for those in receipt of war pensions and pre-implementation work in respect of the new carers legislation. This is additional to the £250 million added in the 2016-17 Budget, bringing the total support available through the Integration Fund to £357 million. This brings our total additional NHS contribution to social care to almost £500 million. NHS contributions to Integration Authorities for delegated health functions will be maintained to at least 2016-17 cash levels. The £10 million included for sleepovers will be reviewed in year to consider its adequacy with a commitment to discuss and agree how any shortfall should be addressed. To reflect this additional support, local authorities will be able to adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80 million.

We will also continue to take forward our ambitious programme of educational reform, drawing on the widest range of performance information ever gathered on Scottish education through the National Improvement Framework. We will continue to implement the key improvement activities highlighted in our National Improvement Plan, in particular those related to reducing bureaucracy in our schools and freeing teachers to teach. Our governance review will conclude early in 2017 and its conclusions will inform the system changes required to deliver our commitments to empower schools. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil to teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme. In order to support delivery the Scottish Government will work with local government to monitor these commitments at an agreed mid-point in the year.

Every council area will also benefit from the additional funding through the Attainment Scotland Fund, which we have allocated from the resources available to the Scottish Government at a national level, and which will be targeted at closing the attainment gap. We have gone further than our 'Programme for Government' commitment and will increase the additional resource to be used at the discretion of schools through the Attainment Scotland Fund from £100 million to £120 million in 2017-18, as part of the £750 million investment over the life of the Parliament. This will be paid as a ringfenced grant as part of the local government settlement. This is on top of the existing £50 million Attainment Scotland funding, which is outwith the local government finance settlement, that will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

The individual local authority fair shares of this total funding package are now the subject of consultation with local government before being put to the Scottish Parliament for final approval.

For 2017-18 each of Scotland's 32 local authorities will be required to formally agree to the joint priorities agreed between the Scottish Government and local government and in return will receive the full funding package. These include:

- a £357 million transfer from the NHS to Integration Authorities to ensure improved outcomes on health and social care;
- the additional £88 million to maintain the pupil to teacher ratio nationally at 2016 levels and secure places for all probationers who require one under the teacher induction scheme; and
- flexibility for local authorities to increase council tax levels by up to 3 per cent, worth an estimated £70 million.

### **Business Rates**

The Scottish Government remains committed to competitive business rates, underlined by proposals in this Draft Budget in the context of the 2017 revaluation. We propose matching the English poundage, representing a 3.7 per cent drop in the tax rate. We will expand the Small Business Bonus Scheme by significantly raising the eligibility threshold, so that the scheme lifts 100,000 properties out of rates altogether and continues to provide better support for SMEs than elsewhere in the UK. Other rates reliefs will continue, with renewables and rural reliefs being expanded. This improved package of reliefs will mean that over half of rateable properties pay nothing. The large business supplement will continue at the current rate, but will be applied at a higher threshold so that fewer properties (under one in ten) will be affected. We are not proposing transitional arrangements to phase in changes in liability due to the revaluation, as this would benefit a few large utility companies at the expense of smaller ratepayers. Further details are set out in Local Government Finance Circular No. 9/2016, published alongside the Draft Budget, and Assessors' provisional revaluations are also now available at [www.saa.gov.uk](http://www.saa.gov.uk). A separate report on the revaluation will be published in due course. Looking forward, we have committed to respond quickly to the ongoing external review of business rates, led by Ken Barclay, once it concludes in Summer 2017.

### **Council Tax**

The Government's reforms to council tax, that build on the recommendations of the Commission on Local Tax Reform, are set in legislation now approved by Parliament. The reforms will protect household incomes, make local taxation fairer and ensure local authorities continue to be properly funded while becoming more accountable.

From April 2017, there will be moderate increases to council tax for properties in bands E, F, G and H. Households on lower incomes living in these higher value properties will be entitled to apply for relief from these changes. The package of reform also includes a 25 per cent increase to the child allowance within the Council Tax Reduction Scheme, benefiting up to 77,000 households by an average of £173 per year and helping nearly 140,000 children.

All of the additional council tax income, estimated at £111 million in 2017-18, raised by the reforms we have implemented, will be retained in full in each local authority area and decisions on the allocation of that funding will be for councils themselves to take based on their own local needs and priorities. Additionally, councils will have the option of offering no discount to the council tax charged for second homes, arming them with another lever to encourage better use of housing stock in their areas.

2016-17 was the ninth consecutive year of the council tax freeze. This will be lifted from 2017-18, when councils may choose to increase council tax up to a maximum of three per cent. This local discretion will preserve the financial accountability of local government, whilst potentially generating up to £70 million.

These are the first steps, and the Scottish Government is committed to further engagement as it seeks to make local taxation as a whole fair and progressive.

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

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Housing	707.2	715.2	739.0
Social Security	74.3	1.4	95.9
Social Justice & Regeneration	56.5	60.5	59.2
Scottish Housing Regulator	3.7	3.7	4.0
Equalities	20.3	20.9	20.3
Third Sector	24.5	24.3	24.5
Office of the Scottish Charity Regulator	3.0	3.0	3.0
Governance, Elections & Reform	1.7	1.5	1.2
Planning	4.1	4.4	4.1
Local Government	9,935.0	10,094.4	9,786.7
Central Government Grants to Local Authorities	217.3	218.7	344.4
<b>Total Level 2</b>	<b>11,047.6</b>	<b>11,148.0</b>	<b>11,082.3</b>
<i>of which:</i>			
DEL Resource	6,959.6	7,034.2	6,991.4
DEL Capital	1,064.0	1,089.8	1,225.6
Financial Transactions	255.5	255.5	259.5
AME	2,768.5	2,768.5	2,605.8

**Table 9.02: Spending Plans (Level 2 real terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Housing	707.2	715.2	728.4
Social Security	74.3	1.4	94.5
Social Justice & Regeneration	56.5	60.5	58.4
Scottish Housing Regulator	3.7	3.7	3.9
Equalities	20.3	20.9	20.0
Third Sector	24.5	24.3	24.1
Office of the Scottish Charity Regulator	3.0	3.0	3.0
Governance, Elections & Reform	1.7	1.5	1.2
Planning	4.1	4.4	4.0
Local Government	9,935.0	10,094.4	9,646.6
Central Government Grants to Local Authorities	217.3	218.7	339.5
<b>Total Level 2</b>	<b>11,047.6</b>	<b>11,148.0</b>	<b>10,923.6</b>
<i>of which:</i>			
DEL Resource	6,959.6	7,034.2	6,891.2
DEL Capital	1,064.0	1,089.8	1,208.1
Financial Transactions	255.5	255.5	255.8
AME	2,768.5	2,768.5	2,568.5

## Housing

**Table 9.03: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
More Homes	583.1	581.7	583.6
Fuel Poverty/Energy Efficiency	103.3	103.3	114.1
Housing Support	17.7	26.9	38.0
Communities Analysis	3.1	3.3	3.3
<b>Total Level 2</b>	<b>707.2</b>	<b>715.2</b>	<b>739.0</b>
<i>of which:</i>			
DEL Resource	26.2	35.2	45.5
DEL Capital	430.5	429.5	439.0
Financial Transactions	250.5	250.5	254.5
AME	-	-	-

## What the budget does

This year's capital budget, along with the Transfer of Management of Development Funding (TMDF) budget in the local government settlement, will enable us to deliver more quality affordable warm homes that people and our communities need. This maintains our ambitious commitment to deliver 50,000 affordable homes over the life of this Parliament, including 35,000 for social rent.

We will continue to tackle fuel poverty through our Home Energy Efficiency Programmes for Scotland (HEEPS), with grants to local authorities to deliver Area Based Schemes and support available to vulnerable households through our Warmer Homes Scotland scheme. Funding for a further round of SEEP pilots will also be made available. A total of £74 million capital funding will help over 14,000 households heat their homes more affordably. We will also make available a total of £30 million loan funding through our interest-free HEEPS: Loans and Help for Homes schemes.

We will undertake a range of other housing and regeneration activities, including funding for adaptations for older and disabled Registered Social Landlord (RSL) tenants and projects which promote best practice in dealing with homelessness and other housing issues. This budget also supports the research and analytical programme which underpins our work on housing, regeneration, social security and social justice.

In 2017-18 we will:

- invest to deliver more affordable homes, the majority of which will be for social rent, and work with delivery partners to further develop plans to increase the supply of affordable homes;
- continue to support home ownership through our Help to Buy and Open Market Shared Equity schemes;
- maintain funding for the Rural and Islands Housing Funds;
- continue to fund local authorities to provide homelessness services including temporary accommodation for homeless people (with this funding now transferred from Westminster);
- help tackle infrastructure blockages through a flexible grant and loan fund;
- continue to work with industry to grow the emerging Build to Rent sector in Scotland through attracting increased investment;
- maintain funding to tackle fuel poverty and improve the energy efficiency of Scotland's homes through our Home Energy Efficiency Programmes for Scotland (HEEPS); and
- implement the Private Tenancies Act's provisions to give tenants in the private rented sector increased security and stability, while giving landlords, lenders and investors the confidence to continue investing in the sector.

## Social Security

**Table 9.04: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Welfare Fund	38.4	0.5	38.0
Discretionary Housing Payments* – ‘bedroom tax’ mitigation	35.0	-	47.0
Social Security Programme Costs	0.9	0.9	-
Discretionary Housing Payments* – other	-	-	10.9
<b>Total Level 2</b>	<b>74.3</b>	<b>1.4</b>	<b>95.9</b>
<i>of which:</i>			
DEL Resource	74.3	1.4	95.9
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

\* In 2017-18 the Scottish Government will assume devolved responsibility for Discretionary Housing Payments (DHPs) and a baseline transfer for £18.5 million has been agreed with the UK Government. This allows the Scottish Government to present this more transparent picture of the total spend in Scotland on mitigating the ‘bedroom tax’ and on other DHPs.

### What the budget does

This provides funding to support some of the poorest members of our society, to mitigate the negative impacts of welfare changes and cuts as well as tackle poverty. Funding for the Scottish Welfare Fund (including administration) remains at £38 million in 2017-18, following the implementation of new review mechanisms by the Scottish Public Services Ombudsman. The budget also supports the continued mitigation of the ‘bedroom tax’ as well as protecting funding for Discretionary Housing Payments (DHPs) to help those who are affected by other UK Government welfare reforms such as the Local Housing Allowance (LHA) rate and the Benefit Cap. This follows the devolution of DHPs under the Scotland Act 2016. We are expecting further spend in 2017-18 on the developing social security programme, and this is planned to be funded from the centrally-held budget relating to Scotland Act 2016 non-tax implementation. We will also introduce our Social Security Bill following the outcome of the recent consultation.

In 2017-18 we will:

- provide £47 million of funding to allow local authorities to fully mitigate the effects of the ‘bedroom tax’ with additional funding for DHPs for those affected by LHA rates and benefit cap; and
- sustain funding to the Scottish Welfare Fund.

## Social Justice and Regeneration

**Table 9.05: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Fairer Scotland	8.0	6.8	6.9
Regeneration	48.5	53.7	52.3
<b>Total Level 2</b>	<b>56.5</b>	<b>60.5</b>	<b>59.2</b>
<i>of which:</i>			
DEL Resource	25.0	29.0	24.2
DEL Capital	26.5	26.5	30.0
Financial Transactions	5.0	5.0	5.0
AME	-	-	-

### What the budget does

The budget allows us to deliver a range of actions to tackle social justice and mitigate against UK Government welfare cuts.

The budget also enables us to continue to support regeneration initiatives which respond to local circumstances, involve local people in identifying the issues and co-create solutions, address market failure, and increase opportunities to attract investment and jobs in disadvantaged areas.

In 2017-18 we will:

- match fund £1 million for the STV appeal on child poverty;
- support advice services in Scotland;
- provide nearly £55 million to invest in the regeneration of disadvantaged communities;
- invest a total of £20 million in the Empowering Communities Fund directly supporting the aspirations of the Community Empowerment (Scotland) Act 2015;
- stimulate activity under the Town Centre Action Plan and support the implementation of the Town Centre First Principle;
- continue to deliver the £1 million a year Fair Food Fund to develop sustainable and dignified approaches to tackling food poverty; and
- deliver the Aspiring Communities Fund as part of the European Social Fund strategic intervention to accelerate the design and delivery of sustainable community-led solutions to poverty and exclusion.



## Scottish Housing Regulator

**Table 9.06: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Housing Regulator	3.7	3.7	4.0
<b>Total Level 2</b>	<b>3.7</b>	<b>3.7</b>	<b>4.0</b>
<i>of which:</i>			
DEL Resource	3.7	3.7	4.0
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

### What the budget does

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

- nearly 600,000 tenants of social landlords;
- around 40,000 people and their families who may be homeless and seek help from local authorities;
- around 90,000 home owners who receive services from social landlords; and
- over 500 Gypsy/Traveller families who live on sites provided by social landlords.

In 2017-18 the SHR will:

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

## Equalities

**Table 9.07: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Equalities	20.3	20.9	20.3
<b>Total Level 2</b>	<b>20.3</b>	<b>20.9</b>	<b>20.3</b>
<i>of which:</i>			
DEL Resource	20.3	20.9	20.3
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

### What the budget does

Our spending on equality and human rights activities supports the drive for social justice, economic and inclusive growth, and community empowerment. In addition to supporting work on interfaith equality, religious tolerance and advancing equality for older people, this budget helps address issues of social isolation and loneliness. It also provides resource to help tackle hate crime, strengthen community cohesion, and to support the integration of asylum seekers and refugees. A significant proportion of the Equalities Budget provides resource for frontline services to tackle violence against women and girls and will support activity to address discrimination and inequality across the protected characteristics. It also builds on work in areas where Scotland is already considered to have a progressive approach, for example around growing women's representation, addressing violence against women and girls, and increasing inclusion of LGBTI communities. Following the EU Referendum, it is more important than ever that people's human rights are protected, and resource will be used to raise awareness and understanding of human rights.

In 2017-18 our budget will:

- take forward the Gender Balance on Public Boards Bill and establish an Advisory Council on Women and Girls;
- contribute to the implementation of Equally Safe, the Disability Delivery Plan, the British Sign Language (BSL) National Plan and the Race Equality Framework; and
- support engagement with communities on their priorities to continue to advance equality in Scotland.

## Third Sector

**Table 9.08: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Third Sector	24.5	24.3	24.5
<b>Total Level 2</b>	<b>24.5</b>	<b>24.3</b>	<b>24.5</b>
<i>of which:</i>			
DEL Resource	24.5	24.3	24.5
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

### What the budget does

This budget helps in the drive to tackle poverty, reduce inequality and create a fairer and more prosperous Scotland. It will invest in the capacity and growth of social enterprises across Scotland, as part of the new 10-year strategy for social enterprise. It also supports the local and national third sector infrastructure, which helps to support third sector organisations in their work with individuals and communities, and local volunteering.

Scotland has a strong and dynamic third sector and this budget is maintaining our level of support to the sector. We will also work with the sector to ensure the support we provide continues to be effective, and will enable better planning for the longer term. The third sector will also have access to resources through other programmes.

In 2017-18 we will:

- maximise the impact of the sector in reducing inequality, working with communities to tackle tough social issues at source; and giving pace and innovation to public service reform;
- provide support to social enterprise, social finance and social investment; and
- support work to tackle poverty and inequality through the new European Social Fund programmes.

## Office of the Scottish Charity Regulator

**Table 9.09: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Office of the Scottish Charity Regulator	3.0	3.0	3.0
<b>Total Level 2</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<i>of which:</i>			
DEL Resource	3.0	3.0	3.0
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

### What the budget does

The Office of the Scottish Charity Regulator (OSCR) is responsible for the registration and regulation of Scotland's 24,076 charities. It has a statutory function to determine the charitable status of bodies, to keep the public register of charities, and to monitor and investigate apparent misconduct.

In 2017-18, OSCR will:

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

## Governance, Elections and Reform

**Table 9.10: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Local Governance	0.6	0.6	0.5
Local Government Boundary Commission*	0.2	-	-
Public Services Reform and Community Empowerment	0.9	0.9	0.7
<b>Total Level 2</b>	<b>1.7</b>	<b>1.5</b>	<b>1.2</b>
<i>of which:</i>			
DEL Resource	1.7	1.5	1.2
DEL Capital	-	-	-
Financial Transactions	-	-	-
AME	-	-	-

\* Local Government Boundary Commission has been baseline transferred to Finance & Constitution in 2017-18.

