

SCOTTISH BUDGET: DRAFT BUDGET 2018-19



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SCOTTISH BUDGET: DRAFT BUDGET 2018-19

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FOREWORD

by the Cabinet Secretary for Finance and the Constitution



This budget builds on the bold and ambitious plans outlined by the First Minister in the Programme for Government, 'A Nation with Ambition'. It invests in economic opportunity for all, in public services that are fit for the future and in a fairer, more inclusive Scotland.

It recognises the economic turbulence created by Brexit uncertainty, the reality of continued UK austerity and the increasing pressure on public services as a result of an ageing population. And, it seeks to meet the challenges and seize the opportunities presented by new technological developments and the shift to a low carbon economy. All of these issues require a strong response from Scotland's Government.

Our spending choices are made in the context of the continued reduction in the discretionary block grant we receive from the UK Government. Between 2010-11 and 2019-20 this will fall by £2.6 billion in real terms and over the next two years alone we face real terms cuts of over £500 million in the block grant we receive for day-to-day spending.

As a result, this budget sets out how we will use the devolved powers of our Parliament to mitigate further cuts and to deliver a strong, dynamic economy supported by investment in public services, education, business, infrastructure and tackling inequality.

The decisions we have taken in this budget enable Scotland to get ahead of the curve with investment in our world-leading universities, a new National Manufacturing Institute for Scotland, and support for our entrepreneurs and innovators, our creative industries and for the internationalisation of our economy.

This budget builds the foundations of an agile economy. It continues our work to deliver superfast broadband to 100 per cent of business and residential premises across Scotland, supports new investment in low carbon industry and invests in low carbon transport solutions and more energy-efficient homes. We also take the first financial steps toward establishing Scotland's National Investment Bank with long-term funding commitments and a new Building Scotland Fund.

We will make Scotland the most attractive place to run or establish a business with a package of rates reliefs that goes beyond that available elsewhere in the UK and a cap on the inflationary uplift in business rates to CPI.

Of course, securing our future economic success depends on securing more inclusive growth, with an economy backed by strong public services, investment in a fairer society and a clear social contract.

To ensure opportunities for all our citizens we will invest in delivering 50,000 affordable homes and tackling homelessness so that no one is deprived of a safe and affordable place to live.

We will support our young people and those who care for them. This budget puts nearly a quarter-of-a-billion pounds towards our commitment to double the availability of publicly-funded nursery education and childcare and provides £120 million directly to headteachers to deliver on this Government's priority of raising standards for all and closing the attainment gap in education.

We will continue to mitigate the impact of UK Government welfare reform on the most vulnerable, build a Scottish social security system based on dignity and respect and take steps to alleviate poverty in all its forms.

And, crucially, we will deliver on our commitments to the National Health Service. Our spending plans this year contain over £400 million of additional investment in health.

Scotland's health service is undergoing a transformation to meet new pressures and changing demands. This budget delivers record investment in the NHS as well as funding to further increase the care and support provided closer to people's homes, boost mental health spending and deepen the integration of health and social care.

This budget also delivers real terms increases in funding for education, and protects our police and fire services. Recognising the importance of high quality local services we will also improve the settlement for local government and lift the public sector pay cap.

This Government would always deliver fully on our commitment to the NHS, but we are only able to do so without placing severe pressure on funding for education, the economy, local government services or the lifting of the public sector pay cap, because of the decisions we have taken to use Scotland's powers in relation to taxation.

Reflecting the principles-based approach we have taken across all areas of tax policy our decisions on income tax meet the four key tests set out earlier this year in our discussion paper 'An Income Tax Policy for Scotland'.

Introducing a new starter rate, 1 per cent below the basic rate, and increasing the top rate of tax, will make Scotland's tax system fairer and more progressive. In doing so we are able to increase revenues, reverse this year's real terms cut from the UK Government, and at the same time ensure that the majority of taxpayers will pay less than in other parts of the UK. Indeed, the new starter rate, combined with an increase in the personal allowance, will result in 70 per cent of all income tax payers paying less than they do this year.

Alongside our decisions on tax we have also chosen to protect the social contract, ensuring there are no tuition fees for Scottish students in higher education, expanding free personal care for the elderly to those under 65 who need it, continuing our policy of no prescription charges and maintaining concessionary travel.

These measures, combined with our investment in the NHS, the economy, infrastructure, education and essential public services, ensure that, in the year ahead, Scotland will be the fairest taxed part of the UK, providing the best deal for taxpayers.



Derek Mackay MSP
Cabinet Secretary for Finance and the Constitution

CHAPTER 1

Strategic Overview for the Draft Budget 2018-19

In September 2017 the First Minister published our Programme for Government – ‘A Nation with Ambition’ – that outlines the Scottish Government’s plan to transform Scotland’s public services, grow our economy and seize the economic opportunities that will emerge in the coming decades.

It committed the Scottish Government to refocusing our efforts and refreshing our agenda to meet the changing needs of our people and the unprecedented challenges of our times.

This Draft Budget sets out the Scottish Government’s tax and spending plans for 2018-19 and is the next step in delivering that programme.

Our Vision

In the face of the UK Government’s continued austerity, sluggish UK economic growth, and the uncertainty caused by Brexit, we have a duty to protect our public services, protect jobs, boost the economy, and uphold the rights and values of an open, inclusive, diverse, tolerant and progressive democracy.

We have a responsibility to tackle climate change and an economic opportunity in preparing Scotland for the new, low carbon world.

And, as our population ages, we must meet the needs of our older citizens while ensuring fairness across the generations and taking steps to grow our working-age population.

To meet these challenges and seize the opportunities we must revolutionise our productivity, not least through innovation, entrepreneurialism and internationalisation. We must make Scotland one of the best places in the world to live, to work, to run or invest in a business, and to explore and commercialise new ideas.

This requires long-term investment in economic opportunity and infrastructure not least through support for first-class digital connectivity and the transition to a low carbon economy.

And it requires excellent public services, starting with an NHS that will always remain free at the point of need and equipped to meet the challenges of a changing population.

The Choice We Make

Over the decade between 2010-11 and 2019-20, Scotland's discretionary budget allocation will be eight per cent - £2.6 billion - lower in real terms. Over the next two years alone, our Block Grant from the UK Government for day-to-day spending in Scotland is projected to fall by over £500 million in real terms.

That level of austerity does not just fail the needs of the current generation, it weakens our ability to meet the challenges of tomorrow.

In order to invest in our future prosperity, protect our public services and build the fairer nation we all want to see, the Scottish Government has chosen a different path.

We will use the income tax powers devolved through the Scotland Act 2016 to raise additional revenues.

We will use those revenues to halt the cuts to Scotland's budget. We will always choose to invest in the NHS but, with the additional revenues, we will be able to do so and also invest in our economy, childcare, school education and in the range of public services that people the length and breadth of Scotland rely upon.

In doing so, we recognise the pressure on household incomes and we will make the tax system fairer and more progressive, protecting those on the lowest incomes and reducing inequalities. Overall, the changes we make to income tax will result in the majority of tax payers paying less than they do now - with those on the highest incomes contributing proportionately more.

This Draft Budget will:

- increase spending on health by over £400 million;
- provide £120 million - over and above core education funding - direct to headteachers to help ensure all young people can fulfil their potential;
- lift the one per cent public sector pay cap and provide for a three per cent pay rise for NHS staff, police, teachers and others earning up to £30,000;
- protect local government day to day spending for local services in cash terms and deliver an increase in capital spending of £89.9 million;
- contribute £756 million towards investment of more than £3 billion by 2021 to deliver 50,000 affordable homes;
- deliver over £4 billion of funding for infrastructure;
- support the procurement of the R100 programme to deliver superfast broadband to 100 per cent of business and residential premises across Scotland;
- double investment in City Region Deals;
- provide the most competitive business rates package in the UK and cap business rates uplifts at CPI;

- invest £243 million towards the expansion of free early learning and childcare;
- deliver the first £70 million of a new £150 million Building Scotland Fund which, together with £340 million of planned initial capitalisation for the Scottish National Investment Bank, will create a programme of additional economic investment of almost £0.5 billion over the next three years;
- invest nearly £2.4 billion in our colleges, universities, enterprise and skills bodies – including a real terms increase for both College and Higher Education budgets;
- continue to invest in protecting and maintaining Scotland's environment; and
- protect police and fire services and ensure they retain, in full, the savings created from now being able to reclaim VAT.

Our Social Contract

The provision of high quality universal services, combined with progressive taxation represents a strong social contract between the government and the people of Scotland. This contract supports the economy of Scotland, reduces inequality and boosts intergenerational fairness. It gives everyone a stake in our public services and the economy.

This budget will:

- invest in the NHS, keeping it free at the point of need;
- maintain free personal care and prepare for expansion to include those under 65s who require it – a policy also known as Frank's Law;
- establish a social security system based on dignity and respect and invest over £100 million in mitigating UK welfare cuts including the 'bedroom tax';
- guarantee that higher education remains free of tuition fees for all eligible Scottish or EU domiciled undergraduate students and drive forward our commitment to equal access to university;
- maintain the current provision of 600 hours per year of early learning and childcare and invest in the expansion towards 1,140 hours by 2020 – the same number of hours as a child spends in primary school;
- provide access to free sanitary products to students in schools, colleges and universities;
- ensure roads and bridges remain toll free and support concessionary travel; and
- support sports, arts and culture across the country including free access to the permanent collections of the National Museums, Galleries and Library.

Income Tax

Under the current devolved settlement, income tax is the only major tax power that the Scottish Government has at its disposal.

To support our public services, the economy, and to maintain the benefits of the social contract, this budget sets a distinct income tax policy for Scotland.

Our policy will protect the lowest earners by introducing a new 19p Starter Rate of tax and freezing the Basic Rate.

In order to make the tax system more progressive the policy will introduce a new Intermediate Rate of 21p and increase both the Higher Rate and Top Rate by 1p respectively.

Under these proposals, more than 70 per cent of tax payers will pay less tax next year.

This means that those earning under £33,000 will pay less income tax in 2018-19 than in 2017-18, with higher earners paying proportionately more.

Our proposals will also mean that for a given income, 55 per cent of taxpayers – those earning up to £26,000 – will pay marginally less income tax than if they lived elsewhere in the UK. For the majority of Scottish taxpayers, Scotland will be the lowest taxed part of the UK.

By simultaneously lowering the Starter Rate of tax and increasing the Top Rate of tax we will make Scotland the fairest taxed part of the UK and reduce income inequality, as measured by the Gini coefficient.

The independent Scottish Fiscal Commission (SFC) has forecast that these proposals will provide an additional £164 million for investment in public services in Scotland. This estimate takes account of possible behavioural changes.

Economic and Fiscal Outlook

Scotland's economy has continued to grow in 2017. Scotland's economic fundamentals also remain strong with the number of people in employment rising and the unemployment rate close to the lowest ever level.

Despite these positive signs, Scotland's economy still faces significant challenges. The Scottish Fiscal Commission's report, published alongside this draft budget, highlights that Brexit presents a key risk to Scotland's economy and will reduce migration, productivity and trade in the coming years. Table 1.01 sets out the SFC's headline economic forecast.

The Scottish Fiscal Commission's forecasts, estimate that employment will rise further, unemployment will remain at near record lows, and earnings growth will accelerate.

The SFC also highlights the challenges that Scotland faces and points to the need for continued efforts to improve performance on productivity. They forecast that, partly as a result of Brexit, productivity growth will be subdued in the coming years, and our working age population will shrink, both of which will feed through to lower GDP growth.

Table 1.01: Headline Economy Forecasts (Calendar Year Basis)

	2016	2017	2018	2019	2020	2021	2022
GDP (per cent growth)	0.4	0.7	0.7	0.9	0.6	0.9	1.1
Employment (millions)	2.61	2.64	2.66	2.66	2.66	2.66	2.67
Earnings (per cent growth)	3.2	2.0	2.2	2.4	2.6	2.8	3.1

SCOTTISH GOVERNMENT SPENDING LIMITS

The Scottish Government budget for any given year is determined by the combined impact of:

- block grant funding allocated by HM Treasury at a Spending Review, Autumn Budget or Spring Statement as adjusted to reflect taxes devolved to Scotland through Scotland Act 2012 and Scotland Act 2016;
- independent forecasts of receipts generated by those taxes; and
- planned use of available devolved borrowing powers and use of the Scotland Reserve.

The overall block grant allocation has increased in recent years as the responsibilities of the Scottish Parliament have increased. However, the discretionary elements of the block grant allocation have experienced a sustained real terms reduction since 2010-11. For 2018-19 alone, the fiscal resource budget allocation is £211 million lower in real terms than in 2017-18.

In 2018-19, the cumulative impact of Scottish Government decisions on tax and capital borrowing is to reduce the real terms reduction to the Scottish fiscal budget from 8 per cent to 5.1 per cent between 2010-11 and 2019-20, generating an additional £812 million for investment in public services in Scotland in 2018-19 that would not otherwise have been available.

A full reconciliation of forecast revenues to planned expenditure is provided at Annex A, but Tables 1.02, 1.03 and 1.04 below set out the cash and real terms spending limits for the Scottish Budget.

Table 1.02: Scottish Government Budget Control Limits for 2010-11 and 2015-16 to 2019-20

SG Spending Limits – Cash Terms	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
UK Government Spending Review settlement – November 2015			30,286	30,520	30,620	30,870
Subsequent Barnett consequentialia and other additions			(12)	828	1,247	1,423
Total Budget Limit from HM Treasury (A)	29,600	30,141	30,274	31,348	31,867	32,293
<i>of which:</i>						
Fiscal Resource Budget Limit	25,624	25,991	26,088	26,679	26,860	26,903
Non-cash Budget Limit	642	1,030	967	1,057	1,105	1,145
Capital Budget Limit	3,335	2,734	2,891	3,166	3,413	3,726
Financial Transactions	-	386	329	446	489	519
Block Grant Adjustment			(5,500)	(12,450)	(12,472)	(12,793)
Scottish Income Tax			4,900	11,829	12,115	12,582
Land and Buildings Transaction Tax			538	507	588	628
Scottish Landfill Tax			133	149	106	88
Non-Tax Income				36	25	25
Net Resource Budget Adjustment (B)			71	71	362	530
Capital Borrowing (C)	-	306	316	450	450	450
Total Scottish Government Funding (A+B+C)	29,600	30,447	30,661	31,869	32,679	33,273

2010-11 figures are adjusted to include Council Tax Benefit for comparison purposes.

Block Grant Adjustment figures shown for 2018-19 and 2019-20 do not include Air Passenger Duty, devolution of which has been deferred.

Non-tax income is from Fines, Forfeitures and Fixed Penalties and Proceeds of Crime.

Net Resource Budget Adjustment is the impact of SG decisions on taxes against the Block Grant Adjustment.

2019-20 capital borrowing figure for illustration only – final decisions on 2019-20 borrowing will be taken as part of the 2019-20 budget process.

Table 1.03 Real Terms Changes to HM Treasury Spending Limits

HMT Spending Limits - Real Terms (2017-18 prices)	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Fiscal Resource Budget	28,624	26,993	26,495	26,679	26,468	26,142
Capital Budget	3,726	3,157	2,936	3,166	3,364	3,621
Total	32,350	30,150	29,431	29,845	29,832	29,763
Real-Terms Change against prior year			(2.4%)	1.4%	0.0%	(0.2%)
Real Terms Change on 2010-11		(6.8%)	(9.0%)	(7.7%)	(7.8%)	(8.0%)

Excludes Financial Transactions

Table 1.04 Real Terms Changes to Scottish Government Funding

SG Adjusted Spending Limits - Real Terms (2017-18 prices)	2010-11 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Fiscal Resource Budget	28,624	26,993	26,567	26,750	26,825	26,657
Capital Budget + Capital Borrowing	3,726	3,157	3,257	3,616	3,807	4,058
Total	32,350	30,150	29,824	30,366	30,632	30,715
Real-Terms Change against prior year			(1.1%)	1.8%	0.9%	0.3%
Real Terms Change on 2010-11		(6.8%)	(7.8%)	(6.1%)	(5.3%)	(5.1%)

Excludes Financial Transactions

2018-19 Proposed Portfolio Budget

Scotland's devolved Total Managed Expenditure, a mix of discretionary and ring-fenced funding, amounts to £40.6 billion including a control total of £32.7 billion for Scottish Government portfolios. Table 1.05 provides the portfolio detail which, subject to parliamentary consideration, will form the basis of the Budget Bill 2018-19, which will be laid before the Scottish Parliament in January 2018.

Table 1.05: Total Proposed Spending Plans for 2018-19

2018-19 Draft Budget ^{1,2}	Resource £m	Capital ^{3,4} £m	Total £m	UK Funded AME £m	Total £m
Health and Sport	13,147.8	351.2	13,499.0	100.0	13,599.0
Finance and the Constitution	164.9	6.7	171.6	4,624.0	4,795.6
Education and Skills	2,813.6	171.0	2,984.6	428.0	3,412.6
Justice	2,540.1	112.8	2,652.9	-	2,652.9
Economy, Jobs and Fair Work	266.0	423.8	689.8	-	689.8
Communities, Social Security and Equalities	7,146.3	1,733.4	8,879.7	2,636.0	11,515.7
Environment, Climate Change and Land Reform	165.0	239.9	404.9	-	404.9
Rural Economy and Connectivity	1,447.0	1,359.4	2,806.4	-	2,806.4
Culture, Tourism and External Affairs	314.6	29.7	344.3	-	344.3
Administration	179.5	13.1	192.6	-	192.6
Crown Office and Procurator Fiscal Service	112.4	3.6	116.0	-	116.0
Scottish Government	28,297.2	4,444.6	32,741.8	7,788.0	40,529.8
Scottish Parliament and Audit Scotland	106.1	1.5	107.6	2.0	109.6
Total Scotland	28,403.3	4,446.1	32,849.4	7,790.0	40,639.4

1 All figures are in cash terms and are presented on a full resource basis, and include depreciation and impairment charges where appropriate.

2 In order to manage our budgets over the Spending Review period the Scottish Government will make use of the Budget Exchange Mechanism agreed with HM Treasury, whereby there is flexibility to carry forward underspends, within agreed limits, and draw them down the following year.

3 Capital includes Financial Transactions, details of which appear in relevant portfolio chapters.

4 The proposed capital budget reflects the Scottish Government's intention to utilise the borrowing powers available through the Scotland Act 2016. Given the variety of factors that impact on major projects, the capital programme will be proactively managed through the financial year.

BUDGET PROCESS REVIEW GROUP

Ahead of Draft Budget 2017-18, the Finance and Constitution Committee and the Scottish Government jointly established a Budget Process Review Group to carry out a fundamental review of the Scottish Parliament's budget process following the devolution of further powers in the Scotland Act 2012 and Scotland Act 2016.

The final report of the Group, published in June 2017, set out a series of wide ranging recommendations as to how the process could be improved including a suggested implementation timetable. The majority of recommendations will be implemented ahead of Draft Budget 2019-20 but in developing this Draft Budget, we have made a concerted effort to improve the transparency and accessibility of the document. New thematic chapters on the Enterprise and Skills Bodies and Infrastructure Investment will begin to address Recommendation 23 whilst the decision to adjust the tables and annexes and publish all tables online alongside the main documentation delivers on Recommendation 44 as well as our Open Government Partnership commitments.

The Scottish Government will continue to work with the Finance and Constitution Committee to amend the 'Written Agreement' to ensure that the report's recommendations are delivered in full.

INVESTING IN PUBLIC SERVICES

A World-Class Health Service

The NHS, which will be 70 years old in 2018, is our most treasured public service. Our manifesto committed us both to reform and investment, including a pledge to increase spending on the NHS by £2 billion over the course of this Parliament. To deliver upon that commitment we are providing additional resource investment of over £400 million in the health service in 2018-19. This is over £200 million more than inflation.

This continued investment will ensure that prevention and early intervention improve healthy life expectancy while we transform the way we deliver health and social care to adapt to Scotland's changing health and care needs.

In 2018-19 we will:

- provide additional investment for health and sport, taking our total investment in 2018-19 to almost £13.6 billion;
- deliver investment in primary care reform of £110 million. By the end of the Parliament, expenditure on primary care will increase by £500 million to 11 per cent of the frontline NHS budget;
- transfer £355 million from the NHS to Integration Authorities to ensure improved outcomes on health and social care;
- increase the level of investment in mental health services by £17 million while delivering 800 additional mental health workers over the next five years; and
- invest an additional £3 million to promote and spread health innovation, supporting better collaboration between the NHS, academia, industry and medical research charities.

Investment in Health and Social Care Integration

Integration of health and social care is the most significant reform of the NHS since its establishment in Scotland in 1948. It brings together NHS and local government services to deliver person-centred care that supports people to retain their independence in their own homes and communities for as long as possible.

£8.5 billion was previously managed separately by Health Boards and Council, but is now the responsibility of Integration Authorities. Pooling budgets in this way gives local systems greater opportunities to maximise their use of all of their resources to improve people's health and wellbeing. As well as providing ongoing support to Integration Authorities as they integrate care, we are enhancing the social care sector's ability to meet increased demand and provide better services.

In 2018-19 we will provide an additional £66 million to bring the Carers (Scotland) Act 2016 into force, to continue to support the delivery of the Living Wage for adult social care workers, and to increase payments for free personal and nursing care.

The Best Start in Life

2018 is Scotland's Year of Young People and the Scottish Government is committed to ensuring that Scotland is the best place in the world to grow up. This is why we are establishing a £50 million Tackling Child Poverty Fund to trial innovative programmes that address the underlying social and economic causes of poverty. We will also introduce a new enhanced Best Start Grant to replace the current Sure Start Maternity Grant, to be delivered by summer 2019.

A child's early years are critical to determining outcomes in later life. This budget sees a step-change in the funding for the transformational expansion in childcare and early years' education, with investment of £243 million towards providing 1,140 hours of childcare per year. It also provides £8 million to fund the baby box, giving every child born in Scotland the same everyday essentials that they need.

Investment in Early Learning and Childcare

There is clear and compelling evidence that the earliest years of life are not only crucial to a child's development but also have a lasting impact on health, education and employment later in life. High quality Early Learning and Childcare (ELC) is critical to giving the best possible start in life to all our children, particularly to those from disadvantaged backgrounds, and is an investment that will continue to pay dividends throughout life.

That is why, as part of providing the best start for every child, we are committed to a transformative expansion of ELC.

We have already increased free, high quality early learning and childcare by almost 50 per cent to 600 hours per year since 2007 and this budget continues to fund that in full through local government.

Now, we are committed to the ambitious goal of increasing funded ELC entitlement to 1,140 hours per year – the same number of hours a child spends in primary school.

This will require substantial additional investment in both extra staff and premises. For example, we estimate that up to 11,000 additional ELC workers will be required by 2020 to deliver the expansion.

This budget therefore delivers £243 million investment in 2018-19 for the expansion.

Of this, an additional £54 million of resource funding will support expanding the workforce, upskilling existing ELC staff and funding increased capacity in graduate level courses.

To support the expansion, an additional £150 million of capital investment will fund a substantial programme of refurbishment of existing premises or construction of new settings.

Excellence and Equity in Schools

Closing the attainment gap in education and raising the bar for all is the key priority of the Scottish Government.

As part of our wider reforms, over 2,300 schools have already benefited from receipt of Pupil Equity Funding – which provides support to those schools who need it most and empowers headteachers to spend it on additional staff and resources at their discretion. As at September 2017, 666 FTE teachers have been recruited through the Attainment Scotland Fund (ASF). These additional teachers show the potential when headteachers are empowered to make the decisions about their schools and communities and the value of our focus over the last six years on maintaining teacher numbers.

In 2018-19 we will:

- allocate £179 million to local authorities through the Attainment Scotland Fund, as we continue to allocate £750 million over the term of the Parliament. This will include:
 - £120 million directly to headteachers through the Pupil Equity Funding; and
 - £59 million in Attainment Scotland funding, which will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need;

- protect local authority core revenue budgets in cash terms, to reduce pressure on education and other budgets;
- provide £10 million to organisations that provide support to children and young people with complex additional support needs;
- deliver key commitments in the STEM Education and Training Strategy, by supporting public science engagement initiatives, including science centres and festivals and a new national STEM engagement campaign;
- commit an overall funding package of £88 million in the local government finance settlement to support both achieving a pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme; and
- provide an additional £24 million to fully cover the 2017 teachers' pay offer.

Safer Communities

The Scottish Government continues to deliver radical reforms to our justice system – improving access to justice and ensuring that the system meets the needs of people. This will include major reforms implemented in Scotland's courts; securing the benefits of reform from our police service; investing in the next phase of transformative reform of the fire and rescue service; and working with the new national body, Community Justice Scotland.

Our emergency services play a vital role in keeping our communities and homes safe and secure. After six years of pressing the UK Government to address the iniquitous treatment of VAT for our emergency services, we welcome their belated decision to do so. We will pass the benefits of that decision straight on to our police and fire services and continue to press the Chancellor of the Exchequer to refund the £140 million of VAT receipts previously charged.

Affordable Housing and Homelessness

Everyone in Scotland should have access to good quality, secure, affordable housing. Our More Homes Scotland approach is increasing the supply of homes across all tenures.

In partnership with councils, housing associations and developers, government investment in housing will, on average, leverage economic activity of around £1.7 billion per year, supporting up to 14,000 full-time equivalent jobs. House builders in Scotland will also have access to the Building Scotland Fund to boost their activities.

In 2018-19 we will:

- invest £756 million, as part of our total investment of over £3 billion to deliver 50,000 affordable homes over the course of the Parliament; and
- continue our support for the Rural and Islands Housing Funds.

In addition we will extend home ownership to more families by:

- continuing our Help to Buy and Open Market Shared Equity schemes; and

- introducing an LBTT relief for first-time buyers on the first £175,000 of the purchase price which, together with the existing zero rate of LBTT for homes up to £145,000, will mean that 80 per cent of first-time buyers will pay no LBTT.

