

# Financial Scrutiny Unit Briefing

## UNDERSTANDING THE SCOTTISH BUDGET SERIES (1)

# Tracking the Scottish Budget

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**Nicola Hudson****“Reducing complexity is fundamental to improving financial scrutiny”****House of Commons Liaison Committee, Parliament and Government Finance: Recreating Financial Scrutiny, Second Report of Session 2007-08 (HC 426)**

The aim of this paper is to help explain how the Scottish Budget is currently presented, and to highlight areas where the presentation of budgetary information is continuing to develop.

Information on the Scottish Budget is presented in a number of different documents through the course of the financial year. This paper provides details of the various sources of budgetary information and explains what information each document contains. It also looks at how and why the overall Scottish Budget might change during the course of the financial year.

The paper also provides information on the ‘Clear Line of Sight’ project currently underway at UK Government level. This project is aiming to provide a more transparent means for tracking in-year changes in budgets at UK level.

The Scottish Government is also committed to supporting improvements in the presentation of financial information and has made a number of changes to the information provided in recent years. This paper aims to contribute to these ongoing developments by providing comment on how these changes might support more effective budgetary scrutiny by MSPs and others.



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## EXECUTIVE SUMMARY

Through the course of the financial year, information on the Scottish Budget is presented in a number of different documents. Each document has a specific purpose and the presentation of the information is tailored accordingly. The coverage of the financial data and the accounting basis differs between documents, which can make it difficult to understand what underlies differences in the budget figures – both at headline level and for individual portfolios. It can be difficult to determine what are ‘real’ differences that affect spending power and what changes simply reflect different accounting conventions.

This paper aims to:

- Provide a brief overview of how the Scottish budget is determined
- Detail the various documents that provide information on the Scottish budget and explain what information each document provides
- Track the ‘headline’ budget figure for a specific financial year through the various documents and explain the reasons for any changes in this figure
- Provide an overview of the ‘Clear Line of Sight’ project currently underway at HM Treasury which aims to improve the presentation of budgetary information at a UK level
- Review how the presentation of Scottish budgetary information has developed and highlight how further developments could support more effective financial scrutiny

## HOW IS THE SCOTTISH BUDGET DETERMINED?

A brief introduction to the Scottish Budget process is given below. Further detail can be found in SPICe's [Guide to the Scottish Budget](#) (Burnside, 2007) and in [HM Treasury's Statement of Funding Policy](#) (HM Treasury, 2007).

### UK SPENDING REVIEWS

Since 1998, the level of funding to devolved administrations has been set out as part of the UK Government's Spending Reviews, covering a three year period. The money allocated to the Scottish Government is paid into the Scottish Consolidated Fund (SCF) by the UK Government and the Scottish Government then draws on this fund in order to deliver the functions for which it is responsible. Since devolution in 1999, the Scotland Office no longer presents its own accounts, so the payments into the SCF appear within the accounts of the parent Whitehall department (currently the Ministry of Justice) as part of the 'Main Estimates' presented to the UK Parliament. Changes to the budget during the year e.g. due to Barnett consequentials (see below) appear within the 'Supplementary Estimates'.

### UK PRE-BUDGET REPORTS AND BUDGET STATEMENTS

In between UK Spending Reviews, the amount allocated to devolved administrations can increase or decrease, usually as a result of decisions announced at the Pre-Budget Report or main Budget. If the UK Government decides to alter spending in England in an area with devolved responsibility, the budgets of the devolved administrations will be altered proportionally by an amount determined by the Barnett formula. The resulting changes in the budgets of devolved administrations (the 'Barnett consequentials') can be positive or negative i.e. Barnett consequentials can increase or reduce the Scottish budget. If the Barnett consequential is positive and the Scottish budget increases, the Scottish Government can allocate the additional money to any area of spending. It is not obliged to spend the additional money in the area where the UK Government is increasing spending. For example, if the UK Government increases spending on education, which is devolved, the Scottish budget will increase, but the Scottish Government could choose to spend this money in a different area, such as health.

### THE SCOTTISH BUDGET

The Scottish Government determines how it will allocate the available funds to the various functions for which it is responsible. These plans are set out in an annual Draft Budget, which is usually published in September of the preceding financial year (but can be later depending on the timing of UK Spending Reviews). The detail of the budget proposals is then considered by the relevant Committees of the Scottish Parliament at which stage the Finance Committee has the option of presenting alternative spending plans (within the same overall spending limit).