### What the budget does

This budget supports public service reform and provides us with the opportunity to renew partnership working with local government around the empowerment of people and the importance of place, designing modern public services enabled by efficient support systems and governance. Public services which break cycles of disadvantage to enable everyone to live and work free from prejudice, discrimination and inequality, and which work closely with local communities and each other to deliver preventative interventions, make a vital contribution to inclusive growth and improving people's lives.

This budget also includes provision for a number of important activities in relation to local government, such as operation of the Council Tax Reduction scheme and a range of analytical and statistical work.

In 2017-18 we will:

- develop ambitious proposals for a Bill to energise local democracy by decentralising council services and democratic oversight to local communities; and
- continue our work to raise awareness and promote the new rights for community groups that are part of the Community Empowerment (Scotland) Act 2015.

## Planning

**Table 9.11: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Planning	1.8	1.8	1.8
Building Standards	0.2	0.2	0.3
Architecture & Place	1.4	1.7	1.3
Planning & Environmental Appeals	0.7	0.7	0.7
<b>Total Level 2</b>	<b>4.1</b>	<b>4.4</b>	<b>4.1</b>
<i>of which:</i>			
DEL Resource	4.0	4.3	4.0
DEL Capital	0.1	0.1	0.1
Financial Transactions	-	-	-
AME	-	-	-

### What the budget does

By building on the programme of modernisation, the Planning budget supports inclusive economic growth and creates high quality places for the benefit of all of Scotland's communities, in particular increasing delivery of high quality housing developments.

In 2017-18 we will:

- continue our programme of reform to deliver a high-performing Planning system that enables housing and infrastructure delivery;
- modernise compulsory purchase orders to ensure vacant and derelict land can be brought into use for communities;
- deliver a programme of planning and other appeals work, examination of local and strategic development plans and compulsory purchase orders, transport and energy and other infrastructure projects;
- build on the success of the integrated online ePlanning and eBuilding Standards service and make greater use of IT; and
- continue to help people and organisations involved in building and development in Scotland make better informed decisions to support the creation and renewal of energy efficient, safe and sustainable buildings that will stand the test of time.

## Local Government

**Table 9.12: Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
General Revenue Grant*	6,685.9	6819.4	6,557.8
Non Domestic Rates*	2,768.5	2768.5	2,605.8
General Capital Grant	480.6	506.5	623.1
Specific Resource Grants**	91.0	92.5	211.0
Specific Capital Grants***	126.3	126.2	133.4
<b>Total Level 2</b>	<b>10,152.3</b>	<b>10,313.1</b>	<b>10,131.1</b>
<i>of which:</i>			
DEL Resource	6,776.9	6,911.9	6,768.8
DEL Capital	606.9	632.7	756.5
Financial Transactions	-	-	-
AME	2,768.5	2,768.5	2,605.8
<b>Other Sources of Support****</b>			
Council Tax Reform Income	-	-	111.0
Health and Social Care Integration	250.0	250.0	357.0

\* The Scottish Government guarantees the combined General Revenue Grant plus the distributable Non Domestic Rates (NDR) Income figures.

\*\* Held within other portfolio chapters.

\*\*\* Held within other portfolio chapters. The 2016-17 capital allocations take into account the reprofiling of £150 million which will be added back to the local government allocation during the period 2018-20.

\*\*\*\* In addition to the core settlement, local authorities will also retain all of the increased income from the council tax reforms. Support for social care services from the NHS to Integration Authorities will increase in 2017-18.



**Table 9.13: Specific Grant Funding and other Local Government Funding 2017-18 (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
<b>Justice</b>			
Resource Specific			
Criminal Justice Social Work	86.5	88.0	86.5
<b>Communities, Social Security and Equalities</b>			
Capital Specific			
Vacant and Derelict Land	7.8	7.8	9.8
Transfer of Management of Development Funding (TMDF)	96.5	96.5	96.1
<b>Rural Economy and Connectivity</b>			
Capital Specific			
Regional Transport Partnership	16.0	16.0	20.1
Cycling, Walking and Safer Routes	5.9	5.9	7.4
<b>Education and Skills</b>			
Resource Specific			
Education Attainment Fund	-	-	120.0
Gaelic	4.5	4.5	4.5
Total Specific Revenue Grants (DEL)	91.0	92.5	211.0
Total Specific Capital Grants	126.3	126.3	133.4

## What the budget does

### Local Government's Spending Plans 2016-17

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 9.14.

**Table 9.14: Local Government Revenue Expenditure Plans 2016-17**

2016-17 Budget Estimate - Net Revenue Expenditure	2016-17 Budget £m
Education	4,825.6
Social Work	3,086.1
Roads and Transport	418.9
Environmental Services	667.6
Planning and Development Services	251.1
Culture and Related Services	560.0
Emergency Planning	3.6
Administration of Housing Benefits and Council Tax Reduction Scheme	38.6
Private Sector Housing Renewal	24.1
Housing Benefit: Rent Allowance and Rebates	18.3
Non Housing Revenue Account Housing	45.8
Homelessness	80.2
Housing Support Services	133.0
Welfare Services	10.4
Licensing	(1.4)
Elections	12.2
General Grants, Bequests and Donations	5.8
Registration of Births Marriages and Deaths	5.2
Local Tax Collection (including Non Domestic Rates)	28.6
Council Tax and Non Domestic Lands Valuation	28.0
Non-Road Lighting	9.7
Corporate and Democratic Core	143.8
Statutory Repayment of Debt	1,223.1
Other Miscellaneous Services	16.7
Non Distributed Costs	84.6
Trading Services	4.2
<b>Total Budgeted 2016-17 Net Revenue Expenditure</b>	<b>11,723.8</b>

Note: Totals may not sum due to rounding.

In addition, Scotland's local authorities are planning a capital expenditure programme for 2016-17 as set out in Table 9.15. 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 9.15: Local Government Capital Expenditure Plans 2016-17**

2016-17 Budget Estimate – Gross Capital Expenditure	2016-17 £m
Non Housing Revenue Account Housing	34.5
Roads and Transport	484.8
Education	830.7
Social Work	92.6
Environmental Services	154.4
Culture and Related Services	223.0
Planning and Economic Development	230.0
Trading Services	10.4
Central Services	218.7
Other Services	61.1
Capitalisation of Other Revenue Expenditure	233.3
<b>Total Estimated 2016-17 Capital Expenditure</b>	<b>2,573.4</b>

Note: Totals may not sum due to rounding.

These figures present the total budget allocated to projects in 2016-17. The final outturn figures are likely to be lower due to project slippage and expenditure being delayed into 2017-18.

---

# CHAPTER 10

## Environment, Climate Change and Land Reform

---

### **PORTFOLIO RESPONSIBILITIES**

Environment, Climate Change and Land Reform is a wide-ranging portfolio that has responsibility for protecting and enhancing the environment, responding to the challenges of climate change and for driving forward land reform. It also includes financial responsibility for Scottish Water and Marine Scotland's operations.

The overarching aim is to protect and promote Scotland's environment and to build a strong and sustainable low carbon economy through:

- maximising the potential of, and enhancing, Scotland's environment and natural resources;
- tackling climate change;
- supporting community empowerment and improving the way that land is owned, used and managed;
- supporting the marine environment; and
- investing in the research base.

### **OUR PRIORITIES**

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

Scotland is rich in natural capital. Developing and managing these resources well is vital to supporting a vibrant and strong economy. Currently, Scotland's natural environment is worth more than £20 billion per annum and supports more than 60,000 jobs. Unlocking opportunities will help provide jobs and sustain services for communities across Scotland including new opportunities for marine-related growth and wider rural business.

Within Environment, Climate Change and Land Reform our priorities will be to:

- continue to protect and enhance our world-class natural environment – maintaining our efforts to halt the loss of biodiversity, to restore and enhance our ecosystems and peatland, stop diffuse pollution and minimise greenhouse gases;
- invest in our natural resources to benefit the Scottish economy, the health of our communities and contribute to our ambitious climate change targets; focusing on optimising the way we use our land; ensuring good stewardship and promoting physical activity and the use of green spaces;

- establish the Scottish Land Commission and continue to implement the Land Reform (Scotland) Act 2016;
- continue funding Scottish Natural Heritage and the Scottish Environment Protection Agency in their work to protect Scotland's natural heritage and environment;
- continue to support the work of the Royal Botanic Garden Edinburgh on maintaining its national collections;
- continue to support an independent regulatory function that ensures the quality of Scotland's drinking water;
- continue to support Scottish Water which will invest up to £3.6 billion over the current regulatory period 2015-2021. Investment includes improving and protecting drinking water quality and protecting and enhancing Scotland's environment;
- continue to safeguard and monitor marine and fisheries activity in Scotland's seas, coasts and ports to ensure that national and international regulations are enforced to protect the health of fish stocks and the marine environment;
- ensure that the development and use of the marine environment is undertaken sustainably and aligns to the delivery of the strategic objectives and general policies of the National Marine Plan (NMP);
- ensure a smooth transfer on devolution of the management and revenue of the Crown Estate and progressing longer-term reform;
- continue to support the five-year strategic research programme to deliver the Rural and Environment Science and Analytical Services research strategy; and
- act to protect our assets and decarbonise our economy. The government's commitment to addressing climate change will be a prominent theme in this Parliament. Our draft Climate Change Plan and an accompanying Energy Strategy will be published in January 2017, outlining our intention to reduce Scottish emissions by 80 per cent between 1990 and 2050. This will represent a bold statement of the government's priorities for the coming decades. In early 2017 we will outline proposals for a new Climate Change Bill to reduce emissions further.

**Table 10.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Marine	45.8	46.2	52.3
Environmental Services	144.1	147.4	146.1
Research, Analysis and Other Services	67.0	66.5	64.3
Climate Change	19.8	19.4	19.8
Scottish Water	(94.5)	(95.4)	24.5
<b>Total Level 2</b>	<b>182.2</b>	<b>184.1</b>	<b>307.0</b>
<i>of which:</i>			
DEL Resource	162.0	163.9	164.2
DEL Capital	20.2	20.2	142.8
AME	-	-	-

**Table 10.02: Spending Plans (Level 2 Real Terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Marine	45.8	46.2	51.6
Environmental Services	144.1	147.4	144.0
Research, Analysis and Other Services	67.0	66.5	63.4
Climate Change	19.8	19.4	19.5
Scottish Water	(94.5)	(95.4)	24.1
<b>Total Level 2</b>	<b>182.2</b>	<b>184.1</b>	<b>302.6</b>
<i>of which:</i>			
DEL Resource	162.0	163.9	161.8
DEL Capital	20.2	20.2	140.8
AME	-	-	-

**Marine****Table 10.03 More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Marine Scotland	45.8	46.2	52.3
<b>Total</b>	<b>45.8</b>	<b>46.2</b>	<b>52.3</b>
<i>of which:</i>			
DEL Resource	45.0	45.4	51.5
DEL Capital	0.8	0.8	0.8
AME	-	-	-

**What the budget does**

The Marine 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, with a 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 2017-18 we will:

- in advance of planned future legislation, pilot modernised structures to enable better national and local management of wild fisheries, which will help establish the foundations for a more secure and sustainable sector;
- continue our support to the growth of marine renewables in Scotland;
- continue to support the sustainable economic growth of Scotland's capture sea fisheries;
- bring forward salmon conservation regulations for the 2017 season and enable a more localised approach by moving current designation of fishery districts towards individual river level assessments;
- continue to support the sustainable growth of aquaculture, working with industry to help support their roadmap to 2030 aspirations;
- implement Scotland's first National Marine Plan to promote the sustainable development of our seas, and meet our international obligations to ensure healthy seas;
- ensure a smooth transfer on devolution of the management and revenue of the Crown Estate through the introduction of interim arrangements and prepare a Bill for longer-term reform; and
- protect rare, threatened, declining or nationally representative species vital to the marine ecosystem through designation of 30 Marine Protected Areas.

## Environmental Services

**Table 10.04: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Drinking Water Quality Regulator	0.6	0.6	0.3
Land Reform	10.0	11.1	13.4
Natural Assets and Flooding	9.1	7.9	11.1
National Park Authorities	12.5	12.5	12.4
Natural Resources	4.2	4.7	4.0
Private Water	2.2	2.2	2.1
Scottish Environment Protection Agency	36.6	37.7	35.9
Scottish Natural Heritage	48.4	47.3	46.4
Zero Waste	20.5	23.4	20.5
<b>Total</b>	<b>144.1</b>	<b>147.4</b>	<b>146.1</b>
<i>of which:</i>			
DEL Resource	133.6	136.9	133.0
DEL Capital	10.5	10.5	13.1
AME	-	-	-

### What the budget does

The Environmental Services budget invests in: the delivery of a high quality environment for Scotland; promoting the environment as a driver of health, wellbeing and sustainable economic growth; and helping to ensure that land is owned, used and managed in the interests of the people of Scotland. The budget also directly supports public bodies dedicated to protecting and promoting Scotland's environment and supports responsible authorities in their work to reduce flood risk.

In 2017-18 we will:

- continue to support the Scottish Environment Protection Agency (SEPA), Scottish Natural Heritage (SNH), our National Parks and the Central Scotland Green Network in their work to protect and promote the enjoyment of Scotland's environment and unique natural heritage;
- continue to support and encourage the increase in community land ownership in Scotland – including through the £10 million Scottish Land Fund – establish the Scottish Land Commission and implement further land reform measures;
- continue to implement our Circular Economy strategy 'Making Things Last' and provide support, through Zero Waste Scotland, to cross-government initiatives to reduce food waste, improve recycling and support business opportunities in bioeconomy, manufacturing, construction and energy, all with the ultimate objective of reducing emissions;



- work with our partners, including the public, to deliver on the first ever round of flood risk strategies protecting communities across Scotland; and to deliver through River Basin Management Plans improvements to Scotland's water environment and associated benefits for communities, businesses and the public;
- continue to implement the Cleaner Air for Scotland strategy and its cross-government agenda for promoting air quality;
- work with our key delivery partners to meet our European and other international obligations and targets for biodiversity; and
- continue to manage invasive and non-native species and combat wildlife crime, addressing especially the consequences of irresponsible behaviour associated with raptor persecution.

## Research Analysis and Other Services

**Table 10.05: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Contract Research Fund	4.5	4.5	3.5
Economic & Other Surveys	1.4	1.3	1.4
Programmes of Research	49.8	49.4	48.1
Royal Botanic Garden Edinburgh	11.3	11.3	11.3
<b>Total</b>	<b>67.0</b>	<b>66.5</b>	<b>64.3</b>
<i>of which:</i>			
DEL Resource	58.1	57.6	55.4
DEL Capital	8.9	8.9	8.9
AME	-	-	-

### What the budget does

The Research Analysis and Other Services budget funds a portfolio of strategic knowledge exchange and expert advice on a wide range of rural and agricultural topics including the natural environment, crop and livestock science, animal welfare, and the rural economy. This research also provides critical insights into complex global challenges such as food security and climate change that help inform policy development. Funding from this budget helps maintain science innovation and excellence. It also supports critical infrastructure and research assets, including collections of national and international importance.

In 2017-18 we will:

- support the second year of the 2016-2021 five year strategic research programme to deliver the Rural and Environment Science and Analytical Services (RESAS) research strategy;
- continue to seek efficiencies, impact and leverage from research; and
- continue to support the work of the Royal Botanic Garden Edinburgh.

## Climate Change

**Table 10.06: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Land Managers Renewables Fund	3.0	3.0	2.0
Climate Change – Policy Dev & Imp	1.1	1.1	1.1
Sustainable Action Fund	15.7	15.3	16.7
<b>Total</b>	<b>19.8</b>	<b>19.4</b>	<b>19.8</b>
<i>of which:</i>			
DEL Resource	19.8	19.4	19.8
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

The Climate Change budget supports the portfolio's climate change coordination work including adaptation and mitigation policy while significant budgets elsewhere across government also support the delivery of our climate change ambitions. The Sustainable Action Fund supports people in communities, both at home and in some of our African partner countries, to take action on climate change. In addition, the budget provides resources for the Land Managers' Renewables Fund.