We will also renew our mission to address the problem of homelessness and rough sleeping, allocating the first £10 million of a £50 million fund devoted to tackling the issue.

Local Government

This budget provides a total core funding package amounting to £10.5 billion for local government. This protects local government day to day spending for local services in cash terms and delivers an increase in capital spending of £89.9 million.

Local authorities will also have the flexibility to increase council tax levels by up to 3 per cent, providing up to an additional £77 million for investment in local services.

A combination of Scottish Government funding with the additional resources available from council tax, can secure a real terms increase in the overall resources to support local government services.

In addition to the core local government finance settlement, the Scottish Government also provides local authorities with funding streams for shared national and local government priorities, such as City Region Deal investment. These funding streams total £361 million of funding in 2018-19.

INVESTING IN OUR ECONOMY

The Programme for Government articulated the Scottish Government's vision for Scotland to be an inventor and producer of the goods, industries and skills of the future not just a consumer. This budget delivers key investments to support that vision such as:

- providing a £270 million (almost 40 per cent) uplift in our expenditure in the Economy, Jobs and Fair Work portfolio;
- establishing a new £150 million Building Scotland Fund to boost housebuilding, commercial property and research and development;
- guaranteeing an initial capitalisation of £340 million between 2019-21 for the Scottish National Investment Bank;
- beginning the procurement of a £600 million multi-year investment in our R100 Broadband programme, which will secure superfast broadband for every business and household in Scotland by 2021; and
- the £2.4 billion investment in our enterprise and skills bodies as outlined in Chapter 4.

These major investments will underpin our focus on innovation, infrastructure and investment, internationalisation and inclusive growth. They will be supported by our approach to business rates.

A Great Place to do Business

Our reforms to the business rate system will ensure that Scotland provides the best possible environment for businesses to start-up, grow and scale-up.

These include:

- using CPI (3.0 per cent) rather than RPI (3.9 per cent) to calculate the annual uplift in the poundage this year – something demanded by business and supported by the Barclay Review;
- providing the most competitive reliefs package in the UK, worth a record £720 million, up from £660 million in 2017-18;
- protecting the Small Business Bonus Scheme, lifting 100,000 properties out of rates altogether and continuing to provide better support for Small and Medium Enterprises than elsewhere in the UK; and
- going beyond the recommendations in the Barclay Report to introduce a growth accelerator, so that new properties are only added to the roll after first occupation.

Investing in Innovation and our Businesses

The Programme for Government underlined our determination that Scotland lead the way on the industries and jobs of the future. To do so we must revolutionise our productivity, intensify our support for innovation and entrepreneurialism and support those industries that can be internationally competitive in a constantly changing world market. We cannot do this on our own but we will work with, and invest in, our businesses and higher and further education institutions to secure these changes.

In 2018-19 we will:

- support innovation with £15 million of additional investment in research and development as the first tranche of £45 million to be made available over the next three years;
- give Scottish companies a competitive edge in manufacturing processes through the establishment of the National Manufacturing Institute for Scotland (backed by £18 million of investment) and continued support for the Lightweight Manufacturing Centre; and
- invest £4 million in the Unlocking Ambition Challenge over the next two years for a group of up to 40 talented individuals and early-stage entrepreneurs who have big ideas and ambitions to be mentored and led by some of Scotland's leading entrepreneurs.

Connecting Scotland

Scottish businesses and citizens operate in an increasingly digital context. Our investment in digital infrastructure will position Scotland, and many of its most deprived or geographically remote communities, at the forefront of the digital revolution.

By the end of 2017 we will have achieved our existing commitment to deliver fibre access to at least 95 per cent of premises in Scotland.

The Scottish Government is now committed to extending superfast broadband access across all of Scotland by 2021 – the only part of the UK to have such a commitment.

This will build on the success of our Digital Scotland Superfast Broadband (DSSB) programme. We will deliver the commitment through the Reaching 100% (R100) programme, which will see £600 million of public funding invested to help create a future-proofed, truly national fibre network – a vital first step towards achieving the commitment.

An initial procurement will formally begin in December 2017 and is expected to last approximately one year. A total £600 million capital investment package will be made available over the four financial years to March 2022.

Broadband activity will continue on the ground during 2018-19, through the DSSB programme. This will be funded through a contractual mechanism (Gainshare), where new investment has been generated by early take-up on the fibre network. Gainshare will benefit every local authority area across Scotland during 2018, avoiding any significant gap between DSSB and R100 deployment.

Building Scotland – Infrastructure and Investment

Along with digital infrastructure this budget maintains and expands the government's commitment to modernising Scotland's infrastructure, with total investment of over £4 billion in 2018-19.

Our investments include:

- £1.2 billion in our transport infrastructure including key road and rail projects such as improvements to the A9; the electrification of the Stirling, Dunblane and Alloa line; improvements to the route between Aberdeen and Inverness; and on the Highland Main Line;
- almost £40 million capital investment in the regeneration of disadvantaged communities through the Regeneration Capital Grant Fund, the SPRUCE infrastructure investment loan fund, the Vacant and Derelict Land Fund and sponsorship of the Clyde Gateway;
- completing the £100 million Shieldhall Tunnel project, bringing environmental improvement to the River Clyde and reducing sewer flooding risk in South Glasgow;
- delivering the Ayrshire resilience scheme at over £120 million;
- doubling investment in City Region Deals further developing the deals we have agreed with Glasgow, Inverness, Aberdeen and Edinburgh and seeking to secure deals for Stirling and Clackmannanshire, the Tay Cities, and deliver a regional deal for Ayrshire; and
- making £7.5 million in capital funding available for an Ultra-Deep Water Port in Scotland.

Trade and Investment

In spite of ongoing uncertainty over the impact of Brexit, we know that our businesses need to export more and that we require continuing inward investment to secure growth and jobs.

So, in 2018-19, we will:

- open a new Innovation and Investment Hub in Paris to complement those already established in London, Brussels, and Dublin;
- continue our expansion of the number of people working for Scottish Development International across Europe to market Scotland, complementing the work of our network of Trade Envoys to champion Scotland's export interests;
- strengthen and deepen our engagement with the US, Canada, Japan, China, India and Pakistan, with a focus on education, business and culture;
- continue to fund VisitScotland to deliver sustainable growth in the wider visitor economy, by working collaboratively with the Scottish tourism industry and public sector partners to ensure that Scotland develops as a world-class tourism destination; and
- launch our Rural Tourism Infrastructure Fund to help address infrastructure needs in rural areas.

A Sustainable Economy

Scotland is a world-leader in tackling climate change, which represents not only a moral imperative but an economic opportunity. Our environment and economy are intrinsically linked, and Scotland's transition to a more prosperous, low carbon economy is already well underway. We have created jobs and backed innovative new industries while winning international respect for our ambition and leadership on this defining issue.

This year's PfG was the greenest in Scotland's history and this budget acts on those commitments: supporting our low carbon work across renewable energy; energy efficiency; sustainable travel; waste reduction; and rural land use.

Our commitments include:

- doubling our investment to £80 million in a range of measures to support our ambitions to build an Active Nation;
- investing £50 million towards the target to phase out the need for new petrol and diesel cars and vans by 2032;
- a £60 million low carbon innovation fund;
- making available £137 million this year as part of a commitment to invest more than £500 million over four years in energy efficiency and heat decarbonisation; and
- contributing to global efforts to tackle climate change and its impacts through our Climate Justice Fund.

Culture, Heritage and Major Events

We recognise that Scotland's unique heritage and culture sit at the heart of our quality of life and wellbeing. They also form an essential part of a thriving tourism industry that generated around £11 billion of economic activity in 2015, and employs over 200,000 people. Given the importance of our culture and creative industries, we will commit to resources for Creative Scotland over the next three years, so that they can maintain support for the Regular Funding programme in the face of a significant decline in Lottery receipts.

In 2018-19, we will provide:

- an additional £6.6 million to Creative Scotland to support the Regular Funding programme; and
- investment of £10 million to create a dedicated screen unit in Creative Scotland to strengthen support to our film and TV sector - this will increase public funding to £20 million per annum.

To support our ambition to make Scotland a perfect stage for world class events, we will invest £36.8 million in a programme of major events including the inaugural Glasgow 2018 European Championships.

DELIVERING FAIRNESS

Tackling inequality is at the heart of this Government's ambitions and we have been taking action through the Fairer Scotland Action Plan launched in October 2016.

Investing in People

The Programme for Government set out a clear commitment to lift the 1 per cent cap on public sector pay.

The 2018-19 Public Sector Pay Policy published alongside this Draft Budget recognises the rising cost of living; provides significant pay rises for the majority of public sector employees; supports the commitment to pay the real Living Wage; and re-affirms our unique policy of no compulsory redundancy to protect public sector jobs and frontline services.

It balances rising costs for households and individuals with the need to protect funding for public services.

The pay policy includes a three per cent pay rise for all earning less than £30,000; caps the pay bill at two per cent for all those earning more than £30,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600.

This delivers an uplift in pay that is at least equal to the increased cost of living for more than half the staff in our key public sector workforces, and will benefit many of those in frontline public sector roles.

This means a Band 5 nurse will receive a pay rise of £870 next year and a trainee fire-fighter a rise of at least £680.

The Scottish Government also recognises the contribution that unpaid carers make to our public services and communities. That is why we will support the implementation of the Carers (Scotland Act) 2016 from 1 April 2016, with investment of £19.4 million in Health and Social Care Partnerships. This will enable carers to continue caring if they so wish, and to have a life outside caring.

Fair Work for Everyone

At the heart of our economic strategy is a commitment to inclusive growth.

Successful economies not only need to harness the power of technology but also successfully harness the full potential of the workforce. Technology has the potential to create a revolution in the type of work we do, and the structure of our working lives. Done correctly, this can revolutionise productivity and provide new and rewarding employment.

By embedding Fair Work and Inclusive Growth in our economy we can ensure that everybody is equipped with the skills to flourish in the economy of the future and that those communities which have previously faced the greatest barriers to work are at the heart of this.

We will:

- exercise one of the first powers devolved under the Scotland Act 2016 to deliver a fully devolved employment support service, Fair Start Scotland, providing tailored, person-centred support to people who face barriers to entering the labour market and staying in work;
- continue to develop and refine the Flexible Workforce Development Fund to promote partnership working between colleges and employers to deliver high quality training opportunities to up-skill and re-skill the workforce;
- ensure that contracts for our large infrastructure projects include community benefit clauses, to achieve continued employment and training opportunities;
- produce a Rural Skills Action plan to enhance employment opportunities for young people;
- grow and develop our Modern Apprenticeship programme, as we continue to expand towards our target of 30,000 new Modern Apprenticeship opportunities a year by 2020; and
- provide skills development and employability support to minimise the time individuals affected by redundancy are out of work, through our initiative, Partnership Action for Continuing Employment (PACE).

We must also ensure that the work we create in our new economy, will continue to foster a culture of fair work. Through the independent Fair Work Convention we will strive to create work that offers people in Scotland opportunity, security, fulfilment and respect, balancing the rights and responsibilities of employers and workers, and generating benefits for individuals, organisations and society.

Social Security

We will also continue to tackle the effects of the UK Government's austerity policies, sustaining action to protect our society's poorest members. This includes £50 million to fully mitigate the 'bedroom tax' through Discretionary Housing Payments, sustaining funding for the Scottish Welfare Fund and increasing funding for our Fair Food Fund, which we are increasing from £1 million to £1.5 million. We will also continue to maximise the incomes of people through our benefit take-up work to ensure people receive all the financial support to which they are entitled.

To support all households on low incomes, we have invested over £1 billion in the Council Tax Reduction Scheme since 2013-14, assisting almost half-a-million households each to meet their Council Tax.

The Social Security (Scotland) Bill was published on 21 June 2017 and sets a framework for a new social security system that is designed to meet Scottish needs.

This will allow Scottish Ministers to shape a distinct social security system for social security benefits devolved under the Scotland Act 2016, based on dignity and respect. We will drive forward implementation of these new powers, and the establishment of a new agency, over the term of this parliament.

Equalities

We want Scotland to be an open, welcoming and inclusive country and will continue to give priority to tackling inequality and to promoting equality, by increasing our investment in this area to over £22 million in 2018-19. This resource will support human rights, work to prevent violence against women and girls and strengthen community engagement.

We will also continue to support the third sector to maximise the impact of the sector, including empowering and supporting communities; tackling inequality; and providing support and investment to the social enterprise sector, credit union movement and wider enterprising third sector.

CONCLUSION

The measures outlined in this budget will preserve the social contract between the Scottish Government and the Scottish people in the context of significant economic challenges, maintaining investment in our public services and our ambitious commitment to inclusive growth. They will also help to create a Scotland ready to embrace the future: a nation of innovators and makers, and a more prosperous, sustainable economy.

CHAPTER 2

Tax

INTRODUCTION

This is the second Draft Budget in which Scottish Government spending plans are underpinned by revenue raising powers devolved by the Scotland Act 2016, in addition to taxes already fully devolved. In 2018-19, tax revenues raised in Scotland will fund 40 per cent of Scottish Government expenditure. Following the devolution of Air Passenger Duty, the Aggregates Levy and the assignment of VAT revenues raised in Scotland (over which the Scottish Government has no policy control), this proportion will increase to more than half.

The Fiscal Framework¹ agreed between the UK and Scottish Governments determines how the Scottish Government's block grant will be adjusted to take account of newly devolved taxes set by the Scottish Government.

For the 2017-18 Budget the Scottish Government was responsible for forecasting Scottish Government tax receipts, with the Scottish Fiscal Commission (SFC) providing scrutiny and assurance. On 1 April 2017, the SFC became an independent statutory body and is now responsible for producing forecasts of revenue from fully devolved taxes and non-savings non-dividend (NSND) income tax. The SFC's report 'Scotland's Economic and Fiscal Forecasts December 2017' accompanies this publication.² All forecast tax revenues in this chapter, which underpin the Scottish Budget, are produced by the SFC.

Council Tax, which is a local tax set and collected by councils and for which the receipts are excluded from the Scottish Government's fiscal budgets, is not considered in this chapter.

SCOTTISH INCOME TAX

The Scotland Act 2016 confers on the Scottish Parliament the power to set all income tax rates and the thresholds of bands (above the Personal Allowance) that apply to the NSND income of Scottish taxpayers. The Scottish Government will receive all the revenue raised from NSND income tax in Scotland as a consequence of rates and bands set by the Scottish Parliament.

Income tax remains a partially devolved tax. The responsibility for defining the income tax base, including the setting or changing of income tax reliefs and exemptions (including the Personal Allowance), continues to rest with the UK Government. Moreover,

1 <http://www.gov.scot/Resource/0049/00494765.pdf>

2 <http://www.fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts/>

income tax on savings and dividends continues to be paid to the UK Government, at the rates and bands it sets.

HMRC is responsible for the collection and management of Scottish income tax. The Scotland Act 2012 defines a Scottish taxpayer as someone who is a UK taxpayer and has their main place of residence in Scotland. HMRC will continue to take actions to maintain and improve the accuracy of its Scottish taxpayer database. A Service Level Agreement exists between the Scottish Government and HMRC to ensure that Scottish taxpayers and the employers of Scottish taxpayers continue to be treated in the same way as income taxpayers in the rest of the UK.

Setting Income Tax Policy

On 2 November 2017 the Scottish Government published a discussion paper on income tax, 'The role of Income Tax in Scotland's Budget'.³ This informed debate ahead of the publication of the Draft Budget, including roundtables led by the Cabinet Secretary for Finance and the Constitution. Following that discussion, the Scottish Government proposes the following rates and bands for 2018-19 (Table 2.01):

Table 2.01: Scottish Income Tax Rates and Bands for NSND income

Scottish Bands	Band name	Scottish Rates (%)
Over £11,850* - £13,850	Starter	19
Over £13,850 - £24,000	Basic	20
Over £24,000 - £44,273	Intermediate	21
Over £44,273 - £150,000**	Higher	41
Above £150,000**	Top	46

*Assumes individuals are in receipt of the Standard UK Personal Allowance.

**Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

The Scottish Government has been clear that it believes that those on the lowest incomes should not bear the burden of austerity. We therefore propose introducing a 19 per cent Starter Rate of tax on earnings over £11,850 (the Personal Allowance) and up to £13,850, and maintaining a Basic Rate of 20 per cent on earnings over £13,850 and up to £24,000⁴ (median earnings).

To deliver on a firm commitment to increasing progressivity, and to aid investment in vital public services, we propose adding an Intermediate Rate of 21 per cent on earnings over £24,000 and up to £44,273, and increasing the Higher Rate to 41 per cent on income over £44,273 and up to £150,000. We also propose the increasing the Top Rate to 46 per cent on incomes above £150,000.

For an unchanged income, as a result of these changes, the majority of people will pay less tax next year than they do this year. And when combined with the increase in the

³ 'The Role of Income Tax in Scotland's Budget': <http://www.gov.scot/Publications/2017/11/5307>

⁴ This is the estimated median earnings for Scottish tax payers in 2018-19.

Personal Allowance next year, these proposals mean that nobody earning less than £33,000 will pay more income tax in 2018-19 than they do this year.

The Scottish Government has carefully considered the impact of increasing the Top Rate of income tax. We have published a detailed analysis of the implications of doing so, informed by technical advice from the Council of Economic Advisers.⁵ This analysis demonstrates that increases to the Top Rate, which result in a substantial divergence from the equivalent rate in the rest of the UK, would carry revenue and policy risks. The analysis concludes that increasing the Top Rate of tax to 50 per cent is unlikely to raise any substantial funds for the Scottish budget, and may in fact reduce revenues, but that these risks could be alleviated if the Top Rate were increased by less than 5p.

After careful consideration, we are therefore proposing that the Top Rate of income tax, (currently named the Additional Rate) on earnings over £150,000, should be increased to 46 per cent. We believe that such a reform strikes the correct balance between making our tax system more progressive, raising revenues and ensuring that our tax changes do not damage our economic competitiveness.

Policy Tests

The discussion paper set out four policy tests that we believe any income tax policy change must meet if it is to successfully support our economy and the delivery of, and investment in, our public services. The four tests are:

- revenue test – income tax policy should maintain and promote the level of public services which people in Scotland expect;
- protecting lower earners test – the lowest earning taxpayers should not see their taxes increase;
- progressivity test – any tax changes should make the tax system more progressive and reduce inequality; and
- economic growth test – the changes we make, along with our decisions on spending, should support our economy.

The policy outlined above meets these tests in the following ways:

Revenue test – the policy is expected to raise an additional £164 million for public services for Scotland in 2018-19. Rate-setting decisions have been taken to ensure a balance where any behavioural impacts are forecast to be minimised.

Protecting lower earners test – overall, when combined with the planned increase in the Personal Allowance, for an unchanged income, 70 per cent of Scottish tax payers (those earning up to £33,000) will not pay anymore tax in 2018-19 than they do in 2017-18.

Progressivity test – the policy improves the progressivity of the tax system by increasing the number of bands, lowering the rate on income up to £13,850, and asking the highest earning 30 per cent of taxpayers to contribute more for an unchanged

⁵ <http://www.gov.scot/Topics/Government/Finance/scottishapproach/Scottishincometax2018-2019>

income than they do this year. Under our proposal the Gini coefficient in Scotland is estimated to fall.

Economic growth test – the proposal will increase income tax revenues by around 1.4 per cent and the Budget sets out a range of expenditure decisions that will support inclusive growth. As outlined in the income tax discussion paper, any economic impacts from a tax rise on this scale are likely to be relatively small. Moreover, because lower earners (who spend a higher proportion of their income) are protected, the risk of an immediate impact on consumer spending will be reduced. Increasing the Top Rate by 1p, rather than the 5p proposed under some of the alternative approaches assessed in the discussion paper, also reduces the risk that high earners would change their behaviour in ways that impact on the economy.

Scottish Rate Resolution

The Scottish Government will introduce a Scottish Rate Resolution to set the rates and bands for Scottish income tax for the 2018-19 tax year. A draft of this motion and an accompanying explanatory note will be published on the Scottish Government's website.

Forecasts

The SFC forecasts for Scottish Income Tax receipts in 2018-19 determine the revenue that the Scottish Government will be able to draw down from HM Treasury. Forecasts for income tax receipts are set out in Table 2.02 below.

Table 2.02: Scottish Income Tax Receipts Forecasts (£ million)

£ million	2018-19	2019-20	2020-21	2021-22	2022-23
NSND Income Tax	12,115	12,582	13,084	13,662	14,296

The SFC also forecasts the amount of revenue that the Scottish Government's income tax policy will raise compared to no change in policy. Table 2.03 below shows the SFC's estimate that the policy we present here will raise an additional £164 million in 2018-19.

Table 2.03: Scottish Government Income Tax Policy Revenue Forecasts (£ million)

£ million	2018-19	2019-20	2020-21	2021-22	2022-23
Policy forecast	163.9	169.9	178.4	187.8	198.6

As noted in the SFC's report, the forecasts for the years beyond 2018-19 are estimated on the assumption of an inflationary uplift to all thresholds bar the Top Rate, and no further changes to tax rates for the remainder of the forecast period.

LAND AND BUILDINGS TRANSACTION TAX

Land and Buildings Transaction Tax (LBTT) replaced UK Stamp Duty Land Tax (SDLT) in Scotland from 1 April 2015. LBTT is a tax applied to residential and commercial land and buildings transactions (including commercial leases) where a chargeable interest is acquired. The Additional Dwelling Supplement (ADS) was introduced from 1 April 2016 and is payable on purchases of additional residential properties.

Policy

The Scottish Government's policy priority for residential LBTT remains to help first-time buyers enter the property market, and to assist people as they progress through the property market.

Since the introduction of LBTT, we have:

- taken over 25,000 house purchases out of tax compared to SDLT;
- reduced the tax paid under LBTT relative to SDLT for a further 110,000 house purchases; and
- ensured that 93 per cent of taxpayers were better off under LBTT by paying either less tax or no tax at all.

The Scottish Government has recently introduced the Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Bill to the Scottish Parliament. The Bill gives retrospective effect to the amendments made by the Land and Buildings Transaction Tax (Additional Amount-Second Homes Main Residence Relief) (Scotland) Order 2017. It will allow for a repayment of the LBTT ADS to be claimed where a couple jointly buy a home to replace a home in which they both lived, but where only one name was listed on the title deeds.

Our approach to non-residential transactions ensures that smaller businesses pay the lowest or zero rates of LBTT. Our non-residential tax rates ensure that Scotland is a competitive and attractive location for business.

Rates and Bands

In 2018-19 we propose to maintain residential and non-residential rates and bands of LBTT at their current (2017-18) levels, as summarised in Table 2.04 below.

Table 2.04: LBTT Rates and Bands for Residential and Non-residential Property Transactions

Residential transactions		Non-residential transactions		Non-residential leases	
Purchase price	LBTT Rate	Purchase price	LBTT Rate	Net present value of rent payable	LBTT Rate
Up to £145,000	0%	Up to £150,000	0%	Up to £150,000	0%
£145,001 to £250,000	2%	£150,001 to £350,000	3%	Over £150,000	1%
£250,001 to £325,000	5%	Over £350,000	4.5%		
£325,001 to £750,000	10%				
Over £750,000	12%				

The ADS is 3 per cent of the total price of the property for all relevant transactions above £40,000, and will be charged in addition to the rates set out in Table 2.04.

LBTT First-Time Buyer Relief

In this budget, the Scottish Government will introduce a new LBTT relief for first-time buyers of properties up to £175,000. Alongside measures to increase housing supply, this will provide further support to first-time buyers in Scotland, helping them get on to the property ladder.

The relief raises the zero tax threshold for first-time buyers from £145,000 to £175,000, so 80 per cent of first-time buyers in Scotland will pay no LBTT at all. Those first-time buyers buying a property above £175,000 will also benefit from the relief on the portion of the price below the threshold, which means all first-time buyers will benefit from the relief by up to £600.

The Scottish Government will launch a consultation on the policy before introducing the first-time buyer relief in 2018-19.

Forecasts

Forecast tax revenues for residential and non-residential LBTT for the five-year period 2018-19 to 2022-23 post-policy measures are set out in Table 2.05 below.

Table 2.05: LBTT Revenue Forecasts 2018-19 to 2022-23 (£ million)

	2018-19	2019-20	2020-21	2021-22	2022-23
Land and Buildings Transaction Tax	588	628	668	707	748
<i>of which:</i>					
Residential transactions (excl. ADS)	305	336	366	395	426
Additional Dwelling Supplement (ADS)	93	98	102	106	110
Non-residential transactions	190	194	200	206	212

In making its LBTT forecasts, the SFC estimates the amount of revenue that the Scottish Government's first-time buyer relief policy will forego compared to no change in policy. Table 2.06 shows the SFC's estimate that the policy presented above will lead to £5 million in revenue foregone in 2018-19.

Table 2.06: LBTT Policy Revenue Foregone Forecasts (£ million)

	2018-19	2019-20	2020-21	2021-22	2022-23
Policy forecast	(5)	(6)	(7)	(7)	(7)

SCOTTISH LANDFILL TAX

Scottish Landfill Tax (SLfT) was introduced on 1 April 2015, replacing UK Landfill Tax. It is a tax on the disposal of waste to landfill, charged by weight on the basis of two rates: a Standard Rate, and a Lower Rate for less-polluting materials.

Policy

SLfT rates continue to provide financial incentives to support a more circular economy, and the delivery of our ambitious targets to reduce waste, increase recycling and cut waste going to landfill.

Landfill operators are able to voluntarily contribute a capped proportion of their landfill tax liability to the Scottish Landfill Communities Fund, and claim 90 per cent of the contribution as a tax credit. In order to claim a credit, the funds must be used for one or more of the objectives set out for the Communities Fund.

