SCOTTISH DRAFT BUDGET 2013-14 – POINTS OF CLARIFICATION

I write in follow up to the publication by SPICE of a briefing paper on the Draft Budget 2013-14, which has attracted media coverage. Some of this coverage has been inaccurate or misleading and I write to ensure that the Committee is aware of this, before it begins the budget scrutiny process later this week.

First, reporting on the briefing paper’s executive summary suggests that the Scottish Government’s DEL allocation in 2013-14 increases by 1% in cash terms compared to 2012-13. This is not the case.

Table 1 on page 2 of the draft budget shows that the money made available to the Scottish Government by the UK Treasury will fall in 2013-14 from £28,603m to £28,441 million, a cash terms reduction of £162m. As the table makes very clear, these figures reflect the latest position, including Barnett consequentials that have arisen since the UK Spending Review 2010.

The figures quoted in the executive summary of the SPICE paper refer instead to the Scottish Government’s spending plans, as presented in chapter 2, the portfolio chapters and the annexes in the draft budget document. As in the spending review document last year, these are planned to be different from the budget allocations provided by HM Treasury, because of the use of the agreed facility of a budget exchange mechanism to carry resources between years. As a result of carrying forward money from 2011-12 and 2012-13 and extracting best value from our capital programmes, we are able to plan to spend (within the parameters of the budget exchange mechanism) on a slightly different profile from that originally allocated to us by Treasury for 2013-14.

This may explain the misunderstanding of the significant distinction between cuts the UK Government has made to our budget allocation in 2013-14 and the actions the Scottish Government has subsequently taken in response, including transferring resources between years, in order to manage our spending plans effectively over the three year spending review period as a whole.
Second, the conclusion drawn in the executive summary of the SPICE paper regarding the local government budget does not reflect all of the component parts of how the Scottish Government funds local government and therefore runs the risk of misinterpretation.

From April 2013, the creation of single police and fire authorities means that these services will be funded through the Scottish Government’s Justice portfolio and will no longer be funded through local government budgets. In addition, income from Non-Domestic Rates needs to be taken into account in looking at local government funding between 2012-13 and 2013-14. This AME income is underwritten by the Scottish Government and forms part of the annual Local Government settlement. This is a routine feature of all Scottish budgets. Taking into account NDRI, on a like for like basis the Local Government resource budget for running services is increasing by £30.8 million in cash terms in 2013-14 compared with 2012-13. Councils also continue to enjoy a greater share of the Scottish budget on a like for like basis than was the case in 2007.

I hope this letter is helpful in ensuring there is an accurate basis for scrutiny of the Scottish Draft Budget.

With this in mind, I would be grateful if you could ensure this letter is made available to other committees, to assist in their own scrutiny of the draft budget.

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