In 2017-18 we will:

- continue to lead work 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 and the forthcoming Climate Change Bill;
- continue the work of the Sustainable Action Fund (SAF), which includes supporting community-led action and work to influence low carbon behaviours across Scotland;
- continue to support organisations and communities across Scotland in adapting to a changing climate; and
- continue to offer funding for the Community and Renewable Energy Scheme (CARES) loans for rural businesses to address the costs associated with the pre-planning stage of renewable energy projects for farmers and land managers.

## Scottish Water

**Table 10.07: More Detailed Categories of Spending (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Exemption Scheme	2.0	2.0	1.0
Hydro Nation	4.0	3.1	4.0
Interest on Voted Loans	(100.5)	(100.5)	(100.5)
Voted Loans	-	-	120.0
<b>Total</b>	<b>(94.5)</b>	<b>(95.4)</b>	<b>24.5</b>
<i>of which:</i>			
DEL Resource	(94.5)	(95.4)	(95.5)
DEL Capital	-	-	120.0
AME	-	-	-

### What the budget does

The Scottish Water budget builds on Scottish Water's track record of investment, with Scottish Water continuing to invest up to £3.6 billion over the rest of the current 2015-2021 regulatory period. Projects in every part of the country support economic growth – providing water and sewerage services for new housing and businesses as well as improving the environment, drinking water and customer service standards. In particular, this period will see major investment in Glasgow to modernise the sewerage network and address long-standing surface water management issues. We will continue to make lending available to support this vital investment programme. Further, the budget will help grow Scotland's water economy through Scottish Water International and the Hydro Nation Programme and through working with SDI to support international trade with the global water sector.

In 2017-18 we will:

- expect to complete the Shieldhall Tunnel project at over £100 million, bringing environmental improvement to the River Clyde and reducing sewer flooding risk in South Glasgow; and
- deliver the Ayrshire resilience scheme at over £120 million bringing a more secure, higher quality drinking water supply and supporting economic growth in the region.

---

# CHAPTER 11

## Rural Economy and Connectivity

---

### **PORTFOLIO RESPONSIBILITIES**

Rural Economy and Connectivity is a diverse portfolio that has responsibility for developing rural Scotland and wider connectivity (physical and digital) through working with the public, private and third sectors and with local communities. It includes the Scottish Government lead on agriculture, rural development, food and drink, fisheries grants, forestry, digital connectivity and transport.

Our overarching aim is to grow the rural economy and support wider connectivity through an integrated approach to inclusive economic growth. We will do this by:

- delivering a reformed Common Agricultural Policy;
- creating a positive environment for rural businesses and industries;
- building up our world-class food, drink and forestry sectors;
- building growth within our marine and coastal communities through investment in and support of our fisheries and aquaculture industries;
- supporting community empowerment;
- improving digital connectivity, particularly to remote and rural areas; and
- improving physical connectivity and economic productivity through the maintenance and improvement of Scotland's key transport infrastructure.

### **OUR PRIORITIES**

#### **Farming, Food and Drink**

We will promote the work of our farmers and crofters in producing high quality food and assisting them in their quest for greater efficiency and levels of sustainability.

We will continue to deliver the reformed Common Agriculture Policy (CAP) to obtain the best results for Scotland's rural economy, environment and communities.

#### **Rural Services**

We will continue to provide support for the food and drink sectors to help sustain the substantial increase in economic activity in those sectors in recent years and provide impetus to Scotland's journey to becoming a Good Food Nation.

## **Fisheries and Aquaculture**

We will continue to build growth across Scotland's marine and coastal communities, supporting employment and securing investment, by delivering sustainable economic growth in the sea fisheries and aquaculture sectors, with due regard to the environment; and maximise the support provided by the European Maritime and Fisheries Fund (EMFF) to realise sustainable growth opportunities for industry.

We will deliver social and economic benefits to rural communities through continued sustainable fisheries management and protection of fishing opportunities for both inshore and offshore fisheries.

## **Forestry**

Forestry contributes almost £1 billion per year to the Scottish economy and supports more than 25,000 full-time equivalent jobs. Our Programme for Government includes ambitious plans to increase the contribution of forestry to the rural economy, as well as contributing to climate change mitigation and delivery of other social and environmental benefits. Continuing investment and economic growth from the sector depends on confidence in the future availability of timber. We are bringing forward plans to stimulate increased rates of new woodland creation, and the long-term sustainable production of home-grown timber, whilst continuing to support community engagement and ownership and the use of forests for recreation and access.

## **Digital Connectivity**

The Scottish Government has set out ambitious plans to extend access to high quality digital connectivity, supported by a refreshed Digital Strategy. We are committed to building on the success of our existing broadband investment programme, which will deliver fibre access to at least 95 per cent of premises by the end of 2017. We have set a new commitment to extend coverage even further, to ensure that all premises in Scotland are able to access superfast broadband by 2021. We will launch new procurement activity during 2017, to deliver new public investment to achieve this objective.

In parallel, we are working with mobile operators to develop a programme to address 4G coverage gaps. We agreed an action plan with the four UK operators which commits us to developing 'infill' options. These will build on successful pilots, such as the Scottish Government-funded project that brought 4G services to Coll. This is a key element of our World Class Digital Infrastructure programme, which is being developed in partnership with Scottish Futures Trust. Other areas of focus include supporting the development of new technologies to help extend connectivity into rural areas, and to establish Scotland as a leading nation for innovation. This includes TV 'White Space' technology and networks to support the emerging 'Internet of Things'.

## **Highlands and Islands Enterprise**

Highlands and Islands Enterprise (HIE) is our main economic development body operating in the Highlands and Islands, in some of the most remote and fragile areas of Scotland. Recent decades have seen significant change in a number of areas. However, challenges remain in some parts of the Highlands and Islands.

We will continue to invest in our economic and social infrastructure, supporting jobs, businesses and communities including improving connectivity. The budget supports HIE,

to develop growth sectors, improve competitiveness, productivity and support fair work, attract new investment and work with the financial sector to improve access to finance.

The budget funds HIE, to provide practical support and opportunities for businesses and communities to grow and invest in the region and financial assistance provided through various funding mechanisms. HIE will develop the economy in the Highlands in partnership with businesses and communities, increase participation in the labour market and move people out of poverty through work which is fairly paid. It also supports community engagement across the Highlands and Islands particularly in the most fragile areas.

## **Transport**

Transport infrastructure is a key area where improving connectivity between our cities, rural communities and centres of economic activity is vital to boosting productivity and competitiveness.

Our commitment to Scotland's transport infrastructure is clearly visible in the construction of the £1.35 billion Forth Replacement Crossing Project, scheduled to open to traffic in May 2017 - the most significant transport project in a generation.

We will continue our significant investment in Scotland's railways to support a safe and high-performing railway through the delivery of new and better services, new and refurbished trains, and substantial improvements to the infrastructure to increase capacity and reliability. Electrification between Glasgow Queen Street and Edinburgh Waverley will be completed with new electric services due to start from July 2017.

Significant investment will continue to be made into the M8/M73/M74 Motorway Improvements and the Aberdeen Western Peripheral Route/Balmedie to Tippetty projects which are scheduled to open to traffic during spring and winter 2017-18.

The first section of the A9 Dualling programme between Kincaig and Dalraddy is also scheduled to be completed by Summer 2017. In addition, procurement is underway on the A737 Dalry Bypass with work anticipated to commence on this project before the end of financial year 2017-18.

In addition, we will invest in the maintenance and operation of Scotland's trunk roads and motorways to ensure that the safety and serviceability of the network is maintained and best value achieved.

Significant investment will also be made to support ferry services, with two new major vessels being built on the Clyde and earmarked for initial deployment on routes serving Arran and the Western Isles.

We will continue to work with Scotland's airports to support their ambitions to grow. In partnership with VisitScotland and Scottish Enterprise we will continue to pursue new opportunities to improve Scotland's connections with cities around the world that are important to Scottish business or support inbound tourism. We are continuing to support Highlands and Islands air travel through the air discount scheme which offers a 50 per cent discount on core air fares.

Flourishing islands are important and make a significant contribution to Scotland. Our contribution through support for air and ferry services will help support plans for more autonomy for our island communities.

We will empower our island communities further, following a public consultation on an Islands Bill, to provide more power, equality and protection for the islands to allow them to build a more prosperous and fairer future for their communities.

We are working with disabled people's organisations and transport providers to develop, monitor and report on actions derived from our Accessible Travel Framework. This will act as the catalyst for involving disabled people in all aspects of improvement to travel.

We will continue to provide financial support for bus services and those who use them as well as incentives for the take up of greener vehicles through Bus Service Operators Grant and the national concessionary travel schemes. We will also continue to work with bus operators, local transport authorities and organisations representing bus users to improve the functioning of bus services, promote better engagement between operators and authorities, secure the adoption of smart and integrated ticketing across operators and modes on a Scotland-wide basis, develop options to safeguard the longer-term sustainability of national concessionary travel schemes and prepare to implement new concessions for young modern apprentices and job grant recipients.

As part of our efforts to meet our climate change targets, we will continue to support efforts to reduce the carbon emissions from the transport sector. We will review the policies that the funding supports to assess their impact. We will support the European Regional Development Fund (ERDF) interventions on sustainable transport over the period up to 2020 which would yield match funding of up to £32.5 million. We will also offer further loan support for low carbon vehicles from financial transaction funding.



**Table 11.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
EU Support and Related Services	178.8	175.3	177.6
Rural Services	36.2	40.5	42.4
Fisheries and Aquaculture Grants	7.4	7.4	6.4
Forestry Commission	61.3	61.1	61.3
Digital Connectivity	116.0	116.8	136.0
Highlands and Island Enterprise	67.5	74.5	67.0
Air Services	60.3	60.3	59.3
Concessionary Fares & Bus Services	261.3	261.3	254.4
Ferry Services	198.6	198.6	181.0
Motorways & Trunk Roads	820.3	820.6	967.0
Other Transport Policy, Projects and Agency Administration	117.7	117.8	138.4
Rail Services	751.3	751.3	775.8
<b>Total Level 2</b>	<b>2,676.7</b>	<b>2,685.5</b>	<b>2,866.6</b>
<i>of which:</i>			
DEL Resource	1,382.0	1,387.3	1,458.8
DEL Capital	1,282.7	1,286.2	1,397.8
DEL Financial Transactions	12.0	12.0	10.0
AME	-	-	-
<b>Central Government Grants to Local Authorities</b>	<b>21.9</b>	<b>21.9</b>	<b>27.5</b>

**Table 11.02: Spending Plans (Level 2 Real Terms) at 2016-17 Prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
EU Support and Related Services	178.8	175.3	175.1
Rural Services	36.2	40.5	41.8
Fisheries and Aquaculture Grants	7.4	7.4	6.3
Forestry Commission	61.3	61.1	60.4
Digital Connectivity	116.0	116.8	134.1
Highlands and Island Enterprise	67.5	74.5	66.0
Air Services	60.3	60.3	58.5
Concessionary Fares & Bus Services	261.3	261.3	250.8
Ferry Services	198.6	198.6	178.4
Motorways & Trunk Roads	820.3	820.6	953.2
Other Transport Policy, Projects and Agency Administration	117.7	117.8	136.4
Rail Services	751.3	751.3	764.7
<b>Total Level 2</b>	<b>2,676.7</b>	<b>2,685.5</b>	<b>2,825.6</b>
<i>of which:</i>			
DEL Resource	1,382.0	1,387.3	1,437.9
DEL Capital	1,282.7	1,286.2	1,377.8
DEL Financial Transactions	12.0	12.0	9.9
AME	-	-	-
<b>Central Government Grants to Local Authorities</b>	<b>21.9</b>	<b>21.9</b>	<b>27.1</b>

## EU Support and Related Services

**Table 11.03: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Pillar 1 - Basic Payments	262.0	262.0	262.0
Pillar 1- Greening payments	131.5	131.5	131.5
Other Pillar 1 payments	44.5	44.5	44.5
Business Development	31.2	26.2	30.2
Less Favoured Area Support Scheme	65.0	65.5	65.5
Agri Environmental Measures	46.8	48.3	55.1
Forestry	1.6	1.6	1.4
Rural Enterprise	0.1	0.1	-
Rural Communities	0.1	0.1	-
Leader	4.5	4.5	10.1
Technical Assistance	5.0	5.0	0.7
Broadband	3.6	3.6	6.4
Crofting Assistance	0.3	0.3	0.3
Payments and Inspections Admin	55.6	55.6	62.9
CAP Compliance Improvements	26.2	26.2	42.2
Less EU Income	(499.2)	(499.7)	(535.2)
<b>Total</b>	<b>178.8</b>	<b>175.3</b>	<b>177.6</b>
<i>of which:</i>			
DEL Resource	137.5	139.0	121.7
DEL Capital	36.3	36.3	50.9
DEL Financial Transactions	5.0	-	5.0
AME	-	-	-

### 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 (SRDP) provides for National and EU funding (European Agriculture Fund for Rural Development) to support measures which deliver economic, environmental and community benefit for rural Scotland.

The delivery is underpinned by the provision of regulatory inspection functions, scientific and technical advice, monitoring and evaluation as well as new improved business processes and associated IT functionality.

In 2017-18 we will:

- operate the Common Agricultural Policy (CAP) efficiently and effectively, continuing to invest in the development of new IT and improved business processes to improve customer experience and realise significant operational efficiencies;
- provide customers and staff with clear information, guidance and training on the implementation of schemes and rules under CAP;
- continue to improve the quality of SRDP implementation and the fostering of innovation and co-operation; and
- continue to work closely with partner organisations and the public on broader rural development policy issues, e.g. Scottish Rural Parliament and to inform the public on funding opportunities under SRDP.

## Rural Services

**Table 11.04: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Crofting Commission	2.6	2.5	2.5
Rural Cohesion	1.6	1.2	1.0
Agricultural and Horticultural Advice and Support	3.6	9.9	9.5
Veterinary Surveillance	5.2	5.2	5.2
Animal Health	18.2	18.2	18.2
Food Industry Support	5.0	3.5	6.0
<b>Total</b>	<b>36.2</b>	<b>40.5</b>	<b>42.4</b>
<i>of which:</i>			
DEL Resource	35.4	35.5	40.8
DEL Capital	0.8	-	1.6
DEL Financial Transactions	-	5.0	-
AME	-	-	-

### What the budget does

The rural services budget directly supports sustainable rural development through funding measures which deliver economic, environmental and community benefit for rural Scotland, providing direct support to farming, forestry, crofting and rural development projects. It also supports the strong economic growth of the food and drink industry and the empowerment of rural communities. It also contributes to the delivery of our climate change ambitions of reducing greenhouse gas emissions.

In 2017-18 we will:

- continue to support the Scottish Rural Parliament process as part of wider work to build social and economic capital in rural Scotland;
- monitor for the presence of plant and 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.

## Fisheries and Aquaculture Grants

**Table 11.05: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Fisheries Grants	15.2	15.2	14.2
Fisheries Harbour Grants	0.4	0.4	0.4
Less Retained Income/Capital receipts	(8.2)	(8.2)	(8.2)
<b>Total</b>	<b>7.4</b>	<b>7.4</b>	<b>6.4</b>
<i>of which:</i>			
DEL Resource	2.0	2.0	2.0
DEL Capital	5.4	5.4	4.4
AME	-	-	-

### What the budget does

The Fisheries and Aquaculture budget supports the sustainable use of the marine environment by providing the domestic funding contribution towards the European Maritime and Fisheries Fund. The budget also provides funding towards harbour repairs caused by storm damage.

In 2017-18 we will:

- continue to 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;
- through the European maritime and Fisheries Fund, continue to develop and sustain markets for premium Scottish seafood products; and
- continue to offer harbours funding towards repairs caused by storm damage.