Rates

We propose to increase the Standard Rate of SLfT to £88.95 per tonne and the Lower Rate of SLfT to £2.80 per tonne in 2018-19, in line with RPI inflation and Landfill Tax charges in the rest of the UK. This helps to provide a stable tax environment for industry to invest in alternative waste treatment options, whilst addressing concerns over potential ‘waste tourism’ should one part of the UK have a lower tax charge than another.

We also propose that the credit rate for the Scottish Landfill Communities Fund for 2018-19 will remain at a maximum of 5.6 per cent of an operator’s tax liability. This will ensure that that landfill site operators can continue to contribute to community and environmental projects near landfill sites to a greater degree than their UK counterparts, without any increase in the overall tax burden.

Forecasts

Forecast tax revenues for SLfT in the period 2018-19 to 2022-23 are set out in Table 2.07 below.

Table 2.07: SLfT Revenue Forecasts 2018-19 to 2022-23 (£ million), adjusted for payments to the Scottish Landfill Communities Fund

	2018-19	2019-20	2020-21	2021-22	2022-23
Scottish Landfill Tax	106	88	90	82	82

NON-DOMESTIC RATES

Policy

Non-Domestic Rates (NDR), or Business Rates, are a property tax collected by councils to fund the local services received by the property.

The Cabinet Secretary for Finance and the Constitution responded to the Barclay Review of Non-Domestic Rates in September 2017,⁶ and confirmed the new policies to be introduced in 2018-19 include:

- a Business Growth Accelerator, which will ensure that any rates bill rises due to improvements to or the expansion of existing properties will not take effect until 12 months after those changes are made to the property;
- a new relief for day nurseries to support the increased provision of increased childcare;

⁶ <http://www.gov.scot/Resource/0052/00524630.pdf>

- an expansion of Fresh Start Relief to include all property types, not limited to only listed property types as recommended by Barclay; halving the period the property has to be empty to qualify from 12 months to six; and doubling the level of relief from 50 per cent to 100 per cent for the first year of new occupation; and
- a move to three-yearly revaluations from 2022 with valuations based on market conditions on a date one year prior.

Some of the above measures will be awarded under the EU State Aid *de minimis* regulation.

Following engagement with stakeholders the Scottish Government has accepted the remaining Barclay Review recommendations, with the exception of the recommendation to curtail charity relief entitlement for universities. This acceptance includes the removal of charity relief eligibility for independent schools from 2020-21, excluding special schools. The Cabinet Secretary for Finance and the Constitution has already confirmed we will not implement the recommendation on the removal of charities relief for existing council Arm's Length External Organisations.

More details on how we will deliver the package of reforms following the Barclay Review are being published today in 'Non-domestic rates: Implementation plan in response to the Barclay Review'.

In addition to the Barclay reforms, the Scottish Government will:

- use the September 2017 rate for CPI (3 per cent) rather than for RPI (3.9 per cent), to calculate the annual inflationary uplift in the Business Rates poundage for 2018-19;
- continue the transitional cap for Aberdeen City and Shire offices and all but the very largest hospitality properties. This means that 2018-19 bills will rise by no more than 12.5 per cent in real terms (15.88 per cent in cash terms) for eligible properties;
- introduce a new 60 per cent relief for hydro generation properties; and
- delay the entry of new build properties onto the valuation roll, ensuring that no rates are paid until they are occupied. Thereafter the tenant will qualify for the Growth Accelerator for 12 months.

Further details on Non-Domestic Rates and the package of reliefs worth a record £720 million, including the Small Business Bonus Scheme, are provided in Chapter 10.

Rates

The amount of tax paid is the rateable value of the property multiplied by the poundage rate, minus any relief to which the property is entitled.

Independent Assessors set the rateable value, which is broadly the amount of annual rent the property would attract on the open market.

The main tax rate is the poundage, which is a pence in the pound tax rate set by Scottish Ministers. A small supplementary tax rate is levied on property with a rateable value over £51,000.

Tax rates for 2018-19 will be as set out in Table 2.08 below.

Table 2.08: NDR tax rates

Poundage	48.0p
Large Business Supplement	2.6p

The Scottish Government offers a range of reliefs, worth an estimated £720 million in 2018-19. Councils make a small additional contribution towards the cost of certain reliefs and may also operate their own local reliefs.

Forecasts

Forecast tax revenues for NDR in the period 2018-19 to 2022-23 are set out in Table 2.09 below.

Table 2.09: NDR Revenue Forecasts 2018-19 to 2022-23 (£ million)

	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Domestic Rates	2,812	2,867	2,939	3,117	3,331

Table 2.10 shows the SFC's estimate of revenue changes following from the policy changes presented above.

Table 2.10: NDR Policy Revenue Foregone Forecasts (£ million)

£ million	2018-19	2019-20	2020-21	2021-22	2022-23
Pre-measures forecast	2,913	2,954	3,028	3,208	3,424
Business Growth Accelerator	(48)	(49)	(50)	(51)	(52)
100% relief for Day Nurseries	(6)	(6)	(6)	(6)	(6)
60% relief for Hydro Schemes	(6)	(6)	(6)	(6)	(6)
Continuation of transitional relief	(15)	-	-	-	-
Expansion of Fresh Start Relief	(2)	(2)	(2)	(2)	(2)
Delaying entry onto the roll (new build)	(1)	(1)	(1)	(2)	(2)
CPI to uprate poundage in 2018-19	(24)	(23)	(23)	(24)	(25)
Post-measures forecast	2,812	2,867	2,939	3,117	3,331
Difference	(101)	(87)	(88)	(91)	(93)

AIR DEPARTURE TAX

Following the commencement of section 17 of the Scotland Act 2016 on 23 May 2016, the Scottish Parliament passed the Air Departure Tax (Scotland) Act 2017 on 20 June 2017.

As set out in the UK Autumn Budget 2017, the introduction of Air Departure Tax (ADT) in Scotland will be deferred until the issues raised in relation to the exemption for flights departing from the Highlands and Islands have been resolved, to ensure that devolved powers are not compromised. The Scottish Government and UK Government will work closely in order to achieve this as early as possible. The UK Government will maintain the application of Air Passenger Duty in Scotland in the interim.

We remain committed to delivering a 50 per cent reduction in the overall tax burden of ADT by the end of this Parliament. This is intended to deliver sustainable growth for the Scottish economy by helping to generate new direct air routes, sustain existing routes and increase inbound tourism.

AGGREGATES LEVY

Aggregates Levy is a tax paid on the commercial exploitation of aggregates, i.e. sand, gravel and rock. The Scotland Act 2016 gives the Scottish Parliament the power to legislate for a tax to replace the Aggregates Levy in Scotland. However, there are ongoing legal issues in relation to the UK tax, which need to be resolved before the power can be commenced.

The ability to set the rate of Aggregates Levy will provide opportunities to better integrate waste and other environmental policies within Scotland. The Scottish Government will work with the UK Government and stakeholders, and conduct research in anticipation of the levy's eventual devolution.

VALUE ADDED TAX ASSIGNMENT

The Scotland Act 2016 provided for the first 10 pence of the Standard Rate of Value Added Tax (VAT), and the first 2.5 pence of the Reduced Rate, to be assigned to the Scottish Government. The assignment of VAT will be based on a methodology that will estimate expenditure in Scotland on goods and services that are liable for VAT. The details of this methodology are currently being agreed with HMRC.

The Fiscal Framework set out that VAT assignment will be implemented in 2019-20. There will be a one-year transitional period during which VAT assignment will be forecast and calculated, but with no impact on the Scottish Government's budget. From 2020-21 the Scottish Government's budget will in part be determined by forecast and final estimated VAT receipts in Scotland.

TAX BLOCK GRANT ADJUSTMENTS

Changes in the Scottish Government's block grant will continue to be determined via the operation of the Barnett Formula. However, an adjustment to the block grant needs to be made to reflect that some of the budget is now funded by Scottish tax revenues that were previously retained by the UK Government.

As agreed in the Fiscal Framework, the adjustments involve two elements: (i) an initial block grant baseline adjustment; and (ii) an indexation mechanism.

Initial Baseline Adjustments

The initial baseline adjustments are equal to the UK Government's tax receipts generated in Scotland in the year immediately prior to devolution of the powers. Baseline deductions for LBTT and SLfT are already based on outturn figures. For income tax, the baseline deduction will be based on forecasts until outturn data are available. As part of the 2017-18 Scottish Government Budget, the Office for Budget Responsibility (OBR) was responsible for forecasts to inform both the initial baseline deduction and annual indexation. However, for the 2018-19 Scottish Government Budget, the Scottish Government and HM Treasury have agreed to use the SFC's 2016-17 forecast – rather than that provided by the OBR – for the baseline adjustment that informs the 2018-19 block grant adjustment. This is as a consequence of different methodological approaches taken by the SFC and the OBR which, without this change in approach, would have meant that the 2016-17 baseline adjustment was not fiscally neutral as anticipated in the Fiscal Framework.

This is set out in Table 2.11 below:

Table 2.11: Initial Baseline Adjustments (£ million)

Tax	Initial Baseline Deduction	Notes
NSND income tax	11,214	This is based on SFC forecasts of total NSND income tax receipts in Scotland under UKG income tax policy in 2016-17. ⁶ Initially this will be forecast and then reconciled against outturn data once this is available.
LBTT	468	This is based on HMRC statistics of revenues in Scotland in 2014-15. ⁷ There is a reduction of £20 million to account for the forestalling effects associated with residential SDLT receipts in 2014-15.
SLfT	149	This is based on an average of the GERS ⁸ and HMRC methodologies for apportioning UK Landfill Tax revenues to Scotland, and applied to UK receipts in 2014-15.

Indexation mechanism

An indexation mechanism is applied to each initial baseline adjustment.

Over the period to 2021-22 the block grant adjustments (BGA) for tax are indexed using the Comparable Model (CM) and the results adjusted to achieve the outcome delivered by Indexed Per Capita (IPC). The methodology for calculating the BGAs is set out in the technical annex to the Fiscal Framework.⁹

⁶ <http://www.fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts/>

⁷ <https://www.gov.uk/government/statistics/disaggregation-of-hmrc-tax-receipts>

⁸ <http://www.gov.scot/Publications/2016/08/2132>

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508102/Fiscal_Framework_-_Text_-_Annex_to_the_fiscal_framework_-_15th_March_201....pdf

Table 2.12 below sets out up to 2021-22:

- the BGAs, or forecast BGAs, for each tax using CM and IPC mechanisms;
- the SFC forecasts of revenues from each tax; and
- the net impact on the Scottish budget (differences between the SFC forecasts of revenue and IPC block grant adjustments).

Table 2.12: Block Grant Adjustments (£ million)

Block Grant Adjustments		2016-17	2017-18*	2018-19	2019-20	2020-21	2021-22
NSND income tax	Block grant adjustment (IPC)	n/a	11,523	11,749	12,056	12,477	12,936
	Block grant adjustment (CM)	n/a	11,552	11,807	12,144	12,596	13,087
	SFC forecast	n/a	11,584	12,115	12,582	13,084	13,662
	Net impact against IPC	n/a	61	366	526	607	726
LBTT	Block grant adjustment (IPC)	534	591	600	622	650	682
	Block grant adjustment (CM)	537	595	606	630	659	693
	SFC forecast	483	557	588	628	668	707
	Net impact against IPC	(51)	(34)	(12)	6	18	25
SLfT	Block grant adjustment (IPC)	131	104	94	86	79	75
	Block grant adjustment (CM)	131	105	96	88	81	78
	SFC forecast	148	137	106	88	90	82
	Net impact against IPC	17	33	12	2	11	7
Total Tax**	Block grant adjustment (IPC)	665	12,218	12,443	12,764	13,206	13,693
	Block grant adjustment (CM)	668	12,252	12,509	12,862	13,336	13,858
	SFC forecast	631	12,278	12,809	13,298	13,842	14,451
	Net impact against IPC	(34)	60	366	534	636	758

*Figures for 2017-18 are based on the latest forecasts from the SFC and OBR to inform the BGAs, and from the SFC for the forecasts. For the BGA and forecasts for 2017-18 used at the time of the 2017-18 Budget Bill, please refer to Table 1.01.

**This total does not include the non-tax BGAs (fines, forfeitures, fixed penalties, and proceeds of crime). For the total BGA including tax and non-tax elements, please refer to Table 1.01.

There are a number of elements that explain net gains or losses for the Scottish Budget of Scottish tax revenues against the BGAs, including different tax policies set by the Scottish and UK Governments, different economic conditions, and different forecast methodologies used by the SFC and the Office for Budget Responsibility.

In-Year Updates

The BGAs for LBTT and SLfT are updated during the financial year, to reflect the latest forecasts of corresponding tax receipts in the rest of the UK. The combined BGAs for LBTT and SLfT for 2017-18 have increased from £664 million to £695 million. This update will apply to the Scottish Government's 2017-18 budget.

Reconciliation

The forecasts for both Scottish tax revenues and the BGA are based on the latest available information at the time of the Draft Budget. Once the outturn data are available for the Scottish tax revenues and the BGA, a reconciliation will be carried out, as per the timetable set out in the Fiscal Framework. For Scottish income tax, outturn data are likely to be available 15 months after the end of the financial year, and for LBTT and SLfT data are available six months after the end of the financial year.

The combined BGAs for LBTT and SLfT for 2016-17 have increased from £600 million to £665 million, following the publication of outturn data for corresponding RUK receipts. This update will apply to the Scottish Government's 2017-18 budget.

CHAPTER 3

Infrastructure Investment

PORTFOLIO RESPONSIBILITIES

This budget supports our long-term aspirations for infrastructure investment as set out in our latest Infrastructure Investment Plan, published in 2015, and the Programme for Government. Infrastructure investment is one of the four pillars of the government's economic strategy and we recognise the importance of it to the economy: not only from the immediate short-term benefits from construction but the longer-term impact of what we have chosen to invest in.

Current infrastructure projects have been undertaken using a variety of funding mechanisms as we seek to maximise our investment. We have set out an ambitious programme of infrastructure investment for 2018-19 of over £4 billion, in line with our Programme for Government commitment to invest £20 billion over the life of this Parliament.

OUR PRIORITIES

In 2018-19 we will:

- invest £150 million in early learning and childcare facilities to support expansion of the service to 1,140 hours;
- increase funding for affordable housing to £756 million as we continue to progress delivery of 50,000 new homes by 2021;
- facilitate the launch of the first phase of our Reaching 100 per cent (R100) programme to deliver superfast broadband to all premises across Scotland. This connectivity will also support future innovation in the digital economy and ensure Scotland's business base can grow and remain competitive in the global digital environment;
- double investment in sustainable and active travel to £80 million;
- invest £1.2 billion in our transport infrastructure including key roads projects, such as improvements to the A9, and on rail; the electrification of the Stirling, Dunblane and Alloa line, improvements to the route between Aberdeen and Inverness and on the Highland Main Line between Inverness and Perth;

- continue to support capital investment in our public sector estate including new hospital facilities in Aberdeen and Orkney, and our £200 million investment programme to expand the Golden Jubilee Hospital and develop five new NHS elective care centres across the country; and
- support the new Forth Valley College and our school investment programme as we continue to improve our learning facilities.

In addition to the economic impact of our wide-ranging capital programme, we have chosen to invest in some key projects to exploit our economic potential. These include:

- the establishment of a Building Scotland Fund to support construction jobs and further accelerate delivery of housing development, industrial premises and research and development, drawing together public sector interventions in housing, regeneration and infrastructure;
- the National Manufacturing Institute for Scotland; and
- support for decommissioning through investment in an ultra-deep water port facility.

We will also prepare for implementation and capitalisation of the Scottish National Investment Bank.

Environmental Sustainability

The Scottish Government is committed to tackling climate change and moving towards a low carbon economy. This budget supports these objectives through:

- making available £137 million of funding for Scotland's Energy Efficiency Programme, to reduce energy costs and tackle fuel poverty as well as investing in renewable energy technologies; and
- increasing investment in active and sustainable transport and investing £35 million in electric charging points as we work towards our target to phase out the need for new petrol and diesel cars and vans by 2032.

Investment Sources

In 2018-19 our investment is funded through capital grant of £3.4 billion, capital borrowing of £450 million and £489 million of financial transactions. We are also harnessing additional investment in infrastructure through our innovative funding routes including revenue financed schemes, Tax Incremental Financing (TIF) and Growth Accelerator, housing delivery and City Region Deals.

Capital Borrowing

Following agreement of the Fiscal Framework, ratified in the Scotland Act 2016, the limit on the Scottish Government's capital borrowing powers was increased in 2017-18 to a maximum of £3 billion with an annual cap of £450 million. In order to maximise our commitment to investing in infrastructure, we will make use of the full £450 million available in 2018-19. In assessing affordability, this is modelled as being drawn from the National Loans Fund in 2018-19 with an assumption of repayment over 10 years, an interest rate of 2 per cent, and repayments of both principal and interest from 2019-20 onwards. Final decisions on borrowing arrangements will be taken over the course of the year reflecting an ongoing assessment of programme requirements.

Financial Transactions

As well as making direct infrastructure investment, the Scottish Government has also made use of Financial Transactions funding from HM Treasury which, although limited in how it can be applied (and repayable to HMT), is available to support wider initiatives beyond the public sector. In recent years Financial Transactions have been used to support a number of housing initiatives, including equity stakes in Help to Buy and other shared equity schemes, as well as innovative financing schemes to increase the supply of homes available for mid-market rent. Financial Transactions have also been used to provide loan funding to Small and Medium Enterprises and to support energy efficiency programmes. We will continue to support these schemes in 2018-19 as well as using Financial Transactions to support the Building Scotland Fund and increase loan funding available for low carbon vehicles. Once the Scottish National Investment Bank is established Financial Transactions will also be made available to capitalise it.

Revenue Financed Investment and Innovative Financing

In addition to utilising capital grant and our borrowing powers, the Scottish Government continues to pursue a range of innovative financing mechanisms which are intended to support economic growth in Scotland, maintain or increase investment and help to deliver key policy outcomes within the overall strategy as set out in the Infrastructure Investment Plan.

NPD

The Non-Profit Distributing (NPD) model was developed as an alternative to the traditional Private Finance Initiative (PFI) model in Scotland. The model involves a partnership with a private sector provider who designs, builds, finances and maintains the asset. The public sector then pays an annual charge over a 25-30 year period to the private sector provider from the revenue budget, once the asset has been built.

Since its announcement in 2010, there have been four college developments, five NHS facilities and two major roads projects with contracts valuing £1.6 billion. Many of these major facilities are now open and operational.

- The new colleges in Glasgow, Kilmarnock and Inverness are providing world-class learning environments for over 50,000 students. These colleges, delivered more quickly than previous schemes, have also received numerous design awards, including the Royal Incorporation of the Architects in Scotland (RIAS) award.

- The M8/M73/M74 motorway improvements project is now benefiting thousands of road users daily, reducing congestion and significantly cutting down journey times on some of Scotland's busiest road links.
- In health, the District General Hospital in Dumfries opened in December 2017. As with all NPD projects, the Dumfries project contracted community benefits targets for training and recruitment during the construction period. It exceeded its targets, delivering 57 apprenticeships, 17 graduates and 50 work experience placements.

Key projects currently under construction include the Aberdeen Western Peripheral Route and the Edinburgh Royal Hospital for Sick Children and a new rural hospital facility in Orkney.

Hub

Thirty-six projects with a value of £1.2 billion have now been contracted through the hub programme. These are community infrastructure projects – including schools, health centres and other community facilities – which also use future revenue streams to fund capital investment now. A revised structure for the hub programme has been introduced to align with the new ESA2010 classification rules and this has allowed this programme to continue to deliver using this procurement route.

Sixteen revenue-funded hub projects are open and providing modern fit-for-purpose accommodation for our communities.

During 2018-19 revenue-funded hub projects are expected to contribute to further capital investment on the ground of £150 million. Construction work continues on key health facilities such as the East Lothian Community Hospital, the Gorbals and Woodside Health Centres and the Stirling Care Village.

A number of revenue-funded hub projects remain under development and will support capital investment in 2018-19 and beyond:

- phase 2 of the Royal Edinburgh Hospital development;
- a number of health centres in Grampian, the Highlands and in the West; and
- secondary school developments through the Scotland's Schools for the Future Programme.

Tax Incremental Financing and Growth Accelerator

Managed by the Scottish Futures Trust (SFT), the Tax Incremental Financing (TIF) and Growth Accelerator (GA) schemes are driving investment and unlocking major development activity across Scotland and, where possible, complementing and aligning with proposed City Region and Growth Deal investments. To date, £50 million of public sector investment has been made across TIF and GA, stimulating and securing a further £1 billion of private sector investment. Over £150 million of public sector investment through TIF and GA is forecast over the next three years. A summary of progress across existing and newly-announced schemes is set out below:

Tax Incremental Financing

Approval has been given for six TIF pilot schemes, four of which are live in Glasgow, Falkirk, Argyll and Bute and Fife Levenmouth and two announced in December 2016 where business cases are being developed. Across the combined six TIF schemes, over £200 million of public sector investment is anticipated. The TIF investments have allowed local authorities to fund public sector infrastructure, which unlocks private sector investment, contributing to significant sustainable and inclusive economic growth outcomes. This growth is funded from future business rates that are generated as a result of attracting more businesses into the area because of upfront public sector enabling investment. The two most recently approved schemes where business cases are being developed are:

- The Fife Council Fife Interchange TIF scheme submitted a final revised Business Case in late 2017 and an approved TIF Agreement is anticipated for early 2018, enabling investment to flow from March 2018.
- The North Ayrshire TIF scheme submitted a revised Business Case to Scottish Futures Trust in late 2017 with discussions anticipated to continue in early 2018.

Growth Accelerator

The two GA schemes are in Edinburgh and Dundee:

- The first was signed in October 2016 with the City of Edinburgh Council, for the St James Quarter, unlocking around £1 billion of new retail, leisure, hotel and residential development in the city centre.
- The second is with Dundee City Council and will see £60 million of Scottish Government investment support the wider £1 billion Waterfront Development that includes the iconic V&A Museum. The project is designed to stimulate growth, create jobs and support businesses through a combination of public and private sector investment in local infrastructure and public spaces within Dundee's Central Waterfront area.

SFT is currently also in early discussions with the Highland Council, Aberdeen City Council, Mallaig and Stornoway Harbour Trusts on possible GA schemes.

City Region Deals, Growth Deals and Regional Partnership Plans

The City Region Deals in Scotland have encouraged local authorities to operate strategically at the regional level, in partnership with national government. The Scottish Government, along with the UK Government, is committed to delivering City Region Deals for each of Scotland's six city regions and positive progress across these deals continues to be made.

Sparked by City Region Deals, Scotland's local authorities sitting outside city regions have also begun to develop plans with the Scottish Government and UK Government for Regional Growth Deals, aimed at stimulating economic activity, addressing barriers to

inclusive growth, and encouraging partnership working at the regional level. A summary of the Scottish Government's commitments is set out below:

The Scottish Government is supporting £1.13 billion of investment in the Glasgow and City Region Deal, committed to £500 million of investment, with the UK Government matching this contribution and local authority partners providing £130 million of funding utilising their access to prudential borrowing. Local authority partners estimate that the City Region Deal will support an overall increase of around 29,000 jobs in the city region and lever in an estimated £3.3 billion of private sector investment over 20 years. The National Manufacturing Institute will be located in Renfrewshire, backed by Scottish Government investment, and supported by the City Region Deal.

The Aberdeen City Region Deal, was signed in 2016 with the Scottish Government committed to £125 million of investment, matched by the UK Government. In addition, the Scottish Government committed to investing a further £254 million over the same 10 year period to make a more significant step change to the economy of the North East. Significant progress has been made on the Aberdeen City Region Deal to date including the launch of the flagship Oil and Gas Technology Centre in October 2017, by the First Minister.

The Scottish Government committed to investing up to £135 million in the Inverness City Deal, signed in 2016. Significant progress has been made on the deal to date with work commencing on the Science Skills Academy and the School of Health, Social Care and Life Sciences.

The Scottish Government signed Heads of Terms with the Edinburgh and South East Scotland City Region Deal partners in July 2017, committing to £300 million of investment into the region, match funded by the UK Government. The various regional partners, including six local authorities and the regions' universities and colleges, have committed £501 million in funding. The Scottish Government continues to work with the partners to set in place the delivery arrangements for the deal with projects anticipated to commence in 2018.

The Scottish Government is currently in negotiation with Stirling and Clackmannanshire Councils on the Stirling City Region Deal and with Perth, Dundee, Angus and Fife Councils on the Tay Cities Deal and we expect the Scottish Government's financial commitment to these deals to be confirmed in 2018.

The Scottish Government has also committed to working with local authorities outside of city regions where regional economic partnerships are seeking growth deals. The Scottish Government is already in discussion with the Ayrshire, Moray, Argyll and Bute, Falkirk and the three island councils. Alongside this, Scottish Government is continuing discussions with local authorities to shape a Borderlands Deal to drive inclusive growth across the area.

Innovation in housing investment

Housing investment is being spearheaded by a combination of traditional capital and Financial Transactions totalling £836 million in 2018-19, of which £756 million is part of our commitment to invest over £3 billion to deliver 50,000 affordable homes over the course of the Parliament.

In addition, we continue to innovate and optimise public resources to harness increased investment in housing to deliver our ambitious targets and boost the housing construction sector. The innovative use of government guarantees, loans, grant recycling and leveraging in new sources of private funding is generating over £750 million of housing investment, to deliver around 6,000 affordable homes, the majority of which will contribute to the 50,000 affordable homes commitment.