A Bill relating to the Draft Budget is subsequently presented to Parliament. Amendments may be brought forward at this stage by the Executive, before a further debate in Parliament and a final vote on the Budget provisions (usually in February). During the financial year, the plans set out in the Scottish Budget Act may be revised via an affirmative Scottish Statutory Instrument. Such Revisions usually take place twice a year - in the Autumn and Spring – although there are also occasionally Summer Budget Revisions.

## **WHERE IS INFORMATION ON THE SCOTTISH BUDGET PRESENTED?**

Information on the Scottish budget appears in a number of documents throughout the financial year. Each one has a specific purpose and the presentation of the financial information is geared towards this purpose. The following tables provide a brief overview of the various documents that provide information on the Scottish budget. Table 1 presents details of documents published at a UK level that include information on the Scottish budget; Table 2 presents similar information on documents relating specifically to the Scottish budget.

**Table 1**  
**UK Government: Key Budget Publications**

Document	Publication timing	Information contained	Link to latest document
Spending Review	Usually every 2-3 years, but can be affected by electoral cycle or other events. Periodically, these reviews involve a more extensive review of public expenditure and are termed 'Comprehensive Spending Reviews' (CSRs). The most recent Review was a CSR and was published in October 2007. The next Spending Review will be published in Autumn 2010.	Sets out three years of spending plans for all UK departments, including block grants for devolved administrations	<a href="http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/pbr_csr07_index.htm">http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/pbr_csr07_index.htm</a>
UK Budget	Usually March/April, but can vary due to electoral cycle e.g. after 2007 election, the Budget was presented in July and following the 2010 election, there was an emergency budget in June.	Presents current data and forecasts for the UK economy and public sector finances. Details any changes to fiscal measures and anticipated impact of these measures. Sets out updated departmental budgets, including for devolved administrations.	<a href="http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/budget2010.htm">http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/budget2010.htm</a>
UK Pre-Budget Report	Usually November/December (although 2007 PBR was in October)	Includes a report on progress since the previous Budget, an update on the state of the national economy and announcements of proposed new taxes. Spending allocations may also be adjusted, with possible implications for devolved administrations	<a href="http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/prebud_pbr09_index.htm">http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/prebud_pbr09_index.htm</a>
Main Supply Estimates	Annually, usually at the start of the financial year (although 2009/10 publication was in June)	Main estimates are subject to Parliamentary approval and provide the legal authority to spend the sums approved. These include allocation of the block grant to the Scottish Consolidated Fund. This allocation appears in the Ministry of Justice Main Estimates.	<a href="http://www.hm-treasury.gov.uk/d/13403_me13_moj_1st.pdf">http://www.hm-treasury.gov.uk/d/13403_me13_moj_1st.pdf</a>
Supplementary Estimates	June/November/February as necessary.	During the course of the financial year, Supplementary Estimates are used to seek additional resources or to reallocate existing	<a href="http://www.hm-treasury.gov.uk/d/wintersupps_moj_0910.pdf">http://www.hm-treasury.gov.uk/d/wintersupps_moj_0910.pdf</a>

Document	Publication timing	Information contained	Link to latest document
		resources to new activities. This may reflect changes announced since the main Budget.	
Public Expenditure Statistical Analyses (PESA)	Annually, usually April/May, but 2009 publication was in June.	Provides details of actual and planned expenditure for all UK departments, including devolved administrations. Sets out regional estimates of expenditure on services, which are used in the Barnett formula calculations	<a href="http://www.hm-treasury.gov.uk/pespub_pesa10_natstats.htm">http://www.hm-treasury.gov.uk/pespub_pesa10_natstats.htm</a>
Scotland Office Annual Report	Annually, usually in May/June	Provides details of the Scotland Office's activities through the year, as well as Annex tables showing the in-year adjustments to the Scottish budget	<a href="http://www.scotlandoffice.gov.uk/scotlandoffice/files/SO%202009.pdf">http://www.scotlandoffice.gov.uk/scotlandoffice/files/SO%202009.pdf</a>
Public Expenditure Outturn White Paper (PEOWP)	Annually, usually in July.	Provisional outturn expenditure for all UK departments, including devolved administrations.	<a href="http://www.hm-treasury.gov.uk/d/peowp200809.pdf">http://www.hm-treasury.gov.uk/d/peowp200809.pdf</a>

