INTRODUCTION

The draft budget for Europe and External Affairs for 2015-16 is £17.9 million. In comparison, the budget for 2014-15 was £15.5 million.

According to the Scottish Government:

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

This briefing provides details of the Europe and External Affairs budget line in the Scottish Government’s draft budget for 2015-16. It also outlines which targets in “Scotland Performs” the budget contributes to.

[^1](http://www.scotland.gov.uk/Publications/2014/10/2706/15)
OVERALL TRENDS (CASH TERMS)

Figure 1 below provides details of how the budget for Europe and External Affairs has changed since 2010-11.

Figure 1: Trends in the Europe and External Affairs Budget (£m, cash terms)

Figure 1 shows the initial budget agreed by Parliament alongside the actual budget spent (outturn) for the Europe and External Affairs budget line between 2010-11 and 2013-14. It also shows the budget agreed by Parliament for 2014-15 and the 2015-16 draft budget for Europe and External Affairs.

Underspend and miscellaneous transfers

Between 2010-11 and 2013-14, the Scottish Government’s Budget Spring Revisions\(^2\) were used to move Europe and External Affairs funds to other budget lines and the consolidated accounts showed the level of underspend in the Europe and External Affairs budget.

During the financial years 2010-11, 2011-12 and 2012-13 there was a consistent underspend of around £1.5 million each year. In addition, in each of those three years, over £1 million was moved (and as much as £2.8 million in 2010-11) to other budget lines as miscellaneous transfers.

In 2013-14, the Spring Revision shows that a total of £2.8 million was transferred from the Europe and External affairs budget line\(^3\). £1 million was transferred to VisitScotland for the year of Homecoming 2014 and a further £1.3 million was transferred to Strategic communications for International Marketing and Reputation Management. Finally £500,000 was accounted for

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\(^2\) The purpose of the Spring Budget Revision is to amend the Budget (Scotland) Act for the relevant year.

\(^3\) [http://www.scotland.gov.uk/Publications/2014/02/3157/7](http://www.scotland.gov.uk/Publications/2014/02/3157/7)
in miscellaneous minor transfers. The Consolidated Accounts for 2013-14 show that all £12.9 million was spent.\(^4\)

The Spring Revisions for the 2014-15 budget will not be available until Spring 2015.

**Previous consideration by EER Committee of underspend and miscellaneous transfers**

During its consideration of the 2014-15 draft budget, the Committee raised the issues of underspend and transfer with the Cabinet Secretary for Culture and External Affairs.

The Cabinet Secretary told the Committee that the risk of underspend had been reduced because “in the areas that are more likely to have an underspend, I have made reductions and put the funding into the European budget, which I explained in my opening statement, to help with the secondments and engagement”\(^5\).

This approach was reflected by the fact that all of the 2013-14 budget of £12.9 million was spent.

On the issue of transfers, the Cabinet Secretary explained that the EEA portfolio acts as “a hub and spoke framework”\(^6\) for utilising and co-ordinating with other portfolios.

The Committee welcomed the Cabinet Secretary’s reassurances and committed to continue to monitor underspends and miscellaneous transfers as part of its future budget scrutiny. The Committee also concluded that:

“To create greater transparency in the Committee’s scrutiny of the Draft Budget in future years, the Committee asks for more information in the future to clarify how the Europe and External Affairs portfolio facilitates other spend”\(^7\).

In response, the Cabinet Secretary for Culture and External Affairs committed to provide information to the Committee in the future on how the international relations budget facilitates spend in other areas\(^8\).

\(^4\) [http://www.scotland.gov.uk/Publications/2014/10/7433/12](http://www.scotland.gov.uk/Publications/2014/10/7433/12)


\(^7\) [http://www.scottish.parliament.uk/S4_Europeanand ExternalRelationsCommittee/Reports/BudgetReport_final_version.pdf](http://www.scottish.parliament.uk/S4_EuropeanandExternalRelationsCommittee/Reports/BudgetReport_final_version.pdf)

CASH AND REAL TERMS CHANGES

Table 1 sets out the changes in the two ‘level 3’ budget headings for Europe and External Affairs between 2014-15 and 2015-16, in both cash terms and real terms.