The latest guarantee and loan-based schemes aiming to attract additional private investment and support new house-building include:

- implementing a Rental Income Guarantee Scheme launched in October 2017. This aims to help attract private investors to kick-start delivery of high quality new-build private rented sector homes at scale, and could deliver up to 2,500 homes and leverage in £500 million investment;
- selection from the recent Mid-market Rent Invitation of one proposal which has the potential to deliver around 1,000 mid-market rent homes while leveraging significant pension fund investment to the affordable housing sector; and
- supporting local authorities to develop plans to boost the supply of affordable housing through prudential borrowing, and delivering City Deal commitments on housing. This includes approval this year of consent to on-lend up to £248 million along with a £16 million capital grant to City of Edinburgh Council to support a new city region housing company to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.

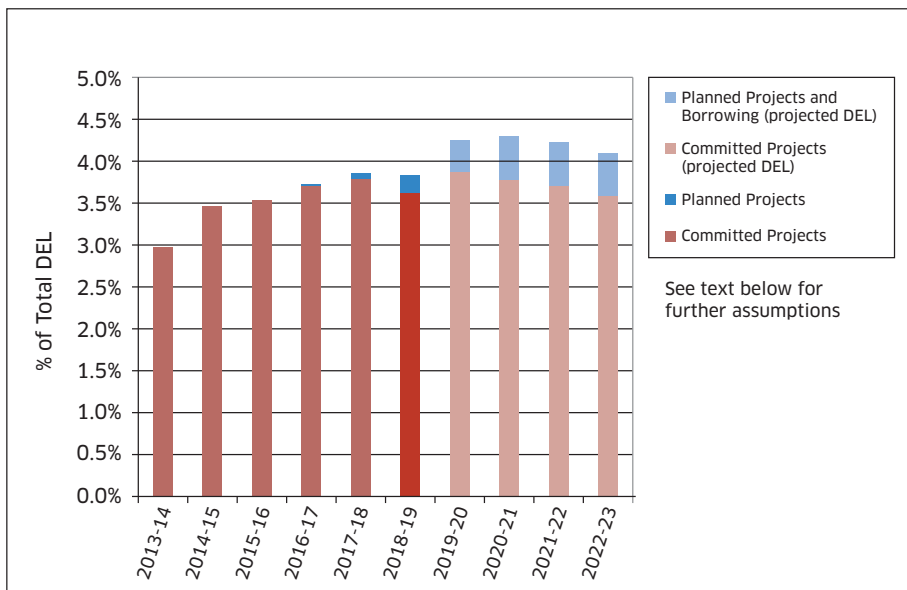
The new Building Scotland Fund, with a prominent housing and infrastructure focus, will support an expansion of Help to Build housing interventions to further accelerate and scale up housing delivery through proven innovative models. It will also promote and support further innovation in both affordable and market housing in future.

Monitoring of Long-Term Investment Commitments

We remain committed to ensure that we use revenue-funded methods of investment at a sustainable level, and do not overly constrain our choices in future years. These plans for 2018-19 continue to keep within the maximum of 5 per cent of our annual Departmental Expenditure Limit (DEL) budget. The commitments included in the calculation are the Scottish Government's share of the ongoing costs of: previous PPP contracts that are now operational; the current Non Profit Distributing (NPD) and hub programmes; rail investment (financed via the Regulatory Asset Base – RAB) and the costs of borrowing for capital investment under Scotland Act powers.

The following graph shows future revenue costs associated with our committed projects, planned projects and borrowing.¹ The annual revenue costs of committed projects are estimated to peak in 2019-20 at 3.88 per cent of total annual DEL budget. The annual revenue costs of committed projects plus planned projects and planned borrowing, peak at 4.3 per cent in 2020-21. It should be noted that following the reclassification of Network Rail from a private to public sector classification, the funding regime will also change from 2019-20 and rail projects will become entirely grant-funded. HM Treasury will take on responsibility for debts accrued by Network Rail in Scotland. Figure 1 below, in the interests of maintaining comparability with previous periods, the years 2019-20 to 2022-23 contain estimates of the Network Rail investment as if it had been RAB funded. This will be revised as part of the production of the medium-term financial plan in response to the recommendations of the Budget Process Review Group.

Figure 1: Long-Term Investment Commitments – Scottish Government’s Share of Costs as a Proportion of the Total Projected DEL Budget



Committed projects are those where a contract has been signed. The assets will therefore be under construction, or the project is operational. Committed projects also include the Scottish Government’s share of the revenue costs of PFI projects (which are completed and in operation) and the five pre-pipeline NPD projects. Unitary charges usually include ongoing maintenance commitments over the project life, as well as costs associated with project construction and financing. Costs associated with planned projects and investments are those where a contract is not yet signed.

¹ Estimated costs have been adjusted to reflect the impact of a public sector classification for the Aberdeen Western Peripheral Route project, the Dumfries and Galloway Acute Services Redevelopment Project, Edinburgh Royal Hospital for Sick Children, Scottish National Blood Transfusion Service and an assumption of a similar classification for the NHS Orkney New Hospital and Healthcare Facilities.

In the UK Spending Review announcement of 25 November 2015, the UK Government set out spending allocations up to 2019-20 for Resource DEL and up to 2020-21 for Capital DEL and Financial Transactions. Beyond 2019-20 we have no detailed UK departmental spending plans, and therefore of the Scottish block grant. We have therefore assumed that spending allocations will grow in line with projected nominal GDP. The years without firm DEL allocations are 2020-2023 and these are shown with the hatched pattern in Figure 1.

CHAPTER 4

Enterprise and Skills Bodies

ENTERPRISE AND SKILLS BODIES

Our ambition is for Scotland to rank among the top quartile of OECD countries for productivity, equality, wellbeing and sustainability.

Through an investment of almost £2.4 billion this year, the enterprise and skills support system is key to achieving this ambition. The bodies who run the system are vital in creating the conditions for businesses to increase productivity and growth, and help deliver the skills that Scotland's people and economy need.

OUR PRIORITIES

Our enterprise and skills bodies are fundamental to delivering the economic vision set out in our Economic Strategy and the Programme for Government. That is why, for the first time, this budget brings together commentary on our investments in those key bodies in one place. This is a first step towards implementing the Budget Process Review Group's recommendation to pilot the presentation of budgets by programme rather than portfolio.

The new Enterprise and Skills Strategic Board, led by Nora Senior, will be tasked with maximising the impact of our investment in enterprise and skills development in Scotland. The full Board has been appointed and met for the first time on 13 December 2017.

It will enable our agencies, including the precursor of the new South of Scotland Enterprise Agency, to come together to deliver greater collaboration, alignment and strategic purpose. Through collective responsibility, it will ensure hard alignment across the agencies in delivering the Board's aims and objectives to drive improvement in Scottish productivity, and to better support business and users of the skills system. A key priority for the Strategic Board will be the development in 2018 of a Strategic Plan and a measurement and performance framework to underpin it.

As the strategic plan and performance framework of the Strategic Board develop, it will help to inform the decision-making process for budget allocations in future years.

Within this, it will adopt a sharp focus on a number of specific areas including:

- boosting levels of innovation, including research and development and workplace innovation, among Scottish businesses to achieve our ambition of doubling business research and development by 2025. We must replicate in our businesses the global success of our research and development within our universities;

- increasing entrepreneurial skills through greater collaboration both within the enterprise system but also with business communities and sectors;
- helping our sectors with the potential to be globally competitive to win on the global stage. Sectors like life sciences, advanced manufacturing, sensors, fintech, oil and gas, tourism, food and drink and data science already compete globally but we can help them do more;
- enhancing our skills system, increasing the match between demand and supply, in pursuit of a high-performing, inclusive labour market. A key outcome from this will be a skilled, productive and engaged workforce that can access higher quality, higher-wage jobs;
- building stronger links between business, recognising their needs for skills and talent, and the training bodies, universities and colleges that provide them;
- ensuring that investment enables every region across Scotland to maximise its potential. This can take the form of targeted infrastructure investment, increased inward investment and specific regional skills gaps;
- encouraging an outward-looking, global mindset among many more businesses and enhance support for more businesses to internationalise; and
- making the right business support accessible to businesses, and to ensure those with the potential to grow to scale get the support they need. In particular, we want to maximise the economic potential of under-represented groups and places.

THE ENTERPRISE AND SKILLS BODIES

Each body will contribute to these goals and in 2018-19 their specific contributions will include the following.

Skills Development Scotland

Skills Development Scotland's (SDS) £193 million budget will deliver interventions including Modern Apprenticeships, pre-employment training and careers services, and will play a central role in the implementation of Developing the Young Workforce (DYW).

In 2018-19 Skills Development Scotland will:

- work with the Scottish Funding Council (SFC) to align skills investment and ensure that Scotland's people and businesses are equipped with the right skills to succeed, contributing to the Strategic Board's objectives to enhance both productivity and inclusion;
- continue to expand Modern Apprenticeships, supporting the economic priority to invest in skills, as a next step towards providing 30,000 starts by 2020, including new graduate level opportunities, and increase the roll-out of Foundation Apprenticeship;
- continue to deliver support for unemployed people through the Employability Fund and skills development opportunities through Individual Training Account

supporting our aim to create a more inclusive labour market in which everyone is able to develop their skills and fulfil their potential;

- contribute to the implementation of the STEM Strategy, in particular taking forward the actions around improved STEM-related careers advice and guidance and increased participation in STEM-related apprenticeships;
- provide careers advice and guidance to allow young people to make informed decisions as they journey towards and into work;
- administer National Occupational Standards on behalf of the devolved administrations; and
- continue as the lead delivery partner for Partnership Action for Continuing Employment (PACE), and continue to work collectively with PACE partners to increase the reach of PACE activity and support for individuals facing redundancy situations.

Scottish Funding Council

Through the Scottish Funding Council, we invest around £1.8 billion in Scotland's colleges and universities to fund teaching, research and innovation activities for Scotland's learners.

The ambitions of the Enterprise and Skills Review, particularly in relation to skills alignment, innovation, internationalisation and securing an improved learner journey post-15 will be driven by the Council's investment and activity in:

- working in partnership with our colleges and universities to improve Scotland's skills base by providing accessible, high quality learning opportunities, with good outcomes for learners which are aligned to industry needs;
- enhancing knowledge exchange and delivering impactful research and innovation;
- supporting our universities and colleges to work collaboratively in developing international partnerships, to attract international students, and to ensure Scotland has the right skills to secure inward investment;
- focusing efforts in growth employment areas, including through the implementation of the STEM strategy and the expansion of the Early Learning and Childcare workforce;
- promoting a partnership approach between employers and education, to improve skills alignment and deliver high quality training opportunities to up-skill and re-skill the workforce through the Flexible Workforce Development Fund and other routes; and
- to support an improved, more coherent learner journey post-15 by improving the alignment of our learning and skills system.

Scottish Enterprise

A budget of around £256 million supports Scottish Enterprise (SE) including Scottish Development International (SDI) to provide practical support and opportunities for sectors and businesses to grow and invest in Scotland. SE aims to support growth business, provide productivity advice and support, share fair work best practice, secure inward investments and help Scotland's businesses internationalise.

In 2018-19 Scottish Enterprise will:

- drive up business innovation levels, supporting companies to start innovating and invest more in research and development;
- work with companies across Scotland to develop fair and more productive business practices, encouraging diversity in the workforce by supporting high-value jobs, youth employment and more women into leadership roles;
- encourage companies to take a sustainable approach to growing their business and improving performance;
- positively influence the growth finance market in Scotland, helping businesses access loan, grant and equity finance;
- support commercialisation of leading-edge technologies emerging from Scotland's universities, research institutes and NHS Boards helping researchers to export their ideas and inventions from the lab to the global marketplace;
- respond to emerging global growth opportunities in areas where Scotland has an innovative edge and competitive advantage; and
- maintain and grow Scottish exports, including making it easier for Scottish companies to access services to start or increase sales to the EU.

Highlands and Islands Enterprise

The Highlands and Islands Enterprise (HIE) budget of £71 million provides regional leadership and works to secure inclusive growth across the Highlands and Islands. The budget supports HIE to work corroboratively with partners in delivering investment in digital and transport connectivity; education and skills; economic and quality employment opportunities; sustainable communities with a focus on population growth and investment in communities and regional infrastructure.

The benefits of reducing geographical disadvantages through digital innovation and improved connectivity create huge opportunities for our rural communities that we are determined to seize.

In 2018-19 Highlands and Islands Enterprise will:

- invest in the people and skills needs of the region, through collaboration with partners to implement an agreed Talent Attraction Strategy and the Highlands and Islands Skills Investment Plan;
- strengthen communities through development of community-owned income generating assets; embedding a place-based approach to development,

collaborating closely with key partners focusing on the regeneration of more remote and rural areas; and supporting social enterprises to grow their operations, create employment and increase their social impact;

- invest in regional infrastructure by supporting the provision of serviced sites and premises in locations where there is no prospect of the private sector doing so; promoting delivery of high quality, reliable digital and transport connectivity; working with partners ensuring that Higher Education and Further Education provision and development of specialisms are aligned to regional economy needs;
- accelerate business growth focusing on productivity, entrepreneurship, leadership internationalisation and innovation;
- encourage fair work practices and promote the Scottish Business Pledge; continue to work with retail banks to increase business lending; and support businesses to exploit digital opportunities; and
- develop Growth sectors, particularly those offering distinctive regional opportunities through working with SDI to explore new market opportunities for Highlands and Islands products and services; attracting inward investment; considering strategic clusters of competence and opportunity to drive up productivity, shorten supply chains and build scale through collaboration.

South of Scotland Enterprise Agency

It is recognised that there are unique challenges facing the south of Scotland area and a fresh approach is required to drive inclusive growth across the area. We will introduce legislation to establish a South of Scotland Enterprise Agency in 2018 with the intention that it is operational by 2020-21. Until then interim arrangements have been put in place to create an economic partnership. A £10 million budget will support this Government's ambition to drive forward inclusive growth and support communities across the south of Scotland.

In 2018-19 we will:

- invest in the south of Scotland through the economic partnership to provide support for businesses, business infrastructure and support communities;
- bring forward primary legislation to establish the South of Scotland Enterprise Agency; and
- support increased alignment and stronger relationships with local and national organisations to benefit the south of Scotland area.

CHAPTER 5

Health and Sport

PORTFOLIO RESPONSIBILITIES

The Health and Sport portfolio is responsible for maintaining and improving the health and wellbeing of Scotland. Its role is in providing the support to ensure that the NHS and wider health and social care services meet the health and care needs of the people of Scotland effectively and at the right time. Through this support, the portfolio is crucial in contributing directly to Scottish economic growth by helping people to live longer, healthier lives and in reducing the inequalities that continue to exist across parts of Scotland.

The portfolio must respond to the unprecedented challenges facing health services – demographic change, rising demand and expectations, and financial constraints. At the same time, it is working to take advantage of the opportunities that new medicines, procedures and technologies can offer.

The core of the Scottish Government's approach to meeting both these challenges and opportunities is the Health and Social Care Delivery Plan, which was published in December 2016. The Delivery Plan sets out the framework of reform to ensure that health and social care services continue to provide high quality care while ensuring that prevention and early intervention improve healthy life expectancy.

OUR PRIORITIES

Next year our NHS is 70 years old and in that time it has continually evolved to reflect advances in medicine and the changing needs of our people. As we look to the future, our NHS will continue to evolve, delivering our vision that people live longer, healthier lives at home or in a homely setting.

As an important next step in the delivery of our commitment to increase the health resource budget by £2 billion by the end of this Parliament, the baseline budget for our frontline NHS Boards will increase by £179 million (1.9 per cent) in 2018-19. Together with an increase of £175 million in investment in reform, total additional funding for our frontline NHS Boards will amount to £354 million (3.7 per cent) which amounts to a real terms increase of £208 million (2.2 per cent).

This additional funding is provided as part of our twin approach of investment and reform, recognising the increasing demand and expectations placed upon our frontline services and being clear that the status quo is not an option. It is through this approach that we will deliver our triple aim of better care, better health and better value.

This investment will support our commitment that more than half of frontline spending will be in community health services by the end of this Parliament, and will allow us in 2018-19 to continue our progress in seeing the shift towards this balance of spending. In 2018-19 it will also support a further shift in the share of the frontline NHS budget dedicated to mental health and to primary, community, and social care.

Investment Area	2017-18 Investment in reform (£m)	2018-19 Investment in reform (£m)	Increase for 2018-19 (£m)
Transformational Change Fund	25.0	126.0	101.0
Primary Care	60.0	110.0	50.0
Mental Health and CAMHS	30.0	47.0	17.0
Trauma Networks	5.0	10.0	5.0
Cancer	8.0	10.0	2.0
Investment in reform	128.0	303.0	175.0

Delivering Better Care

Through our new Mental Health Strategy, we are shifting the balance of care towards mental health, increasing the level of investment in mental health services and improving support in the crucial period from birth to young adulthood. We are:

- re-designing primary and community services to meet the increasing demand for services;
- developing the skills and capacity of our workforce to support people with mental health problems, including delivery of an additional 800 workers over the next five years to ensure access to mental health professionals in A&E, GP practices, police custody units and prisons;
- improving transitions for young people moving from Child and Adolescent Mental Health Services (CAMHS) to adult mental health services, including potential flexibility for those aged 18-25 to continue their care and treatment with CAMHS; and
- supporting the Rural Mental Health Forum to help people in rural areas maintain good mental health.

Primary and community care is where most healthcare interactions begin and end and our aim is to have as many people as possible receiving care at home or in a homely setting. We have negotiated a new GP contract with the British Medical Association which, subject to agreement from the profession, will come into effect in 2018-19. This will provide a stable, long-term foundation for general practice in Scotland, ensuring that people have access to improved quality services delivered by GPs leading and working as part of an extended primary care term. We are investing £110 million in 2018-19 to support implementation of the new proposed GP contract, if agreed; and to support the wider primary care reform.

In acute and secondary care, we are driving quality improvements by building resilience in elective services. In particular, we are:

- developing a new National Improvement Collaborative with clinical specialists, to support the way elective services are configured to improve quality and meet demand;
- investing in the Modern Outpatients Programme, to reduce unnecessary attendances and referrals to hospital outpatient services;
- investing £100 million in our Cancer Strategy for earlier detection and diagnosis, and quicker treatment and post-treatment support;
- continuing the national clinically-led six Essential Actions improvement work in unscheduled care;
- continuing the Detect Cancer Early programme focusing on breast, bowel and lung cancer to contribute further to improvement in survival outcomes; and
- improving outcomes for people with a range of long-term conditions including heart disease, stroke, cancer, diabetes and rare diseases through our focus on the whole patient pathway, earlier referral, speedier diagnosis and clinically effective treatments and follow up.

We will progress our £200 million commitment to expand the Golden Jubilee Hospital and develop five elective care centres in Aberdeen, Dundee, Edinburgh, Inverness and Livingston. This will allow us to meet the increasing demand for hip and knee replacements and cataract operations, while dedicated elective capacity will help tackle the knock-on effect that peaks in demand from unscheduled, emergency patients can have on planned, elective care.

The implementation of the Scottish Trauma Network has begun with £5 million already allocated in 2017-18 to enhance trauma services across Scotland. The steering group is expected to complete a national trauma network implementation plan, phased over five years, by the end of 2017. Further funding of £10 million will be made available in 2018-19, to continue to implement the plan and enhance the Trauma Network further.

We will continue to progress implementation of our commitment to increase access to life-changing technology for people living with Type 1 diabetes. We will invest £2 million in 2018-19, to enable more people than ever before to benefit from insulin pump therapy and continuous glucose monitors.

Overall, there will be continued focus on using capital investment to support the delivery of the National Clinical Strategy and the Delivery Plan. We will do this by maintaining the NHS estate, replacing and updating medical equipment, refreshing information management and technology and replacing key vehicles such as ambulances, providing over £200 million of investment in these areas. We will also invest in primary and community care facilities including £30 million to support GP premises over three years.

In addition, through the hub investment programme, we will continue the construction of the following projects:

- NHS Forth Valley – Stirling Care Village;
- NHS Grampian – Inverurie Health Care Hub and Foresterhill Health Centre;
- NHS Greater Glasgow and Clyde – Gorbals Health Centre;
- NHS Greater Glasgow and Clyde – Woodside Health Centre
- NHSScotland Pharmaceutical Service; and
- NHS Lothian – East Lothian Community Hospital.

It is also essential that we continue to invest in our workforce, who are core to health and care services across Scotland. We will do so through:

- recruiting Community Link Workers, building on the 53 already in post as part of our commitment to recruit 250 Community Links Workers during the lifetime of this Parliament;
- continuing to recruit 1,000 new paramedics; over the last two years, 400 have already been recruited;
- delivering an additional 800 workers over the next five years to ensure access to mental health professionals in A&Es, GP practices, police custody units and prisons;
- increasing the number of pharmacists with advanced clinical skills working in general practice, training more paramedics, health visitors and a further 500 advanced nurse practitioners;
- investing £2 million in additional training for GP nurses;
- delivering an estimated 2,600 more training places for nurses and midwives;
- investing an additional £3 million to increase the number of radiology trainees in Scotland by at least 50 over the next five years, helping to improve waiting times for diagnosis and treatment of cancer patients in Scotland;
- 50-100 extra medical undergraduate places promised in Part 1 of the National Health and Social Care Workforce Plan over the parliamentary term; and
- recruiting at least 800 more GPs over the next 10 years.

In addition, as set out in the Programme for Government, we are lifting the public sector pay cap for NHS and other public sector workers from 2018-19.

Child and Maternal Health

The Scottish Government has set out clearly its priority for ensuring the best start for every child. We begin by focusing on supporting mothers and families from before conception through pregnancy and into those critically important first few days. To do this we will implement the recommendations of the Best Start Maternity and Neonatal Review. Increasing health visitor numbers to 500 more in place by the end of 2018 and

also increasing Family Nurse Partnership provision (available to all eligible mothers on the mainland, a world first) will extend access to professional support throughout those critical early months and years of a child's life.

Getting it Right for Every Child remains the foundation for building a stronger, healthier Scotland, with an emphasis on prevention and early intervention to ensure the best outcomes for Scotland's children and young people. We will take forward an increasing focus on preventing adverse childhood experiences (ACEs), such as abuse, neglect and parental drug and alcohol misuse, and mitigating the negative impacts where ACEs occur.

2018 is also the Year of Young People and it is appropriate that it will be in this year that we will publish our Child and Adolescent Health and Wellbeing Action Plan, which will set out our concrete actions to support all children to become and remain healthy and successful.

Nursing and Midwifery, and Allied Health Professionals

We are investing £3 million over the next four years to train additional Advanced Nurse Practitioners (ANPs) with the first intake beginning training in 2017-18. This will provide ANPs with the skills to manage the complete clinical care of their patients, including assessing, diagnosing and treating and thereby ensuring better outcomes for their patients.

We will further enhance our commitment to nursing and midwifery in Scotland by commissioning an additional 1,600 training places in this Parliament, this is on top of the 1,000 additional places already announced.

At a total investment of £144 million, we will continue to maintain free tuition for nursing and midwifery students, retain the nursing and midwifery student bursary at least at its current level and consider how best the bursary can enable wider participation and increased retention, including through the £1 million discretionary fund. We will take forward a range of other actions to widen participation in nursing and midwifery education and careers in line with the recommendations of CNO Commission published on 7 December 2017.

We will invest £1 million to support Allied Health Professionals (AHPs), working in partnership with fellow health and social care staff, to deliver the Active and Independent Living Programme across health and care settings, including improving support for self-management, improving awareness of AHP services, and rehabilitation and enablement services.

We will also contribute to the delivery of safe, person-centred and effective care in health and social care by supporting the implementation of legislation regarding the provision of safe and effective staffing. In the NHS this will require the use of a rigorous, evidence-based approach to workload and workforce planning, initially for nurses and midwives, ensuring key principles relating to professional judgement, local context and quality measures underpin workload and workforce planning.

Delivering Better Public Health

Our focus is on delivering an early intervention and prevention approach to public health, balanced by efforts to support everyone to lead healthier lives regardless of their circumstances. We are consulting on a new diet and obesity strategy, and we are progressing measures to limit the marketing of products high in fat, sugar and salt, which disproportionately contribute to ill health and obesity.

As part of our commitment to deliver the health prevention agenda we will also build on the work underway to develop a Diabetes Prevention Framework to identify people at high risk of Type 2 diabetes and focus activity to increase health and weight management interventions.

Addressing the use and impact of drugs is a challenge that is not unique to Scotland, but it is one we are determined to meet. We have begun an overhaul of our drug strategy, guided by a principle of ensuring the best health outcomes for people who are, or have been, drug users. We will expand its scope to set out a new vision for alcohol and drug treatment together. In 2018 we will deliver a refreshed alcohol framework to continue to take on Scotland's often problematic relationship with alcohol misuse. Following the unanimous UK Supreme Court judgment on minimum unit pricing, we intend to implement the policy from 1 May 2018. This renewed focus on alcohol and drugs will be backed by additional investment of £20 million in treatment and support services.

This activity will form part of a set of overarching public health priorities, which will be agreed with local government to direct improvement across Scotland. It will be backed by preparation to establish a new, single, national population health improvement body by 2019.

Our vision is of a Scotland where more people are more active, more often. The Active Scotland Outcomes Framework sets out our ambitions for achieving that, and is underpinned by a commitment to equality. We will work with sportscotland to protect sport investment and mitigate the impact of continued reductions in lottery income. Along with an additional £2 million to the budget, we will underwrite the potential shortfall in funding of up to £3.4 million for sportscotland in 2018-19 and will continue to encourage the UK Government to take the appropriate action required to address lottery reductions.

We will continue to increase the number of Community Sports Hubs and are on track to deliver 200 by 2020. Future hubs will have an explicit focus on addressing inequality and be focused on areas of deprivation in recognition that being active is an important factor to support health and wellbeing.

As part of our commitment to equality, we will build on our work ensuring programmes and interventions support under-represented groups using forums such as the Women and Girls advisory board to guide our thinking and ensure we deliver at pace and scale.