**Table 2**  
**Scottish Government: Key Budget Publications**

Document	Publication timing	Information contained	Link to latest document
Draft Budget	September/ October	Proposed spending plans for the spending plan period. For each portfolio, a breakdown of expenditure plans is provided.	<a href="http://www.scotland.gov.uk/Publications/2009/09/17093831/0">http://www.scotland.gov.uk/Publications/2009/09/17093831/0</a>
Budget (Scotland) Bill (and Supporting Document)	January	Following scrutiny of the Draft Budget, the Budget Bill is presented to Parliament and is subject to parliamentary approval, with votes at Stage 1 and Stage 3. (The supporting document provides a more detailed breakdown of budgets)	<a href="http://www.scotland.gov.uk/Publications/2010/01/14104527/0">http://www.scotland.gov.uk/Publications/2010/01/14104527/0</a>
Budget (Scotland) Act	March	Following Stage 3 and Royal Assent, the Budget (Scotland) Act is published. This sets out the total resources available by portfolio. Although the Act does not provide a detailed breakdown of these totals, it is rarely different from the Bill so the supporting document for the Bill continues to provide the relevant detailed breakdown.	<a href="http://www.opsi.gov.uk/legislation/scotland/acts2010/pdf/asp_20100004_en.pdf">http://www.opsi.gov.uk/legislation/scotland/acts2010/pdf/asp_20100004_en.pdf</a>
Budget Revisions	Autumn (usually in November) and Spring (usually in January)	Budget revisions request parliamentary authorisation for a number of in-year changes to the allocations set out in Budget Acts. As subordinate legislation, revisions are subject to parliamentary approval.	<a href="http://www.scotland.gov.uk/Publications/2010/02/01134846/0">http://www.scotland.gov.uk/Publications/2010/02/01134846/0</a>
Consolidated Accounts	October	Present final outturn expenditure for the preceding financial year at portfolio level.	<a href="http://www.scotland.gov.uk/Resource/Doc/286488/0087213.pdf">http://www.scotland.gov.uk/Resource/Doc/286488/0087213.pdf</a>
Scottish Consolidated Fund Receipts and Payments Account	December	Shows movements in the Consolidated Fund Account over the preceding financial year	<a href="http://www.scotland.gov.uk/Publications/2009/12/14150737/0">http://www.scotland.gov.uk/Publications/2009/12/14150737/0</a>

## **HOW BIG IS THE SCOTTISH BUDGET?**

In 2008-09, the Scottish budget was anything between £25bn and £33bn depending on the definition that you choose. Table 3 shows the headline Scottish budget figure as it appears in the various documents discussed above. All of the documents provide information on the Scottish budget, but it is not always presented in the same way or according to the same definitions. Also, the timing of the various documents means that different documents will reflect certain in-year changes.

Throughout the remainder of this document, the main point of reference is the 2008-09 budget as this is the most recent budget that has completed the full cycle of planning to outturn in the published documents.

**Table 3: Tracking the 2008-09 Budget:** ([Excel version of this table](#) with links is available on FSU web pages)

	Oct-07	Nov-07	Jan-08	Feb-08	Apr-08	Apr-08	Sep-08	Oct-08	Jan-09	Jun-09
	<a href="#">UK 2007 Comprehensive Spending Review</a>	<a href="#">Scottish Draft Budget 2008-09 and Spending Review 2007</a>	<a href="#">Budget (Scotland) Bill</a>	<a href="#">Budget (Scotland) Act 2008</a>	<a href="#">2008-09 Main Estimates - Ministry of Justice</a>	<a href="#">Public Expenditure Statistical Analyses 2008</a>	<a href="#">Scottish Draft Budget 2009-10</a>	<a href="#">2008-09 Autumn Budget Revision</a>	<a href="#">2008-09 Spring Budget Revision See Note (a)</a>	<a href="#">Public Expenditure Statistical Analysis 2009</a>
		Budget								Provisional outturn
		→ Impact of Barnett consequentials, EYF drawdown, capital acceleration and technical adjustments						→ Impact of Barnett consequentials, EYF drawdown, capital acceleration and technical adjustments		
HM Treasury Basis - DEL	27,244					27,267				27,476
↓ Add depreciation, EYF, overallocation										
Scottish Draft Budget Basis - DEL		28,002					28,022			
↓ Add AME										
Scottish Draft Budget Basis - TME		33,291	33,291	33,291			33,204			
↓ Subtract NICs, NDPB non-cash expenditure, LA supported borrowing and judicial salaries; amend loans to Scottish Water and add student loans subsidy to banks. See Note (b)										
Budget Bill basis - TME			31,317	31,317				31,101	33,003	
↓ Adjust from cash to accruals basis; Subtract NDRI										
Grant paid into Scottish Consolidated Fund						24,897				