## Forestry Commission

**Table 11.06: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Programme Costs	18.5	18.5	16.0
Subsidy to Forest Enterprise	21.7	21.7	20.7
Depreciation	0.1	0.1	0.1
Policy Regulation & Administration	4.8	4.6	4.3
Woodland Grants	36.0	36.0	40.0
EC Receipts	(19.8)	(19.8)	(19.8)
<b>Total</b>	<b>61.3</b>	<b>61.1</b>	<b>61.3</b>
<i>of which:</i>			
DEL Resource	59.7	59.5	59.7
DEL Capital	1.6	1.6	1.6
AME	-	-	-
Financial Transactions	-	-	-

### What the budget does

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

Forestry contributes almost £1 billion per year to the Scottish economy and supports more than 25,000 full-time equivalent jobs. Supporting the contribution of forestry to the economy will continue to be a major focus, with the new woodland creation programme also contributing to the Government's carbon emission reduction targets.

In 2017-18 we will:

- manage the National Forest Estate to deliver economic, social and environmental benefits through programmes to produce timber, empower communities and stimulate rural development;
- support and regulate sustainable forest and woodland management across Scotland, working with others to stimulate planting for multiple benefits, and encouraging investment in the sector by building confidence about future timber supplies;
- continue to support the Strategic Timber Transport Scheme to unlock the economic potential of our forests by facilitating the sustainable transport of timber in rural areas of Scotland and delivering benefits for local communities and the environment;
- bring forward woodland creation schemes on the National Forest Estate, including on vacant and derelict land; and
- continue to provide benefits from Woods In and Around Towns (WIAT) including from the award-winning 'Branching Out' project which offers a wide range of woodland activities for people experiencing mental health problems in central Scotland.

## Digital Connectivity

**Table 11.07: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Digital Strategy Capital	92.2	96.4	112.1
Digital Strategy	23.8	20.4	23.9
<b>Total</b>	<b>116.0</b>	<b>116.8</b>	<b>136.0</b>
<i>of which:</i>			
DEL Resource	23.8	20.4	23.9
DEL Capital	92.2	96.4	112.1
AME	-	-	-

### What the budget does

This budget supports the delivery of Scotland's refreshed digital strategy, which will be published in early 2017. As well as activity to extend digital connectivity, the strategy will set out action to support the development of digital skills, boosting the wider digital economy, get more public services online, encourage digital participation and improve cyber resilience.

In 2017-18 we will:

- deliver the final phase of the Digital Scotland Superfast Broadband (DSSB) programme, which will extend fibre broadband access to at least 95 per cent of premises across Scotland;
- launch the first phase of our Reaching 100 per cent programme, which over time will deliver our commitment to extend superfast broadband access to all of Scotland by 2021; and
- deliver the initial stages of a programme, developed and delivered in conjunction with industry, to address gaps in 4G mobile coverage.



## Highlands and Islands Enterprise

**Table 11.08: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Highland and Islands Enterprise	67.5	74.5	67.0
<b>Total</b>	<b>67.5</b>	<b>74.5</b>	<b>67.0</b>
<i>of which:</i>			
DEL Resource	41.3	48.3	40.8
DEL Capital	26.2	26.2	26.2
AME	-	-	-

### What the budget does

This budget relates to Highlands and Islands Enterprise (HIE). In 2017-18 we will take forward work in relation to Phase 2 of the Enterprise and Skills Review. Without pre-judging the outcome of this, our areas of focus continue and the resources will be used by HIE to provide similar support in the Highlands and Islands to that provided by Scottish Enterprise in other parts of Scotland, including supporting businesses expanding into new markets and developing growth sectors, including those where there are distinctive regional opportunities. In addition to its key role of supporting sustainable and inclusive economic growth in the Highlands and Islands area, HIE also plays an important role in strengthening local communities, particularly in some of Scotland's most fragile areas. This includes working with social enterprises to help shape and realise their growth aspirations.

Our enterprise agencies (HIE and Scottish Enterprise) are key to ensuring Scotland creates more, better-paid jobs to boost the economy and remain a wealthy and productive country and will develop our economy in partnership with businesses and communities, increase participation in the labour market and move people out of poverty through work which is fairly paid.

In 2017-18 we will:

- continue to focus efforts on Innovation, Investment, Internationalisation and Inclusive Growth;
- continue to support growth sectors, growth companies and growth markets through our enterprise bodies and economic development networks; and
- continue to strengthen local communities, particularly in some of Scotland's most fragile areas.

## Air Services

**Table 11.09: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Highlands and Islands Airports Limited	39.0	39.0	35.1
Prestwick Airport	9.3	9.3	9.4
Support for Air Services	12.0	12.0	14.8
<b>Total</b>	<b>60.3</b>	<b>60.3</b>	<b>59.3</b>
<i>of which:</i>			
DEL Resource	40.4	40.4	42.9
DEL Capital	19.9	19.9	16.4
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, the provision of lifeline Public Service Obligation (PSO) air services which cannot be provided commercially and international route development.

In 2017-18 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;
- continue to support the re-positioning of Prestwick Airport; and
- continue to support Route Development opportunities.

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 11.10: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Smartcard Programme	2.8	2.8	1.9
Concessionary Fares	207.8	207.8	198.3
Support for Bus Services	50.7	50.7	54.2
<b>Total</b>	<b>261.3</b>	<b>261.3</b>	<b>254.4</b>
<i>of which:</i>			
DEL Resource	259.3	259.3	252.4
DEL Capital	2.0	2.0	2.0
AME	-	-	-

### What the budget does

The budget provides support for bus services across Scotland, primarily through Bus Service Operators' Grant (BSOG), and funds national concessionary travel schemes for older, disabled and young people and the smartcards used to access concessionary travel. BSOG is paid to bus operators based on mileage and helps keep fares lower and the network more extensive.

This budget also provides funding for a number of organisations working to improve public transport, including Bus Users Scotland and the Community Transport Association Scotland.

In 2017-18 we will:

- continue to support bus services and the use of greener, less-polluting vehicles while ensuring funding arrangements are efficient, effective and affordable;
- constrain payments under the concessionary travel scheme for older and disabled people as a result of a negotiated settlement with the bus sector and develop options in consultation with stakeholders to safeguard the scheme's longer-term sustainability;
- prepare to deliver free bus travel to young modern apprentices and three months' free bus travel to young recipients of the proposed new Job Grant;
- continue to make efficiency savings in the operation of the scheme and the validation of bus operator claims; and
- continue to ensure Scotland's electronic ticketing machine estate is maintained to the appropriate standard required to deliver concessionary travel and commercial smart ticketing.

## Ferry Services

**Table 11.11: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Support for Ferry Services	153.4	153.4	165.8
Vessels and Piers	45.2	45.2	15.2
<b>Total</b>	<b>198.6</b>	<b>198.6</b>	<b>181.0</b>
<i>of which:</i>			
DEL Resource	153.4	153.4	165.8
DEL Capital	45.2	45.2	15.2
AME	-	-	-

### What the budget does

The budget supports the Scottish Government's Ferries Plan, published in December 2012 and provides subsidy for the:

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

It also 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.

In 2017-18 we will:

- maintain ferry services on the Clyde and Hebrides, Gourock to Dunoon and Northern Isles routes in line with the Ferries Plan;
- protect the Road Equivalent Tariff (RET) to all routes in the Clyde and Hebrides, and take action to reduce fares on ferry services to Orkney and Shetland;
- continue to support construction of the two new 100m vessels; and
- progress the Brodick Harbour redevelopment project, due for completion in mid-2017.

## Motorways and Trunk Roads

**Table 11.12: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Structural Repairs	27.4	27.4	27.9
Network Strengthening	40.8	40.8	56.0
Private Finance Initiative (PFI) Payments	98.0	98.0	141.6
Routine and Winter Maintenance	80.6	80.9	85.1
Other Current Expenditure	10.0	10.0	10.0
Roads Improvement	16.3	16.3	16.3
Capital Land and Works	285.5	285.5	425.6
Forth Replacement Crossing	134.1	134.1	77.0
Roads Depreciation	111.3	111.3	96.9
Forth and Tay Road Bridge Maintenance	16.3	16.3	30.6
<b>Total</b>	<b>820.3</b>	<b>820.6</b>	<b>967.0</b>
<i>of which:</i>			
DEL Resource	306.7	307.0	340.4
DEL Capital	513.6	513.6	626.6
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. This investment supports the delivery of our three key strategic outcomes for transport – improved journey times, reduced emissions to tackle climate change and improve air quality and health, and improved accessibility and affordability.

In 2017-18 we will:

- continue construction of the Queensferry Crossing as programmed, scheduled to be open to traffic in May 2017;
- continue construction of the M8/M73/M74 Motorway Improvements project and the Aberdeen Western Peripheral Route (AWPR)/Balmedie to Tippierty project;
- continue to progress construction of the A737 Dalry Bypass;
- continue to progress design and development work on dualling the A9 and A96, conclude construction of the A9 Kincaig to Dalraddy project and commence construction of the A9 Luncarty to Birnam project;

- commence procurement of the A90/A96 Haudagain Junction Improvements, A77 Maybole Bypass and improvements on the A9 at Berriedale Braes (subject to completion of statutory procedures); and
- continue to progress design and development work on a range of projects including improvements to the A82 between Tarbet and Inverarnan, the grade separation of Sheriffhall Roundabout on the A720 and also a new grade-separated junction at Laurencekirk on the A90.

## Other Transport Policy, Projects and Agency Administration

**Table 11.13: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Transport Information	1.2	1.2	1.2
Agency Administration Costs	17.8	17.8	17.4
Strategic Transport Projects Review	1.0	1.0	3.6
Support for Freight Industry	0.8	0.8	1.3
Scottish Canals	10.0	10.0	11.1
Support for Sustainable and Active Travel	35.9	36.0	33.9
Future Transport Fund	20.2	20.2	25.3
Travel Strategy and Innovation	25.3	25.3	40.1
Road Safety	3.0	3.0	3.0
Edinburgh Tram Inquiry	2.5	2.5	1.5
<b>Total</b>	<b>117.7</b>	<b>117.8</b>	<b>138.4</b>
<i>of which:</i>			
DEL Resource	54.6	54.6	54.7
DEL Capital	56.1	56.2	78.7
DEL Financial Transactions	7.0	7.0	5.0
AME	-	-	-

### What the budget does

The budget contributes to the delivery of our climate change ambitions as set out in the Climate Change Plan, reducing the impact of transport on our environment and health, and supporting a shift to more sustainable transport modes. It will facilitate provision of impartial travel information services, road safety, encourage the freight industry to reduce emissions and, through the Future Transport Fund, provide the infrastructure necessary to enable the uptake of low emission vehicles and other sustainable forms of transport.

The budget provides resources to begin the Strategic Transport Project Review 2, the purpose of which is to undertake an appropriate Scotland wide appraisal of strategic transport priorities in order to inform investment priorities over the next 20 years. A key feature will be an assessment of how it helps deliver the Government's Economic Strategy.

In 2017-18 we will:

- invest £35 million in the Glasgow Subway modernisation;
- invest in charging and refuelling infrastructure and other measures to accelerate adoption of ultra-low emission vehicles;

- continue to invest in a range of transport initiatives that will support a shift to more sustainable transport modes;
- Support the Scottish Disability Equality Forum to develop and host an accessible travel hub and engage with disabled people;
- continue to invest in infrastructure and behaviour change initiatives to encourage cycling and walking;
- continue to support maintenance and operation of Scottish Canals;
- continue to fund Traveline and other transport information provision and the running of Transport Scotland;
- promote measures to transfer freight from road;
- continue to support Regional Transport Partnerships and the Scottish Road Works Commissioner;
- undertake research, analysis and stakeholder engagement to inform strategic transport initiatives;
- continue to support Road Safety Scotland and the Edinburgh Tram Inquiry; and
- continue to provide loan funding to support the uptake of low emission vehicles.

Funding for active travel will total approximately £39 million. The investment in sustainable and active travel 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 11.14: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Rail Franchise	265.9	265.9	310.7
Rail Infrastructure	463.3	463.3	426.5
Rail Development	2.0	2.0	3.0
Major Public Transport Projects	20.1	20.1	35.6
<b>Total</b>	<b>751.3</b>	<b>751.3</b>	<b>775.8</b>
<i>of which:</i>			
DEL Resource	267.9	267.9	313.7
DEL Capital	483.4	483.4	462.1
AME	-	-	-

### What the budget does

The budget supports the delivery of passenger rail services through the ScotRail and Caledonian Sleeper franchise contracts, including the ongoing procurement of new trains, and Network Rail's operation, maintenance and renewal of the rail infrastructure in Scotland as well as the delivery of major enhancement projects.

Rail infrastructure funding is split between a direct grant paid to Network Rail from the Scottish Government and track and station access charges that are payable via the ScotRail and Caledonian Sleeper operators to Network Rail and subsidised through rail franchise contracts. This split in funding is determined independently by the Office of Rail and Road (ORR) and can vary significantly between financial years.

In 2017-18 we will:

- complete the electrification between Glasgow Queen Street and Edinburgh Waverley as part of EGIP and introduce full electric services;
- continue delivery of key improvements to the route between Aberdeen and Inverness, including the relocation of Forres Station, and on the Highland Main Line between Inverness and Perth;
- deliver a range of fare offers and other benefits to customers;
- continue the delivery of the rolling programme of electrification, including the Falkirk Grahamston, Stirling, Dunblane and Alloa, and Glasgow to Edinburgh via Shotts routes; and
- complete the redevelopment of Dundee Station, support the redevelopments planned for Aberdeen, Inverness and Stirling Stations, and continue to support the delivery of new stations at Robroytson and Kintore.

## Central Government Grants to Local Authorities

**Table 11.15: Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Regional Transport Partnerships	16.0	16.0	20.1
Cycling, Walking and Safer Routes	5.9	5.9	7.4
<b>Total</b>	<b>21.9</b>	<b>21.9</b>	<b>27.5</b>
<i>of which:</i>			
DEL Resource	-	-	-
DEL Capital	21.9	21.9	27.5
AME	-	-	-

---

# CHAPTER 12

## Culture, Tourism and External Affairs

---

### **PORTFOLIO RESPONSIBILITIES**

The Culture, Tourism and External Affairs portfolio seeks to promote Scotland's interests at home and abroad through European and International affairs. It contributes to delivering Scotland's economic ambition by investing in Scotland's unique heritage and culture, and its capacity for inspiring creativity and developing a compelling tourism offer.

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 delivers major international events to attract visitors and build trade links.

Our ambition is for the portfolio to support and raise the profile of Scotland at home and abroad and attract increasing numbers of visitors. Our work is predicated on the belief that culture sits at the heart of our quality of life and well-being, 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 and our world-class collections are cared for and enjoyed by new and diverse audiences and future generations right across Scotland.

The portfolio seeks to make Scotland a destination of first choice for visitors, providing a perfect stage for world-class events and supporting our tourism industry, including our small and medium-sized enterprises (SMEs), to maximise the contribution of the visitor economy to Scotland's prosperity.

### **OUR PRIORITIES**

The Scottish Government continues to deepen its relationships with key countries in the pursuit of furthering sustainable economic growth in Scotland, increasing Scotland's profile on the world stage and contributing as a good global citizen towards the achievement of the United Nations (UN) Global Goals.

The outcome of the European Union (EU) Referendum on 23 June 2016 significantly alters the context for the Scottish Government's international engagement. In light of the result of the Referendum, we will be seeking opportunities to continue Scotland's relationship with Europe in order to protect our interests and our position in the world.

We are determined to protect our place in Europe and are exploring all options to do so. Beyond the European Union, we will promote the message that despite the current uncertainty, Scotland remains open for business.

Active engagement in the EU, and internationally, makes a major contribution to the Scottish economy, securing trade, as well as increasing public investment in agriculture, structural funds and research and development. Irrespective of the Referendum result, 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.

The Scottish Government's key international priority is to deliver, as far as possible, 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.

The First Minister has made clear that tackling poverty and inequality in Scotland is one of this Government's central aims and the Scottish Government is clear that inequality and poverty is not restricted to our borders – it is a global issue that needs a global response.

Scotland has always been an outward-looking nation, embracing the world beyond our borders and making a contribution to the international community. International development is of course a key tenet of that, making distinctive contributions in addressing global challenges such as climate change, tackling inequality and promoting human rights, and sharing our knowledge, skills and technical expertise for the global good.

Through our Major Events budget, we will support the successful delivery of the new national events strategy in order to develop and grow a flourishing, innovative and competitive events industry. This will enable Scotland to further enhance and sustain an inspirational programme of events each year that generate business, create jobs and boost the economy whilst delivering benefits to all of Scotland's communities and build on our nation's strong reputation and international attractiveness.