We will continue to embed our Legacy from the Commonwealth Games 2014 and use the Gold Coast Games to highlight the success of both performance and participatory sport and physical activity.

Alongside what we are doing on active travel, we will launch a new Active Scotland Delivery Plan with a wide range of actions across all sectors, including:

- strengthening Community Sport Hubs, improving opportunities for older people in care to be physically active and ensuring Scotland becomes the first 'Daily Mile' nation;
- encouraging more women and girls to take up sport by maintaining our Sporting Equality Fund with a £0.3 million investment;
- drawing on the expertise within the Women and Girls in Sport Advisory Group to help shape our future actions; and
- showcasing the contributions of football clubs to delivering positive outcomes, including the Football Fans in Training programme and Walking Football.

Delivering Better Services

In the last year new structures have been put in place which will support the implementation of the National Clinical Strategy and the Health and Social Care Delivery Plan. These include:

- developing regional plans involving NHS Territorial Boards and local partners to set out services which can best be planned and delivered at regional level as well as support services which can best be delivered closer to home;
- supporting NHS Special Boards to develop a plan to focus improvement in national services, including advancing a 'Once for Scotland' approach;
- examining opportunities for greater sharing of support services away from the delivery of frontline care; and
- developing a Digital Care Strategy to support a digitally-active population and workforce and make better use of the opportunities of modern technology.

Evidence from across the globe consistently shows that research is a cornerstone of all high-performing health systems, leading to better targeted and more personalised treatment and to improved patient outcomes. Research and innovation is central, and vital, to our health and social care services in Scotland, both in terms of discovering and implementing solutions to the health challenges posed by living longer lives, as well as catalysing development of our life sciences, digital health and manufacturing industries. We will invest an additional £3 million to promote and spread health innovation; and we will continue to invest in research and development infrastructure and capacity building, supporting vital collaborative working between the NHS, academia, industry and the medical research charities. This will deepen Scotland's global reputation as a destination of choice for health science, at the forefront of new developments, including in precision medicine and genomics.

Realistic Medicine aims to deal with the dual challenge of providing care that has greater worth to individuals (through proper identification of their preferences and shared decision making), while also addressing the need to improve health and wellbeing at a population level. This will require an effective and co-ordinated approach that builds on the good work underway to improve service quality, safety and efficiency.

Health and Social Care Integration

We continue to support Integration Authorities to improve outcomes across health and social care. In particular, we are providing support for effective commissioning of new and better models of care, with improved data and opportunities for different areas to learn from one another's experience of redesigning services.

We are enhancing the social care sector's ability to meet increased demand and provide better services, including adult social care reform, jointly delivered with local government and Integration Authorities.

In 2018-19 an additional £66 million is included in the Local Government settlement allocations to support additional expenditure by local government on social care in recognition of a range of pressures they and integration authorities are facing, including support for the implementation of the Carers (Scotland) Act 2016, maintaining our joint commitment to the Living Wage (including our agreement to now extend it to cover sleepovers following the further work we have undertaken) and an increase in the Free Personal and Nursing Care payments.

This will take the Scottish Government's overall package of additional direct investment in social care and integration to over £550 million in 2018-19.

We will also:

- through Independent Living Fund Scotland (ILF), continue to deliver payments to support severely disabled people, to enable them to live independently in the community;
- work with stakeholders to prepare for the implementation of our commitment to extend free personal care to all those under 65 who need it;
- invest £22.3 million in the Care Inspectorate to regulate and support improvement of registered services, bringing to life the new Health and Social Care Standards which focus on people's experience of care;
- continue to invest in supporting people with long-term conditions to self manage through the £2 million Self Management Fund to enable third sector partners across Scotland to support people in our communities to live well with the health conditions they have;
- further embed Self-directed Support as our mainstream approach to social care by investing £9.2 million in system change to enable more people to have choice and control of their care and support;
- support the Survivor Support Innovation and Development Fund to improve access for all adult survivors of child abuse to a wide range of services, and the In Care Survivor Support Fund with £13.5 million over the next five years for survivors of child abuse and the services that support them; and
- continue to work with stakeholders to deliver the priorities and vision in the Scottish Government's See Hear Strategy for people with sight loss, deafness and dual sensory loss in Scotland.

HEALTH AND SPORT**Table 5.01: Spending Plans (Level 2)**

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health	13,023.0	13,210.6	13,583.7
<i>of which:</i>			
NHS Territorial Boards	9,122.3	9,392.6	9,667.2
NHS Special Boards	1,099.7	1,168.6	1,184.3
Community Health Services	1,514.7	1,575.1	1,647.7
Departmental Allocations	1,286.3	1,074.3	1,084.5
Food Standards Scotland	15.3	15.3	15.3
Total Level 2	13,038.3	13,225.9	13,599.0
<i>of which:</i>			
Fiscal Resource	12,131.4	12,444.7	12,874.7
Non-cash	272.9	273.1	273.1
Capital	529.0	408.1	341.2
Financial Transactions	5.0	-	10.0
AME	100.0	100.0	100.0

Table 5.02: Health and Sport Spending Plans (Level 2 real terms) at 2017-18 prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health	13,221.3	13,210.6	13,385.6
<i>of which:</i>			
NHS Territorial Boards	9,261.2	9,392.6	9,526.2
NHS Special Boards	1,116.4	1,168.6	1,167.0
Community Health Services	1,537.8	1,575.1	1,623.5
Departmental Allocations	1,305.9	1,074.3	1,068.9
Food Standards Scotland	15.5	15.3	15.1
Total Level 2	13,236.8	13,225.9	13,400.7
<i>of which:</i>			
Fiscal Resource	12,316.1	12,444.7	12,686.9
Non-cash	277.1	273.1	269.1
Capital	537.0	408.1	336.3
Financial Transactions	5.1	-	9.9
AME	101.5	100.0	98.5

Health and Sport

Table 5.03: More Detailed Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Resource			
NHS Territorial Boards	9,122.3	9,392.6	9,667.2
NHS Special Boards	1,099.7	1,168.6	1,184.3
Community Health Services*			
General Medical Services	783.0	821.4	870.5
Pharmaceutical Services Contractors' Remuneration	184.2	184.5	184.8
General Dental Services	407.1	414.0	414.8
General Ophthalmic Services	100.0	102.0	107.4
Mental Health Services	40.4	53.2	70.2
Departmental Allocations			
Outcomes Framework	131.0	68.0	66.2
Workforce and Nursing	171.1	176.4	193.1
Health Improvement and Protection	103.4	46.1	62.7
SportScotland	32.9	29.7	31.7
Active, Healthy Lives	12.7	12.7	12.7
Care, Support and Rights	115.5	116.7	112.1
e-Health	83.5	90.4	92.9
Early Years	41.5	56.6	67.7
Performance and Delivery	72.0	65.9	69.9
Quality and Improvement	11.3	15.1	13.2
Miscellaneous Other Services and resource income	(140.6)	(141.2)	(133.6)
Revenue Consequences of NPD Schemes	18.0	29.8	44.7
Total Resource	12,389.0	12,702.5	13,132.5
Capital			
Investment	549.9	428.1	361.2
Financial Transactions	5.0	-	10.0
Income	(20.9)	(20.0)	(20.0)
Total Capital	534.0	408.1	351.2
Annually Managed Expenditure			
NHS Impairments	100.0	100.0	100.0
Total Health	13,023.0	13,210.6	13,583.7
<i>of which:</i>			
Fiscal Resource	12,116.3	12,429.6	12,859.6
Non-cash	272.7	272.9	272.9
Capital	529.0	408.1	341.2
Financial Transactions	5.0	-	10.0
AME	100.0	100.0	100.0

Note:

* Allocations for 2018-19 for Primary and Community Care Services are still to be decided and are subject to UK pay negotiations with the professional groups concerned.

Table 5.04: Territorial and Special Health Boards Spending Plans (Level 4)

Level 4	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Transformation Change**	20.0	38.0	145.7
Territorial Boards			
NHS Ayrshire and Arran	669.0	683.6	694.9
NHS Borders	193.9	197.7	200.6
NHS Dumfries and Galloway	279.4	284.9	289.1
NHS Fife	604.3	624.7	636.6
NHS Forth Valley	485.2	496.7	506.8
NHS Grampian	882.3	902.4	920.6
NHS Greater Glasgow and Clyde	2,079.1	2,123.5	2,154.5
NHS Highland	577.5	592.6	604.3
NHS Lanarkshire	1,107.0	1,135.9	1,156.1
NHS Lothian	1,303.4	1,356.0	1,384.3
NHS Orkney	43.2	46.7	47.7
NHS Shetland	42.6	47.5	48.7
NHS Tayside	699.1	721.3	734.8
NHS Western Isles	66.6	71.6	73.0
Total	9,032.6	9,285.1	9,452.0
Special Boards			
NHS Waiting Times Centre	46.5	51.9	54.0
NHS Scottish Ambulance Service	218.5	229.3	237.9
NHS National Services Scotland	293.4	324.7	328.2
Healthcare Improvement Scotland	15.5	24.7	24.7
NHS State Hospital	34.3	34.4	34.8
NHS 24	64.6	65.2	66.3
NHS Education for Scotland	408.7	420.0	420.0
NHS Health Scotland	18.2	18.4	18.4
Total	1,099.7	1,168.6	1,184.3
Other Income	69.7	69.5	69.5
Total Territorial and Special Boards	10,222.0	10,561.2	10,851.5

Note:

** This represents funding included within Level 3 budgets that will be allocated to Boards in year to support the delivery of transformational change. This funding comprises the Transformational Change Fund, Trauma Networks and Cancer funding set out in the priorities section above.

What the Health and Sport budget does

The budget enables our health and care services to help people in Scotland to live longer and healthier lives, through focusing on early intervention and prevention, reducing health inequalities and providing sustainable, high quality and continually-improving health and care services locally, regionally and nationally.

The Sport budget enables people in Scotland to become more active, more often. This allows people to be more physically active which contributes to personal, community and national wellbeing.

FOOD STANDARDS SCOTLAND PRIORITIES

The vision of Food Standards Scotland (FSS) is to deliver a food and drink environment in Scotland that benefits, protects and is trusted by consumers. FSS launched its first strategy in 2016, which set out the high level direction until 2021. In 2018-19, this strategy, which contributes to the delivery of seven of the Government's National Outcomes, will be delivered through a corporate plan outlining the priorities and key activities to be taken forward using an outcomes-based approach.

The budget will also enable FSS to initiate the work required to prepare for leaving the EU. As the central regulatory body for food and feed, FSS will be significantly affected by Brexit, due to the current regulatory framework deriving from EU law. FSS will also need to help businesses and local authorities be ready for legislative and regulatory change as a consequence of leaving the EU.

Table 5.05: Food Standards Scotland more Detailed Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Food Safety	10.3	10.3	10.3
Eating for Health	3.0	3.0	3.0
Choice (making it easier for consumers to make informed choices)	2.0	2.0	2.0
Total	15.3	15.3	15.3
<i>of which:</i>			
Fiscal Resource	15.1	15.1	15.1
Non cash	0.2	0.2	0.2
Capital	-	-	-

What the Food Standards Scotland budget does

The budget of Food Standards Scotland supports consumer protection – making sure that food is safe to eat, ensuring consumers know what they are eating and improving health through better diet.

The objectives of Food Standards Scotland (FSS) as set out in the Food (Scotland) Act 2015 are to:

- protect the public from risks which may arise in connection with the consumption of food;
- improve the extent to which members of the public have diets which are conducive to good health; and
- protect the other interests of consumers in relation to food.

CHAPTER 6

Finance and the Constitution

PORTFOLIO RESPONSIBILITIES

The Finance and the Constitution portfolio is central to the delivery of efficient, high quality, fair and flexible public services for people throughout Scotland. The portfolio is also central to the implementation of the new powers devolved in the Scotland Acts 2012 and 2016.

The portfolio includes Scotland's devolved tax authority, Revenue Scotland, which operates as a non-Ministerial Department; the Scottish Fiscal Commission, the independent and official fiscal and economic forecaster which became a non-Ministerial Department in April 2017; and the Scottish Public Pensions Agency (SPPA) which administers certain public sector pension schemes, including the Scottish teachers' superannuation scheme and the NHS superannuation scheme.

The portfolio also has responsibility for Scottish Parliamentary and local government elections and for Scottish Procurement which provides shared procurement services across the public sector.

The Digital Strategy is overseen by the Cabinet Secretary for Finance and the Constitution, but the budget is held and described within the Rural Economy and Connectivity portfolio chapter. This budget includes dedicated funding to support action to design, deliver and continuously improve modern, efficient public services enabled by digital technology.

OUR PRIORITIES

In 2018-19 we will continue to use the additional powers over income tax provided by the Scotland Act 2016 to protect low-income taxpayers while supporting investment in public services and the Scottish economy.

SPPA continues to invest in its people and was once again awarded the gold award under the rebranded Re:markable standards. SPPA also works with a range of partners to promote career opportunities in the public sector, including the Developing the Young Workforce Team, which holds events in schools across the Scottish Borders.

Our procurement shared services support inclusive growth, delivering significant efficiency and value for money improvements and improving supplier access to public contracts. By using contracts creatively and ensuring that sustainability is firmly established, we will deliver broader social, environmental and economic benefits.

Small and medium-sized enterprises (SMEs) are critically important to our economy. Participating in public contracts enables SMEs to grow while creating jobs, boosting training and apprenticeships and encouraging innovation. We will drive good procurement practice throughout the public sector, helping SMEs, third sector organisations and supported businesses to compete.

Our e-commerce systems bring suppliers and buyers together in a simple cost-effective way. They deliver a transparent procurement process from a single advertising portal, Public Contracts Scotland, with electronic invoice payments, thereby reducing bureaucracy and speeding up payments to suppliers.

Public procurement also promotes innovation in the provision of public services. Our Procurement Innovation Reference Group will boost business innovation by improving co-ordination and in 2018 we will pilot our innovation partnership process to help buyers design and develop innovative solutions for service delivery.

Procurement is also an enabler of a more inclusive society. Fair work practices and paying the Living Wage improve people's lives and help build a fairer society. We are committed to promoting the Living Wage when buying goods, services and works. Our policy on paying the Living Wage to those delivering our public contracts also stems from our belief that organisations adopting fair work practices tend to deliver higher quality goods and services.

The Scottish Futures Trust (SFT) will continue to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value for money and ultimately improved public services.

SFT's independently validated Statement of Benefits shows that in 2016-17 £138 million of net benefits and savings had been secured, demonstrating good progress towards meeting the objective of securing £500 million to £750 million of benefits and savings during its second corporate plan period covering 2014-15 to 2018-19.

Finance and Constitution Priorities

In 2018-19 we will continue to fund the implementation and operation of the financial provisions in the Scotland Act 2016 and the ongoing operation of the powers devolved under the Scotland Act 2012.

Good communication is central to the Scottish Government's ambition as an open and accessible government: it helps to build trust, shift attitudes and change behaviours. In 2018-19 we will again focus our public information and engagement resources on those areas which will make a tangible contribution towards delivering our Programme for Government.

SFT will continue to work to enhance value for money from infrastructure investment across the public sector in Scotland. This includes working in partnership with others to progress delivery of Scottish Government's key policy commitments, including expansion of early learning and childcare and supporting the 'Reaching 100%' project to deliver access to superfast broadband to all residential and business premises by 2021, as well as supporting innovative and traditional ways of financing infrastructure investment.

The contribution of our procurement shared services in 2018-19 to delivering procurement reform across the public sector will include:

- planned delivery of £99 million of savings through Scottish Government-led procurement exercises;
- driving the implementation of the Procurement Reform (Scotland) Act 2014 and the new European Procurement Directives;
- ensuring that contracts for our large infrastructure projects include community benefit clauses, to achieve continued employment and training opportunities;
- provision of the suite of e-commerce shared services across the public sector, including the roll-out of e-invoicing and a newly contracted advertising portal; and
- implementing reform of the procurement of construction.

In 2018-19 we will also:

- cover Royal and Ceremonial events and tasks within Scotland;
- continue to support the Electoral Management Board to promote best practice and value for money in elections in Scotland; and
- provide funding for the Local Government Boundary Commission for Scotland.

Scottish Public Pensions Agency Priorities

In 2018-19 SPPA will:

- develop a target operating model to deliver customer service excellence and maximise operational efficiencies;
- participate in the first wave of a national Public Sector Cyber Catalyst programme and apply for 'cyber essential plus' designation to underpin the Agency's major investment in a web-enabled pension and payroll administration system;
- work with stakeholders to implement the outcomes from the quadrennial actuarial valuations for the Scottish NHS, Teachers', Police and Firefighters' pension schemes; and
- work with local authority pension scheme administering authorities, actuaries and Scheme Advisory Boards on reviewing local authority triennial valuations, cost cap, actuarial factors and contribution rates.

Revenue Scotland Priorities

Revenue Scotland, the Scottish tax authority, is responsible for the collection and management of the devolved taxes, currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). The tax revenue collected is invested in Scotland's public services.

In 2018-19 Revenue Scotland will:

- invest in its processes and technology and, through its People Strategy, continue to develop its staff to improve the organisation's overall performance in collecting and managing the devolved taxes;
- become a Cyber Catalyst organisation in support of the National Cyber Resilience Plan, enhancing the cyber resilience of the tax authority and its suppliers through the cyber essentials accreditation scheme;
- implement improved processes which meet the expectations of the General Data Protection Regulations and help to consolidate information security and privacy at the core of its operations;
- build on existing work which maximises tax compliance and protects revenue against tax fraud and tax avoidance;
- continue to publish regular, accurate and accessible data on LBTT and SLfT collected; and
- continue to prepare for collecting and managing Air Departure Tax when it is introduced in Scotland.

Scottish Fiscal Commission Priorities

In 2018-19 the Scottish Fiscal Commission will:

- prepare and publish independent and official forecasts of revenue from fully devolved taxes, Scottish income tax and Non-Domestic Rates. The Commission will also prepare forecasts for demand-led social security expenditure and onshore Scottish Gross Domestic Product (GDP); and
- produce annual forecast evaluation publications and publish occasional working papers on related subjects.

SPENDING PLANS

Table 6.01: Finance and the Constitution Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Public Pensions Agency	3,320.6	4,539.8	4,643.5
Finance and Constitution	52.4	142.4	140.3
Revenue Scotland	5.2	6.1	10.2
Scottish Fiscal Commission	1.0	1.7	1.6
Total Finance and the Constitution	3,379.2	4,690.0	4,795.6
<i>of which:</i>			
Fiscal Resource	70.4	164.6	163.5
Non-cash	5.0	1.9	1.4
Capital	3.5	2.0	6.7
Financial Transactions	-	-	-
AME	3,300.3	4,521.5	4,624.0

Table 6.02: Finance and the Constitution Spending Plans (Level 2 Real Terms) at 2017-18 Prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Public Pensions Agency	3,371.2	4,539.8	4,575.8
Finance and Constitution	53.2	142.4	138.3
Revenue Scotland	5.3	6.1	10.1
Scottish Fiscal Commission	1.0	1.7	1.6
Total Finance and the Constitution	3,430.7	4,690.0	4,725.7
<i>of which:</i>			
Fiscal Resource	71.5	164.6	161.1
Non-cash	5.1	1.9	1.4
Capital	3.6	2.0	6.6
Financial Transactions	-	-	-
AME	3,350.6	4,521.5	4,556.6

Table 6.03: Scottish Public Pensions Agency Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Agency Administration	16.8	16.3	17.1
IT Provision	3.5	2.0	2.4
Scottish Teachers' Pension Scheme	1,208.3	1,554.6	1,582.4
NHS Pension Scheme	2,092.0	2,966.9	3,041.6
Total Scottish Public Pensions Agency	3,320.6	4,539.8	4,643.5
<i>of which:</i>			
Fiscal Resource	11.8	14.4	15.7
Non-cash	5.0	1.9	1.4
Capital	3.5	2.0	2.4
AME	3,300.3	4,521.5	4,624.0

What the Scottish Public Pensions Agency budget does

SPPA's budget supports its principal role of providing pensions administration services for, and paying pensions to, members of Scotland's NHS, Teachers', Police and Firefighters' pension schemes. Its other administrative responsibilities include injury benefits schemes for the NHS, Police and Fire and Rescue services in Scotland and providing pension calculation services for the Scottish Parliament Pension Scheme and the Scottish Legal Aid Board Pension Scheme. Its customers are all current or former public servants or their employers. The resource and capital budgets support the running of the Agency and the four associated Pension Boards. The AME budget covers the cost of pension payments to approximately 200,000 retired scheme members.

The Agency also develops scheme regulations covering, and working with, Scheme Advisory Boards and provides policy advice to Ministers on Scotland's local government, NHS, Teachers', Police and Firefighters' pension schemes. It also determines appeals made by members of these pension schemes.

Table 6.04: Revenue Scotland Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Total Revenue Scotland	5.2	6.1	10.2
<i>of which:</i>			
Fiscal Resource	5.2	6.1	5.9
Non-cash	-	-	-
Capital	-	-	4.3

What the Revenue Scotland budget does

Revenue Scotland's budget provides for the administration of the two devolved taxes – Land and Buildings Transaction Tax and Scottish Landfill Tax – and the preparation for Air Departure Tax when it is introduced in Scotland. The budget supports investment in staff, processes and technology to build on the organisation's performance in collecting and managing the devolved taxes. The capital provision will support the renewal of Revenue Scotland's digital tax administration system.

Table 6.05: Scottish Fiscal Commission Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Scottish Fiscal Commission	1.0	1.7	1.6
<i>of which:</i>			
Fiscal Resource	1.0	1.7	1.6
Non-cash	-	-	-
Capital	-	-	-

What the Scottish Fiscal Commission budget does

From 1 April 2017 the Scottish Fiscal Commission became responsible for producing independent and official fiscal and economic forecasts for Scotland to help inform the Scottish Budget process. The Commission will produce forecasts of revenue from fully devolved taxes and non-savings non-dividend income tax receipts, onshore GDP in Scotland, and devolved demand-led social security expenditure.

The Scottish Fiscal Commission is a non-Ministerial Department which is structurally and operationally independent of the Scottish Government. Commissioners are accountable to, and give evidence to, the Scottish Parliament as required.

Table 6.06: Finance and Constitution Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Public Information and Engagement	2.8	2.8	2.8
Procurement Shared Services	18.4	16.8	16.8
Scottish Futures Trust	4.7	4.7	4.5
Royal and Ceremonial	0.3	0.3	0.6
Scottish Parliamentary Elections	9.6	0.6	0.2
Local Government Elections	0.4	1.0	0.4
Local Government Boundary Commission	-	0.2	0.4
Scotland Acts - Tax implementation and management	16.2	12.0	8.6
Scotland Act 2016 non-tax implementation	-	80.0	75.0
Capital Borrowing Repayment	-	24.0	31.0
Total Finance and Constitution	52.4	142.4	140.3
<i>of which:</i>			
Fiscal Resource	52.4	142.4	140.3
Non-cash	-	-	-
Capital	-	-	-

What the Finance and Constitution budget does

The Finance and Constitution budget covers a broad range of important functions ranging from delivering public information to the implementation of the new powers in the Scotland Act 2016.

The budget funds the Scottish Government's public information and engagement activities.

Under the Fiscal Framework, the UK Government agreed to provide a contribution towards the costs which the Scottish Government will incur in developing its existing, or establishing new, operations required to support the devolution of further powers under the Scotland Act 2016. The agreed sums are a £200 million non-baselined transfer towards 'one-off' implementation costs and a £66 million baselined transfer each year towards the annual running costs of those operations.

The first tranche of funding - £100 million for implementation and £22 million for running costs - formed part of the Scottish Government's budget in 2017-18. The second tranche of funding - £100 million for implementation and £37 million for running costs - will form part of the Scottish Government's budget in 2018-19. Further discussions will take place in 2018 to agree the timetable for transferring the remaining funding for administration costs in future years.

During 2018-19, the Cabinet Secretary for Finance and the Constitution will agree with Cabinet Secretaries detailed allocations of those funds to portfolios responsible for implementing new powers. Some initial allocations have been made to support ongoing activity relating to the transfer of powers, and £75 million is included in the Finance and the Constitution portfolio for this purpose.

Other associated transfers to fund the transfer of powers set out in the 2016 Act where activity has already commenced are reflected in the appropriate portfolio chapters.

The £31 million budget to cover capital borrowing repayments reflects our estimated repayment costs for planned borrowing in 2017-18, although final figures for this commitment will not be settled until the end of 2017-18.

The budget covers the costs of the Scottish Futures Trust in its work to improve the efficiency and effectiveness of infrastructure investment in Scotland.

The budget provides funding in relation to Royal and Ceremonial events and tasks within Scotland, Scottish Parliamentary and local government elections, and the Local Government Boundary Commission for Scotland.

The Scottish Government's procurement shared services support the delivery of procurement reform across the public sector.

CHAPTER 7

Education and Skills

PORTFOLIO RESPONSIBILITIES

Education is our Government's defining mission and we are determined to improve the life chances of our children. The Education and Skills portfolio includes early years provision; support for children and families, with specific focus on those in greatest need; school education; further and higher education; university research, knowledge exchange and innovation; science; the promotion of Gaelic; community and adult learning and development; expanding the opportunities to move into sustained employment and develop the skills of our current and future workforce.

2018 is the Year of Young People. This presents an opportunity to celebrate the achievements and potential of all young people, champion their rights and embed this in all that we do.

OUR PRIORITIES

All children and young people, whatever their background or circumstances, deserve the same chance to reach their full potential. That is why improving outcomes for children, young people and their families is at the heart of this Government's agenda and spending plans. Our top priorities are to raise attainment and close the attainment gap; promote health and wellbeing; and improve skills and employability.

Ensuring the best start in life for every child contributes to each of these four high-level priorities. Everyone will benefit in future if we invest in our young people now. Focusing on the early years, embedding an approach rooted in prevention and early intervention, supports those children and families who will benefit most.

