

SUBMISSION FROM SCOTTISH GOVERNMENT

1. The attached Annexes provide the available level 4 figures as they currently stand. The Committee will be aware that budgets below level 3 may be subject to change within year without reference to the Parliament. Annex A provides the detail on the **Energy, Enterprise & Tourism** level 2 in the format with which you will be familiar from previous years. It includes an explanation of the differences between the information in the Draft Budget and the submissions of Scottish Enterprise, Highlands & Islands Enterprise, Visit Scotland and SDI to the Committee. Annex B provides level 4 information for the other parts of the portfolio in which I believe the Committee will be interested.

2. I note the Committee's request for information on local authority Grant Aided Expenditure (GAE) figures and I can confirm that the 2010-11 GAE figures are already available on the Scottish Government website via the following link:

<http://www.scotland.gov.uk/Resource/Doc/933/0056420.pdf>

3. You will be aware that following the Spending Review 2007 discussions between the Scottish Government and COSLA, which led to the signing of the Concordat, the quantum of the 2007-08 GAE figures were frozen. The shares of the 2007-08 service level GAEs were updated to take account of changes in the needs-based indicators such as population and these revised shares were used to distribute the increased funding resulting from Spending Review 2007 for the 2008-11 local government finance settlements.

4. As you will recall, the GAE figures were never budgets nor spending targets, but rather a means of distributing the revenue funding. Under the Concordat, the vast majority of the funding to local government is by means of a block grant. There is no service-by-service breakdown of this grant. It is the responsibility of each local authority to allocate the total financial resources available to it on the basis of local needs and priorities having first fulfilled its statutory obligations and the jointly agreed set of national and local priorities including the Scottish Government's key strategic objectives and outcomes.

5. On the question of specific grants payable to local government, these are listed in table 9.03 of the 2010-11 Draft Budget. It is important to note that the former ring-fenced Fairer Scotland Fund will, from 2010-11, be rolled-up within the block grant although each local authority's share will be maintained in 2010-11.

ANDREW GOUDIE

Annex A

Enterprise, Energy & Tourism Level 2 (Expansion of Table 2.16)

Introduction

1. This note provides the level 4 budgetary detail requested by the Committee to aid their consideration of the Scottish Government's draft budget for 2010-11.

2. A large part of the attached information relates to budget that directly funds three non-departmental public bodies: Scottish Enterprise, Highlands & Islands Enterprise and VisitScotland. These 3 bodies, together with Scottish Development International (SDI) have provided separate detailed breakdowns of their 2010-11 budgets. Hence, this submission concentrates on providing detail for the remaining £113.436 million, although information on how the gross budgets of SE, HIE, VisitScotland & SDI reconcile with the Draft Budget figures is contained in notes appended to this paper.

3. The table which follows sets out the level 3 figures as published in the Draft Budget 2010-11 document on 17 September 2009. Level 4 represents activity planned to commence on 1 April 2010 at a level of detail below that in the draft budget publication. The Scottish Government retains the right to amend the internal figures of a level 3 budget to meet emerging priorities in that level. However, where it is necessary to transfer between level 3 responsibilities, this is reported to Parliament at the Autumn or Spring Budget Revision Exercises. The level 4 figures are therefore a snapshot of the planned financial activity.

4. Real terms figures are based on latest GDP deflator published by HM Treasury: 1.5% in 2010-11

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Enterprise Policy & Delivery: £299,680k (Real Terms £295,251k)			
Scottish Enterprise	231,017	227,603	Detail on this funding will be supplied directly by Scottish Enterprise, although there is additional information at the foot of this table – see note 1
Highlands & Islands Enterprise	68,597	67,583	Detail on this funding will be supplied directly by Highlands and Islands Enterprise, although there is additional information at the foot of this table – see note 2
Convention of the Highlands & Islands	15	15	Cost of organising and hosting two Conventions per annum.
Enterprise Networks - General	51	50	Advertising and recruitment costs incurred for SE and HIE appointment rounds, also costs of publications and events.