Notes:

(a) the treatment of NICs changed during 2008-09 and NICs income is no longer shown separately in the Budget Bill/Act figures. This adjustment was made in the Spring Budget Revision 2008-09 and resulted in an in-year increase of £1,880m in the spending total when expressed on a Budget Bill basis. The Draft Budget figure was not affected by this technical change. A similar adjustment was made to the 2009-10 Budget in the 2009-10 Autumn Budget Revision

(b) due to the above change, in 2010-11 and subsequent financial years, NICs do not need to be subtracted from the Draft Budget figures to allow comparison with the Budget Bill/Act figures. They will still need to be subtracted before comparison with the grant paid into the SCF

(c) all figures include Scottish Parliament and Audit Scotland

## WHY ARE THERE SO MANY DIFFERENT BUDGET FIGURES?

The key reasons for differences between the information presented in the various documents are discussed below under three broad categories:

- ‘timing’ differences i.e. due to the inclusion or exclusion of budgetary changes which have occurred between publication dates
- ‘definitional’ differences i.e. due to the accounting conventions used or scope of the data presented
- Scottish Government decisions – in agreement with HM Treasury, the Scottish Government can influence the overall size of the budget to an extent by altering the profile of expenditure within a UK Spending Review period

### TIMING DIFFERENCES

The Spending Review sets out a three year profile of planned expenditure, including the Scottish budget. In between UK Spending Reviews, if the UK Government announces changes to spending plans affecting devolved areas of responsibility, there will be Barnett consequentials that will affect the Scottish Budget. This can result from announcements in the UK Pre-Budget Report or main Budget. The Scottish Government will adjust for these consequentials in its Autumn or Spring Budget revisions. This is the primary reason for in-year changes in the budget totals within the Scottish budget documents. In 2008-09, Barnett consequentials increased the Scottish budget by £64m.

In addition to Barnett consequentials, the budget includes some elements that are estimated at the start of the financial year, but can be adjusted either up or down as the year progresses to reflect more accurate projections. Revisions can affect, for example, depreciation charges or national insurance contributions (see below for further details).

### DEFINITIONAL DIFFERENCES

At a given point in time, budget figures in different documents may differ due to differences in the definitions used in the various documents. The main reasons for such differences are outlined below:

- **Scope: ‘Departmental Expenditure Limit’, ‘Annually Managed Expenditure’ or ‘Total Managed Expenditure’:** Over 80% of the Scottish Government’s expenditure falls within the ‘Departmental Expenditure Limit’ (DEL). This covers the majority of programmes and running costs, but does not cover expenditure classified as ‘Annually Managed Expenditure’ (AME). AME covers areas of expenditure that are harder to control or predict, but to which the Government is committed, such as student loans or NHS pensions. Due to the less predictable nature of payments in these areas, the funding for these items is fully met by HM Treasury, so that any increase in AME requirements does not result in a decrease in the DEL budget. The sum of DEL and AME is referred to as ‘Total Managed Expenditure’ (TME)<sup>1</sup>. Some documents will include figures on all three

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<sup>1</sup> There are also items (primarily interest payments) that fall outside both DEL and AME. These are not included in TME

definitions, so care must be taken to ensure a valid comparison between figures from different sources.

