
Scotland's Budget Documents:

The 2003-04 Summer Budget Revision

to the Budget (Scotland) (No 4) Act

for the year ending 31 March 2004

Laid before the Scottish Parliament by the Scottish Ministers June 2003

SE 2003/76

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Summer Budget Revision

Introduction

1. This booklet provides supporting information for the Parliament and others in support of the “Budget (Scotland) Act 2003 (Amendment) Order 2003” – the Summer Budget Revision. The Order is a Scottish Statutory Instrument laid before the Parliament by the Executive in June 2003.

2. The purpose of the Summer Budget Revision is to amend the Budget (Scotland) (No 4) Act 2003, which authorises the Executive’s spending plans for the financial year 2003-04. The amendment is necessary for two reasons:

- i) from 1 April 2003, the rate at which cost of capital charges are calculated has been reduced from 6% to 3.5%; and
- ii) on 11 February 2003, the Finance Committee of the Parliament agreed a revised Holyrood Project budget for the Scottish Parliamentary Corporate Body. The Revision also covers the further increases in the costs of the Holyrood Project reported to the Finance Committee on 10 June.

3. The only changes made in this Budget Revision are to give effect to these two changes. It therefore includes a much narrower range of changes than past Autumn and Spring Revisions. At the same time, the change in the rate of cost of capital charges affects a large number of programmes across the Budget. One advantage of making these changes now is that this major classification change will not obscure more substantive changes which will be proposed through the Autumn and Spring Revisions in due course.

The form of this supporting document

4. We have taken advantage of the opportunity provided by this more limited Budget Revision to take a new approach in this supporting document. This follows suggestions raised by the previous Finance Committee and discussions between the Committee’s and the Executive’s advisors and officials on how the supporting documents could be made more accessible, and a desire to create a more direct read-across from the supporting document to the Summer Budget Revision itself.

5. This document therefore does not restate departmental budgets in full. It identifies and provides details of the changes being sought through the Summer Budget Revision, and relates these directly to the resources approved in the 2003 Budget Act. All other spending plans remain the same as shown in the supporting document to the Budget Act (*Scotland's Budget Documents 2003-04 - SE/2003/12*).

6. For each department and direct-funded body, this document sets out:

- the total amount of “resources other than accruing resources” authorised in the Budget Act;

- the provision within that total provided to cover cost of capital charges;
- the change required to reflect the new rate at which cost of capital charges are to be calculated; and
- the revised total of “resources other than accruing resources” sought in the Summer Budget Revision following this change.

There should therefore be a clear read across from the numbers shown on the face of the Budget Act, to those in this document, and to the revised numbers shown in the Summer Budget Revision itself.

7. A second table then provides details of where within the department’s overall budget cost of capital charges are to be found, and the affect on individual programme budgets of the proposed change. More detailed information is provided for the Scottish Parliamentary Corporate Body, where there is both this classification change and a substantive change to reflect the revised Holyrood Project budget agreed by the previous Finance Committee on 11 February 2003 and the additional costs reported to the Finance Committee on 10 June 2003.

8. For consistency, departments are shown on the same basis as that used for the Budget Act: this document does not reflect the administrative changes made following the 2003 elections.

The Change in Cost of Capital Charge

9. The cost of capital charge is a notional, non-cash item introduced to public sector budgeting as part of the recent move to Resource Accounting and Budgeting. It reflects the cost of holding assets and liabilities. The theory is that, if the asset was sold, overall public sector borrowing would be lower by the value of the asset – so the cost of keeping the asset is the same as the interest paid on this higher level of borrowing. Cost of capital charges were initially calculated at 6% of net asset and liability value.

10. The UK Government’s Financial Reporting Advisory Board decided in October 2002 that the cost of capital charge should be reduced to 3.5% to maintain parity with a reduction in the discount rate used in capital appraisals. This means that the existing Budget Act over-provides for cost of capital charges. Given that the Executive is required to make sure its budget is “taut and realistic” (that is, that it does not ask for more resources than it needs), it is therefore necessary to reduce the amounts included in the Budget Act to reflect this change.

11. There is no reduction in the Executive’s “spending power”, since cost of capital charges are a non-cash adjustment. This also means the change does not free up resources that could be re-deployed. The Executive’s Spending Plans remain as set out in the Budget Act Supporting Document. Overall, the accounting change will lead to a reduction of £126m in the Executive’s DEL, and £235m in AME (cost of capital charges moved from AME to DEL from 1 April 2003, with the exception of the cost of capital charge for the motorway and trunk road network, which remains in AME at present due to concerns over volatility). All cost of capital charges count as resource expenditure.

