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Margaret Mitchell
Convener
Justice Committee
Scottish Parliament
Edinburgh
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18th March 2018

Dear Margaret,

JUSTICE COMMITTEE REPORT: SCOTTISH GOVERNMENT'S DRAFT BUDGET 2018-19

I am writing in response to the Justice Committee's report on its scrutiny of the 2018-19 Scottish Government Draft Budget published in January 2018. I note that the report covers the budgets of the Crown Office and Procurator Fiscal Service (COPFS) and the Scottish Police Authority (SPA).

In relation to the SPA budget the committee draws a number of conclusions, one of these is for me to consider:

Conclusion: *The Sub-Committee notes the concerns expressed that the Scottish Police Authority's inability to hold reserves can act as a barrier to fund longer-term plans and deliver efficiencies. The Sub-Committee asks the Cabinet Secretary to consider whether the SPA should be able to hold reserves.*

The overall budgeting rules for public bodies are dictated by the classification determined by the Office for National Statistics, a process which is independent of Government. As a newly formed public body in 2012, the SPA was classified as a central government body meaning that it, like the Scottish Government, is required to abide by UK Government budgeting rules, this includes the holding of reserves. All UK public bodies, with the exception of public corporations and trading funds, must comply with these rules.

The Scottish Government and its public bodies must therefore follow this budgeting system and are expected to manage their use of budgetary provision on an annual basis without the creation or utilisation of reserves.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot




Even if a body such as the SPA were to create a reserve, any expenditure from that reserve would require budget cover to be provided to the Scottish Government by HM Treasury on an annual basis. Therefore, use of the reserve would not provide any benefit as Scottish Government would need to find additional budget cover in future years when the reserve monies were spent.

Although the Scottish Government has recently gained powers through the Fiscal Framework to establish a 'Scotland Reserve' this is capped at £700m, with drawdowns of £250m and £100m allowable annually for resource and capital spending respectively. Due to this reserve being utilised to manage tax revenue volatility as well as smooth demand-led spending, there is little scope to provide earmarking of funds across the board.

The Scottish Government continues to support the SPA and Police Scotland to transform the police service in line with the Policing 2026 Strategy through protection of the SPA revenue budget in real terms, and through the provision of additional reform funding in 2018-19. These measures will assist the SPA and Police Scotland to deliver efficiencies and financial sustainability.

In addition, from April 2018 the Scottish Government has ensured that policing will fully benefit from being able to reclaim VAT of around £25 million a year, money that was previously paid to the UK Government. This change to VAT status means that the effective spending power on policing will increase by around £25 million compared with previous years.

I trust that this update is helpful.

Best wishes

MICHAEL MATHESON