- **Treatment of non-core activities:** The treatment of non-core activities can vary between and within documents, which can also affect comparability. Budgets can be presented for:
  - **Scottish Government core activities**, which only covers the Scottish Government portfolios
  - **Scottish Administration**, which includes core activities as well as the General Register Office for Scotland, the National Archives of Scotland, NHS and teachers' pensions, and the Office of the Scottish Charity Regulator
  - **Total Scottish budget or 'consolidated' figures**, which also includes a number of directly funded external bodies which require separate parliamentary approval from the portfolio total. These are the Forestry Commission (Scotland), the Food Standards Agency, the Scottish Parliament and Audit Scotland.
- **Non-Domestic Rates Income (NDRI):** the income from non-domestic (or business) rates is not included in the SCF but will be included in Scottish budget figures that are published in Scottish documents (the Draft Budget and Budget Bill/Act)
- **National Insurance Contributions (NICs):** the income from NICs is a separate source of funding from HM Treasury and is outwith the block grant. If NIC income varies from the forecast at the start of the financial year, then the block grant is reduced/increased by an equivalent amount, so that the overall level of funding is not affected by changes in NIC income. During the course of 2008-09, the treatment of NICs changed, so that the income from NICs is no longer shown separately in the Budget Bill/Act. This means that the Health and Wellbeing Budget is now the same in both documents and both take into account the resources available from NICs.
- **Depreciation and impairments:** Accounts include a notional charge to allow for the depreciation of assets. This is to prepare for the fact that at some stage these assets will need to be replaced and so depreciation effectively 'sets aside' a sum of money each year towards this anticipated replacement cost. Some budget totals will include depreciation, while others will be shown net of depreciation. Impairments are charged when the value of an asset falls below the recoverable amount e.g. due to falling property prices. In 2008-09, the total for depreciation and impairments in the Scottish accounts was £0.5bn.
- **Local Authority borrowing:** Local authorities are able to borrow to fund capital expenditure in the areas for which they are responsible. The value of such borrowing is not included in the SCF, but does feature in the Treasury DEL total.

## SCOTTISH GOVERNMENT DECISIONS

- **End-year flexibility (EYF):** Since devolution, the Scottish Government has been able to carry forward any unused resources within the DEL from one financial year to the next under 'End Year Flexibility' (EYF) arrangements. The Scottish Government has been able to access these accumulated funds to supplement its budget (referred to as 'EYF draw-down'). The Scottish Government has agreed EYF draw-downs totalling £1bn over the current spending review period (2008-09 to 2010-11). Scottish budget totals in the Draft Budget and Budget Bill/Act will include any planned draw-down of EYF. SCF figures will include EYF amounts as they are drawn down during the year. The UK CSR 2007 figures do not include EYF amounts as Treasury documents only include EYF once it has been drawn down. In 2008-09, EYF draw-down of £300m was included in the Scottish Budget.
- **Over-allocations:** The arrangements for EYF draw-down changed in 2007-08 and the Scottish Government can no longer roll forward unspent balances into the next financial year. In addition there is no guarantee that it will be able to access the full amount of underspends in the next spending review period. As a result of these changes in EYF arrangements, the Scottish Government now has an incentive to minimise its underspend. In the expectation that individual portfolios may not be able to spend their full allocation e.g. due to slippage in capital projects, the Scottish Government has built in an element of over-allocation into its budget so that the risk of underspend against the Treasury allocation is minimised. These over-allocations appear in the Scottish budget totals (the Draft Budget and the Budget Bill/Act) but not in the Treasury totals. In 2008 09, the Scottish Government included an over-allocation of £100m in its Draft Budget.
- **Capital acceleration (or re-profiling):** In response to the economic slowdown, HM Treasury gave the Scottish Government permission to bring forward some of its capital allocation from 2010-11 to support economic activity through the downturn. As a result of this capital acceleration, the budgets for 2008-09 and 2009-10 were increased by £53m and £294m respectively. The 2010-11 budget was reduced by £347m to accommodate this. Scottish budget totals in the Draft Budget and Budget Bill/Act will include the effect of capital acceleration. SCF figures will include capital acceleration as they are drawn down during the year. The Spending Review figures will not include the effect of capital acceleration as this document was published prior to its agreement. Other Treasury figures and Scottish Budget publications will include the effect of capital acceleration.

## FOLLOWING THE BUDGET

As Table 3 shows, it is not easy to trace a single figure through all of the documents and there is no single source that reconciles the various figures. The Scottish Government produce tables in various of their documents which reconcile the figures presented in the Draft Budget with those presented in the Budget Bill/Act (for example, see Table 1.2 in this document:

<http://www.scotland.gov.uk/Resource/Doc/213079/0056624.pdf>). Meanwhile, the Scotland Office produce tables reconciling the figures presented in the Public Expenditure Statistical Analysis with the Scottish Consolidated Fund total and between the managed expenditure and Scottish Consolidated Fund total (for example, see Annex 2 and Annex 4 in this document:

<http://www.scotlandoffice.gov.uk/scotlandoffice/files/SO%202009.pdf>). However, there is no document that provides a clear link between the UK Government documents and the Scottish ones which makes it very difficult to understand how the two sets of figures relate. The complexity of the various financial documents and the difficulties in comparing figures between different documents can hamper effective financial scrutiny as it makes it difficult to understand

the reasons underlying the changes observed. For example, the format of the documents makes it difficult to readily identify:

- the various elements contributing to the total sums available to the Scottish Government e.g. SCF, NDRI, NICs, EYF, overallocations (and how these have altered over time)
- the overall effect of Barnett consequentials through the financial year
- the difference between planned expenditure and actual expenditure (plans v outturn)

This latter point – the difficulty in comparing outturn expenditure with planned expenditure and the lack of Parliamentary scrutiny in this area – has been raised on a number of occasions. The difficulties in scrutinising actual expenditure against budgets at a detailed level was highlighted in Audit Scotland’s recent report on public finances (Audit Scotland, 2009). The report comments that the lack of detail in the Consolidated Accounts “makes it more difficult for the Scottish Parliament to hold the Scottish Government to account, as it is not easy to identify if the money spent was in line with the activity areas and cost headings in the approved budget.” The report also commented on the limited scrutiny of the Consolidated Accounts and invited the Parliament to consider whether the Public Audit Committee (PAC) should scrutinise these accounts more formally.

Following consideration of this report, the Scottish Parliament’s PAC agreed to consider the Consolidated Accounts for 2008-09. Subsequently, the Auditor General produced a paper for the PAC which set out analysis of the 2008-09 accounts, with a view to developing an approach to consideration of the information contained within the accounts (Scottish Parliament Public Audit Committee, 2010). The PAC will consider the 2009-10 Consolidated Accounts later in the year.

## **THE ‘CLEAR LINE OF SIGHT’ PROJECT**

The issues highlighted in this paper are not unique to Scotland. Parliaments elsewhere face similar challenges with trying to scrutinise financial information effectively. A Canadian report noted that:

“A weakness with the current financial reporting system [in Canada] is the lack of continuity among the three key financial reporting documents: the Budget, the Estimates and the Public Accounts. This problem faces legislatures in a number of jurisdictions.” (Office of the Parliamentary Budget Officer, 2009)

In Westminster, a report by the House of Commons Liaison Committee concluded that “Parliament is not currently receiving the information required for effective financial scrutiny” but also highlighted that “clear, comprehensive, accurate and timely information about the Government’s revenue and expenditure is fundamental to Parliament’s financial scrutiny.” (House of Commons Liaison Committee 2008). The Committee supported the aims and principles of a project known as the ‘Clear Line of Sight’ (or ‘Alignment’) Project, which aims to simplify the presentation of budgetary information. The Committee described the “prize potentially available: a comprehensible and coherent system of planning, authorising and reporting government expenditure, making it possible to scrutinise the Government’s finances far more effectively”. However, the Committee also cautioned that “better quality information is needed rather than greater quantity”.

The main benefits the project is expected to deliver are:

- A simpler system, with a single set of numbers, which is more transparent, more comprehensible and easier to use, and which improves public debate and understanding through enhanced scrutiny of government spending.
- Better government through improved democratic involvement for, and accountability to, Parliament and the public.
- A significantly enhanced ability by government to maintain firm control over public spending, while not altering the way the fiscal rules are defined.
- Building into the system the right incentives to deliver better value for money.
- A more coherent presentation of financial reporting documents that meets the needs of government and Parliament, is consistent with best practice in the private sector and does not create complexity elsewhere.
- A rationalisation of the number of occasions each year on which Government presents financial reporting documents to Parliament, resulting in greater coherence and comprehensibility in the Government's reporting to Parliament.
- A financial regime which is burden-reducing for departments and promotes greater administrative efficiency, thereby enabling departments to focus on making substantive improvements to the value for money of their spending.

(HM Treasury, 2009)

Progress is currently underway to implement the proposals put forward by this project, including the legislation required to implement the changes. The current plan is for full alignment to take place from 2011-12, following some initial changes to departmental budget structures in 2010 11.

## **DEVELOPMENTS IN REPORTING ON THE SCOTTISH BUDGET**

Some of the issues being addressed by the Clear Line of Sight project are not directly applicable to Scotland. The Scottish budgetary process is less complex than the UK budgetary process and budgetary information is already presented in a more accessible format.