In 2015 spending by tourists in Scotland generated around £11 billion of economic activity across Scotland. As a destination, Scotland must ensure that it remains welcoming to visitors from across the globe.

Accommodation and food service activities supporting tourism account for 7.7 per cent of all registered enterprises and 9.7 per cent of employees across Scotland, predominantly in Small and Medium Enterprises. Small towns across Scotland and remote rural areas are especially reliant on tourism for employment. Tourism SMEs will continue to receive public support to develop, grow and provide sustainable employment.

We will continue to strengthen our culture and heritage infrastructure through new investment in public-facing capital projects such as the Kelvin Hall refurbishment and the Scottish National Gallery expansion so that engagement in culture is increased.

The Scottish Government is a strong supporter of the National Museums and Galleries and Library, recognising their valuable contribution to the preservation of Scotland's cultural heritage. These National Collections are making an important contribution to Government priorities, particularly in terms of economic contribution and widening access and participation. Across Scotland our 460 museums and galleries attract around 25 million visits per annum, generating over £79 million for our economy and sustaining over 3,500 tourism-related jobs.

We will continue to support the growth of our screen sector and our creative industries. The Scottish Government is committed to delivering an improved service to the screen sector, working with a range of bodies to create and sustain the conditions for investment and growth. To enhance support for the sector, a dedicated screen unit will be set up within Creative Scotland in the next year.

Scotland values its creative talent and provides opportunities for that talent to develop and thrive. Our continued investment in the arts and culture through Creative Scotland and the five National Performing Companies will help ensure that Scotland's unique culture reaches a wide audience at home and abroad.

The Scottish Government is committed to delivering arts for all, and to giving every young person in Scotland the opportunity to access and engage with the arts, helping them to reach their full potential. The Youth Arts have an intrinsic merit, but they also boost the skills of those who participate, helping to tackle inequalities and make Scotland a stronger, fairer and more inclusive society. We are working with a range of partners to create opportunities to get young people involved in art and culture including under the umbrella of Scotland's Youth Arts strategy, 'Time To Shine', and supported by initiatives such as Sistema Scotland.

Public libraries play an important role in tackling inequalities and raising attainment. They bring real social benefits to people and communities. They offer crucial support to help people help themselves – to support literacy, digital participation, learning, employability, health, culture and leisure – to improve the quality of people's lives and support them to engage in the democratic process. We will therefore continue to invest £450,000 in the Public Library Improvement Fund.

These measures all help ensure that no-one's background is a barrier to taking part in cultural life and giving young people all over Scotland a chance to take part in culture and the arts.

The historic environment is a vital part of our heritage, our national and local stories and our communities. It is also hugely important to the national economy, supporting over 60,000 jobs and contributing £2.3 billion to the national gross value added (GVA). It is the destination for a fifth of all school visits in the country. Its continuing care and regeneration creates local employment, supports local businesses and secures the future of precious indigenous craft skills. It enriches the quality of our lives and helps to define who we are.

As the lead public body for Scotland's historic environment, Historic Environment Scotland (HES) will ensure Scotland's historic environment makes a strong contribution to the cultural, social, environmental and economic wellbeing of the nation and its people. It

requires careful management which is why Historic Environment Scotland is working to develop a national Infrastructure Investment Plan for Scotland's built heritage.

The National Records of Scotland's (NRS) priorities for 2017-18 will have a strong focus on developing its Digital Services. NRS will deliver the first element of its new Digital Preservation Service, ensuring information of historical importance produced in digital format can be preserved for posterity, and it will also provide improved and expanded access to its rich set of records through a new ScotlandsPeople web service. NRS will also continue work towards delivering the next Census in 2021. The programme will move to a build and test phase in 2017-18 with a variety of formal procurement processes expected to be commenced.

**Table 12.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
External Affairs*	13.8	13.4	15.8
Culture, Tourism and Major Events*	205.6	212.9	226.2
Historic Environment Scotland	45.0	44.8	45.5
National Records of Scotland	28.4	28.4	37.3
<b>Total Level 2</b>	<b>292.8</b>	<b>299.5</b>	<b>324.8</b>
<i>of which:</i>			
DEL Resource	260.4	263.2	292.8
DEL Capital	27.4	31.3	27.0
Financial Transactions	5.0	5.0	5.0
AME	-	-	-

\*Comparators here and in Tables 12.02, 12.03, and 12.04 have been restated to recognise that Major Events and Themed Years moved out of External Affairs into Culture, Tourism and Major Events during the course of the year.

**Table 12.02: Spending Plans (Level 2 real terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
External Affairs	13.8	13.4	15.6
Culture, Tourism and Major Events	205.6	212.9	223.0
Historic Environment Scotland	45.0	44.8	44.8
National Records of Scotland	28.4	28.4	36.8
<b>Total Level 2</b>	<b>292.8</b>	<b>299.5</b>	<b>320.2</b>
<i>of which:</i>			
DEL Resource	260.4	263.2	288.6
DEL Capital	27.4	31.3	26.6
Financial Transactions	5.0	5.0	4.9
AME	-	-	-

## External Affairs

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

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
British Irish Council	0.1	0.1	0.1
International & European Relations	13.7	13.3	15.7
<b>Total</b>	<b>13.8</b>	<b>13.4</b>	<b>15.8</b>
<i>of which:</i>			
DEL Resource	13.8	13.4	15.8
DEL Capital	-	-	-
AME	-	-	-

### What the budget does

The External Affairs budget supports the promotion of Scotland and its interests 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 and recent work with the UN and women from international conflict zones, and promotes Scotland's international engagement through Ministerial visits. The budget also supports the attraction of talented and skilled individuals to live, study and work in Scotland.

In 2017-18 we will:

- seek to increase the level and frequency of Scottish engagement with EU institutions to advance our policy objectives, develop our expertise in European affairs and increase our return on EU competitive funding programmes;
- participate to the fullest extent in negotiations on the UK's future relationship with the EU, ensuring that Scottish interests are protected and promoted;
- continue to take action to help tackle poverty and inequalities in relation to some of the world's poorest and most vulnerable people in areas of Malawi, Zambia, Rwanda and Pakistan, through an increased £10 million per annum International Development Fund (IDF);
- launch and manage a new £1 million per annum humanitarian aid fund from spring 2017, enabling us to continue to respond to the increasing number of rapidly emerging international humanitarian crises;
- renew our historic partnership agreement with the Government of Malawi which is based on 150 years of shared history and friendship and promotes the enduring values of tolerance, fairness and equality and the sharing of experiences and skills for mutual benefit;

- fund training for women from International Conflict Zones to give them the skills and confidence to maximise their contribution to building a safer world by involvement in UN peace processes; and
- strengthen and deepen our engagement with the US, Canada, Japan, China, India and Pakistan, with a focus on education, business and culture.

## Culture, Tourism and Major Events

**Table 12.04: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Creative Scotland and Other Arts	52.6	45.7	52.1
Cultural Collections	78.6	80.6	77.0
National Performing Companies	22.9	27.9	22.9
Tourism	49.1*	46.1	43.9
Major Events	2.4	12.6	30.3
<b>Total</b>	<b>205.6</b>	<b>212.9</b>	<b>226.2</b>
<i>of which:</i>			
DEL Resource	179.5	182.9	203.1
DEL Capital	21.1	25.0	18.1
Financial Transactions	5.0	5.0	5.0
AME	-	-	-

\*VisitScotland's net resource budget for 2017-18 is maintained at exactly the same level as in 2016-17. This figure for 2016-17 includes £5.44 million of Strategic Forum savings that have in recent years been collected from VisitScotland's budget in-year. Those savings have now been taken from the baseline for 2017-18, leaving the net position unchanged.

### What the budget does

The budget contributes towards enhancing the quality of life for individuals and communities 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 supports the arts, screen and creative industries across all parts of Scotland by helping creative ideas to develop and flourish. These sectors contribute billions of pounds to the Scottish economy each year and support thousands of jobs across the country. The Creative Industries is a key growth sector and contributes more than £6.5 billion to Scotland's economy.

The budget supports free access to our National Galleries and Museums so that enjoying the nation's treasures does not depend on personal wealth.



The budget also supports the work of VisitScotland as Scotland's national marketing body in taking a collaborative and inclusive approach to promoting Scotland as a world-class visitor destination and in delivering the national tourism and events strategies with the aim of growing tourism's net contribution to the economy.

In 2017-18 we will:

- work with our enterprise agencies and other key tourism stakeholders to promote the South of Scotland as a tourism destination, recognising the particular challenges faced by the region, its communities and its businesses;
- work with a wide range of partners, to ensure the delivery of the ambitions for the 2018 Year of Young People to celebrate the very best of Scotland and its young people. A programme of cultural and educational events and activities, co-designed with young people themselves, will be held across the country that will celebrate Scotland as a great place for young people to grow up in and mark their important contribution to Scottish society;
- provide funding for Scotland's annual Winter Festivals programme and individual events and activities that further develop Scotland's wide and diverse events portfolio and the events industry;
- in line with the Programme for Government, we will continue to provide support for partners in the planning and delivery towards the 2018 European Championships, the 2019 Solheim Cup and EURO 2020;
- develop a national Culture Strategy for Scotland with stakeholders from across the sector. This will establish a high level framework of agreed aims and objectives with the principles of increased access, equity and pursuit of excellence at its core;
- continue to support our cultural infrastructure – by investing to deliver improved public facilities, including further new development at the Scottish National Gallery, and enhanced digital access to the collection;
- continue with our investment in the V&A Museum of Design in Dundee, the National Library of Scotland Causewayside refurbishment in Edinburgh and a further contribution to the Kelvin Hall in Glasgow;
- use a newly established Creative Industries Advisory Group to advise Ministers directly on the support these industries require; and
- continue our support for the Film Production Growth Fund through Creative Scotland.

## Historic Environment Scotland (HES)

**Table 12.05: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Operational Costs	81.6	81.4	84.8
Capital Expenditure	3.4	3.4	5.6
Less Income	(40.0)	(40.0)	(44.9)
<b>Total</b>	<b>45.0</b>	<b>44.8</b>	<b>45.5</b>
<i>of which:</i>			
DEL Resource	41.6	41.4	39.9
DEL Capital	3.4	3.4	5.6
AME	-	-	-

### What the budget does

HES is the lead public body for the historic environment in Scotland, and takes the lead in delivering Scotland's historic environment strategy *Our Place in Time*, in addition to having delegated responsibility for the care and management of Scottish Ministers' Properties in Care. A significant portion of the grant-in-aid funding which HES receives is passed on to Scottish communities by way of grant schemes which fund the regeneration of Scotland's town centres and the repair of historic buildings. Between 2006 and 2016, grants amounting to £140.6 million assisted repairs to the historic environment of over £591.3 million, evidencing the significant leverage that historic environment investment can deliver.

In 2017-18 HES will:

- promote and deliver a range of events in support of Scotland's year of history, heritage and archaeology;
- continue to offer grant support to deliver benefits for communities by helping regenerate and promote the active use, care and maintenance of the historic environment, broadening access to it, promoting sustainable economic development and reinforcing local identity and sense of place;
- provide expert advice and guidance to encourage informed decision-making and achieve the right balance between conservation and sustainable change;
- promote learning and education to enhance knowledge, understanding and enjoyment of the historic environment, delivering learning programmes linked to the Curriculum for Excellence, to National and Vocational Qualifications and to opportunities in further and higher education; and
- maintain our funding for the Historic Environment Scotland external grants scheme at existing levels.

## National Records of Scotland (NRS)

**Table 12.06: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Operational Costs	31.3	31.3	39.8
Capital Expenditure	2.9	2.9	3.3
Less Retained Income	(5.8)	(5.8)	(5.8)
<b>Total</b>	<b>28.4</b>	<b>28.4</b>	<b>37.3</b>
<i>of which:</i>			
DEL Resource	25.5	25.5	34.0
DEL Capital	2.9	2.9	3.3
AME	-	-	-

### What the budget does

National Records of Scotland's budget supports the collection, preservation and production of information about Scotland's people and history. This includes performing the registration and statistical functions of the Registrar General for Scotland, for example by taking the census and producing a wide range of demographic data which underpin public sector spending decisions, and the archival and public records functions of the Keeper of the Records of Scotland, including maintaining the archives (including records of government and the courts) as one of Scotland's five National Collections.

In 2017-18 we will:

- continue progress towards the next Census (in 2021) as Scotland's richest source of demographic information, and in particular procuring a variety of systems and services to support its successful delivery;
- continue to produce trusted statistics including demographic estimates and projections on Scotland's population and households;
- ensure information of historical importance produced in digital format can be preserved for posterity by designing a new Digital Preservation service, and in particular implementing both minimum bit preservation and web archiving solutions;
- extend digital access to our family history records including the re-designed online ScotlandsPeople service to improve the customer experience and develop new and existing markets; and
- continue to play a leading role in progressing the Data Linkage Framework strategy to securely deliver data research projects that benefit the public.

---

# 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 core staffing although Scottish Government staff delivering specific public services may be paid for from other portfolio budgets where appropriate. The Administration budget also supports accommodation, information technology, travel and training.

### OUR PRIORITIES

In 2017-18 we will continue to make progress in ensuring efficiency in the administration 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 2016 Programme for Government; implementing 'Scotland's Economic Strategy', guided by the National Performance Framework; developing capacity and capability to take on new responsibilities set out in the Scotland Act 2016; and ensuring an effective response to the outcome of the EU referendum.

**Table 13.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Government Administration	193.0	193.2	192.6
<b>Total Level 2</b>	<b>193.0</b>	<b>193.2</b>	<b>192.6</b>
<i>of which:</i>			
DEL Resource	179.9	180.1	179.5
DEL Capital	13.1	13.1	13.1
AME	-	-	-

**Table 13.02: Spending Plans (Level 2 real terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Government Administration	193.0	193.2	189.8
<b>Total Level 2</b>	<b>193.0</b>	<b>193.2</b>	<b>189.8</b>
<i>of which:</i>			
DEL Resource	179.9	180.1	176.9
DEL Capital	13.1	13.1	12.9
AME	-	-	-

**Table 13.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Scottish Government Staff*	132.9	133.3	133.1
Retained Income	(16.5)	(16.5)	(16.5)
Accommodation**	16.5	16.3	15.9
Other Office Overheads***	28.5	28.5	28.5
Training	3.8	3.8	3.8
Office of the Queen's Printer for Scotland	0.1	0.1	0.1
Depreciation	14.6	14.6	14.6
Capital Projects	13.1	13.1	13.1
<b>Total****</b>	<b>193.0</b>	<b>193.2</b>	<b>192.6</b>
<i>of which:</i>			
DEL Resource	179.9	180.1	179.5
DEL Capital	13.1	13.1	13.1
AME	-	-	-

\* The 2017-18 budget reflects the transfer of £0.2 million from the Culture, Tourism and External Affairs portfolio budget since, as a NDPB, Historic Environment Scotland no longer undertakes certain statutory activities which were previously undertaken by its predecessor body, Historic Scotland.

\*\* The 2017-18 budget reflects the transfer of £0.6 million to the Justice portfolio budget for Scottish Courts and Tribunals Service to maintain Scottish Government-leased buildings.

\*\*\* Includes ICT projects and minor non-pay items, e.g. travel, transport, stationery, hospitality, etc.

\*\*\*\* The breakdown of spending plans is subject to change as we seek to reduce overhead costs in favour of providing staffing resources to support existing and new priority activities.

### What the budget does

The Administration budget covers the day-to-day running costs of the Scottish Government including costs for staff engaged in policy formulation and support for Ministers, as well as its costs for estates and IT systems and structures.