This budget will therefore include:

- £243 million of investment in expanding free early learning and childcare;
- £179 million in raising attainment and closing the attainment gap; and
- real-terms increase in both college and higher education budgets.

Learning Priorities

As set out in the Programme for Government, we will continue with our reform agenda, driving higher standards and closing the attainment gap through our National Improvement Framework. This will include the introduction of an Education Bill to empower parents, teachers and children to make the key decisions in the life of their school. This significant legislation will be backed with greater financial control for headteachers and greater support to teachers in the classroom.

We will continue to invest resources through our Attainment Scotland Fund to close the attainment gap, targeting funding at schools and local authorities in need including significant additional resource through the Pupil Equity Funding programme. For improvement purposes, we will continue to gather, publish and analyse data on the achievement of Curriculum for Excellence (CfE) levels, informed for the first time this year by national standardised assessments.

We will align the current functions of key national education bodies to ensure that inspection, curriculum development, improvement, professional learning and leadership are supported in a coherent way which is relevant and useful to teachers, children and parents.

We will also continue to invest in Scotland's school estate, bringing forward new proposals to build on the success of the Scotland's Schools for the Future Programme.

In 2018-19 we will:

- allocate £179 million to the Scottish Attainment Fund for 2018-19 including £120 million in Pupil Equity Funding to be spent at the discretion of headteachers on closing the attainment gap, enabling headteachers to secure the additional staffing or resources they need to support pupils affected by poverty and boost attainment levels;
- implement a range of education reforms to empower our teachers, parents and communities to deliver excellence and equity for our children;
- strengthen the role of parents in their child's education through the Education Bill;
- work to establish a Headteachers' Charter that defines their responsibilities as leaders of learning in schools and sets out the support they can expect;
- ensure that we develop the right number of skilled new teachers whilst maintaining teacher numbers and continue to invest in the quality of our teaching profession, through strengthening initial teacher education and investing in new routes to teaching and high quality professional learning, and creating a specific recruitment campaign for headteachers;
- provide support for developing the curriculum, including through implementing the targeted actions set out in the STEM Education and Training Strategy;
- continue to implement the Doran review through £10 million of funding to organisations which provide support to children and young people with complex additional support needs, and implement the extension of children's rights under the Additional Support for Learning Act; and

- support our commitments to grow Gaelic education and increase the numbers speaking, learning and using Gaelic.

Children and Families Priorities

The Children and Families budget supports our work to give every child the best possible start in life through the Getting it Right for Every Child approach. Drawing on our learning about the impact that Adverse Childhood Experiences can play in inhibiting healthy development and attainment, we will continue to focus on embedding early intervention and preventative approaches.

We will also address the issue of children's rights, as enshrined in the UN Convention of the Rights of the Child, a fitting priority for the Year of Young People.

The significant expansion of early learning and childcare remains fundamental to the ambition of best start for every child, increasing access to high quality early learning for the under-5s.

In 2018-19 we will:

- invest a total of £243 million in 2018-19 to progress our ambitious goal of 1,140 hours of fully funded early learning and childcare from 2020. This includes guaranteeing funding for local authorities (shown in Table 7.09) supporting the recruitment and training of staff, the delivery of new premises, and ensuring that some communities begin to benefit from the increase to 1,140 hours ahead of 2020;
- listen to the voices of our most vulnerable children and young people expressed through the independent Care Review and begin to implement the recommendations as they emerge;
- take forward legislation to increase the Minimum Age of Criminal Responsibility and to support the introduction of the Named Person service;
- sustain a strong focus on delivering our Child Protection Improvement Programme, including implementation of the recommendations from the Child Protection Systems Review;
- develop a framework to support disabled children, young people and their families around information and rights, accessibility of services and transitions;
- explore further the introduction of a Young Carer's Allowance to provide extra support for young people with significant caring responsibilities;
- continue to deliver a Baby Box offering essential items for a child's first weeks to the families of all newborn babies in Scotland;
- establish the Best Start Grant which will provide financial support at key points in the early years of a child's life for those who need it;
- continue to meet the full costs of the Scottish Child Abuse Inquiry;
- contribute to delivery of upskilling and raising the quality of the social service workforce; and

- promote participation of children and young people as part of the Year of Young People 2018, including in discussions about Brexit. The Year will aim to inspire Scotland through its young people, celebrating their achievements, valuing their contribution to our communities and creating new opportunities for them to shine locally, nationally and globally.

Advanced Learning and Science Priorities

This budget principally supports policy and development relating to qualification accreditation and promotion of Scottish Credit and Qualifications Framework (SCQF); and international mobility opportunities to enhance employability for students and promote Scotland as a destination to study.

It also supports work to promote Scotland as a science and innovation nation, and enables the best use to be made of science advice and knowledge. This includes support for science engagement and promotion across Scotland, such as that delivered through our science centres and science festivals.

In 2018-19 we will:

- support the work of the Chief Scientific Adviser and the Scottish Science Advisory Council to ensure we make best use of science advice, knowledge and techniques;
- maintain funding for access for Scottish students to take part in international exchanges and to attract talented students to study in Scotland; and
- take account of the findings from the 15-24 Learner Journey Review including the detailed consideration of policy propositions.

Scottish Funding Council Priorities

The Scottish Funding Council (SFC) budget invests in Scotland's further and higher education sectors. Scottish Government funding combines with other sources of complementary investment secured by colleges and universities to achieve excellence and equity in education for learners through the delivery of teaching, research and innovation activities that will drive Scotland's productivity and sustainable economic growth.

In 2018-19 we will:

- deliver a real-terms increase in SFC funding, including a real-terms increase in both college and higher education budgets;
- work in partnership with our colleges and universities to provide high quality learning and teaching; improve Scotland's skills base; enhance knowledge exchange; and maximise the impact of research, innovation and internationalisation in line with the recommendations of the Enterprise and Skills Review;
- contribute to the ambitions of the Strategic Board for Enterprise and Skills, and drive improved skills alignment and investment, alongside Skills Development Scotland;

- work with the college and university sectors to address gender equality at all levels from course choices to senior staff and boards;
- contribute to the implementation of the STEM strategy, in particular increasing participation in STEM study and research at colleges and universities;
- support the expansion of the Early Learning and Childcare (ELC) workforce;
- provide additional investment of over £5 million for initial implementation of the findings of the Independent Review of Student Support;
- work with colleges and universities to deliver our ambition for equal access to higher education by 2030, including ensuring that every care-experienced young person who meets the entry requirements is offered a place at a Scottish university; developing our evidence base on access-related issues; and supporting the work of the Commissioner for Fair Access;
- maintain at least 116,000 full-time equivalent college places, meeting the needs of learners and the economy, raise attainment levels and increase the numbers of students successfully completing courses and achieving qualifications;
- continue to develop the Flexible Workforce Development Fund to promote partnership working between colleges and employers to deliver high quality training opportunities to up-skill and re-skill the workforce; and
- work with the higher education sector to use financial transactions funding to invest in low carbon energy saving projects, estates development and innovation.

Higher Education Student Support Priorities

In 2018-19 we will:

- guarantee that higher education will remain free of tuition fees for all eligible Scottish or EU domiciled undergraduate students;
- ensure every care-experienced student under 26 will receive a full £7,625 non-repayable bursary to finance their studies;
- expand the postgraduate support package to ensure that financial support is available for those who undertake courses by distance and digital learning; and
- raise the repayment threshold for student loans so that, by the end of the Parliament, graduates will not start to repay their loan until they are earning £22,000; and the maximum repayment period is reduced to 30 years.

In 2018-19 the Student Awards Agency Scotland will:

- help support the education sector to increase the number of students in Higher Education from the 20 per cent most deprived communities; and
- continue to improve the safety and security of our IT operating environment and keep abreast of technology changes to reflect service delivery in a digital age.

Skills and Training Priorities

Scotland's skills system is strong and makes a crucial contribution to our labour market and economy. We continue to enhance and diversify the routes through which we provide skills support. Our successes include fulfilling our commitment to reduce youth unemployment by 40 per cent, four years ahead of schedule. Our focus will be on enhancing the skills development opportunities required to meet Scotland's future economic needs and opportunities.

In 2018-19 we will:

- further expand Modern Apprenticeship starts to 30,000 a year by 2020; including new graduate level opportunities;
- continue to support the Developing the Young Workforce (DYW) strategy and to fund growth in Foundation Apprenticeships for school pupils and the network of regional industry-led DYW Regional Groups;
- continue to invest £10 million in the Flexible Workforce Development Fund (FWDF), to provide inform future skills support for our existing workforce;
- begin to use £12 million of European Structural Funds to address regional skills inequality, in line with emerging industries and markets, and to encourage inward investment in our communities;
- enhance skills alignment across the Scottish Funding Council and Skills Development Scotland to ensure that employer demand is systematically built into investment in skills;
- deliver more work-relevant learning to young people in school, giving them appropriate skills for the current and future jobs market, including creating new vocational learning options in our colleges; enabling young people to learn in a range of settings in their senior phase of school; and embedding employer engagement in education; and
- continue to deliver Education Maintenance Allowance (EMA) to young people aged 16-19 from low income households. EMA is available to young people in post-compulsory education at school, non-advanced college course and on ActiviTY Agreements.

SPENDING PLANS

Table 7.01: Education and Skills Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Learning	201.5	217.0	237.7
Children and Families	117.2	167.2	151.5
Advanced Learning and Science	6.7	6.2	6.2
Scottish Funding Council	1,682.1	1,734.8	1,838.0
Higher Education Student Support	876.3	940.0	946.4
Skills and Training	232.6	223.7	232.8
Total Level 2 Education and Skills	3,116.4	3,288.9	3,412.6
<i>of which:</i>			
Fiscal Resource	2,425.0	2462.2	2,577.8
Non-cash	212.6	212.3	235.8
Capital	85.5	157.4	131.0
Financial Transactions	14.0	14.0	40.0
AME	379.3	443.0	428.0
Central Government Grants to Local Authorities	4.5	124.5	326.7

Table 7.02: Education and Skills Spending Plans (Level 2 real terms) at 2017-18 prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Learning	204.6	217.0	234.2
Children and Families	119.0	167.2	149.3
Advanced Learning and Science	6.8	6.2	6.1
Scottish Funding Council	1,707.7	1,734.8	1,811.2
Higher Education Student Support	889.6	940.0	932.6
Skills and Training	236.1	223.7	229.4
Total Level 2 Education and Skills	3,163.9	3,288.9	3,362.8
<i>of which:</i>			
Fiscal Resource	2,461.9	2,462.2	2540.2
Non-cash	215.8	212.3	232.4
Capital	86.8	157.4	129.1
Financial Transactions	14.2	14.0	39.4
AME	385.1	443.0	421.8
Central Government Grants to Local Authorities	4.6	124.5	321.9

Table 7.03: Learning Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Education Scotland	23.3	21.5	20.5
Gaelic	23.2	23.2	23.2
Learning and Support	36.7	27.1	35.8
People and Infrastructure	67.5	76.8	81.2
Education Analytical Services	2.7	2.7	2.2
Strategy and Performance	48.1	65.7	74.8
Total Learning	201.5	217.0	237.7
<i>of which:</i>			
Fiscal Resource	168.0	188.2	232.5
Non-cash	2.8	2.4	1.6
Capital	26.7	22.4	3.6
Financial Transactions	4.0	4.0	-

What the Learning budget does

The majority of expenditure on school education in Scotland is funded by local authorities from budgets outlined in the Local Government chapter. The Learning budget will deliver targeted national programmes and related support to Scottish education. This budget includes implementation of the priorities set out in the National Improvement Plan for Scottish Education and will also continue to support the Attainment Scotland Fund. It will also facilitate the delivery of programmes, such as Read, Write, Count and support delivery of National Qualifications.

Table 7.04: Children and Families Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Care and Justice	32.6	37.4	38.5
Care and Protection	23.3	12.5	14.1
Disclosure Scotland Expenditure	0.8	5.3	14.8
Office of the Chief Social Work Adviser	16.8	19.2	19.2
Creating Positive Futures ¹	43.7	92.8	64.9
Total Children and Families	117.2	167.2	151.5
<i>of which:</i>			
Fiscal Resource	110.3	124.8	138.3
Non-cash	2.8	2.3	5.3
Capital	4.1	40.1	7.9

¹ 2018-19 Budget figure has been amended to reflect the repositioning of £150 million indirect capital and £52.2 million resource from the Creating Positive Futures line into the Central Government Grants to Local Authorities Table 7.09 where it is now identified as Local Government Early Learning and Childcare Expansion Grant.

What the Children and Families budget does

The Children and Families budget supports a broad range of activity to improve outcomes for children, young people and families, in pursuit of Getting it Right for Every Child. The most significant component of our expenditure in the period until 2020 is dedicated to the expansion of Early Learning and Childcare, included within the Creating Positive Futures budget line, along with additional £202.2 million specific resource and capital grant to local authorities shown separately in Table 7.09.

The Children and Families budget also includes the costs of Disclosure Scotland, expenditure on the Scottish Children's Reporters Administration and Children's Hearings Scotland (Care and Justice) along with the Scottish Social Services Council (Office of the Chief Social Work Adviser).

Table 7.05: Advanced Learning and Science Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Higher Education	1.5	1.5	1.5
Qualifications and Accreditation	2.2	1.7	1.7
Science Engagement and Advice ²	3.0	3.0	3.0
Total Advanced Learning and Science	6.7	6.2	6.2
<i>of which:</i>			
Fiscal Resource	6.7	6.2	6.2
Non-cash	-	-	-
Capital	-	-	-

² Budget line formerly 'Office of the Chief Scientific Adviser'

What the Advanced Learning and Science budget does

The Advanced Learning and Science budget supports policies relating to qualification accreditation; international student mobility activity; and promotion of studying in Scotland. Science engagement, including support of Scotland's science centres and festivals, as well as promoting Scotland as an innovative and scientific nation, is also funded by this budget.

Table 7.06: Scottish Funding Council Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Funding Council Administration	7.5	7.5	7.5
College Operational Expenditure	745.1	741.3	778.2
College Operational Income	(184.8)	(190.0)	(190.0)
<i>Net College Resource</i>	560.3	551.3	588.2
College NPD Expenditure	24.4	29.1	29.3
College Depreciation Costs	-	30.1	30.1
Higher Education Resource	1,027.2	1,013.9	1,024.9
College Capital Expenditure	50.0	70.4	78.7
College Capital Receipts	(23.0)	(23.0)	(2.0)
<i>Net College Capital</i>	27.0	47.4	76.7
Higher Education Capital	25.7	45.5	41.3
Higher Education Financial Transactions	10.0	10.0	40.0
Total Scottish Funding Council	1,682.1	1,734.8	1,838.0
<i>of which:</i>			
Fiscal Resource	1,589.1	1,601.5	1,649.7
Non-cash	30.3	30.4	30.4
Capital	52.7	92.9	117.9
Financial Transactions	10.0	10.0	40.0

What the Scottish Funding Council budget does

The Scottish Funding Council (SFC) budget invests in Scotland's further and higher education sectors. Scottish Government funding combines with other sources of complementary investment secured by colleges and universities to deliver teaching, research and innovation activities that can accelerate Scotland's productivity and sustainable economic growth. The budget will also support the implementation of Developing the Young Workforce and our ambitions for fair access to higher education.

Table 7.07: Higher Education Student Support (HESS) Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Student Support and Tuition Fee Payments	301.6	301.6	301.6
Student Loans Company Administration Costs	4.5	4.2	4.2
Student Loan Interest Subsidy to Bank	3.0	2.0	2.0
Cost of Providing Student Loans (RAB Charge - Non Cash)	175.6	175.6	196.9
Student Awards Agency for Scotland - Operating Costs - Resource	10.3	11.6	12.1
Student Awards Agency for Scotland - Operating Costs - Capital	2.0	2.0	1.6
HESS DEL Total	497.0	497.0	518.4
Net Student Loans Advanced	491.3	560.0	550.0
Capitalised interest	(55)	(60)	(65)
Student Loans Fair Value Adjustment	(60.5)	(57.5)	(57.5)
Student Loans Sale Subsidy impairment Adjustments	3.5	0.5	0.5
HESS AME Total	379.3	443.0	428.0
HESS Total	876.3	940.0	946.4
<i>of which:</i>			
Total Fiscal Resource	318.3	318.3	318.8
Non-cash	176.7	176.7	198.0
Capital	2.0	2.0	1.6
Financial Transactions	-	-	-
AME	379.3	443.0	428.0

What the Higher Education Student Support budget does

The Higher Education Student Support (HESS) budget provides financial support to Scottish domiciled and EU students undertaking higher education courses in Scotland, and Scottish domiciled students studying in the rest of the UK. This includes the provision of free tuition in higher education. The HESS budget is administered by the Student Awards Agency Scotland (SAAS).

The Annually Managed Expenditure (AME) figures are forecasts of the amount of funding anticipated for student loans.

Student loans are provided at a cost to the Scottish Government which is calculated using gross value of loans advanced in the year. The Student Loans Company administers the borrower's loan accounts on behalf of the Scottish Government.

SAAS administers bursary schemes covering support for higher education students (at college and university).

The student loans Resource Accounting and Budgeting (RAB) charge is non-cash ringfenced resource to cover the cost of providing student loans and cannot be used for any other purpose.

Table 7.08: Skills and Training Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Skills Development Scotland	176.1	179.6	193.3
Employment and Training Interventions	56.5	44.1	39.5
Total Skills and Training	232.6	223.7	232.8
<i>of which:</i>			
Fiscal Resource	232.6	223.2	232.3
Non-cash	-	0.5	0.5
Capital	-	-	-

What the Skills and Training budget does

The budget includes: funding for the growth and development of the Modern Apprenticeship programme; the expansion of Foundation Apprenticeships in the senior phase; and other programmes aligned with the Developing the Young Workforce strategy – to support young people into employment education or training. It includes the Education Maintenance Allowance, which supports young people to overcome financial barriers to participate in appropriate school and college courses or an Activity Agreement. The budget also supports broader training activity including Inspiring Scotland, and the Flexible Workforce Development Fund.

Table 7.09: Central Government Grants to Local Authorities Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Local Government Gaelic Grant	4.5	4.5	4.5
Local Government Attainment Grant	-	120.0	120.0
Local Government Early Learning and Childcare Expansion Grant	-	-	202.2
Total Central Government Grants to Local Authorities	4.5	124.5	326.7
<i>of which:</i>			
Fiscal Resource	4.5	124.5	176.7
Non-cash	-	-	-
Capital	-	-	150.0

What the Central Government Grants to Local Authorities budget does

This budget supports local authorities with any additional costs associated with the delivery of Gaelic education and Gaelic-medium education in Scotland. There are currently 23 authorities in receipt of grant from this fund for a wide range of Gaelic education programme and projects. It also provides specific resource and capital funding to all 32 local authorities to support the necessary infrastructure and workforce investment required to deliver our Early Learning and Childcare expansion to 1,140hrs by August 2020, and to provide an additional graduate to work in nurseries supporting our most deprived communities from August 2018.

CHAPTER 8

Justice

PORTFOLIO RESPONSIBILITIES

The purpose of the Justice portfolio is to keep our communities safe and secure, and to administer justice in its various forms.

The Justice portfolio has responsibility for the civil, criminal and administrative justice systems which include Scotland's prisons, courts, tribunals, the legal aid system and criminal justice social work services. It supports the police and fire and rescue services. The portfolio supports safe, secure and more resilient communities and works to build Scotland's resilience by improving Scotland's preparedness against a range of hazards and threats, including cyber-attacks and terrorism, through multi-agency planning, strengthening national work on risk and prevention, and working with partners to build and deliver capacity.

The Justice portfolio provides a range of vital public services in which powers are largely devolved to the Scottish Parliament. It also works closely with the UK Government and its agencies to ensure that Scotland and its communities are appropriately and proportionately protected from terrorism. It helps to create an inclusive and respectful society in which all people and communities live in safety and security, where individual and collective rights are supported, where disputes are resolved fairly and swiftly and where our responses are proportionate, effective and promote recovery. It recognises that certain protective characteristics, for example gender or age, can increase levels of risk of experiencing violence and abuse and contributes towards tackling inequalities by enabling our communities to be safe and resilient, by reducing crime and offending, supporting victims and witnesses and improving wellbeing and life chances.

Brexit has the potential for significant destabilisation across these responsibilities. The removal of EU law from the Scottish legal system threatens access to numerous cross-border co-operation measures in areas of law enforcement, criminal law and civil law which will impact on our Justice system from Exit day and risks it being left behind as the EU 27 secure faster and simpler ways of delivering justice in an increasingly complicated landscape.

The 'Justice in Scotland: Vision and Priorities', published in July 2017, was developed collaboratively with justice organisations and is a collective commitment to seven key priorities for the Justice portfolio.

The Scottish Government continues to deliver radical reforms to Scotland's justice system, to improve access to justice and ensure the system meets the needs of people in the 21st century. This includes major reforms implemented in Scotland's courts; securing the benefits of reform to police and fire services; and the creation of a new national body, Community Justice Scotland. This radical reform of public services has focused attention on preventative approaches and community-based solutions to tackle the root causes of crime and help communities and individuals to achieve their full potential. We will maintain access to justice for individuals through the Legal Aid system.

OUR PRIORITIES

Police

We will continue to support a modern and effective police service to ensure the safety and security of Scotland's people and communities.

Building on the success of police reform we will support the Scottish Police Authority (SPA) and Police Scotland to deliver the priorities in the Policing 2026 Strategy which was laid before Parliament in June 2017. The Strategy sets out how Police Scotland will strengthen its service to communities and respond to changing demands. Police Scotland is currently developing a three year implementation plan.

From April 2018 we have ensured that policing will fully benefit from being able to reclaim the VAT previously paid to the UK Government. In addition to the changes in this budget document, the change to VAT status means that the effective spending power on policing will increase by around £25 million compared with previous years.

In 2018-19 we will:

- continue to protect the revenue budget of the SPA in real terms, an additional £20.4 million in 2018-19;
- work with the SPA and Police Scotland to strengthen the community focus of policing in line with the Strategic Policing Priorities;
- continue to support the SPA and Police Scotland to transform the police service in line with the Policing 2026 strategy, to ensure Scotland continues to benefit from a modern and responsive police service that shapes its services around the needs of citizens and communities;
- provide continued reform funding in 2018-19 to support the implementation of Policing 2026;
- allow Police Scotland to benefit in full following the UK Government's announcement that it will legislate to allow Police Scotland to recover VAT from April 2018. This will ensure that the £25 million benefits of this change flow directly to funding day-to-day policing;
- continue to support the work of the Police Investigations and Review Commissioner (PIRC);

- fund the core Airwave communications system for police in Scotland; and
- ensure Scotland's participation in the GB-wide Emergency Services Mobile Communication Programme to deliver next-generation telecommunications capability for the emergency services in Scotland.

Fire and Rescue

Through the Fire and Rescue Framework for Scotland 2016, we are investing in the next phase of transformative reform of the fire and rescue service in Scotland.

Working with the Scottish Fire and Rescue Service (SFRS) we will support the transformational shift that focuses on prevention and collaboration, as well as a modern and effective response to emergency incidents reflecting the changing risks our communities face.

In 2018-19 we will:

- provide investment for service transformation to support and encourage SFRS to modernise the fire-fighter role to meet new and emerging risks;
- allow SFRS to benefit in full following the UK Government's announcement that it will legislate to allow SFRS to recover VAT from April 2018. This will ensure that the £10 million benefits of this change flow directly to keeping our communities safe;
- explore opportunities for SFRS to make a wider contribution to public sector outcomes through working more closely with other emergency services; and
- work with SFRS to deliver the Fire and Rescue Framework for Scotland 2016.

Resilience

Developing and maintaining resilience in Scotland requires a flexible and adaptive approach. We will continue to develop community resilience, building on themes of empowerment and preparedness through identifying trends and new risks, prevention, planning, response and recovery to ensure that the people of Scotland are able to cope both with potential disasters such as fire, flood or climate change, and with the everyday challenges and risks faced by families in need.

We will collaborate with partners to ensure we have the capacity and capability to tackle the threat posed by terrorism and organised crime.

To deal with the increasing cyber threat, we are developing action plans to help strengthen the resilience of Scotland's public, private and third sectors against cyber-attacks. We will work to strengthen our learning and skills system so that it supports our citizens to operate safely and confidently in the digital world, providing them with opportunities to develop cyber specialist skills and career paths that help retain talent in Scotland. And we will work to improve our ability to capitalise on the economic opportunities that an increasing focus on cyber security in the global economy will bring for Scotland.

In 2018-19 we will:

- lead on the development of vision, guidance, policy and training on resilience in Scotland recognising the challenges and risks that impact on Scotland;
- provide funding to support the development and implementation of action plans to help strengthen Scotland's approach to cyber resilience; and
- engage with essential services' operators to encourage them to further protect and enhance the critical infrastructure resilience of their assets, systems, networks and people.

Safer Communities

We will continue to build safer communities working in partnership with local authorities and core agencies including Neighbourhood Watch, Crimestoppers and the Royal Society for the Prevention of Accidents to promote prevention and support people to feel safe and protected from harm. We will focus our efforts on reducing violence, anti-social behaviour and sectarianism as well as ensuring that we deliver on our national Missing Persons Framework to prevent fewer people going missing across Scotland.

In 2018-19 we will:

- fund violence reduction educational programmes, anti-violence initiatives, and support the work of national Violence Reduction Unit;
- work in partnership to reduce the risk of unintentional harm and build strong and resilient communities by promoting local grass roots initiatives; continue to support initiatives to reduce harm to communities by managing the highest risk offenders; and
- support work to combat sectarianism, hate crime and the behaviours that lead to these.