Table 1:  Europe and External Affairs Level 3 Changes in Cash and Real Terms (based on 2014-15 prices)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Events and Themed Years</td>
<td>2.4</td>
<td>3.2</td>
<td>0.8</td>
<td>33.3</td>
<td>0.7</td>
<td>31.2</td>
</tr>
<tr>
<td>International Relations</td>
<td>13.1</td>
<td>14.7</td>
<td>1.6</td>
<td>12.2</td>
<td>1.4</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.5</strong></td>
<td><strong>17.9</strong></td>
<td><strong>2.4</strong></td>
<td><strong>15.5</strong></td>
<td><strong>2.1</strong></td>
<td><strong>13.7</strong></td>
</tr>
</tbody>
</table>

Some points to note are as follows—

- The 2015-16 draft budget shows a cash increase of £2.4 million in the total Europe and External Affairs budget. In real terms this equates to an increase of 13.7%.

- Within this, the International Relations budget line shows a cash increase of £1.6 million, which equates to a real terms increase of 10.4%.

- The Major Events and Themed Years budget line has risen by £800,000 to £3.2 million. This equates to a real terms increase of 31.2%.
A CLOSER LOOK AT THE 2015-16 DRAFT BUDGET

The following section looks in more detail at the Europe and External Affairs budget including the level 4 figures provided by the Scottish Government.

MAJOR EVENTS AND THEMED YEARS

The Major Events and Themed Years budget has been increased by £800,000 to £3.2 million in the draft budget for 2015-16 compared to the 2014-15 budget.

According to the Scottish Government:

“The budget is primarily used to market, promote and deliver activity in respect of the Year of Food and Drink 2015 and other Themed Years. The budget supports other major event activity, including the Scottish Open, both directly and through our delivery partners, VisitScotland and EventScotland. This funding is also used to deliver the Winter Festivals programme and fund diaspora projects and engagement.”9

The increase in funding has been allocated to support delivery of the 2015 Scottish Open golf championship to be held in Gullane in East Lothian.

INTERNATIONAL RELATIONS

The draft budget for 2015-16 allocates £14.7 million for the International Relations budget line. This is a £1.6 million increase compared to 2014-15. Most of the increase (over £1 million) has been allocated to the Scottish Government’s European Strategy work.

According to the Scottish Government’s Draft Budget document, a key aim during 2015-16 will be to:

“develop further strategic links with key priority countries such as the Nordic and Baltic States, Ireland, France, Germany, Poland, the USA, Canada, Pakistan, India and China and deepen economic and cultural relationships with key states in the Gulf Region whilst also taking advantage of opportunities to expand Scotland’s international engagement;”

The Level 4 headings for International Relations in the 2015-16 draft budget are the same as those for the 2014-15 budget.

Table 2 sets out the Level 4 headings of the International Relations budget, ranked in terms of the size of their allocation in the 2015-16 draft budget.

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9 From information provided to the Financial Scrutiny Unit by the Scottish Government
Table 2: Level 4 Budgets for International Relations\textsuperscript{10} – change in cash and real terms (based on 2014-15 prices)\textsuperscript{11}

<table>
<thead>
<tr>
<th>Level 4 Heading</th>
<th>2014-15 (£m)</th>
<th>2015-16 (£m)</th>
<th>Cash change (£m)</th>
<th>Cash change %</th>
<th>Real terms change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Development</td>
<td>9.00</td>
<td>9.00</td>
<td>0.00</td>
<td>0.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>International Strategy and Reputation</td>
<td>1.40</td>
<td>1.67</td>
<td>0.27</td>
<td>19.3%</td>
<td>17.5%</td>
</tr>
<tr>
<td>European Strategy</td>
<td>0.5</td>
<td>1.67</td>
<td>1.17</td>
<td>232.8%</td>
<td>227.6%</td>
</tr>
<tr>
<td>North American Strategy</td>
<td>0.75</td>
<td>0.75</td>
<td>0.00</td>
<td>0.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Immigration Advice</td>
<td>0.62</td>
<td>0.73</td>
<td>0.11</td>
<td>18.7%</td>
<td>16.8%</td>
</tr>
<tr>
<td>China Division</td>
<td>0.40</td>
<td>0.40</td>
<td>0.00</td>
<td>0.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Other International Relations</td>
<td>0.35</td>
<td>0.35</td>
<td>0.00</td>
<td>0.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>British Irish Council Secretariat</td>
<td>0.10</td>
<td>0.10</td>
<td>0.00</td>
<td>0.0%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

The figures in Table 2 for the 2014-15 budget and the 2015-16 draft budget have been provided by the Scottish Government. The table also shows the cash change between each year’s budget and the real terms change (calculated by SPICe).