12. The change does not affect the cost of capital charge applied to public corporations (which is calculated on a different basis, usually to match the required rate of return on the Executive's investment in the corporation). Although the change does apply to Non-Departmental Public Bodies (NDPBs), it does not affect NDPB numbers as shown in the Budget Act, since the Act shows NDPBs on a cash basis (to meet the requirements of the PFA Act). The impact on NDPBs is shown by the revised version of Table 3.1 from the Budget Act Supporting Document below:

Revised Table 3.1 – NDPB Cash and Resource Budgets by Department, 2003-04

| £'000s | | |
|----------------------------------|--------------------------|------------------------------|
| Department | NDPB Budget (Cash terms) | NDPB Budget (Resource Terms) |
| Environment and Rural Affairs | 89,299 | 95,569 |
| Development | 18,375 | 18,866 |
| Education | 171,665 | 206,158 |
| Enterprise and Lifelong Learning | 1,676,078 | 1,700,713 |
| Justice | 141,224 | 148,309 |
| Total | 2,096,641 | 2,169,615 |

Scottish Parliamentary Corporate Body

13. The budget for the SPCB is neither proposed nor agreed by the Executive, but is included in the budget documents to ensure they cover all devolved spending. Changes to the budget for the SPCB are separately scrutinised by the Finance Committee, most recently on 11 February 2003. Since by that time the Budget Bill had already been laid, the then Finance Committee agreed that this revised Budget for the Holyrood Project would be authorised through an early budget revision. The Revision also includes the further increases to the cost of the Holyrood Project reported to the Finance Committee on 10 June 2003. The net effect of the changes proposed to the SPCB budget is to increase Resource DEL by £18.968m, Capital DEL by £95.813m, and to increase the overall funding requirement by £94.377m.

Process for the Budget Revision

14. Following detailed consideration by the Subordinate Legislation and Finance Committees, the Scottish Parliament has an opportunity to vote on the Summer Budget Revision order.

Summary Tables

Table 1.1 Changes sought in Summer Revision

£'000s

| Scottish Executive Departments | Resources other than Accruing Resources as shown in Act | Change Proposed | Revised Budget |
|---------------------------------------|---|--------------------|-------------------|
| Environment and Rural Affairs | 1,036,066 | -2,713 | 1,033,353 |
| Development | 2,386,164 | -234,950 | 2,151,214 |
| Education | 590,831 | -229 | 590,602 |
| Enterprise and Lifelong Learning | 2,334,678 | -125 | 2,334,553 |
| Finance and Central Services | 7,180,569 | 0 | 7,180,569 |
| Health | 6,733,128 | -66,900 | 6,666,228 |
| Justice | 1,181,945 | -19,981 | 1,161,964 |
| Administration | 230,302 | -3,336 | 226,966 |
| Crown Office and Procurator Fiscal | 87,100 | -250 | 86,850 |
| Scottish Executive | 21,760,783 | -328,484 | 21,432,299 |
| General Register Office for Scotland | 8,137 | -195 | 7,942 |
| National Archives of Scotland | 8,541 | -255 | 8,286 |
| Scottish Administration | 21,777,461 | -328,934 | 21,448,527 |
| Direct-Funded Bodies | | | |
| Food Standards Agency | 6,100 | 0 | 6,100 |
| Forestry Commission (Scotland) | 88,752 | -15,648 | 73,104 |
| Scottish Parliamentary Corporate Body | 108,753 | 114,781 | 223,534 |
| Audit Scotland | 6,224 | -25 | 6,199 |
| Total | 21,987,290 | -229,826 | 21,757,464 |

Table 1.2 Revised Overall Cash Authorisation (Total Funding Requirement)

£'000s

| | As shown in Act | Change Proposed | Revised Cash authorisation |
|---------------------------------------|-----------------|--------------------|-------------------------------|
| Scottish Administration | 20,299,027 | - | 20,299,027 |
| Forestry Commissioners | 88,752 | - | 88,752 |
| Food Standards Agency | 6,100 | - | 6,100 |
| Audit Scotland | 5,744 | - | 5,744 |
| Scottish Parliamentary Corporate Body | 108,753 | 94,377 | 203,130 |