Nonetheless, many of the general principles are of relevance. Although the Scottish budgetary information is less complex than the information relating to the UK Government budget, there is still potential for improving the clarity of the information presented in order to help interpretation and understanding of in-year changes. This paper aims to contribute to developments in this area and highlight areas where greater clarity in presentation of financial data might benefit parliamentary scrutiny.

The Scottish Government recognises the importance of this and states in a number of its financial publications that:

“The Executive continues to discuss with the Finance Committee and others how it can improve the presentation of supporting information, and which material is found to be most useful.” (Scottish Government 2010)

In line with this aspiration, in recent years the Scottish Government has made a number of positive changes to the way in which financial information is presented. These include:

- Earlier presentation of consolidated accounts – these are now presented in October, around 6 weeks earlier than was previously the case and now closer to the end of the financial year to which they relate.
- More detailed tables reconciling cash and resource budget figures – for example, in the Supporting Documents to the Budget Bill and in the Autumn/Spring budget revision documents
- Preparation of explanatory guides to the Autumn/Spring budget revisions for the Scottish Parliament’s Finance Committee to aid interpretation
- Technical changes to facilitate comparison between Draft Budget figures and Budget Bill/Act figures e.g. changed treatment of NICs so that they are now included in both sets of figures.
- Provision of more detailed financial information:
  - in the past, detailed (Level 4) budget figures were provided to individual Committees on request; more recently, the Scottish Parliament’s Financial Scrutiny Unit has been liaising with the Scottish Government Finance team in order to provide a more comprehensive analysis of the Scottish Government budget at a level of detail not published elsewhere (see <http://www.scottish.parliament.uk/business/financialscrutiny/documents/DraftBudget2010-11Level4.xls>)
  - as part of the 2010-11 Budget settlement, the Scottish Government agreed to publish online, on a monthly basis, details of all expenditure items in excess of £25,000 (with the exception of salary payments).

## FUTURE DEVELOPMENTS?

There have been positive developments in budgetary reporting in recent years. A number of further enhancements to the budgetary information available would support more effective scrutiny by the Scottish Parliament and others:

- **At Draft Budget stage** – it would be helpful to see a breakdown of the total budget figure to show the linkage between the HM Treasury totals and the Scottish Parliament budget figures. This would help identify those elements that are determined at Westminster level (SCF); those which result from Scottish Government decisions (NDRI, EYF draw-down and over-allocations); and those which are estimates that might vary through the year (NDRI, NICs). A useful breakdown might show:
  - Amount to be drawn from SCF
  - Estimated income from non-domestic rates (NDRI)
  - Anticipated income from NICs
  - Amount of any planned EYF draw-down
  - Levels of over-allocations included in the Budget
- **At Autumn/Spring Budget revision stage:** Clearer analysis to show the reasons for changes to the Budget, in particular highlighting those that result from technical changes,

those that result from revised estimates of income and those that result in real changes in spending power. The following could be helpful in this respect:

- Comparative tables showing the revised budget allocations alongside those set out in the Draft Budget to make it easier to assess the impact of any changes
  - Clear presentation of the value of Barnett increases/decreases and how these have been allocated
  - Clear presentation of any other in-year changes e.g. revisions to NHS pension costs
  - Wider dissemination of the Scottish Government's 'Brief Guide' to the Autumn/Spring revisions – at present, these are made available to the Scottish Parliament's Finance Committee and published with the Finance Committee papers, but wider dissemination (e.g. through publication on the Scottish Government's website) would support more effective scrutiny by those outside Parliament.
- **At Consolidated Accounts stage** – clearer and more detailed presentation of outturn v planned expenditure to facilitate scrutiny in this area, along the lines proposed by Audit Scotland. This would highlight any divergence from plans and allow for scrutiny of the reasons underlying such changes.
  - **At the time of the UK Pre-Budget Report and Budget** – a clear presentation of any Barnett consequential for Scotland resulting from spending announcements, showing the link between any HM Treasury figures and Scottish Government figures. This would help in highlighting how and whether increased spending allocations have been directed towards Government priorities.

These are all developments that would help support effective financial scrutiny, which is increasingly important as fiscal conditions are set to tighten. However, on a final note it is worth highlighting an important point made by the House of Commons Liaison Committee in its review of financial scrutiny at Westminster:

“The simplification and alignment of figures is an essential pre-requisite to better financial scrutiny. But it does not, in itself, create it.” (House of Commons Liaison Committee 2009)

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