Domestic abuse and violence against women

We will build on our commitment within the Equally Safe Strategy to tackle and eradicate violence against women and girls. We will continue to strengthen the justice system response to tackle and prevent the unacceptable levels of violence against women and girls in Scottish society. This will include creating a specific offence of domestic abuse through the Domestic Abuse (Scotland) Bill currently before Parliament, and supporting advocacy and other services for victims and their families. We will work with justice agencies to improve the specific experience of victims of sexual offending through the justice system. We will continue to support other sectors such as health and education to develop a consistent response to violence against women across Scotland.

In 2018-19 we will:

- create a specific offence of domestic abuse through the Domestic Abuse (Scotland) Bill (currently before Parliament);

- support training requirements for police officers in preparation for the introduction of the new domestic abuse offence;
- implement justice actions in the Equally Safe Delivery Plan;
- work with justice agencies to improve the experience of victims of sexual offences through the justice system;
- support the work of the Taskforce for the improvement of services for adults and children who have experienced rape and sexual assault recognising the importance of a collaborative approach across health and justice partners;
- continue to work across government with other policy areas to prevent harm to those most at risk of gender-based violence, in particular younger females; and
- expand the innovative Caledonian Programme so that more male perpetrators of domestic abuse can receive specific rehabilitation services designed to address the issues giving rise to their offending behaviour.

Victims and Witnesses

We will continue to support the efficient investigation and prosecution of crimes. We will work to ensure that the justice system is equipped to respond to the needs of victims and witnesses (particularly child and vulnerable witnesses) and strive to ensure that those who engage with the justice system have confidence in the services they receive. This includes enabling the much greater use of pre-recording evidence of child and vulnerable witnesses in advance of the criminal trial.

In 2018-19 we will:

- bring forward a Bill to enable the much greater use of pre-recording evidence of child and vulnerable witnesses in advance of the criminal trial;
- continue to support the work of third sector organisations working to assist the victims of crime;
- continue to meet the cost of compensation payments to victims of crime in Scotland; and
- fund a share of the running costs of the Criminal Injuries Compensation Authority in line with the memorandum of understanding.

Justice Reform

We will continue to improve the administration of justice.

In 2018-19 we will:

- ensure that those most in need are able to access publicly-funded legal assistance and also progress a range of projects to enable access to justice; and

- continue to work to ensure that disputes are resolved at the most appropriate level in the justice system and progress work to reform criminal and civil procedure to keep pace with societal changes and international standards.

As part of our approach, we will make best use of digital technology to enable and transform the services we provide for users of the justice system. We will develop a model for a digital evidence sharing capability to transform how evidence is stored and shared in the criminal justice system and create a platform for further digital transformation.

Scottish Courts and Tribunals Service

We will continue to work with the Scottish Courts and Tribunals Service (SCTS) and other partners to develop the proposals set out in the 'Evidence and Procedure Review: A New Model for Summary Criminal Court Procedure', of which the digital evidence sharing capability is a key enabler.

In 2018-19, SCTS will:

- deliver criminal justice reforms and improvements to sheriff and jury procedures;
- place digital innovation at the centre of service delivery to improve access to justice, support quicker outcomes and minimise physical appearance in courts;
- further develop proposals for a new approach to summary criminal procedure, building on the development of digital solutions in the management of evidence and casework and communication with witnesses;
- develop solutions that will better protect the interests of children and vulnerable witnesses, including the much greater use of pre-recording evidence;
- continue to transform civil justice by implementing new court rules and introducing technology-driven case management systems in civil courts and in the Office of the Public Guardian; and
- continue to support the important work of Scotland's Tribunals.

Scottish Prison Service (SPS)

In 2018-19 we will:

- ensure that SPS is equipped for the future through the delivery of its programme of transformational change arising from the SPS Organisational Review;
- continue work on our innovative approach to addressing female offending, taking forward the Strategy for the Management of Women in Custody including the development of a smaller national facility at HMP Cornton Vale and the design of two innovative community-based custody units for women in Glasgow and Dundee;

- contribute to the Scottish Government's defining mission to close the poverty-related attainment gap through continuing to deliver our strategy for young people at HMYOI Polmont;
- work with partner organisations to further develop through-care support services for those leaving prison;
- support our vision for penal reform reflecting the values of a modern and progressive Scotland;
- continue to take forward work on the future of Scotland's prison estate to meet the changing demands of the prison population; and
- work with partners to develop models of care and support for an ageing prison population with heightened social care needs.

Reducing Re-offending

We will work with our new national body Community Justice Scotland and local partners, including the third sector, to support robust sentencing options and greater diversion, where appropriate. This will support collaboration and improvement across youth and community justice to prevent offending and improve life chances. This will include a focus on early and targeted intervention to prevent offending by young people and others and to reduce re-offending by improving links between employment, housing, education and health services. We will support efforts to increase the use of and confidence in community sentences, including the expansion of electronic monitoring. Underpinning this focus, we have committed to extend the presumption against short-term periods of imprisonment to include sentences of 12 months or less.

In 2018-19 we will:

- deliver better outcomes for individuals and communities through our National Community Justice Strategy;
- expand support for robust community disposals, such as community payback orders;
- support services to meet the specific needs of women offenders;
- progress the recommendations of the expert Electronic Monitoring working group to expand access to electronic monitoring; and
- support projects aimed at reducing the cycle of repeat offending.

We will work with the SPS, justice and health partners, as well as other public services, to continue to support the rehabilitation and reintegration of people leaving custody back into our communities, taking forward and implementing our National Strategy for Community Justice in order to prevent further offending.

Human Trafficking

We will continue to work with partners to implement Scotland's trafficking and exploitation strategy with the explicit vision of eliminating human trafficking and exploitation, through actions to identify victims and support them to recovery, identify perpetrators and disrupt their activity, and address the conditions that foster trafficking and exploitation.

Veterans

We are committed to help former Service personnel and their families. Funding will be maintained for the Scottish Veterans' Commissioner and other measures to support veterans, primarily through the Scottish Veterans' Fund.

SPENDING PLANS

Table 8.01: Justice Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Community Justice Services	30.7	33.6	35.4
Judiciary	40.5	31.6	34.0
Criminal Injuries Compensation	17.5	17.5	17.5
Legal Aid	136.9	137.2	137.4
Scottish Police Authority	1,069.6	1,092.4	1,137.8
Scottish Fire and Rescue Service	294.7	316.4	321.6
Police Central Government	80.4	117.9	90.3
Safer and Stronger Communities	7.1	4.1	5.7
Police and Fire Pensions	350.6	350.6	350.6
Scottish Prison Service	357.2	361.0	361.4
Miscellaneous	38.2	37.4	43.5
Scottish Courts and Tribunals Service	88.9	105.6	117.7
Total Level 2	2,512.3	2,605.3	2,652.9
<i>of which:</i>			
Fiscal Resource	2,313.3	2,372.5	2,410.0
Non-cash	124.2	128.8	130.1
Capital	74.8	104.0	112.8
Financial Transactions	-	-	-
AME	-	-	-
Central Government Grants to Local Authorities	86.5	86.5	86.5

Table 8.02: Spending Plans (Level 2 Real Terms) at 2017-18 Prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Community Justice Services	31.2	33.6	34.9
Judiciary	41.1	31.6	33.5
Criminal Injuries Compensation	17.8	17.5	17.2
Legal Aid	139.0	137.2	135.4
Scottish Police Authority	1,085.9	1,092.4	1,121.2
Scottish Fire and Rescue Service	299.2	316.4	316.9
Police Central Government	81.6	117.9	89.0
Safer and Stronger Communities	7.2	4.1	5.6
Police and Fire Pensions	355.9	350.6	345.5
Scottish Prison Service	362.6	361.0	356.1
Miscellaneous	38.8	37.4	42.9
Scottish Courts and Tribunals Service	90.3	105.6	116.0
Total Level 2	2,550.6	2,605.3	2,614.2
<i>of which:</i>			
Fiscal Resource	2,348.5	2,372.5	2,374.9
Non-cash	126.1	128.8	128.2
Capital	75.9	104.0	111.2
Financial Transactions	-	-	-
AME	-	-	-
Central Government Grants to Local Authorities	87.8	86.5	85.2

Table 8.03: Community Justice Services Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Offender Services	29.8	30.4	32.2
Miscellaneous	0.9	3.2	3.2
Total	30.7	33.6	35.4
<i>of which:</i>			
Fiscal Resource	30.7	33.6	35.4
Non-cash	-	-	-
Capital	-	-	-

What the Community Justice Services budget does

This budget includes funding to support offenders who are serving community-based sentences, electronic monitoring of offenders (e.g. through Restriction of Liberty Orders) and offender mentoring services. It supports the work of Community Justice Scotland, Scotland's national body for promoting the highest standards of community justice services across Scotland.

Table 8.04: Judiciary Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Judicial Salaries*	30.6	30.6	33.0
Judiciary**	9.9	1.0	1.0
Total	40.5	31.6	34.0
<i>of which:</i>			
Fiscal Resource	40.5	31.6	34.0
Non-cash	-	-	-
Capital	-	-	-

*This is non-voted spend which is met from the Scottish Consolidated Fund but is also part of the Departmental spending limit.

**From 1 April 2016 the judicial pensions element of the Judiciary line sits with the Scottish Courts and Tribunals Service.

What the Judiciary budget does

The Judiciary budget provides for the running costs of the Judicial Appointments Board for Scotland and the Court of the Lord Lyon, salary costs for the Lord Lyon, the Lyon Clerk, the Auditor of the Court of Session, as well as Commissioners and former Commissioners of the Scottish Land Court.

Table 8.05: Criminal Injuries Compensation Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Administration Costs	2.7	2.7	2.7
CIC Scheme	14.8	14.8	14.8
Total	17.5	17.5	17.5
<i>of which:</i>			
Fiscal Resource	17.5	17.5	17.5
Non-cash	-	-	-
Capital	-	-	-

What the Criminal Injuries Compensation budget does

The GB-wide Criminal Injuries Compensation Scheme provides compensation to the blameless victims of crime and is administered by the Criminal Injuries Compensation Authority (an executive agency of the Ministry of Justice).

Table 8.06: Legal Aid Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Administration	10.8	11.1	11.3
Fund	126.1	126.1	126.1
Total	136.9	137.2	137.4
<i>of which:</i>			
Fiscal Resource	136.5	136.8	136.8
Non-cash	0.3	0.3	0.5
Capital	0.1	0.1	0.1

What the Legal Aid budget does

The Fund element of this budget pays for demand-led legal aid provision in Scotland, which is administered by the Scottish Legal Aid Board ('the Board'), an executive non-departmental public body. It also enables the Board to:

- develop a network of Board-employed solicitors who provide criminal legal advice and representation (Public Defence Solicitors Office) and to develop and monitor advice services on civil matters using Board-employed solicitors (Civil Legal Assistance Offices); and
- administer grant-funded advice services, including the In Court Advice projects.

- The Administration element enables the Board to meet its staffing and accommodation costs, as well as cover costs relating to various matters including researching and analysing the operation of legal aid, the trends and the impact on the wider justice system. It also includes a budget allocation to meet the Board's capital expenditure.

Table 8.07: Scottish Police Authority Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Police Authority*	1,069.6	1,092.4	1,137.8
<i>of which:</i>			
Fiscal Resource	1,003.4	1,022.4	1,064.8
Non-cash	50.0	50.0	50.0
Capital	16.2	20.0	23.0

* Police Scotland will benefit in addition from the ability to reclaim around £25 million in VAT, following the UK Government's announcement that it will legislate to allow this from April 2018.

What the Scottish Police Authority budget does

This budget is provided to the Scottish Police Authority to enable the delivery of an effective and efficient policing service to the people of Scotland that reflects the needs of local communities.

The capital budget for 2018-19 will support the police in delivering key components of their capital plan.

Table 8.08: Scottish Fire and Rescue Service Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Fire and Rescue Service*	294.7	316.4	321.6
<i>of which:</i>			
Fiscal Resource	259.2	259.2	264.4
Non-cash	24.7	24.7	24.7
Capital	10.8	32.5	32.5

* SFRS will benefit in addition from the ability to reclaim around £10 million in VAT, following the UK Government's announcement that it will legislate to allow this from April 2018.

What the Scottish Fire and Rescue Service budget does

This budget funds the Scottish Fire and Rescue Service to work in partnership with other agencies, the public and private sectors and communities on fire safety, prevention, protection and emergency response to improve the safety and wellbeing of the people of Scotland. The Scottish Fire and Rescue Service priorities are contained within the SFRS's Strategic and Annual Plan, which aligns with the Fire and Rescue Framework for Scotland 2016.

Table 8.09: Police Central Government Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Police Support Services	0.1	0.1	0.1
National Police Funding and Police Change*	80.3	117.8	90.2
Total	80.4	117.9	90.3
<i>of which:</i>			
Fiscal Resource	60.4	95.7	76.0
Non-cash	2.2	2.2	2.2
Capital	17.8	20.0	12.1

* In 2017-18 funding for the Government's contribution to the Home Office-led emergency Service Mobile Communications plan transferred from Miscellaneous to Police Central Government. 2018-19 reduction reflects the recent amendment to VAT rules to allow the SPA to recover VAT. £25 million has been mainstreamed into the SPA resource and capital lines as a result.

What the Police Central Government budget does

The Police Central Government budget supports the delivery of police transformational change and reform programmes, including Policing 2026. It also includes funding for Airwave, the GB-wide Emergency Services Mobile Communications Programme and the Police Investigations and Review Commissioner.

Table 8.10: Safer and Stronger Communities Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Safer Communities	5.1	4.1	5.7
Drug Misuse*	2.0	-	-
Total	7.1	4.1	5.7
<i>of which:</i>			
Fiscal Resource	7.1	4.1	5.7
Non-cash	-	-	-
Capital	-	-	-

* Responsibility for Drug Misuse now sits within the Health and Wellbeing Portfolio.

What the Safer and Stronger Communities budget does

This budget supports a range of initiatives to build safer communities, reduce violence, tackle sectarianism, prevent misuse of guns and other crime.

Table 8.11: Police and Fire Pensions Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Police Pensions	278.4	278.4	278.4
Fire Pensions	72.2	72.2	72.2
Total	350.6	350.6	350.6
<i>of which:</i>			
Fiscal Resource	350.6	350.6	350.6
Non-cash	-	-	-
Capital	-	-	-

What the Police and Fire Pensions budget does

This budget provides funding to the Scottish Police Authority and the Scottish Fire and Rescue Service to contribute towards the pension costs of retired police and fire officers. In 2018-19 we will meet our obligations to provide for these pensions in full.

Table 8.12: Scottish Prison Service Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Operating Expenditure	347.2	345.2	345.2
Capital Spending	10.0	15.8	16.2
Total	357.2	361.0	361.4
<i>of which:</i>			
Fiscal Resource	314.2	311.2	312.2
Non-cash	33.0	34.0	33.0
Capital	10.0	15.8	16.2

What the Scottish Prison Service budget does

The Scottish Prison Service (SPS) budget covers expenditure associated with operating the prison system (both publicly and privately-managed prisons) and the provision of a Court Custody and Prisoner Escorting Service on behalf of Scottish Courts, Police Scotland and the wider justice system. The SPS provides a wide range of services to care for and support those who are in custody and their families, as well as operating a Victim Notification Scheme for registered victims of crime.

Table 8.13: Miscellaneous Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Residential Accommodation for Children*	4	-	-
Scottish Resilience**	16.2	8.8	8.3
Victim/Witness Support	5.4	15.8	17.9
Other Miscellaneous	12.6	12.8	17.3
Total	38.2	37.4	43.5
<i>of which:</i>			
Fiscal Resource	30.7	36.2	37.4
Non-cash	-	0.1	0.1
Capital	7.5	1.1	6.0

*Funding for Residential Accommodation for Children has been transferred to the Education and Skills portfolio.

**Funding for the Scottish Government's contribution to the Home Office led Emergency Service Mobile Communications Plan (ESMCP) has transferred from Miscellaneous to Police Central Government in 2017-18.

What the Miscellaneous budget does

This budget covers a wide range of smaller justice-related spending areas including the Scottish Law Commission, the Parole Board for Scotland and the Scottish Criminal Cases Review Commission. It also includes provision for Her Majesty's Inspectorate of Prisons in Scotland, Her Majesty's Chief Inspector of Fire and Rescue in Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Chief Inspector of Prosecutions in Scotland, core funding for third sector organisations whose work supports the victims of crime and support for the justice contribution to tackling violence against women and girls.

In addition, the budget supports work to build Scotland's resilience through improved multi-agency planning and response to emergencies and support to help communities become more resilient. This budget also provides funding to support the armed forces and veterans community in Scotland.

Table 8.14: Scottish Courts and Tribunals Service Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Operating Expenditure*	76.5	91.1	94.8
Capital Spending	12.4	14.5	22.9
Total	88.9	105.6	117.7
<i>of which:</i>			
Fiscal Resource	62.5	73.6	75.2
Non-cash	14.0	17.5	19.6
Capital	12.4	14.5	22.9

* From 1 April 2016, the budget includes funding for the administration of judicial pensions.

What the Scottish Courts and Tribunals Service budget does

The Scottish Courts and Tribunals Service (SCTS) provide the people, buildings and technology to support the judiciary, the courts, the tribunals and the Office of the Public Guardian. The SCTS is a non-Ministerial department, chaired by the Lord President.

Table 8.15: Central Government Grants to Local Authorities Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Criminal Justice Social Work	86.5	86.5	86.5
<i>of which:</i>			
Fiscal Resource	86.5	86.5	86.5
Non-cash	-	-	-
Capital	-	-	-

What the Central Government Grants to Local Authorities budget does

This ring-fenced funding supports local authorities in providing Criminal Justice Social Work services across Scotland. These services include supervising those offenders aged 16 and over who have been subject to a community disposal from the courts; providing reports to courts to assist with sentencing decisions; and providing statutory supervision (throughcare) for certain offenders on release from prison. There are also special services for certain key groups of offenders.

CHAPTER 9

Economy, Jobs and Fair Work

PORTFOLIO RESPONSIBILITIES

The Economy, Jobs and Fair Work portfolio plays a crucial role in fulfilling our purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth. The portfolio is central to driving progress towards achieving our renewed ambition for a vibrant, high-tech, low carbon and inclusive economy. Working together with the Enterprise and Skills Strategic Board our investment aims to help businesses and individuals seize the opportunities of a rapidly changing economy and create the conditions for innovation, internationalisation and inclusive growth to thrive.

The portfolio is guided by 'Scotland's Economic Strategy' and the focus on the two mutually supportive pillars of boosting competitiveness and tackling inequality. The economic strategy has established the four priorities which are vital to our approach to growing an inclusive economy:

- **investing** in our people and our infrastructure in a sustainable way;
- fostering a culture of **innovation** and research and development;
- promoting Scotland on the **international** stage to boost our trade and investment, influence and networks; and
- promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion.

OUR PRIORITIES

While our economy continues to show resilience in the face of global headwinds we know that productivity remains too low, that we need more businesses to scale-up and export, that too many have low-paid or insecure jobs and that growth is not spread evenly enough between our communities.

The Programme for Government articulated the Scottish Government's vision for Scotland as an inventor and producer of the goods, industries and skills of the future not just a consumer. An economy that would seize the opportunities of global competition and secure more, better jobs for our people.

To achieve this vision, the commitments set out in this chapter total an overall rise of £270 million (39 per cent) in the portfolio. This includes uplifts of:

- over £194 million (62 per cent) in the enterprise and energy budget to support entrepreneurship, construction and productivity;
- £9.9 million (23 per cent) in the employment and employability budget to support the delivery of new devolved employability programmes; and
- more than doubling our investment in city deals from £56.9 million to £122.2 million.

Taken with our £2.4 billion investment in our Enterprise and Skills bodies (for which see Chapter 4), this is a massive investment in Scotland's economy at a time of great challenge but also opportunity. This budget commits us to:

- the establishment of a Scottish National Investment Bank. The Bank's establishment will begin in 2018 and this budget commits us to providing initial capitalisation of £340 million over 2019-21 to ensure it can make an immediate impact once operational. Early in 2018, Benny Higgins' Implementation Plan will be published and, following that, we will make a number of key early appointments (the Chair and Board of Directors) to act as a 'Shadow Board' whilst the Bank is being formally established;
- as a precursor to the Bank's establishment, a new £150 million Building Scotland Fund – starting with investment of £70 million this year – that will provide support to secure: new public and private sector house building; provision of modern industrial and commercial facilities; and research and development. Providing, along with our capital investment programme, an important boost to construction but also to provide additional housing supply and improved facilities to allow businesses to improve productivity and expand;
- boosting investment in business research and development and additional funding to support entrepreneurship. Both key means of increasing productivity and making the most of our ambitious businesses and talented workforce; and
- supporting our key industries for the future. For example, we will provide the National Manufacturing Institute with £18 million in 2018-19 to make Scotland a global leader in advanced manufacturing and will invest £60 million in a Low Carbon Innovation Fund to deliver innovative low carbon energy infrastructure solutions.

As with previous budgets, we present our key investments under each of the four key themes of the Economic Strategy.

Investing

We will:

- establish a Scottish National Investment Bank. To give the bank the financial platform and clout it needs to make a transformational impact from the outset, we will provide initial capitalisation of £340 million over the first two years of its operation;
- deliver a new £150 million Building Scotland Fund as a precursor to the Bank, to support the development of new public and private sector housing, of modern industrial and commercial space and industry-led research and development. The cross portfolio fund will be supported by £70 million in 2018-19 and £80 million in 2019-21;
- work closely with the construction sector and Construction Scotland Innovation Centre to ensure this investment acts as a catalyst for skills development and innovation across the sector;
- drive regional economic growth through the Glasgow, Inverness, Aberdeen and Edinburgh city region deals; and work to secure deals for the Tay Cities and Stirling and Clackmannanshire as well as regional deals for Ayrshire and Borderlands;
- help businesses access the finance they need to grow by making further investment under the Scottish Growth Scheme – expanding the SME Holding Fund by £25 million; and
- help realise the huge opportunity from decommissioning in the North Sea through our Decommissioning Challenge Fund and by investing £7.5 million in an Ultra-Deep Water Port while challenging the UK Government to commit funding as well.

Innovation

We will:

- invest in the talented individuals and early-stage entrepreneurs who have big ideas through the Unlocking Ambition Challenge;
- help more businesses invest in research and development (R&D) by increasing our grant support for business R&D by over 70 per cent – from £22 million to £37 million per annum;
- continue to deliver our Manufacturing Action Plan and open the £8.9 million Lightweight Manufacturing Centre;
- start construction of the National Manufacturing Institute for Scotland to bring together research, industry and the public sector to help companies right across Scotland embrace new manufacturing techniques, support cutting-edge research and develop the skills of our workforce; and
- drive low carbon investment through a range of support mechanisms including project development, expert advice, financial support and support for community investment.

International

We will:

- maximise trade and investment opportunities by opening new Innovation and Investment Hubs in Paris and Berlin to complement those already established in London and Dublin, and develop our existing presence in Brussels into a Hub;
- deliver the 'One Scotland' approach set out in our trade and investment strategy, implementing 'Global Scotland – Scotland's Trade and Investment Strategy 2016-21', driving forward our actions on growth sectors and continuing to target areas where we have a clear advantage, such as food and drink, and tourism;
- complete the expansion of the number of people working for Scottish Development International across Europe to market Scotland as an open economy and welcoming society; and
- pilot local and regional export partnerships to provide business-to-business support in Scotland for small and medium-sized enterprises (SME) that have limited experience of exporting.

Inclusive Economic Growth

We will:

- build on the insights from our international Inclusive Growth Conference in October to further our pioneering approach in which Inclusive Growth is placed at the heart of our economic strategy;
- provide tailored, person-centred support to people who face barriers to work through Fair Start Scotland;
- deliver programmes and structures that meet the needs of those who face the greatest barriers to work, building on our success in meeting our target to cut youth unemployment by 40 per cent four years early. In the Year of Young People we recognise the value of their contribution to our dynamic economy and communities and will create new opportunities for them to shine;
- working with the Fair Work Convention and through the Scottish Business Pledge, continue the shared mission between government, trade unions and business on the promotion of fair work. We will continue to fund Scottish Union Learning, allowing trade union members to access skills opportunities;
- set our sights on making Scotland a Living Wage nation, continuing to work with the Poverty Alliance and other partners to create the first Living Wage towns, cities and regions;
- over the next three years, we will double the number of low-paid workers who receive a pay increase as a result of their employer becoming Living Wage accredited (from 25,000 to 50,000) and we will increase the proportion of accredited employers in low-paid sectors such as hospitality and tourism; and
- help local communities take control of their own local energy through the Community and Renewable Energy Scheme, including support for community investment in commercial schemes, negotiation of community benefits and directly-owned community projects, as well as working in partnership on smart, local energy systems.

Employability and Training Priorities

In 2018-19 we will:

- deliver a fully devolved, distinctly Scottish employment support service, Fair Start Scotland. From April 2018 the Fair Start Scotland service will help at least 38,000 people to find employment. It will treat people with respect, and encourage them to take up the opportunity for finding work on a voluntary basis, rather than driven by the threat of benefit sanction;
- invest in the Employability Innovation and Integration Fund to support projects across Scotland that will test new local approaches to join up employment and skills support with health and social care, justice and housing services;
- continue our focus on achieving the five labour market outcomes set out in 'Scotland's Labour Market Strategy':
 - a skilled, productive and engaged workforce capable of meeting the needs of employers;
 - equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential;
 - fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued;
 - low unemployment and high employment; and
 - a sustainable working population and that can retain and attract new talent, to meet our wider economic and social ambitions;
- provide skills development and employability support to minimise the time individuals affected by redundancy are out of work through our initiative, Partnership Action for Continuing Employment (PACE).