Environment and Rural Affairs Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| Amount of Resources other than Accruing Resources | 1,036,066 | -2,713 | 1,033,353 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 169,513 | -2,713 | 166,800 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|---|--|-----------------|-----------------|----------------|
| Natural Heritage | Scottish Natural Heritage | 947 | -395 | 552 |
| Environmental Protection | Scottish Environmental Protection Agency | 855 | -356 | 499 |
| Agricultural and Biological Science and other Agricultural Services | Scottish Agricultural Science Agency | 690 | -287 | 403 |
| | Crofters Commission | 3 | -1 | 2 |
| | Royal Botanical Garden | 1,372 | -572 | 800 |
| | Animal Health and Veterinary Service | 100 | -42 | 58 |
| | Deer Commission | 18 | -7 | 11 |
| Fisheries | Fisheries Research Services | 1,800 | -750 | 1050 |
| | Scottish Fisheries Protection Agency | 728 | -303 | 425 |
| Total | | 6,513 | -2,713 | 3,800 |

Development Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| Amount of Resources other than Accruing Resources | 2,386,164 | -234,950 | 2,151,214 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 566,739 | -234,950 | 331,789 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|---------------------------|------------------------|-----------------|-----------------|----------------|
| Motorways and Trunk Roads | Cost of Capital Charge | 563,879 | -234,950 | 328,929 |
| Total | | 563,879 | -234,950 | 328,929 |

Education Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 590,831 | -229 | 590,602 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 549 | -229 | 320 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|----------------------------|--|-----------------|-----------------|----------------|
| Schools | HM Inspectorate of Education | 35 | -15 | 20 |
| Tourism, Sport and Culture | Historic Scotland and the Royal Commission on the Ancient & Historical Monuments of Scotland | 514 | -214 | 300 |
| Total | | 549 | -229 | 320 |

Enterprise and Lifelong Learning Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| Amount of Resources other than Accruing Resources | 2,334,678 | -125 | 2,334,553 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | -8,093 | -125 | -8,218 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|--------------------------------|---------------------------------|-----------------|-----------------|----------------|
| Student Awards Agency Scotland | Cost of Capital | 300 | -125 | 175 |
| | Cost of Capital (Student Loans) | 55,875 | -23,697 | 32,178 |
| | Release from provision | -64,268 | 23,697 | -40,571 |
| Total | | -8,093 | -125 | -8,218 |

Health Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| Amount of Resources other than Accruing Resources | 6,733,128 | -66,900 | 6,666,228 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 160,562 | -66,900 | 93,662 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|--|--------------------------------|-----------------|-----------------|----------------|
| Hospital, Community and Family Health Services | Health Boards' Cost of Capital | 7,333 | -3,055 | 4,278 |
| | Health Dept's Cost of Capital | 153,229 | -63,845 | 89,384 |
| Total | | 160,562 | -66,900 | 93,662 |

Justice Department

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| Amount of Resources other than Accruing Resources | 1,181,945 | -19,981 | 1,161,964 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 47,957 | -19,981 | 27,976 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Changes Proposed | Revised Budget |
|---------------------------|------------------------|-----------------|------------------|----------------|
| Scottish Prison Service | Cost of Capital Charge | 25,722 | -10,717 | 15,005 |
| Police Central Government | Cost of Capital Charge | 2,186 | -911 | 1,275 |
| Fire Central Government | Cost of Capital Charge | 546 | -227 | 319 |
| Scottish Court Service | Cost of Capital Charge | 19,503 | -8,126 | 11,377 |
| Total | | 47,957 | -19,981 | 27,976 |

Administration

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 230,302 | -3,336 | 226,966 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 8,007 | -3,336 | 4,671 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Changes Proposed | Revised Budget |
|----------------|------------------------|-----------------|------------------|----------------|
| Administration | Cost of Capital Charge | 8,007 | -3,336 | 4,671 |
| Total | | 8,007 | -3,336 | 4,671 |

General Register Office for Scotland

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 8,137 | -195 | 7,942 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 470 | -195 | 275 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Changes Proposed | Revised Budget |
|--------------------------------------|------------------------|-----------------|------------------|----------------|
| General Register Office for Scotland | Cost of Capital Charge | 470 | -195 | 275 |
| Total | | 470 | -195 | 275 |

National Archives of Scotland

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Changes Proposed | Revised Budget |
|--|---------------------------|------------------|----------------|
| Amount of Resources other than Accruing Resources | 8,541 | -255 | 8,286 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 610 | -255 | 355 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|-------------------------------|------------------------|-----------------|-----------------|----------------|
| National Archives of Scotland | Cost of Capital Charge | 610 | -255 | 355 |
| Total | | 610 | -255 | 355 |