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Business Competitiveness: £50,416k (Real Terms £49,671k)			
Business Liaison & Networking	157	155	Cost of organising and hosting a range of business liaison events including the National Economic Forum and Business in the Parliament
RSA	43,409	42,767	Regional Selective Assistance (RSA) is the main national scheme of financial assistance to industry, helping create and safeguard jobs in selected areas of Scotland. The budget covers commitments made in previous years which are paid in instalments as projects reach milestones. Delivery of RSA will be transferred to Scottish Enterprise from 1 October 2009. Management of grant contracts will remain within Scottish Government until the required legislation is passed, (expected during 2010.)
RSA Receipts	-2,000	-1,970	Recovery of RSA where grantees have breached the grant agreement and recovery of grant is deemed appropriate.

Innovation Grants	8,800	8,670	SMART: SCOTLAND is the premium scheme of financial assistance to SMEs that helps them to develop highly innovative, commercially viable, products or processes that represent a significant technological advance for the UK or sector concerned. The budget covers commitments made in previous and current years which are paid in quarterly instalments as project milestones are reached. Delivery of SMART: SCOTLAND will be transferred to Scottish Enterprise from 1 October 2009. Management of grant contracts will remain within Scottish Government until the required legislation is passed, (expected during 2010.)
Innovation Advisor	40	39	Services of a contracted Innovation Advisor to the SMART: SCOTLAND scheme. Services include adjudication and advice on applications received from SMEs and supplementary signatory on grant award decisions .
RSA SIDAB	2	2	Expenditure relating to the Scottish Industrial Development Advisory Board, an advisory Non-Departmental Public Body which provides independent advice to the Scottish Government on RSA grants of more than £250,000.
RSA Debt Recovery Charges	8	8	Legal costs associated with the recovery of RSA where grantees have breached the grant agreement.

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Renewable Energy: £32,025 (Real Terms £31,552k)			
Electricity Statutory Consents	500	493	These two budget lines cover fee income from applications for consents under Sections 36 and 37 of the Electricity Act 1989 and the associated payments to Local Authorities for the work they carry out in relation to these.
Electricity Statutory Consents (income)	-500	-493	
Renewable Energy	22,025	21,700	The Renewable Energy budget focuses support on the emerging renewable technologies to help them become commercial, namely wave and tidal energy, biomass, hydrogen/fuel cells, and offshore wind. It also includes funding for microgeneration and community schemes.
Saltire Prize	10,000	9,852	The Saltire Prize is a £10m international prize aimed at encouraging the commercial deployment of wave and tidal energy devices in Scottish Waters. As a challenge-based prize it is difficult to predict the exact date of the award. However, the funding has been allocated within the current spending review period.

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Energy Markets: £9,380k (Real Terms £9,241)			
Energy Efficiency	9,380	9,241	Through the Energy Saving Trust and the Carbon Trust, this budget provides for advice to householders, business and public sector organisations on a range of sustainable energy issues including energy efficiency, renewables and transport. Purpose is to save energy, save money and save carbon.

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Innovation & Industries: £20,059k (Real Terms £19,763k)			
Knowledge Exchange & Innovation Policy	7,284	7,177	This budget supports the SEEKIT and Knowledge Transfer Partnership (KTP) grant schemes as well as some small ad-hoc Innovation activity, using the powers of the 1965 Science & Technology Act. SEEKIT is a knowledge exchange programme that helps SMEs gain access to Scotland's world class public sector science base. The Scottish Intellectual Asset Centre (IAC) helps SMEs exploit the commercial value of their intellectual property. We are currently looking at transferring the ICASS and IAC schemes to Scottish Enterprise during 2009-10 along with the relevant budget cover. In the future, we also propose to transfer SEEKIT and KTP to the Scottish Funding Council subject to satisfactory negotiations.
Saltire Innovation Fund	2,000	1,970	The Saltire Innovation Fund will assist Scottish Enterprise and HIE's growth ambitions for Scotland by cultivating a culture of innovation within Scottish businesses. The Fund will support: <ul style="list-style-type: none"> existing businesses who have identified a product, process, service, or business model, which could substantially change the way that they operate and the growth of their organisation, and which are now ready to move into the exploitation stage; business plans, either from academia or start-ups, identifying an opportunity for a new high growth business opportunity; and the creation of entrepreneurs whereby individuals or small groups of young people (between 16 and 22 years of age) set out their idea for a new business or technology (pre development stage). The expected outcome is a higher number of global business opportunities exploited from within Scotland

Pathfinder	10,700	10,542	This funding is to enable continued delivery of a long standing commitment to the rollout of scalable broadband services in hard-to-reach areas in the Highlands & Islands and South of Scotland. The infrastructure will deliver future-proofed connectivity to primary and secondary schools as well as to other public sector buildings including council offices and libraries. Delivery to schools is particularly important to allow them to get the full benefit of the Scottish Government's Glow (schools IT) network, something which is vital in such rural locations.
Tartan Register	75	74	This money will support the operation of a Tartan Register. Amongst other things, it will position the tartan industry in Scotland to capitalise on the commercial opportunities that will flow from the Register. It will be transferred to the National Archives of Scotland in the Spring Budget revision.