In 2017-18 we will:

- ensure the organisation has the capacity and capability to deliver the required functions of government and the priority outcomes and objectives set by Ministers and the people of Scotland. This includes matching of resources to priorities, positive engagement with the UK Government and joint working with delivery partners, trade unions and other stakeholders to ensure that the Scottish Government is fully prepared to take on further powers as they are devolved from the UK Government;
- provide leadership in the delivery of public service reform including effective preventative interventions, service design, and collaboration between public service partners;
- offer maximum value for public money and invest further in the effectiveness of our people, systems and workplaces, building on significant efficiencies already achieved in procurement, estates, facilities, and other operational costs;
- redesign and maintain ageing infrastructure through the Smarter Workplaces Programme to ensure our buildings remain fit for purpose and delivering recurring efficiency savings of £28 million from 2017-18;
- implement measures to make the most effective use of the public sector estate, including through digital investment, and to reduce carbon emissions;
- continue to support greater collaboration and partnership working by promoting the use of shared services as the standard way of doing business across the central government sector in Scotland. The Scottish Government has led this process by expanding the provision of its corporate and support services and in working with arm's-length public bodies to develop their own programmes for collaboration;
- 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 417 Modern Apprentices and provided further youth employment opportunities such as the graduate development programme, student placements and mentoring. We remain committed to offering a range of student/work experience placements for unemployed young people and students. This benefited 195 individuals in 2015-16;
- continue to invest in our people, 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;
- implement public sector pay policy for Scottish Government staff, reflecting the commitment to no compulsory redundancies, prioritising support for those on the lowest incomes and equality proofing our pay structures; and
- ensure that the Scottish Government remains an accredited Living Wage employer. We will continue to assure ourselves that our employment terms and conditions are fair and equitable and make improvements where we can. For example, as part of the agreed 2016 pay deal we increased contractual maternity and adoption pay and increased paternity leave and contractual paternity pay.

---

# 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 and he exercises that responsibility independently of any other person.

Our purpose is to secure justice for the people of Scotland. We are committed to playing our part in making Scotland a safer place to live.

### **OUR PRIORITIES**

COPFS priorities are in line with the overarching justice vision of helping to create an inclusive and respectful society in which all people and communities live in safety and security with individual and collective rights being supported and disputes resolved fairly and swiftly.

In 2017-18 our priorities will be to:

- prosecute complex, serious and organised crime and significant financial crime before the High Court and Sheriff and Jury courts;
- take action to recover associated proceeds of crime;
- prosecute hate crime, domestic abuse, stalking and sexual offending, all of which involve significant equalities issues for those who have protected characteristics across all sections of society;
- continue to work with Police Scotland to implement a domestic abuse Standard Police Report as well as working together to improve our Joint Protocol to improve the quality of cases reported and lead to better informed decision-making;
- meet the challenges arising from changes in the legal environment, including changes in the causes of crime, judicial decisions and planned legislation; and
- implement the statutory 'milestone' charter developed under the Inquiries into Fatal Accidents and Sudden Deaths (Scotland) Act.

**Table 14.01: Spending Plans (Level 2)**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
COPFS	112.5	113.5	111.1
<b>Total COPFS</b>	<b>112.5</b>	<b>113.5</b>	<b>111.1</b>
<i>of which:</i>			
Resource DEL	108.9	109.9	107.5
Capital DEL	3.6	3.6	3.6
AME	-	-	-

**Table 14.02: Spending Plans (Level 2 real terms) at 2016-17 prices**

Level 2	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
COPFS	112.5	113.5	109.5
<b>Total COPFS</b>	<b>112.5</b>	<b>113.5</b>	<b>109.5</b>
<i>of which:</i>			
Resource DEL	108.9	109.9	106.0
Capital DEL	3.6	3.6	3.5
AME	-	-	-

**Table 14.03: More Detailed Spending Plans (Level 3)**

Level 3	2016-17 Draft Budget £m	2016-17 Budget £m	2017-18 Draft Budget £m
Staff Costs	72.4	73.4	72.3
Office Costs	3.9	3.9	3.9
Case Related	13.4	13.4	13.4
Centrally Managed Costs	19.2	19.2	17.9
Capital Expenditure	3.6	3.6	3.6
<b>Total COPFS</b>	<b>112.5</b>	<b>113.5</b>	<b>111.1</b>
<i>of which:</i>			
Resource DEL	108.9	109.9	107.5
Capital DEL	3.6	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.

In 2017-18 we will:

- prosecute crime and investigate deaths which require further investigation, including support to victims of crime, vulnerable witnesses and bereaved relatives;
- use infrastructure expenditure to play a full part in delivering the 'Digital Strategy for Justice in Scotland';
- develop our digital systems and processes to enhance the service we provide, increasing case-processing efficiency;
- improve communications with victims and witnesses and facilitate compliance with relevant legislative requirements; and
- incorporate our carbon management plan into our estates strategy in order to target work on reducing carbon emissions and deliver it in unison with our overall estate strategy.

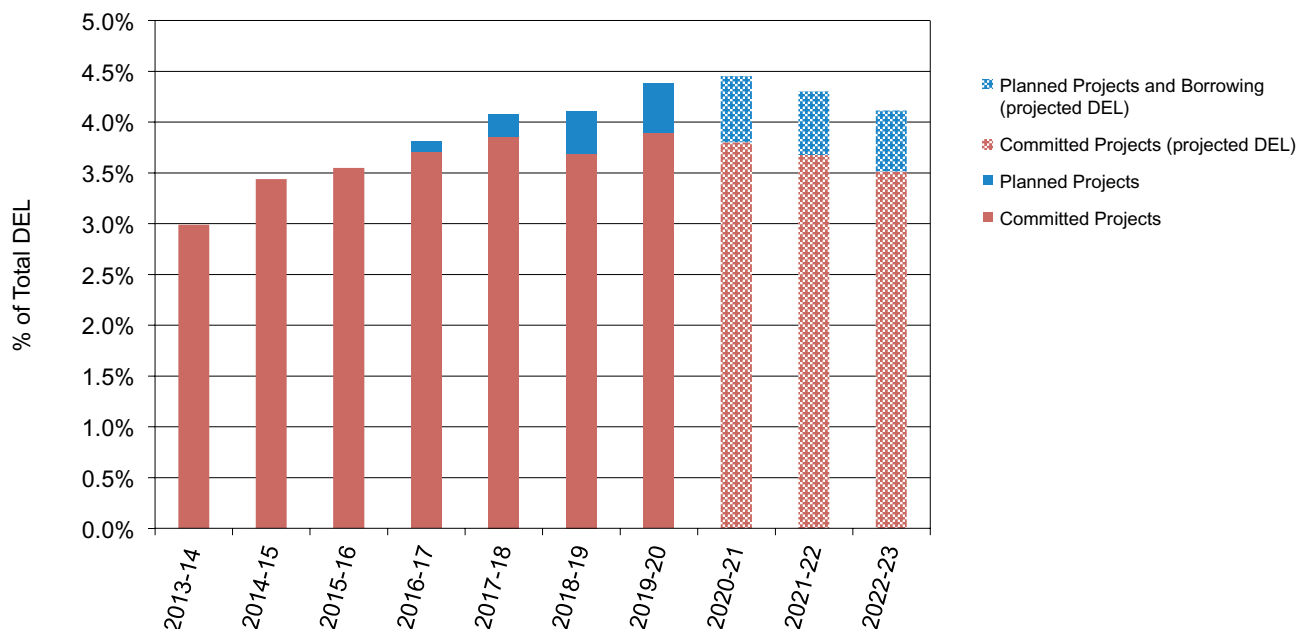
## **ANNEX A**

### **MONITORING OF LONG-TERM INVESTMENT COMMITMENTS**

In the 'Infrastructure Investment Plan 2015', we reiterated 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 therefore continue to keep our future revenue commitments within a prudent maximum of five per cent of our expected future total annual Departmental Expenditure Limit (DEL) budget. The commitments included in the calculation are the Scottish Government's share of the ongoing costs of: previous PPP contracts that are now operational; the current Non Profit Distributing (NPD) and hub programmes; rail investment (financed via the Regulatory Asset Base - RAB) and the repayment costs of borrowing for capital investment under Scotland Act 2012 and 2016 powers.

The following graph shows future revenue costs associated with our committed projects and our planned projects and borrowing. The annual revenue costs of committed projects are estimated to peak in 2019-20 at 3.9 per cent of total annual DEL budget. The annual revenue costs of committed projects plus planned projects and planned borrowing, peak at just under 4.5 per cent in 2020-21. There is therefore headroom within the five per cent ceiling.

**Figure 1: Long-Term Investment Commitments – Scottish Government’s Share of Costs as a Proportion of the Total Projected DEL Budget<sup>1</sup>**



Committed projects are those where a contract has been signed. The assets will therefore be under construction or the project is operational.

The following NPD and hub projects are now operational:

- Aberdeen Health Village
- Forres, Woodside and Tain Health Facilities
- Inverness College
- Alford Academy, Aberdeenshire
- Wishaw, East Kilbride, and Kilsyth Health Centres
- City of Glasgow College
- James Gillespie’s High School, Edinburgh
- Ayrshire College (Kilmarnock Campus)
- Ayrshire and Arran Acute Mental Health, and North Ayrshire Community Hospital
- Maryhill Health and Eastwood Health and Care Centres
- Levenmouth High School, Fife
- Greenfaulds High School, North Lanarkshire

<sup>1</sup> As set out in Draft Budget 2016-17, estimated costs have been adjusted to reflect the impact of a public sector classification for the Aberdeen Western Peripheral Route project, the Dumfries and Galloway Acute Services Redevelopment Project, Edinburgh Royal Hospital for Sick Children and Department for Clinical Neurosciences, Scottish National Blood Transfusion Service and an assumption of a similar classification for the NHS Orkney New Hospital and Healthcare Facilities.

The following NPD and hub projects are in construction:

- Wick High School, Highland
- Forfar Community Campus, Angus
- Anderson High School, Shetland Islands
- National Centre for the Scottish National Blood Transfusion Service
- Redevelopment of Royal Edinburgh Hospital Campus - Phase 1
- Royal Hospital for Sick Children/Department of Clinical Neurosciences, Edinburgh
- Dumfries and Galloway Acute Services Redevelopment Project
- M8 M73 M74 Motorway Improvements
- Aberdeen Western Peripheral Route/Balmedie Tipperty project
- Ayr Academy, South Ayrshire
- Dalbeattie Learning Campus, Dumfries and Galloway
- Newbattle Centre, Midlothian
- Kelso High School, Scottish Borders
- Elgin High, Moray
- Inverclyde Continuing Care Beds for Mental Health
- Baldrigon Academy, Dundee City
- William McIlvanney Campus, East Ayrshire
- Barrhead High School, East Renfrewshire
- Oban High School and Campbeltown Grammar, Argyll and Bute
- Our Lady and St Patrick's High School, West Dunbartonshire
- Lothian Partnership Centre Bundle
- South of the City Academy, Aberdeen City
- Largs Campus, North Ayrshire
- East Lothian Community Hospital
- Inverurie Health Care Hub and Foresterhill Health Centre

Projections for which RAB payments are made include previous investments in the existing rail network, the Edinburgh to Glasgow Improvements Programme (EGIP), Aberdeen to Inverness enhancements, Highland Mainline, and other enhancement projects agreed for the regulatory period from 2014 to 2019 and anticipated for the next regulatory period. The Scottish Government's servicing of the RAB is reflected in the annual network grant payment to Network Rail as determined by the Office of Rail and Road.

Committed projects also include the Scottish Government's share of the revenue costs of PFI projects (which are completed and in operation) and the five NPD projects committed before the current £3.5 billion NPD pipeline.

Annex H sets out the total unitary charges for all Scottish PPP projects, prior to those announced as part of the current £3.5 billion NPD pipeline, including those elements met from other public bodies' own resources, to provide full transparency. The monitoring of long-term investment commitments described in this Annex is based on costs borne by Scottish Government budgets only.

Unitary charges usually include ongoing maintenance commitments over the project life, as well as costs associated with project construction and financing.

Costs associated with planned projects and investments include:

- hub pipeline - revenue financed community health and schools projects;
- modelling assumptions of the revenue cost of delivering an NPD/Hub programme totalling £3.5 billion while consideration is given to the impact of recent changes to Eurostat rules for stand-alone NPD projects;
- Scottish Government's forecast borrowing repayments for anticipated borrowing of £322 million in 2016-17 under the Scotland Act 2012 powers; and
- Scottish Government's repayments for the use of capital borrowing powers from 2017-18, which were increased by the Scotland Act 2016 to £3 billion in aggregate over 10 years, with an annual cap of £450 million.

In order to maximise our investment in infrastructure, we will make use of the full £450 million available in 2017-18. This is modelled here as being drawn from the National Loans Fund in 2017-18, with an assumption of repayment over 10 years, an interest rate of 2 per cent, and repayments of both principal and interest from 2017-18 onwards. Final decisions on borrowing arrangements will be taken over the course of the year reflecting an ongoing assessment of programme requirements.

In the UK Spending Review announcement of 25 November 2015, the UK Government set out spending allocations up to 2019-20 for Resource DEL and up to 2020-21 for Capital DEL and financial transactions. Beyond 2019-20 we have no detailed UK departmental spending plans, and therefore no detail of the Scottish block grant settlement. For the purposes of this modelling, we have therefore assumed that spending allocations will grow in line with projected nominal GDP. The years without firm DEL allocations are 2020 to 2022 and these are shown with the hatched pattern in Figure 1.

The Scottish Government intends to review the scope and presentation of this modelling material during 2017, to reflect the changing fiscal responsibilities devolved to Scotland, the diversity of the levers available to support growth and our commitment to transparency in financial reporting.

## **ANNEX B**

### **UPDATE ON PROGRESS WITH INNOVATIVE FINANCE INVESTMENTS**

The Scottish Government continues to pursue a range of innovative financing mechanisms which are intended to support economic growth in Scotland, maintain or increase investment and help to deliver key policy outcomes, within the overall strategy set out in the 'Infrastructure Investment Plan'.

#### **Innovation in Housing Investment**

The Scottish Government continues to break new ground through leading and supporting innovative financing schemes that deliver increased levels of affordable housing and attract private investment. The use of government guarantees, loans, grant recycling and new sources of private funding is already supporting the delivery of approaching 5,000 new affordable homes, generating up to £650 million of housing investment which is set to increase further.

We will continue to innovate and stretch public resources to harness increased investment in housing to deliver our ambitious housing targets, including through:

- supporting local authorities to develop plans to boost the supply of affordable housing through prudential borrowing;
- running an open invitation for proposals from housing providers that can deliver affordable mid-market rent homes at scale across Scotland, with a number of proposals now being progressed through due diligence; and
- market-testing and developing a Rental Income Guarantee Scheme that aims to attract private investors to kick-start delivery of high quality new-build private rented sector homes at scale.

#### **JESSICA Fund**

Initially part-funded by the European Union, the SPRUCE Fund has now entered the recycling phase and is now operating across all local authority areas in Scotland where there is identified market failure and lack of investment. There have been seven investments by the fund taking the total invested so far to over £48 million. Forecasts suggest that SPRUCE investments will lever in an additional £158 million in private funding, creating over 4,000 jobs.

#### **Tax Incremental Financing**

Tax Incremental Financing (TIF) allows local authorities to fund public sector infrastructure, which unlocks private sector investment, contributing to sustainable and inclusive economic growth. This growth is funded from future business taxes that are generated as a result of attracting more businesses into the area because of upfront public sector enabling investment.

Six pilot TIF schemes were developed through secondary legislation under existing provisions of the Local Government Finance Act (1992). This pilot approach has allowed this model to be tested in Scotland, with four pilot projects currently in place, of which three have received full approval and one has received approval in principle. These

pilots have so far seen approximately £30 million of the total £175 million of public sector investment anticipated, which is expected to generate £900 million of private sector investment over the life of the projects. Two other TIF pilots (North Lanarkshire and City of Edinburgh) have not proceeded as planned due to changing market conditions and agreement by all parties to pursue other options for supporting growth. The two TIF opportunities will now be made available for all local authorities to apply for during the course of 2017.

### **Growth Accelerator**

In comparison to TIF, the Growth Accelerator (GA) mechanism seeks to assess the impact of intervention and investment across a wider economic geography and measure wider relevant impacts that align with the priorities of the investment. The first GA project was signed in October 2016 with City of Edinburgh Council, for the St James Quarter, with up to £60 million of public sector investment unlocking around £1 billion of new retail, leisure, hotel and residential development in the city centre. The second project has been agreed with Dundee City Council and the underpinning financial arrangements are being concluded. The project is designed to stimulate growth, create jobs and support businesses through a combination of public and private sector investment in local infrastructure and public spaces within Dundee's Central Waterfront area. Other growth accelerator projects will be developed where this is agreed to be the best tool for investment. The Scottish Government and the Scottish Futures Trust are engaging with local authority partners to consider the potential application of the GA model.