Finance & Central Services Department

There are no changes to the department's budget in the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|------------------|
| | | | |
| Amount of Resources other than Accruing Resources | 7,180,569 | 0 | 7,180,569 |
| | | | |

Food Standards Agency

There are no changes to the Agency's budget in the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| | | | |
| Amount of Resources other than Accruing Resources | 6,100 | 0 | 6,100 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 0 | 0 | 0 |

Forestry Commission (Scotland)

Total Department Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 88,752 | -15,648 | 73,104 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 37,554 | -15,648 | 21,906 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|--------------------------------|---------------------|-----------------|-----------------|----------------|
| Forestry Commission (Scotland) | Forestry Commission | 129 | -54 | 75 |
| | Forest Enterprise | 37,425 | -15,594 | 21,831 |
| Total | | 37,554 | -15,648 | 21,906 |

The Crown Office and Procurator Fiscal Service

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 87,100 | -250 | 86,850 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 600 | -250 | 350 |

Detail of Proposed Changes to Cost of Capital Charge

£'000s

| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
|--|------------------------|-----------------|-----------------|----------------|
| The Crown Office and Procurator Fiscal Service | Cost of Capital Charge | 600 | -250 | 350 |
| Total | | 600 | -250 | 350 |

Scottish Parliamentary Corporate Body

Total Departmental Changes for the Summer Budget Revision

| | £'000s | | |
|--|---------------------------|-----------------|----------------|
| | Budget as included in Act | Change Proposed | Revised Budget |
| Amount of Resources other than Accruing Resources | 108,753 | 114,781 | 223,534 |
| <i>of which:</i> <i>Cost of Capital Charge</i> | 8,450 | -3,521 | 4,929 |

Detail of Proposed Changes to Cost of Capital Charge

| | | £'000s | | |
|---------------------------------------|------------------------|-----------------|-----------------|----------------|
| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
| Scottish Parliamentary Corporate Body | Cost of Capital Charge | 8,450 | -3,521 | 4,929 |
| Total | | 8,450 | -3,521 | 4,929 |

Detail of Other Proposed Changes to Provision

| | | £'000s | | |
|---------------------------------------|--|-----------------|-----------------|----------------|
| Budget Head | Programme | Existing Budget | Change Proposed | Revised Budget |
| Scottish Parliamentary Corporate Body | Net Operating Budget (excl. Cost of Capital) | 46,716 | +22,489 | 69,205 |
| | Net Capital Budget | 53,587 | +95,813 | 149,400 |
| Total | | 100,303 | 118,302 | 218,605 |

Note: Changes to the budget for the SPCB are separately scrutinised by the Finance Committee, most recently on 11 February 2003. Since by that time the then Budget Bill had already been laid, the then Finance Committee agreed that the revised Budget would be authorised through an early budget revision. This Revision also seeks formal Parliamentary approval for the further increases in the Holyrood Project costs reported to the Finance Committee on 10 June 2003.

Scottish Parliamentary Corporate Body

Detail of Proposed Revised Funding Requirement 2003-04

£'000s

| | |
|--|----------------|
| | |
| Net Operating Budget (incl Cost of Capital Charge) | 74,134 |
| Net Capital Budget | 149,400 |
| Total Budget | 223,534 |
| | |
| <i>Adjustments for non-consumption of cash:</i> | |
| Depreciation | 15,400 |
| Cost of Capital Charge | 4929 |
| Other non-cash adjustments (eg Audit Fee) | 75 |
| | |
| Total Funding Required | 203,130 |
| | |
| | |
| Sources of Funding: | |
| Cash Grant from the Scottish Consolidated Fund | 203,130 |

Audit Scotland

Total Departmental Changes for the Summer Budget Revision

£'000s

| | Budget as included in Act | Change Proposed | Revised Budget |
|--|---------------------------|-----------------|----------------|
| Amount of Resources other than Accruing Resources | 6,224 | -25 | 6,199 |
| <i>of which:</i> | | | |
| <i>Cost of Capital Charge</i> | 60 | -25 | 35 |

Detail of Proposed Changes to Cost of capital charge

£'000s

| Budget Head | Programme | Existing Budget | Changes Proposed | Revised Budget |
|----------------|------------------------|-----------------|------------------|----------------|
| Audit Scotland | Cost of Capital Charge | 60 | -25 | 35 |
| Total | | 60 | -25 | 35 |