Description	2010-11 Budget		Level 4 narrative: what the budget does All figures are in thousands
	Level 4 plans	Real Terms Impact	
European Structural Funds: £1,490k (Real Terms £1,468k)			
European Programme Admin & Consultancies	1,490	1,468	Mainly funds the 2 Intermediate Administration Bodies (HIPP and ESEP Ltd) delivering the 2007-13 European Social Fund and the European Regional Development Fund. Plus funding for monitoring and evaluation of the Funds.

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Tourism: £44,265k (Real Terms £43,611k)			
VisitScotland	44,015	43,365	Detail to be provided by VisitScotland. See note 3.
Tourism (other capital projects)	250	246	Provision for capital support for tourism projects

Description	2010-11 Budget		
	Level 4 plans	Real Terms Impact	Level 4 narrative: what the budget does All figures are in thousands
Scottish Development International (SDI): £725k (Real Terms £714k)			
SDI	725	714	Detail to be provided by SDI. See note 4.

Background to the notes

5. There are considerable differences in the information contained within the Draft Budget documents and those figures provide to the Committee in the submissions of Scottish Enterprise, Highlands & Islands Enterprise, Visit Scotland and SDI

6. Each of these organisations prepares its budgets on a gross expenditure basis that includes additional income that is generated from other sources and added to the funding received from the Scottish Government. The following information is intended to offer the Committee a relatively straightforward presentation of these figures, which it is hoped will be helpful when considering the Scottish Government's draft budget figures and the gross budget figures of each organisation.

7. All amounts are stated in £millions.

Note 1 - Scottish Enterprise

8. The resource budget for Scottish Enterprise for 2010-11 (£201.4m cash plus £29.6m non-cash that is intended to cover accounting charges) is **£231m** (as per the Draft Budget document published Sept 2009). This budget reflects in year reductions of £12.1m for Business Gateway, £8.5m for the transfer of local regeneration activities to local authorities and the recovery of £35m of capital expenditure advanced in 2008-09 (£5m) and 2009-10 (£30m).

9. This is split as follows – figures are rounded:

Scottish Enterprise direct funding¹ (£m)		295.1
In year adjustments:		
• Reduction in provision	8.5	
• Business Gateway Transfer	12.1	
• Local Regeneration	8.5	
• Recovery of advanced capital expenditure	35	
Total in-year adjustments		64.1
Total Scottish Government level 4:		231

10. Scottish Enterprise has planned on this basis and has provided the Committee with details based on the following funding plans (£m):

Scottish Government Funding (including non-cash)	£231m
ERDF/ESF funding	£12m
Income from disposal of property	£20m
Rental and other property income	£8m

¹ As published in 2009-10 draft budget

Scottish Co-Investment Fund Income	£17m
Other (unspecified) business income	£6m
Total income	£294m
Less non-cash	(£30m)
Total cash	£264m

Note 2 - Highlands and Islands Enterprise

11. The resource budget for Highlands and Islands Enterprise for 2010-11 (£54.6m cash plus £14m non-cash that is intended to cover accounting charges) is **£68.6m** (as per the Draft Budget document published Sept 2009). This budget reflects an in year reduction of £2 m for Business Gateway and is as follows:

Highlands and Islands Enterprise direct funding (£m)²		73.2
In year adjustments:		
• Reduction in provision	2.6	
• Business Gateway Transfer	2	
Total in-year adjustments		4.6
Total Scottish Government level 4:		68.6

12. Highlands and Islands Enterprise has planned its operating budget on the following gross income figure (£m):

Scottish Government Funding (including non-cash)	£68.6m
ERDF/ESF funding	£7m
Capital revenue	£2.1m
Revenue receipts	£5.3m
Total income	£83m
Less non-cash	(£14m)
Total cash	£69m

Note 3 - Visit Scotland

13. The reconciliation of gross and net funding for Visit Scotland is relatively straightforward. Scottish Government funding of **£44.0m** is added to **£20.3m** of revenue from commercial and stakeholder sources, giving a total income budget of **£64.3m**.