### **City Deals and Regional Partnership Plans**

The City Deal approach encourages local authorities to operate strategically at the regional level, in partnership with national governments. The Scottish Government, along with the UK Government, is supporting £1.13 billion of investment as a result of the Glasgow City Region Deal. Local authority partners estimate that the City Region Deal will support an overall increase of around 29,000 jobs in the city region and lever in an estimated £3.3 billion of private sector investment over 20 years.

The Scottish Government, UK Government and regional partners recently signed the Aberdeen City Region Deal and the Scottish Government committed to investing up to £125 million in the Deal. In addition the Scottish Government has committed to investing a further £254 million over the same 10-year period as the Deal to make a more significant step change to the economy of the North East. The Scottish Government is also committed to investing up to £135 million in the Inverness City Region Deal.

The Scottish Government is prepared to support all Scotland's cities to develop City Deal proposals, where this can stimulate collaborative working and regional investment, and has welcomed the UK Government's commitment to City Region Deals for Edinburgh, Dundee/Perth and Stirling. This approach is not just for Scotland's cities and we are committed to working with groups of local authorities where there is potential to support more effective collaboration in delivering shared priorities.



## **Non-Profit Distributing Programme**

Since the announcement of the NPD programme in 2010, 37 projects with a value of £2.4 billion have been contracted with 12 state-of-the-art facilities across the education and health sectors already constructed and operational. They include three NPD colleges now open in Glasgow, Inverness and Kilmarnock delivering modern flexible learning spaces to over 50,000 students. The colleges construction represented over £300 million investment supporting an estimated 3,500 jobs with 73 apprentice opportunities and 128 jobs filled by new entrants. In addition to the economic stimulus, the College NPD procurements were delivered in shorter timescales than previous norms and have won architecture and design awards including a shortlisting for the prestigious Royal Institute for British Architects 2016 Stirling Prize.

NPD programme investment in our roads is ongoing including construction on M8/M74/M73 and the Aberdeen Western Peripheral Route (AWPR) bringing significant connectivity and economic benefits. During 2016-17 there has been over £150 million construction investment in the NHS Lothian Royal Hospital for Sick Children and Department for Clinical Neurosciences (RHSC/DCN) and the large acute hospital facilities in Dumfries.

Projects in the NPD programme, both large standalone projects such as the roads and hospitals or community infrastructure projects delivered through the hub programme, use future revenue streams to fund capital investment now. A change in the European System of Accounts (ESA10), rules as they apply to revenue funded projects caused a review of the NPD programme, including hub in November 2015, March 2016 and again in September 2016 when further iterations of guidance were published.

The Scottish Government attaches considerable value to the role of private finance in infrastructure investment. A revised structure for the hub programme has been introduced to align with the new ESA10 rules and this has allowed 12 schools projects and three community health projects to reach financial close and enter into construction during 2016. A pipeline of further hub projects has been agreed which will commence construction during 2017.

The Office for National Statistics (ONS) confirmed on 31 July 2015 that the Aberdeen Western Peripheral Route infrastructure project should be classified to the public sector. While classification to the public rather than private sector has no cashflow impact, following review of the ONS decision by the Scottish Futures Trust (SFT) and consultation with HM Treasury on the budgetary implications, the Draft Budget 2016-17 and the 2017-18 draft budget make provision for the construction costs of the AWPR and three other NPD projects which have received a public sector classification.

SFT is reviewing options for the delivery of future revenue-funded projects, taking into account the work on the revised hub structure. In the current pipeline, the Fife College project is currently developing its business case. Work is also ongoing to consider innovative investment opportunities across other sectors.

To maintain progress on projects, a bespoke funding structure for the Orkney Hospital project retaining an element of private finance has been developed. Capital funding has been allocated for the Baird Family Hospital, the ANCHOR Centre and Forth Valley



College which were previously listed as revenue funded projects under the NPD programme. All three projects are progressing their procurements.

### Estimated Capital Investment Profile (£m)

The table below provides an up-to-date profile of estimated capital investment delivered through the programme. For comparison, the investment profile estimates at the time of the Draft Budget 2016-17 are also shown. As in prior years, estimates include an adjustment to the forecast for the year ahead, 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.

Year	Project	Draft Budget 2016-17	Draft Budget 2017-18*	
2015-16	M8 M73 M74 Motorway Improvements	101	101	
	A90 Aberdeen Western Peripheral Route/Balmedie - Tipperty	260	141	
	Schools	150	147	
	Colleges	66	66	
	NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences	52	52	
	NHS Ayrshire and Arran Acute Mental Health and North Ayrshire Community Hospital	25	25	
	NHS NSS Scottish National Blood Transfusion Service National Centre	21	21	
	NHS Dumfries and Galloway Acute Services Redevelopment Project	52	52	
	Community Health	60	61	
	Pre-Contract Uncertainty**	-	-	
	<b>2015-16 TOTAL***</b>	<b>787</b>	<b>666</b>	
	2016-17	M8 M73 M74 Motorway Improvements	76	76
		A90 Aberdeen Western Peripheral Route/Balmedie - Tipperty	176	183
Schools		357	312	
Colleges		6	6	
NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences		73	64	
NHS NSS Scottish National Blood Transfusion Service National Centre		8	8	
NHS Dumfries and Galloway Acute Services Redevelopment Project		101	101	
NHS Orkney New Hospital and Healthcare Facilities Project****		-	-	
Community Health		135	66	
Pre-Contract Uncertainty**		(50)	-	
<b>2016-17 TOTAL***</b>		<b>882</b>	<b>816</b>	

Year	Project	Draft Budget 2016-17	Draft Budget 2017-18*
2017-18	A90 Aberdeen Western Peripheral Route/Balmedie - Tipperty	-	142
	Schools	-	137
	NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences	-	22
	NHS Dumfries and Galloway Acute Services Redevelopment Project	-	26
	Community Health	-	139
	Pre-Contract Uncertainty**	-	(50)
	<b>2017-18 TOTAL***</b>	-	<b>416</b>

\* Estimated profile of construction activity associated with Scottish Government revenue-funded projects in the budget period based on dates and values updated by procuring bodies for the August 2016 Infrastructure Investment Plan project pipeline update. For projects in construction, the investment profile per annum reflects the contractor's financial close model projections with the exception of the AWPR and RHSC/DCN where the contractors have reforecast the planned works between investment years. The profiled investment reflects the Scottish Government's response to all updates in relevant EU guidance on ESA 10.

\*\* Projects in development manage a portfolio of risk connected with land, planning, design development and service planning. These risks create some uncertainty in the forecasts for 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, the programme level adjustment applied in the 2016-17 estimate has been removed and is applied to the 2017-18 estimate.

\*\*\* Totals may not sum due to rounding.

\*\*\*\* Investment value for the NHS Orkney project has been removed from the table to reflect that this project is being funded through an alternative route to allow a comparison net of this effect to be made.

## 2015-16 Estimated Capital Investment Delivered

The latest estimates demonstrate that the NPD delivery programme progressed investment of around £666 million in 2015-16. This reflects significant construction activity across the roads projects, the acute health projects as well as a number of schools and health centres. The updated forecast for AWPR reflects the contractors reforecast construction profile and accounts for project complexities and severe weather conditions during the year.

## 2016-17 Estimated Capital Investment Forecast

The total forecast capital investment of £816 million reflects the volume of construction activity on the M8/M74/M73 improvements project, the AWPR and the large acute hospital facilities in Dumfries and the Royal Hospital for Sick Children and Department for Clinical Neurosciences (RHSC/DCN) in Edinburgh. Twelve new school projects reached financial close in year and these are all contributing to the schools investment forecast of over £300 million in 2016-17. The reduction on the prior year estimates reflects that a number of schools projects delivered under budget. Whilst the programme level issues around ESA10 have been resolved, some project specific issues mean that in some cases schools and some community health projects have reforecast their dates for construction commencement.

**2017-18 Estimated Capital Investment Forecast**

The larger NPD projects are moving towards their operational phases and the majority of the forecast relates to the schools and community health projects. Some uncertainty regarding dates for construction will remain whilst projects are still in their development phase and dealing with project complexities and value engineering reviews. This risk is reflected in the provision for pre contract uncertainty in 2017-18.

## **ANNEX C**

### **PUBLIC SERVICE REFORM DELIVERY AND PREVENTION UPDATE**

High quality public services work in coordinated, connected ways to empower the people who use them. This was the premise set out in the Christie Commission's report and is the vision that we are continuing to progress towards; building on the pillars of prevention, partnership, people, and performance.

We see prevention in particular as the route to tackling the most difficult and entrenched problems that people face in our communities and to achieving our goals of reducing inequalities and driving inclusive growth. Solutions, however, rarely fit neatly within traditional organisational boundaries and their impact is not linear, making the delivery of targeted action and policy initiatives all the more complex. We believe that an ethos of collaboration across the public, private and third sectors can enable us to deal with this complexity in a more cohesive way and to make the best possible use of the total resources available to us.

There are a number of key reforms ahead including the de-centralisation of local government functions, financial and democratic oversight, reform of education to empower communities to drive improvement in schools, further health reform and the next phase of our review of enterprise and skills agencies. Individually and collectively these reforms, like those that have been implemented in the past year, seek to improve outcomes for people at every life stage. By focusing on outcomes we hope to develop and deploy the public service workforce in a way that establishes a truly preventative culture, one which forges deeper relationships with local people and is more open and responsive to what communities most value.

Below are just some examples of how, since Draft Budget 2016-17, we have continued to drive forward our ambitious programme of reform across public services.

#### **Empowering communities and the workforce**

- Launched 'Empowering teachers, parents and communities to achieve Excellence and Equity – a governance review', seeking views on how education, from early years through to secondary schools, is delivered and how we can deliver greater devolution of powers to schools.
- Over £1 million of support provided through the Housing Voluntary Grant Scheme to voluntary organisations undertaking projects focused on preventing homelessness.
- Committed to seeing that all adult social workers receive the real Living Wage from 1 October 2016 giving up to 40,000 people, mainly women, doing some of the most valuable work in Scotland, a pay rise.
- £2 million provided through Community Choices Fund to support public authorities and community organisations to run participatory budgeting exercises, ensuring that decisions about spending in communities are taken by the people living there.

### **Collaborating and simplifying processes**

- £250 million provided under Health and Social Care Integration from the NHS to Health and Social Care Partnerships to protect and expand social care services and deliver shared priorities.
- Trial of Scottish Fire & Rescue Service and Scottish Ambulance Service co-responding to Out of Hospital Cardiac Arrest (OHCA) incidents resulting in 23 potentially lifesaving interventions and improved patient outcomes.
- Development of a single Children and Young People Improvement Collaborative combining the aims of the Early Years Collaborative and Raising Attainment for All programme to focus on improving quality at every stage of the child and young person's journey.
- Improved the information for victims of crime and witnesses on our webpages to ensure that they better meet the needs of users and that people can access appropriate support from their first interaction with the criminal justice system.
- Designed a new collaborative approach to funding Criminal Justice Social Work services which has seen local authorities working closely with Community Justice Partners and the third sector to target resources to meet local priorities aimed at preventing and reducing further offending in the community.

### **Focusing on, and delivering, outcomes**

- Agreed the Scottish Household Recycling Charter with COSLA, which will introduce a consistent approach to household recycling making it easier for people to recycle and support our ambitions for a more circular economy.
- Publication of a new National Strategy for Community Justice accompanied by an Outcomes and Performance Indicators Framework which will ensure all community justice partners are working towards shared outcomes, focused on public safety and preventing and reducing further offending.
- £2.5 million cross portfolio funding over the next four years for Sistema Scotland to enable their youth orchestra programme to sustain and build on its work enhancing the health, wellbeing and prospects of young people in disadvantaged areas.
- Campaign delivered to raise awareness of child sexual exploitation and ways to protect children aimed at perpetrators with a view to preventing children from ever becoming a victim.
- Launched a National Social Enterprise Strategy which will build on more than a decade of sustained investment in social enterprise; recognising their potential in tackling some of the toughest social issues we face while helping to deliver inclusive growth.

## **Prevention Update and Forward Look**

Delivering truly people-centred services and empowering communities are at the heart of our reform agenda. Community Planning is a major vehicle for putting these reform principles into practice; delivering preventative action that is specifically targeted at locally identified priorities. New provisions coming into force at the end of 2016 will require community planning partners to work together to improve outcomes and further reduce socio-economic disadvantage for local communities. Nationally, we are committed to investing in early intervention programmes that support our young people, raise attainment, tackle inequality, reduce reoffending, contribute to inclusive growth and empower our communities.

As part of the Early Years Framework we established an Early Years Change Fund, in partnership with local government and health, which aimed to prioritise spending on prevention and early intervention in the early years. The Early Years Collaborative was a multi-agency programme established through the fund, which used evidence to improve services to children, young people and families. This has now merged with the Raising Attainment for All Programme to create a single Children and Young People Improvement Collaborative that covers pre-birth to 18. 'Getting it Right for Every Child' is central to this work. The ongoing expansion of high quality early learning and childcare is intended to contribute to raising attainment and closing inequality gaps, and represents a strong policy and financial investment in prevention in the early years.

In education, the recently-launched governance review is a key part of our education delivery plan and just one aspect of our overall drive to close the attainment gap and deliver excellence and equity in education for all children and young people. We have already driven forward a range of improvements and reforms across education including to our curriculum and workforce. Work being undertaken through the National Improvement Framework and the Scottish Attainment Challenge is also driving improvement for children and young people across Scottish education. However, if we want to fully realise the vision of excellence and equity for all, then the system itself needs to be looked at. It is right that we ask about the role that every part of our education system plays to deliver education in Scotland and how this can be improved.

We have continued to focus on skills and employability as roots to driving inclusive economic growth and tackling inequalities. In October 2016 we reported on the initial findings of our review into enterprise and skills bodies. The primary purpose of the review is to identify ways in which we can strengthen the support available and the economic outcomes that it delivers. It is focused on improving our national economic performance to ensure inclusive economic growth and increased productivity, while also aiming to create a simpler system that takes full account of the needs of users. Alongside this, our employability programme aims for a different, more person-centred approach, targeting individuals and groups who find public services harder to access.

For those already in receipt of vital public services, the integration of health and social care is a strong illustration of how we can make improvements to the way people experience the services that they rely upon. Planning, designing and commissioning services in an integrated way from a single budget allows Partnerships to take a more joined-up approach, more easily allocating resources to target preventative activity.

By putting people at the centre, we can ensure that the focus remains firmly on user experience and individual needs, thereby allowing health and social care services to target their resources where they will improve outcomes and reduce health inequalities.

From 1 April 2017 a new model for Community Justice will be in place in Scotland, enabling earlier intervention than is currently the case, and emphasising preventative activities and alternatives to custody. Alongside this, building on the preventative focus of the Reducing Reoffending Change Fund, a new National Strategy for Community Justice has recently been published. This recognises the need for collaborative approaches across Health, Education, Employment and all wider services to ensure that community justice partners are working towards shared outcomes, focused on improving public safety, tackling inequality and preventing and reducing further offending.

As we look ahead to the next budget, we are keen to get a better idea of patterns that can help us to direct intervention and support people who are at high risk of poor outcomes. Focusing on three key areas - reducing reoffending, youth employment and employment for disabled people - we will develop ways to make better use of the data sets that are available to us to identify who would benefit most from prevention. At the same time we will be concentrating on how we can direct more funding towards activities that focus on prevention either by facilitating joint investment by local partners or attracting new money from outside investment.