Level 4 Analysis

International Development

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Development</td>
<td>£9m</td>
<td>£9m</td>
</tr>
</tbody>
</table>

The International Development budget rose from £3 million in 2007-08 to its current level of £9 million in 2010-11. This budget line has been frozen at £9 million for the sixth consecutive year in 2015-16. Whilst this indicates a cash

\textsuperscript{10} Figures provided by the Scottish Government to the Financial Scrutiny Unit and available at http://www.scottish.parliament.uk/parliamentarybusiness/17534.aspx

\textsuperscript{11} Due to the small monetary amounts assigned to a number of these budget lines, a small cash reduction will often appear as a large percentage in both cash and real terms.
terms freeze on the budget, it actually means a real terms cut of 1.6% from 2014-15 and a real terms cut of 8.6% since 2010-11.

According to the Scottish Government,

“The International Development Fund supports development programmes delivered by a range of organisations in Scotland, working with partners overseas, clearly focused on the achievement of the Millennium Development Goals. This includes funding for: the Malawi Development Programme; the SubSaharan African Development Programme; and the South Asia Development Programme.”  

The International Development Fund supports the Scottish Government’s International Development Policy. The Fund is currently focussed on seven countries around the world: Malawi (where around half of the overall fund goes), Tanzania, Zambia, Rwanda, Bangladesh, Pakistan and India.

During 2014-15, the Scottish Government also used the International Development Fund to provide emergency humanitarian funding to the crisis in Gaza and to West Africa to fight Ebola.

The International Development Fund will also provide finance to the Scottish Government’s International Development Small Grants Programme which was launched in September 2013 and began in April 2014, with the scheme being trialled over two years. The value of the Programme was approximately £500,000 per year in 2014-2015 and 2015-2016 (£1 million in total). Eligible projects must have a focus in one of the Scottish Government’s priority countries, contribute to the achievement of the Millennium Development Goals (and the post-2015 Framework in due course), and the alleviation of poverty and economic growth in the priority countries.

The Programme aims to build capacity and upscale small international development organisations so they have the ability to bid for funding through the Scottish Government’s International Development Fund.

International Strategy and Reputation

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Strategy and Reputation</td>
<td>£1.4m</td>
<td>£1.67m</td>
</tr>
</tbody>
</table>

12 From information provided to the Financial Scrutiny Unit by the Scottish Government
Spending on the International Strategy and Reputation budget line has increased by £270,000 to £1.67 million in the 2015-16 draft budget.

During 2014-15 the International Strategy and Reputation budget line was used to support the delivery of key Scottish Government country plans including Pakistan and India, and other international engagement with a particular focus on the Gulf States.

During 2015-16, the £1.67 million budget will be used to support:

“the delivery of key Scottish Government international engagement. The budget also funds international communication and marketing activity as well as engagement with the International Consular Corps based in Scotland.”

During its consideration of the 2014-15 draft budget, the European and External Relations Committee committed to monitoring this budget line and “the delivery of key Scottish Government country plans including Pakistan and India, and other international engagement, in future years”17.

North American Strategy

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American Strategy</td>
<td>£750,000</td>
<td>£750,000</td>
</tr>
</tbody>
</table>

Spending on the North American Strategy has been maintained at £750,000 for the third consecutive year. This equates to a real terms cut of 3.7% since 2013-14.

The North American Strategy budget supports the Scottish Government’s activities in the United States as outlined in the USA Plan and in Canada as detailed in the Government’s Canada Plan.

Immigration Advice

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immigration Advice</td>
<td>£615,000</td>
<td>£730,000</td>
</tr>
</tbody>
</table>

The Immigration Advice budget line was introduced in the 2014-15 budget replacing the Fresh Talent budget line. The allocation of £730,000 in the 2015-16 Draft Budget is an increase of £115,000 compared with the 2014-15 Budget.

According to the Scottish Government the increase in funding is to “reflect increased focus on immigration support.”

**China Division**

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China Division</strong></td>
<td>£400,000</td>
<td>£400,000</td>
</tr>
</tbody>
</table>

Specific funding for the Scottish Government’s work with China was a new level 4 heading in the 2014-15 budget. The heading is allocated £400,000 again in 2015-16.

The China Division funding will support the Scottish Government’s work in China and Hong Kong which is underpinned by its China Strategy.

**Other International Relations**

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other International Relations</strong></td>
<td>£350,000</td>
<td>£350,000</td>
</tr>
</tbody>
</table>

The purpose of the Other International Relations budget is to support the costs of implementing the international development programme.