Note 4 – Scottish Development International

14. The allocation detailed here of £725k set aside for SDI represents a small proportion of SDI's overall budget allocation which is derived from Scottish Enterprise (circa £21m in 08/09). This element of funding is used to resource the activities of what were the former Business Gateway International staff from within the old LEC structure. These staff are now fully integrated within SDI working within Regional Offices supporting internationalisation and inward investment activity.

² As published in 2009-10 draft budget

Annex B

Other Parts of the FSG Portfolio

Scottish Public Pensions Agency

2010-11 Draft Budget Document

(£1000s)

	2010-11	2010-11
	Cash	Real Terms
Scottish Public Pensions Agency		
Level 3		
Administration	11.7	11.5
NHS	1,330.2	1,310.5
Teachers	1,186.1	1,168.6
Total	2,528.0	2,490.6

Level 4 Breakdown

Administration		
Salaries and Other costs	8.2	8.0
Depreciation.Cost of Capital.	2.4	2.4
Capital	1.1	1.1
Total	11.7	11.5

NHS Pensions		
NHS Pension Scheme Expenditure	2,246.4	2,213.2
Income from employee and employer contributions and transfers received	-916.2	-902.7
Total	1,330.2	1,310.5

Teachers Pensions		
Teachers Pension Scheme Expenditure	1,746.2	1,720.4
Income from employee and employer contributions and transfers received	-560.1	-551.8
Total	1,186.1	1,168.6

Annex B

Committees, Commissions and Other Expenditure	2010-11 Cash	2010-11 Real Terms
Level 3		
Public Service Reform	23.9	23.5
Commissions	0.6	0.6
Council of Economic Advisers	0.4	0.4
Scottish Futures Trust	5.9	5.8
Total	30.8	30.3

Level 4 Breakdown

Public Service Reform		
Public Service Reform Capital	1.5	1.5
Customer First Capital	2.7	2.6
Shared Services Capital	1.6	1.6
Shared Services	2.0	2.0
Public Service Reform	6.8	6.7
One Scotland Portal	2.0	2.0
Customer First	2.3	2.2
e-Care	2.0	2.0
Public Service Delivery	3.0	2.9
Total	23.9	23.5

Commissions		
Standards Commission	0.6	0.6

Council of Economic Advisers	0.4	0.4
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Scottish Futures Trust	5.9	5.8
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We are unable to provide a further breakdown of SFT because:

1. The draft budget requirements for 2010-11 are based on the estimated SFT operational costs set out in the 2008 SFT Business case publication.
2. SFT is an arm's length public body which sets its objectives and business plans to maximise value for money from public infrastructure investment.
3. SFT's specific activities for the financial year 2010-11 and associated costs will be set out next Spring in their 2010-11 Business Plan.

Annex B

Third Sector

THIRD SECTOR		2010- 11	2010- 11
		Cash	Real Terms
<i>Level</i>	3		
<i>Breakdown</i>		£m	£m
Third	Sector		
Development		20.8	20.5
Scottish Investment Fund		14.8	14.6
Total		35.6	35.1

Level 4 Breakdown

Third	Sector		
Development			
Localism		10.9	10.7
Opportunities for Growth		2.1	2.1
Strategic Partners & Development		1.8	1.8
Investing		6.0	5.9
Total		20.8	20.5

Note 1

Scottish Fund	Investment	14.8	14.6
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Note 1: 0.9 allocated to CRBS now formally being transferred

Annex B

General Register Office for Scotland

GENERAL REGISTER OFFICE FOR SCOTLAND

	2010-11	2010-11
	Cash	Real Terms
Level 3		
Breakdown	£m	£m
Administration costs	25.3	24.9
Cost of capital charge and depreciation	1.3	1.3
Capital	0.8	0.8
Less Income	-5.1	-5.0
Total	22.3	22.0

Level 4 Breakdown

Administration Costs		
Staff costs	9.0	8.9
Goods and services	16.3	16.0

Cost of capital charge and depreciation		
Depreciation	1.0	1.0
Cost of capital	0.3	0.3

Capital		
Capital	0.8	0.8

Less Income		
Less Fees and charges/contracted income	-4.8	-4.7
Less Rental income	-0.3	-0.3

Scottish Government
October 2009