**ANNEX D****Table 1: Departmental Expenditure Limits**

	2016-17 Draft Budget £m	2017-18 Draft Budget £m
Health and Sport	12,938.3	13,125.9
Finance and the Constitution	78.9	174.5
Education and Skills	2,707.1	2,845.9
Economy, Jobs and Fair Work	369.0	384.6
Justice	2,512.3	2,580.3
Communities, Social Security and Equalities	8,279.1	8,476.5
Environment, Climate Change and Land Reform	182.2	307.0
Culture, Tourism and External Affairs	292.8	324.8
Rural Economy and Connectivity	2,676.7	2,866.6
Administration	193.0	192.6
Crown Office and Procurator Fiscal Service	112.5	111.1
Scottish Parliament and Audit Scotland	102.3	103.2
<b>Total</b>	<b>30,444.2</b>	<b>31,493.0</b>



## ANNEX E

**Table 2: Annually Managed Expenditure**

	2016-17 Draft Budget £m	2017-18 Draft Budget £m
Health and Sport	100.0	100.0
Finance and the Constitution	3,441.6	3,406.4
Education and Skills	379.3	443.0
Economy, Jobs and Fair Work	-	-
Justice	-	-
Communities, Social Security and Equalities	2,768.5	2,605.8
Environment, Climate Change and Land Reform	-	-
Culture, Tourism and External Affairs	-	-
Rural Economy and Connectivity	-	-
Administration	-	-
Crown Office and Procurator Fiscal Service	-	-
Scottish Parliament and Audit Scotland	-	-
<b>Total</b>	<b>6,689.4</b>	<b>6,555.2</b>

## ANNEX F

Table 3: Departmental Expenditure Limits: Capital/Resource Split

Level 2	2016-17			2017-18		
	Draft Budget		Capital £m	Draft Budget		Resource £m
	Resource £m	Capital £m		Resource £m	Capital £m	
Health	524.5	12,352.7	408.1	12,660.1		
Sport	-	45.8	-	42.4		
Food Standards Scotland	-	15.3	-	15.3		
<b>Total Health and Sport</b>	<b>524.5</b>	<b>12,413.8</b>	<b>408.1</b>	<b>12,717.8</b>		
Scottish Public Pensions Agency	3.5	16.8	2.0	16.3		
Revenue Scotland	-	5.2	-	6.1		
Scottish Fiscal Commission	-	1.0	-	1.7		
Finance & Constitution	-	52.4	-	148.4		
<b>Total Finance and the Constitution</b>	<b>3.5</b>	<b>75.4</b>	<b>2.0</b>	<b>172.5</b>		
Learning	30.7	170.8	26.4	190.6		
Children and Families	4.1	113.1	40.1	127.1		
Higher Education Student Support	2.0	495.0	2.0	495.0		
Scottish Funding Council	62.7	1,589.4	102.9	1,631.9		
Skills and Training	-	232.6	-	223.7		
Advanced Learning and Science	-	6.7	-	6.2		
<b>Total Education &amp; Skills</b>	<b>99.5</b>	<b>2,607.6</b>	<b>171.4</b>	<b>2,674.5</b>		
Parliamentary Business and Government Strategy	30.0	3.9	56.6	4.2		
Enterprise and Energy	107.8	206.1	80.4	199.2		
Accountant in Bankruptcy	0.7	0.5	0.7	0.5		
Employability and Training	-	20.0	-	43.0		
European Social Funds 2014-20 Programmes	-	-	-	-		
ERDF 2014-20 Programmes	-	-	-	-		
<b>Total Economy, Jobs and Fair Work</b>	<b>138.5</b>	<b>230.5</b>	<b>137.7</b>	<b>246.9</b>		

Level 2	2016-17		2017-18	
	Draft Budget		Draft Budget	
	Capital	Resource	Capital	Resource
	£m	£m	£m	£m
Community Justice Services	-	30.7	-	33.6
Judiciary	-	40.5	-	31.6
Criminal Injuries Compensation	-	17.5	-	17.5
Legal Aid	0.1	136.8	0.1	137.1
Scottish Police Authority (SPA)	16.2	1,053.4	20.0	1,072.4
Scottish Fire and Rescue Service	10.8	283.9	32.5	283.9
Police Central Government	17.8	62.6	7.5	85.4
Safer and Stronger Communities	-	7.1	-	4.1
Police and Fire Pensions	-	350.6	-	350.6
Scottish Prison Service	10.0	347.2	15.8	345.2
Miscellaneous	7.5	30.7	1.1	36.3
Scottish Courts and Tribunals Service	12.4	76.5	14.5	91.1
<b>Total Justice</b>	<b>74.8</b>	<b>2,437.5</b>	<b>91.5</b>	<b>2,488.8</b>
Housing	681.0	26.2	693.5	45.5
Social Security	-	74.3	-	95.9
Social Justice & Regeneration	31.5	25.0	35.0	24.2
Scottish Housing Regulator	-	3.7	-	4.0
Equalities	-	20.3	-	20.3
Third Sector	-	24.5	-	24.5
Office of the Scottish Charity Regulator	-	3.0	-	3.0
Governance, Elections & Reform	-	1.7	-	1.2
Planning	0.1	4.0	0.1	4.0
Local Government	606.9	6,776.9	756.5	6,768.8
<b>Total Communities, Social Security and Equalities</b>	<b>1,319.5</b>	<b>6,959.6</b>	<b>1,485.1</b>	<b>6,991.4</b>
Marine	0.8	45.0	0.8	51.5
Research, Analysis and Other Services	8.9	58.1	8.9	55.4
Environmental Services	10.5	133.6	13.1	133.0
Climate Change	-	19.8	-	19.8
Scottish Water	-	-94.5	120.0	-95.5
<b>Total Environment, Climate Change and Land Reform</b>	<b>20.2</b>	<b>162.0</b>	<b>142.8</b>	<b>164.2</b>

Level 2	2016-17			2017-18		
	Draft Budget		Capital	Draft Budget		Resource
	£m	Resource		£m	Resource	
External Affairs	-	13.8	-	-	15.8	
Culture, Tourism and Major Events	26.1	179.5	23.1	23.1	203.1	
Historic Environment Scotland	3.4	41.6	5.6	5.6	39.9	
National Records of Scotland	2.9	25.5	3.3	3.3	34.0	
<b>Total Culture, Tourism and External Affairs</b>	<b>32.4</b>	<b>260.4</b>	<b>32.0</b>	<b>32.0</b>	<b>292.8</b>	
EU Support and Related Services	41.3	137.5	55.9	55.9	121.7	
Fisheries and Aquaculture Grants	5.4	2.0	4.4	4.4	2.0	
Forestry Commission	1.6	59.7	1.6	1.6	59.7	
Rural Services	0.8	35.4	1.6	1.6	40.8	
Highland and Islands Enterprise	26.2	41.3	26.2	26.2	40.8	
Air Services	19.9	40.4	16.4	16.4	42.9	
Concessionary Fares and Bus Services	2.0	259.3	2.0	2.0	252.4	
Ferry Services	45.2	153.4	15.2	15.2	165.8	
Motorways and Trunk Roads	513.6	306.7	626.6	626.6	340.4	
Other Transport Policy, Projects and Agency Administration	63.1	54.6	83.7	83.7	54.7	
Rail Services	483.4	267.9	462.1	462.1	313.7	
Digital Connectivity	92.2	23.8	112.1	112.1	23.9	
<b>Total Rural Economy and Connectivity</b>	<b>1,294.7</b>	<b>1,382.0</b>	<b>1,407.8</b>	<b>1,407.8</b>	<b>1,458.8</b>	
<b>Total Administration</b>	<b>13.1</b>	<b>179.9</b>	<b>13.1</b>	<b>13.1</b>	<b>179.5</b>	
<b>Total Crown Office and Procurator Fiscal Service</b>	<b>3.6</b>	<b>108.9</b>	<b>3.6</b>	<b>3.6</b>	<b>107.5</b>	
<b>Total Scottish Parliament &amp; Audit</b>	<b>1.7</b>	<b>100.6</b>	<b>1.2</b>	<b>1.2</b>	<b>102.0</b>	
<b>Total DEL</b>	<b>3,526.0</b>	<b>26,918.2</b>	<b>3,896.3</b>	<b>3,896.3</b>	<b>27,596.7</b>	

2016-17 Capital and Resource figures have been adjusted to reflect a reclassification of some research and development funding in accordance with updated European System of Accounts guidelines (ESA10).





	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Draft Budget £m	Draft Budget £m
Police Loan Charges	7.3							
Marine	59.5	50.2	50.1	54.8	53.8	54.1	45.8	52.3
Research, Analysis and Other Services	79.9	77.9	76.0	72.3	69.2	64.5	67.0	64.3
Water Quality	-	-	-	-	-	-	-	-
Environmental Services	162.7	140.9	146.7	150.4	149.1	155.8	144.1	146.1
Climate Change	-	11.9	7.5	13.5	15.1	15.1	19.8	19.8
Scottish Water	18.6	-43.0	9.5	-66.7	-25.4	-97.1	-94.5	24.5
<b>Total Environment, Climate Change and Land Reform</b>	<b>320.7</b>	<b>237.9</b>	<b>289.8</b>	<b>224.3</b>	<b>261.8</b>	<b>192.4</b>	<b>182.2</b>	<b>307.0</b>
External Affairs	11.1	11.5	12.1	12.5	12.2	14.4	13.8	15.8
Culture, Tourism and Major Events	237.3	233.6	238.2	219.4	207.3	210.7	205.6	226.2
Historic Scotland	48.5	45.5	47.5	42.7	35.6	-	-	-
National Records of Scotland	38.0	33.9	22.3	19.9	19.9	21.1	28.4	37.3
Historic Environment Scotland				0.0	0.0	45.3	45.0	45.5
Young Scots Fund	-	-	0.8	0.0	0.0	0.0	-	-
<b>Total Culture, Tourism and External Affairs</b>	<b>334.9</b>	<b>324.5</b>	<b>320.9</b>	<b>294.5</b>	<b>275.0</b>	<b>291.5</b>	<b>292.8</b>	<b>324.8</b>
EU Support and Related Services	148.4	134.0	133.9	116.4	163.6	160.6	178.8	177.6
Rural Services	17.6	32.0	35.3	40.1	35.5	82.9	36.2	42.4
Fisheries and Aquaculture Grants	17.7	0.1	4.5	8.2	5.6	7.8	7.4	6.4
Forestry Commission	71.4	60.8	77.4	68.8	56.4	54.5	61.3	61.3
Digital Public Services, Committees, Commissions and Other Expenditure	18.0	12.9	16.3	19.1	90.7	-	-	-
Digital Connectivity	-	-	-	-	-	78.0	116.0	136.0
Highland and Islands Enterprise	68.0	56.6	86.4	70.8	67.5	67.2	67.5	67.0
Rail Services	749.8	778.0	783.6	838.0	708.3	748.6	751.3	775.8
Concessionary Fares and Bus Services	249.5	248.8	258.9	246.7	252.7	252.4	261.3	254.4
Other Transport Policy, Projects and Agency Administration	70.8	63.8	61.3	74.7	74.1	66.4	117.7	138.4
Motorways and Trunk Roads	615.7	520.3	766.0	595.9	578.8	773.4	820.3	967.0

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Draft Budget £m	Draft Budget £m
Ferry Services	112.4	128.7	120.4	142.8	167.9	205.7	198.6	181.0
Air Services	33.1	37.3	38.0	56.5	56.9	63.2	60.3	59.3
Scottish Futures Fund	-	-	2.1	7.7	16.6	14.6	-	-
<b>Rural Economy and Connectivity</b>	<b>2,172.5</b>	<b>2,073.3</b>	<b>2,384.1</b>	<b>2,285.7</b>	<b>2,274.6</b>	<b>2,575.3</b>	<b>2,676.7</b>	<b>2,866.6</b>
Administration	275.7	238.9	224.8	206.8	200.0	182.7	193.0	192.6
<b>Total Administration</b>	<b>275.7</b>	<b>238.9</b>	<b>224.8</b>	<b>206.8</b>	<b>200.0</b>	<b>182.7</b>	<b>193.0</b>	<b>192.6</b>
Total Crown Office and Procurator Fiscal Service	117.5	108.3	109.0	109.7	112.4	113.2	112.5	111.1
<b>Total Crown Office and Procurator Fiscal Service</b>	<b>117.5</b>	<b>108.3</b>	<b>109.0</b>	<b>109.7</b>	<b>112.4</b>	<b>113.2</b>	<b>112.5</b>	<b>111.1</b>
<b>Total Scottish Government Budget</b>	<b>34,234.6</b>	<b>33,488.3</b>	<b>33,761.2</b>	<b>34,342.6</b>	<b>36,390.0</b>	<b>36,930.9</b>	<b>37,031.3</b>	<b>37,945.0</b>

\*\* It is not possible to provide a comparable outturn split between Other ELL and the new 'Fair Work, Skills and Training' 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**

	2016-17	2017-18
	£m	£m
Health and Sport	244.1	248.9
Finance and the Constitution	-	-
Education and Skills	351.0	357.7
Justice	51.5	51.5
Communities, Social Security and Equalities	148.0	149.9
Rural Economy and Connectivity	94.0	96.4
Culture, Tourism and External Affairs	-	-
Economy, Jobs and Fair Work	-	-
Environment, Climate Change and Land Reform	151.3	154.8
Administration	-	-
<b>Total</b>	<b>1,039.9</b>	<b>1,059.2</b>

### Notes

1. The table shows the total unitary charge payments relating to all PPP projects (prior to those projects announced as part of the current £3.5 billion NPD/hub 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 Communities, Social Security and Equalities portfolio contains the local government settlement therefore these 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 school projects outwith this are included under Education and Skills.

## **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 count as AME.

#### **Audit Scotland**

Audit Scotland was set up in April 2000 to audit the accounts of the Scottish Government and other public sector bodies in Scotland and to ensure that public funds are used properly, efficiently and effectively.

#### **Barnett Formula**

The Barnett Formula allocates to Scotland a population share of changes in comparable spending programmes in England. Comparability is the extent to which services delivered by Whitehall departments correspond to services delivered by devolved administrations. Scotland gets exactly the same pounds per head increase as England. 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**

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 based on a calculation agreed between Scottish and UK Governments.

#### **Budget Exchange (BX)**

HM Treasury allow the Scottish Government to carry forward DEL under spends and draw down these under spends 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 which 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 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 or UK bodies which deal only with reserved matters in Scotland cannot be cross-border public authorities.

### **Consumer Prices Index (CPI)**

The Consumer Prices Index is an internationally comparable measure of inflation 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 as follows:

- **Resource DEL** – current expenditure such as pay or procurement;
- **Capital DEL** – for new infrastructure investment and net policy lending; and
- **Ringfenced Resource DEL (non-cash)** – depreciation or impairment costs associated with the ownership of assets. HM Treasury rules mean that this element of the overall DEL budget cannot be used to fund pay or procurement costs and as such this budget 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 the useful life of a fixed asset.

**European Structural Funds**

European Structural Funds include the European Regional Development Fund (ERDF) and the European Social Fund (ESF). 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.

**Fiscal Framework**

The fiscal framework is an agreement between the UK and Scottish Governments that governs the funding of the Scottish budget and underpins the powers devolved through the Scotland Act 2016.

**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 quoted using GDP. It is a measure of the total amount of goods and services produced within a year in a country. In the UK, three different approaches (measuring production, income or expenditure) are used in the generation of one single GDP estimate.

**Land and Buildings Transaction Tax (LBTT)**

A tax on land and property transactions which replaced Stamp Duty Land Tax (SDLT) in Scotland from April 2015. LBTT has a progressive rate structure which means that only the proportion of the price above each tax threshold is 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, 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 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 this 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.

**Scotland Reserve**

The new Scotland Reserve applies from 2017-18 and enables the Scottish Government to, within limits, smooth spending and manage tax volatility and determine the timing of expenditure. Payments into the Reserve may be made from the resource or the capital budget. Resource reserve funds may be used to fund resource or capital spending. Capital reserve funds may be used only to fund capital spending.

**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. From 1 April 2017, the Commission will become an independent Statutory body and its duties are set out in the Scottish Fiscal Commission Act 2016.

**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 Income Tax**

Scottish Income Tax is a tax paid by Scottish taxpayers on all non-savings, non-dividend taxable income. It will commence in April 2017.

**Scottish Landfill Tax**

Scottish Landfill Tax is a tax on the disposal of waste to landfill. It replaced UK Landfill Tax in Scotland in 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 a focus on outcomes.

**Strategic Transport Projects Review (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 is made up by the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), the broadest measure of total public spending.

**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.



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

© Crown copyright 2016

ISBN: 978-1-78652-634-2

This document is also available on The Scottish Government website:  
[www.gov.scot](http://www.gov.scot)

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS84098 (12/16)

W W W . g o v . s c o t