**European Strategy**

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>European Strategy</strong></td>
<td>£500,000</td>
<td>£1,670,000</td>
</tr>
</tbody>
</table>

The European Strategy heading has risen annually from £120,000 in 2013-14 to £0.5 million in 2014-15 to £1.67 million in the 2015-16 draft budget. These successive increases have reflected the Scottish Government’s increased prioritisation of relations with the European Union the aims of which are set out in the Scottish Government’s Action Plan on European Engagement.

According to the Scottish Government’s budget document the funding:

“increases the level and frequency of Scottish engagement with EU institutions (including through the secondment of staff) to advance our policy objectives, develop our expertise in European affairs and increase our return on EU competitive funding programmes.”

During its consideration of the 2014-15 draft budget, the European and External Relations Committee welcomed “the increase in funding for the European Strategy heading, and asks for further information to allow a full and
accurate evaluation of whether the increased funding is successfully utilised.”

In her response to the Committee, the Cabinet Secretary wrote:

“I would be happy to report to the Committee in due course on the utilisation of that funding and what it has delivered. As explained last year, around 50% of the increased funding will be used to second Scottish Government staff to the European Institutions (particularly the European Commission), and around half will be used to increase Scotland’s return on the EU competitive funding programmes, which will launch this year”.

British Irish Council

<table>
<thead>
<tr>
<th></th>
<th>2014-15 Budget</th>
<th>2015-16 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Irish Council Secretariat</td>
<td>£100,000</td>
<td>£100,000</td>
</tr>
</tbody>
</table>

The final element of the International Relations budget is £100,000 allocated as Scotland’s share of the running costs of the British-Irish Council Standing Secretariat in Edinburgh.


PRIORITISATION AND VALUE FOR MONEY

The European and External Relations Committee has been asked by the Finance Committee to concentrate on the principles of prioritisation and value for money in their draft budget scrutiny.

Prioritisation

In the draft budget document, the Scottish Government described its international priority as:

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

This prioritisation is reflected in an increase in the European Strategy budget from £500,000 to £1.67 million for 2015-16.

In addition to the Scottish Government’s engagement with Europe, it has also prioritised its other international work which “makes a major contribution to the Scottish economy, securing trade with EU and worldwide partners, as well as increasing public investment in agriculture, structural funds and research and development”. In this regard the Scottish Government has allocated budget lines to its engagement with North America, China, Pakistan, India and the Gulf States.

The Scottish Government’s International Development Fund is also a priority in supporting the International Development Programme.

Value for Money

As part of the 2007 Spending Review, the Scottish Government introduced a new outcomes-based National Performance Framework (NPF) to underpin the delivery of its National Outcomes. In June 2008, the Government launched ‘Scotland Performs’, a website designed to present information on how Scotland is performing against the range of indicators outlined in the NPF. The NPF was “refreshed” in 2011.

As part of its Performance Evaluation document, the Scottish Government also provided to the Scottish Parliament Finance Committee information on all of the indicators and targets in the National Performance Framework specifically influenced by the Europe and External Affairs budget line.

From the 50 indicators, the Government highlighted three indicators as being “relevant to the European and External Relations Committee.” The relevant indicators are:

• To match the growth rate of the small independent EU countries by 2017
• Increase exports

• Improve Scotland's reputation

The Scottish Government also provided an up-to-date snapshot of performance against each of the indicators. The update shows that the total value of Scotland’s international exports has continued to rise since 2006, whilst Scotland’s international reputation is “consistently rated in the top third of the 50 countries evaluated”. The indicator measuring Scotland’s rate of growth compared to that of small independent EU countries by 2017 shows that whilst Scotland’s growth rate had been higher during 2012 and 2013, in the first quarter of 2014 the small EU countries growth rate was slightly higher20.

During its consideration of the 2014-15 draft budget, the European and External Relations Committee considered Scotland’s performance against the three relevant indicators. On the international reputation indicator, the Cabinet Secretary told the Committee that increased reputation was not all measured in spend:

“—Greater co-ordination is really important, and that is an area that we have to work on. The advertising for homecoming, the Commonwealth games and the Ryder cup is about to be launched, and it is co-ordinated for all those events. The adverts will be shown in Scotland and the UK but also internationally to attract people to Scotland.”21

Following the Cabinet Secretary’s evidence, the Committee concluded that:

“The European and External Relations Committee notes the Cabinet Secretary’s comments regarding National Performance Framework indicators (particularly those made regarding a need for greater co-ordination on the indicator on improving Scotland’s reputation in the context of the “signature events of 2014), and will continue to monitor this area in future years.”22

Iain McIver
SPICe Research
08 December 2014

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