Enterprise and Energy Priorities

In 2018-19 we will:

- help businesses access the finance they need to grow by making further investment under the Scottish Growth Scheme - expanding the SME Holding Fund by £25 million and providing a further £15 million for loan and/or equity support;
- establish a Low Carbon Innovation Fund to invest a further £60 million to deliver innovative low carbon energy infrastructure solutions, building on the momentum generated by the European-supported Low Carbon Infrastructure Transition Programme;
- accelerate our work on funding commercial and industrial projects in Scotland's Energy Efficiency Programme (SEEP) - including pilot projects, district heating and energy efficiency loans - helping to provide more affordable energy for consumers, create a market for energy efficiency services and technologies and substantially reduce greenhouse gas emissions;

- provide leadership on carbon capture and storage (CCS), continuing to emphasise the North Sea's potential as the largest carbon storage resource in Europe;
- continue to negotiate with the UK Government to ensure future financial support is fair and equitable and maintain our commitment to pass on the UK Government's guarantee on European Structural Fund finance in full meaning that all projects formally approved will be honoured should the UK leave the EU, recognising that negotiations are ongoing regarding the UK's continued participation in the 2014-20 EU budget round beyond exit day; and
- work to simplify the innovation landscape including making best use of university research knowledge and talent to increase the conversion of academic research and knowledge into business growth.

Accountant in Bankruptcy Priorities

In 2018-19 we will:

- deliver, with stakeholders, a range of options for individuals seeking debt relief and debt management, supervise insolvency in Scotland, and maintain the public register of insolvencies and the Debt Arrangement Scheme register;
- implement legislative changes to the Debt Arrangement Scheme and Protected Trust Deed regulations and commence a review of the wide-ranging reforms introduced through the Bankruptcy and Debt Advice (Scotland) Act 2014;
- take forward the reform and modernisation of diligence legislation; and
- improve functionality across our core IT systems to help drive forward the Scottish Government's digital agenda.

Parliamentary Business and Government Strategy

In 2018-19, we will:

- support economic development in cities and city regions through the Scottish Cities Alliance, city region deals and other appropriate mechanisms;
- support social research and analysis to improve policymaking at local and central government in Scotland, focusing particularly on topical and cross-cutting issues; and
- support the procurement of data and specific technical assistance to strengthen understanding of key developments in the economy and public finances.

Spending Plans

Table 9.01: Economy, Jobs and Fair Work Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Employability and Training	20.0	43.0	52.9
Enterprise and Energy	313.9	314.6	508.6
Accountant in Bankruptcy	1.2	1.2	3.6
Parliamentary Business and Government Strategy	33.9	60.8	124.7
European Regional Development Fund - 2014-20 Programmes	-	-	-
European Social Fund 2014-20 Programmes	-	-	-
Total Level 2	369.0	419.6	689.8
<i>of which:</i>			
Fiscal Resource	204.3	234.8	256.2
Non-cash	26.2	12.1	9.8
Capital	103.0	123.7	243.8
Financial Transactions	35.5	49.0	180.0
AME	-	-	-

Table 9.02: Economy, Jobs and Fair Work Spending Plans (Level 2) real terms

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Employability and Training	20.3	43.0	52.1
Enterprise and Energy	318.7	314.6	501.2
Accountant in Bankruptcy	1.2	1.2	3.5
Parliamentary Business and Government Strategy	34.4	60.8	122.9
European Regional Development Fund - 2014-20 Programmes	-	-	-
European Social Fund 2014-20 Programmes	-	-	-
Total Level 2	374.6	419.6	679.7
<i>of which:</i>			
Fiscal Resource	207.4	234.8	252.5
Non-cash	20.6	12.1	9.7
Capital	104.6	123.7	240.2
Financial Transactions	36.0	49.0	177.4
AME	-	-	-

Employability and Training

Table 9.03: Employability and Training Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Employability and Training	20.0	43.0	52.9
Total	20.0	43.0	52.9
<i>of which:</i>			
Fiscal Resource	20.0	43.0	51.9
Non-cash	-	-	-
Capital	-	-	1.0

What the Employability and Training budget does

The Employability and Training Budget directly supports the Scottish Government's approach to employability and fair work and supports the delivery of a fully devolved employment support service, Fair Start Scotland.

Enterprise and Energy

Table 9.04: Enterprise and Energy Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Enterprise	273.9	223.8	299.3
Energy	71.2	80.1	93.6
Innovation and Industries	8.8	10.7	115.7
Strategic Forum	(40.0)	-	-
Total	313.9	314.6	508.6
<i>of which:</i>			
Fiscal Resource	180.9	188.6	200.4
Non-cash	25.2	10.6	8.3
Capital	72.3	66.4	119.9
Financial Transactions	35.5	49.0	180.0

What the Enterprise and Energy budget does

The Enterprise budget funds Scottish Enterprise and other Enterprise related activity. The Energy Budget will seek to develop the balanced energy mix proposed in the Energy Strategy. The Innovation and Industries budget will invest in the development and application of research, innovation and technology, support entrepreneurial activity and includes the Building Scotland Fund.

Accountant in Bankruptcy

Table 9.05: Accountant in Bankruptcy Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Operational Costs	13.3	13.0	12.8
Capital	0.7	0.7	1.0
Less Retained Income	(12.8)	(12.5)	(10.2)
Total	1.2	1.2	3.6
<i>of which:</i>			
Fiscal Resource	(0.5)	(1.0)	1.1
Non-cash	1.0	1.5	1.5
Capital	0.7	0.7	1.0

What the Accountant in Bankruptcy budget does

Accountant in Bankruptcy (AiB) is responsible for administering and supervising the process of personal bankruptcy and recording corporate insolvencies in Scotland. Most of the costs of the Agency are met by fees from those using our services.

Parliamentary Business and Government Strategy

Table 9.06: Parliamentary Business and Government Strategy Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Cities Investment and Strategy	30.3	56.9	122.2
Office of the Chief Economic Adviser*	0.5	0.5	1.0
Office of the Chief Statistician**	1.6	1.9	-
Strategic Research and Analysis Fund	0.8	0.8	0.8
Citizen Advice Direct	0.6	0.6	0.6
Council of Economic Advisers	0.1	0.1	0.1
Total	33.9	60.8	124.7
<i>of which:</i>			
Fiscal Resource	3.9	4.2	2.8
Non-cash	-	-	-
Capital	30.0	56.6	121.9

* Includes a £0.5 million baseline transfer to reflect responsibility moving from the Directorate for Education Analytical Services within the Education and Skills portfolio to the Directorate for Chief Economist.

** Responsibility for the Office of the Chief Statistician has been transferred to Rural Economy and Connectivity portfolio.

What the Parliamentary Business and Government Strategy budget does

The Parliamentary Business and Government Strategy budget provides analytical support for Ministers and colleagues across the government. It ensures the government can develop data and make it easier for the people of Scotland to access the data they need.

It supports the Council of Economic Advisers, supports economic development in cities and city regions and pays for the provision of detailed information on Scotland's economy.

European Regional Development Fund – 2014-20 Programmes

Table 9.07: European Regional Development Fund Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Grants to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
Total	-	-	-
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	-	-	-

European Social Fund – 2014-20 Programmes

Table 9.08: European Social Fund Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Grants to Local Authorities	-	-	-
Central Government Spend	-	-	-
Grants to Local Authorities – EC Income	-	-	-
Central Government Spend – EC Income	-	-	-
Total	-	-	-
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	-	-	-

What the European Social Fund budget does

The European Regional Development Fund (ERDF) and European Social Fund (ESF) make significant resources available to Scotland over the EU's seven-year budget cycle. For the period 2014 to 2020 some €944 million has been allocated to Scotland. The Scottish Government will manage these funds and allocate them according to programmes agreed with the European Commission and in accordance with EU regulations.

In addition to managing ERDF, and ESF the Scottish Government plays a role in the implementation of trans-national and territorial co-operation funding programmes.

ERDF, ESF and the trans-national and territorial funds aim to support economic and social cohesion across the EU. They do this by providing financial support to projects which will encourage economic growth by improving business competitiveness, encouraging business innovation, improving skills, tackling poverty and promoting social inclusion, and facilitating the development of the green economy.

The Scottish Government, working through a network of lead partners, will allocate the funds to projects, schemes or programmes across Scotland. When funds have been allocated and spent the lead bodies will seek payment of the funds from Scottish Government. As the Scottish Government pays out to these bodies it will recover the funds from the European Commission. The funds do not impact the Scottish Government's overall budget and therefore are represented as zero in the budget tables.

During 2018-19 EU funds will continue to be allocated and spent from the 2014-20 programmes. In addition, the final closure report by the European Commission of the 2007-13 programmes is expected to be completed in 2018-19. Figures submitted anticipate a repayment of around €37 million (c.£31 million) to the European Commission.

The 2014-20 programmes are markedly different to previous programmes by focusing on strategic and thematic concentration of the funds prescribed by the European Commission. This concentration aims to encourage more rapid growth and ensure the funds contribute as fully as possible to the EU 2020 objective of smart, sustainable and inclusive growth. The Scottish Government's approach to concentration is to focus the funds on strategic interventions which means large-scale projects, schemes or programmes aiming for transformative change, delivered by public bodies and local authorities who can contribute match funding to the total project funding and comply with the requirements laid down by the European Regulations.

The Scottish Government has confirmed that the UK Government's guarantee on European Structural Funds awarded to operations before the UK leaves the European Union will be passed on in full, recognising the ongoing negotiations and the possibility that the UK will continue to participate in the full 2014-20 EU budget round beyond exit day. The Scottish Government has already committed over £395 million of funds to projects and has begun allocating a second phase of projects to be delivered over the remainder of the ESF and ERDF programme period.

CHAPTER 10

Communities, Social Security and Equalities

PORTFOLIO RESPONSIBILITIES

The portfolio's focus is on our overarching aims to create a fairer Scotland, support inclusive growth, and promote community empowerment and the participation of people in all aspects of Scottish life. Further to the Programme for Government, we continue to prioritise funding to support the continuation of our major expansion of affordable housing; to tackle fuel poverty and support our targets on climate change; to support the planning system; to regenerate, strengthen and empower our communities; to support the third sector and develop social enterprise; to promote equality; to continue our efforts to tackle poverty and inequality, eradicate homelessness and rough sleeping; to mitigate the worst impacts of the UK Government's welfare cuts; and to continue to develop policy and operational plans and the delivery of devolved benefits with our new social security powers.

The portfolio also incorporates the Scottish Government's funding for local authorities in Scotland, allowing them to deliver a full range of local services, from education and social care to transport and planning.

OUR PRIORITIES

Creating a Fairer Scotland

Building a fairer country is at the heart of this Government's ambitions. In October 2016, our Fairer Scotland Action Plan set out 50 concrete actions for tackling inequality and reducing poverty. These include a new Fairer Scotland Duty on public bodies, which comes into force in April 2018; ambitious statutory income targets to eradicate child poverty, which are now in place through the Child Poverty (Scotland) Bill, passed unanimously by the Scottish Parliament in November 2017; and two complementary programmes - one for the third sector and the other for communities activity - totalling £29 million in funding, including £12.5 million from the European Social Fund, which will look at innovative approaches to combating poverty and tackling inequality locally. A progress report¹ was published in November 2017, also setting out a range of new social justice priorities including a £50 million Tackling Child Poverty Fund over the course of the Child Poverty Delivery Plan; a new scheme to fund access to free sanitary products in schools, colleges and universities; and funding to local authorities to support their scoping work for pilots of a citizen's basic income.

1 <https://beta.gov.scot/publications/fairer-scotland-action-plan-first-annual-progress-report/>

We know that accessible, affordable, energy-efficient housing can contribute significantly to tackling poverty and addressing health inequalities, building confidence and capacity in communities.

We are ambitious for housing across all tenures through the More Homes Scotland approach, committing over £3 billion to deliver 50,000 affordable homes over the five years of this Parliament. In partnership with councils, housing associations and developers, government investment in housing will, on average, leverage economic activity of around £1.7 billion per year, supporting up to 14,000 full-time equivalent jobs.

House builders in Scotland will also have access to the new Building Scotland Fund (set out in the Economy, Jobs and Fair Work chapter) to boost their activities.

We will continue to help make Scotland's homes more affordable to heat by again making available over £100 million for our Home Energy Efficiency Programmes for Scotland (HEEPS), part of our commitment made last year to make half-a-billion pounds available over four years for Scotland's Energy Efficiency Programme (SEEP).

We want everyone to have an appropriate, sustainable, settled home. That is why the Programme for Government set out a national commitment to eradicate rough sleeping and transform the use of temporary accommodation. The Homelessness and Rough Sleeping Action Group, created in October 2017, has already identified the immediate actions needed to tackle rough sleeping this winter. In spring 2018 the Group will provide long-term recommendations for action to end rough sleeping and transform the use of temporary accommodation. From 2018-19 we will create an Ending Homelessness Together Fund of £50 million over five years to drive change and improvement in line with these recommendations and ensure progress towards ending homelessness.

We will sustain action to protect our society's poorest members from the most damaging effects of the UK Government's austerity policies through a range of mitigation measures. We will provide £50 million to continue to fully mitigate the 'bedroom tax' through Discretionary Housing Payments, and sustain funding for the Scottish Welfare Fund to help as many people as possible affected by emergencies, financial crises and the effects of the UK Government's welfare cuts. Since the Scottish Welfare Fund was set up in April 2013, £140 million worth of grants have been given to around 265,000 households in Scotland.

We will also continue to tackle the effects of the UK Government's austerity policies through other means such as our Fair Food Fund, which we are increasing from £1 million to £1.5 million. The Fund supports projects which promote dignity and develop sustainable solutions to food poverty. We will also continue to maximise the incomes of people through our benefit take-up work to ensure people receive all the financial support to which they are entitled.

The Social Security (Scotland) Bill was introduced on 20 June 2017. The Bill sets up a framework for a new, Scottish social security system, drawing on the responses received to our wide public consultation and engagement programme. It transposes 11 devolved social security benefits onto a Scottish legislative platform, allowing Scottish Ministers to shape a distinctly Scottish social security system based on dignity and respect.

In addition, we want Scotland to be an open, welcoming and inclusive country, and will continue to give priority to tackling inequality and to promoting equality by investing over £22 million in 2018-19. This resource will support human rights, work to prevent violence against women and girls and strengthen community engagement.

Empowering People and Communities

Building on the recommendations of the Christie Commission, regeneration activity seeks to devolve power to communities, empowering them and involving local residents because, most of all, regeneration is about people themselves.

In 2018-19 we will continue to invest in regeneration activity to stimulate inclusive growth and tackle inequality in disadvantaged communities. This investment supports local regeneration projects which respond to local circumstances, increase jobs and opportunities for business, and improves the wellbeing of communities.

As part of our approach to prevention, we want communities across Scotland to be able to participate in, and make decisions on, the priorities that matter most to them. In 2018-19 we will continue to invest in the Empowering Communities Fund, to ensure that communities are well equipped and supported to deliver long-term solutions that tackle poverty and inequality on their own terms.

We will continue to work with local government and communities on the commitment for councils to ensure at least 1 per cent of their budget will be subject to participatory budgeting supported by our Community Choices Fund. This means that thousands of people will have a direct say in how millions of pounds are spent by their councils in their communities.

Local Government Funding and Priorities

Scotland's local authorities continue to be critical partners in the Scottish Government's transformative programme of public service reform. Our local authorities are integral and essential elements of the overall good governance of Scotland providing the essential and high quality services the people of Scotland expect and deserve. The overall funding package for 2018-19 builds on the priorities in the 2017 Programme for Government and continues to be focused on delivery of our joint priorities of sustainable economic growth together with protecting frontline services and the most vulnerable in our society.

In 2018-19 we will make available to local government a total funding package amounting to £10,384.1 million. This figure includes both general and specific revenue and capital grants as well as the 2018-19 distributable amount of non-domestic rate income. Local authorities collect and retain in full all of the non-domestic rate income collected within their area. To offer individual local authorities further protection, the Scottish Government guarantees each local authority their formula share of the combined general revenue grant and non-domestic rate income funding allocations. From April 2017 the Scottish Fiscal Commission has assumed responsibility for the independent forecasting of the non-domestic rate income used in the annual calculation of the distributable amount. Table 10.17 sets the Scottish Fiscal Commission forecasts

for 2018-22 and Table 10.18 provides the details behind the calculation of the 2018-19 distributable amount.

In addition to this core local government finance settlement, the Scottish Government provides local authorities with various other funding streams for individual key government priorities (see the full explanation in the following Information Box).

2018-19 Local Government Funding

The funding available to local government through the core settlement consists of the general revenue and capital grants, the Distributable Amount of Non Domestic Rates, and a number of ring-fenced Specific Grants, both revenue and capital. The Scottish Government guarantees each local authority's formula share of the combined general revenue grant plus the Distributable Amount of Non Domestic Rates. This central government funding is supplemented locally by council tax income collected by councils and the power to levy fees and charges for local services.

This Draft Budget sets out a total funding package for local government amounting to £10,384.1 million but this does not represent the total funding which will be provided by the Scottish Government to local government during the financial year 2018-19. This is because there are various other funding allocations linked to individual policy initiatives which are currently held within the relevant portfolios. These additional sums are summarised in Table 10.12 and the full details are provided Tables 10.13, 10.19 and 10.20.

Summary of Total 2018-19 Local Government Funding

	£m
Draft Budget Core Local Government Allocations (Table 10.13)	10,384.1
Revenue Funding (within other portfolios) (Table 10.19)	123.0
Total Core Local Government Settlement	10,507.1
Local Government Funding Outwith Core Settlement (Table 10.20)	361.0
Total Scottish Government Funding to Local Government	10,868.1

The additional funding streams set out in Table 10.19 are currently held within other portfolios within the Draft Budget and will be transferred during the course of 2018-19 to the local government settlement. These sums have been added to the Draft Budget local government finance settlement and are included in the local government finance circular which has issued today for consultation.

Over and above the money which will be included within the Local Government Finance (Scotland) Order 2018 there are a number of funding streams attached to particular portfolio policy initiatives and these are set out in Table 10.20.

The Scottish Government considers that support for the health of the people of Scotland as being about all the various services that help people to maintain their health and wellbeing, not just the frontline NHS services. Connected to this, £355 million will continue to be transferred from NHS Boards to our Integration Authorities to support Social Care. The overall settlement total of £10,384.1 million takes into account a range of financial pressures facing local authorities in 2018-19; these include an additional £66 million of funding for social care, including support for the implementation of the Carers (Scotland) Act 2016, extending the Living Wage to sleepovers and an increase in the Free Personal and Nursing Care payments. We will look to local authorities to continue to prioritise their financial support for social care.

The Scottish Government will allocate an additional £11 million of additional support for Early Learning and Childcare (ELC) resulting from the Children's Act 2014 together with a further £52.2 million of revenue and £150 million of capital to local authorities in 2018-19 to support the expansion in funded ELC entitlement to 1140 hours by 2020. This additional funding will enable further investment in the ELC workforce, increasing the size of the workforce and equipping existing staff with new skills and infrastructure development to expand capacity in ELC provision. This builds on the first phase of revenue and capital funding provided to local authorities in 2017-18.

We will also continue to take forward our ambitious programme of educational reform, drawing on the widest range of performance information ever gathered on Scottish education through the National Improvement Framework. We will continue to implement the key improvement activities highlighted in our National Improvement Plan, in particular the introduction of an Education Bill which will empower parents, teachers and children to make key decisions about school education. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme. We will work with Cosla to agree how delivery of this commitment is measured. The settlement also includes an additional £24 million to cover the additional full-year costs of the 2017 teachers' pay offer for 2018-19.

Furthermore, and closely linked to Scotland's Year of Young People 2018, each local authority area will continue to benefit from the Pupil Equity Funding with £120 million allocated in 2018-19 through the local government settlement. This forms part of the overall commitment from the Scottish Government to allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament, to tackle the attainment gap. Pupil Equity Funding is already beginning to transform schools by enabling headteachers to secure the additional staffing or resources they need to support pupils affected by poverty and boost attainment levels. This is additional to the existing £59 million Attainment Scotland funding, which is outwith the local government finance settlement, and will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

The individual local authority fair shares of this total funding package are now the subject of consultation with local government before being put to the Scottish Parliament for final approval early in the new year.

Scotland's 32 local authorities will be required to agree to the joint priorities agreed between the Scottish Government and local government and in return will receive the full funding package. These include:

- £355 million transfer from the NHS to Integration Authorities to ensure improved outcomes on health and social care;
- £66 million to support additional investment in social care in recognition of a range of pressures local authorities are facing;
- the additional £88 million to maintain the pupil teacher ratio nationally at 2016 levels and secure places for all probationers who require one under the teacher induction scheme;
- £24 million to fully cover the 2017 teachers' pay offer for 2018-19;
- £11 million (revenue) in respect of the initial expansion Early Learning and Childcare (ELC) as set out in the Children and Young People's Act 2014;
- £52.2 million (revenue) and £150 million (capital) to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1140 hours by 2020; and
- flexibility for local authorities to increase council tax levels by up to 3 per cent, worth an estimated £77 million.

Non Domestic Rates

The Scottish Government remains committed to competitive business rates, underlined by proposals in this Draft Budget. We will use CPI as the inflationary measure to uplift the annual business rates poundage this year and accordingly set a poundage rate of 48.0p for 2018-19.

We will continue to promote the Small Business Bonus Scheme, including writing to potentially eligible businesses who have not applied, so that the scheme lifts 100,000 properties out of rates altogether and continues to provide more generous support for SMEs than elsewhere in the UK.

A package of reliefs next year worth an estimated £720 million – a record high – will mean that over half of rateable properties pay nothing.

We responded quickly to the external review of business rates, led by Ken Barclay, and accepted the majority of the recommendations made on 12 September. This included going beyond Barclay on a number of measures including creation of a Growth Accelerator. From 1 April next year when an existing property is improved or expanded there will be a 12-month delay before rates increase as a result and new build property will pay no rates until occupied and thereafter new tenants will enjoy 12 months rates free. Fresh Start relief will also be expanded to provide a greater incentive to bring all types of empty property back into economic use.

A small number of Barclay recommendations required further engagement and that process has been concluded with all remaining Barclay recommendations now accepted, with the exception being the removal of charity relief entitlement for certain university properties.

We will continue transitional arrangements for Aberdeen City and Shire offices and all but the very largest hospitality properties.

Further details are set out in Local Government Finance Circular No. 5/2017. An implementation plan for rates reform is published today.

Council Tax

The Scottish Government's reforms to Council Tax, that build on the recommendations of the Commission on Local Tax Reform, came into effect from April 2017. These reforms protect household incomes, make local taxation fairer and ensure local authorities continue to be properly funded while becoming more accountable.

A relief scheme is in place to protect below median income households living in the highest value properties from the impact of our reforms. More widely, to support all households on low incomes, we have invested over £1 billion in the Council Tax Reduction Scheme since 2013-14, assisting almost half-a-million households each year to meet their Council Tax. Our package of Council Tax reforms introduced this year increased the child allowance in the Council Tax Reduction Scheme by 25 per cent, benefiting up to 77,000 households. We have chosen not to introduce the two child cap (which now applies to many UK Benefits) to the Council Tax Reduction Scheme and from April 2018, all care experienced young people will be exempt from Council Tax.

Future increases in Council Tax will be capped at 3 per cent. This local discretion will preserve the financial accountability of local government, whilst potentially generating around £77 million in 2018-19.

We remain committed to making local taxation more progressive whilst improving the financial accountability of local government and are open to further dialogue on options for reform.

Housing Priorities

In 2018-19 we will:

- increase investment to £756 million and work with partners to develop plans to increase the delivery of more affordable homes, the majority of which will be for social rent;
- continue to support home ownership through our Help to Buy and Open Market Shared Equity schemes units;
- continue funding for the Rural and Islands Housing Funds;
- make the first £10 million of the £50 million Ending Homelessness Together fund available to drive change and improvement towards ending homelessness;

- help tackle infrastructure blockages through a flexible grant and loan fund, and a new Rental Income Guarantee Scheme to support Build to Rent; and
- continue to tackle fuel poverty and improve the energy efficiency of Scotland's homes through our Home Energy Efficiency Programmes for Scotland (HEEPS).

Social Security Priorities

In 2018-19 we will:

- provide £50 million of funding to allow local authorities to fully mitigate the effects of the UK Government's bedroom tax with additional funding for DHPs for those affected by other UK Government welfare reforms including LHA rates and benefit cap;
- sustain funding to the Scottish Welfare Fund to support people in crisis; and
- take forward development of a Scottish social security system, following the passage of the Social Security (Scotland) Bill.

Social Justice and Regeneration Priorities

In 2018-19 we will:

- introduce a Tackling Child Poverty Fund worth £50 million over the period of the Child Poverty Delivery Plan and a new Financial Health Check Guarantee for families with children;
- enhance advice services to help people maximise their resources;
- match fund up to £1 million raised by the STV's Children's Appeal;
- fund access to free sanitary products for students in schools, colleges and universities, and consider action to support those on low incomes;
- continue to invest capital regeneration funds to deliver inclusive growth and create opportunities in disadvantaged communities;
- continue to provide £20 million through the Empowering Communities Fund to tackle poverty and inequality;
- stimulate activity under the Town Centre Action Plan and Business Improvement Districts in Scotland to support local economies; and
- continue to deliver the Fair Food Fund to develop sustainable and dignified approaches to tackling food poverty, increasing it from £1 million to £1.5 million.

Scottish Housing Regulator Priorities

In 2018-19 the Scottish Housing Regulator will:

- regulate the housing services that social landlords deliver for tenants, homeless people and other service users; and
- regulate the standards of financial health and governance of Registered Social Landlords.

Equalities Priorities

In 2018-19 we will:

- take forward work to tackle gender inequality;
- continue implementation of Equally Safe, the Disability Delivery Plan, the BSL National Plan and the Race Equality Framework; and
- support engagement with communities to advance equality in Scotland.

Third Sector Priorities

In 2018-19 we will:

- maximise the impact of the sector in reducing inequality, working with communities to tackle tough social issues at source; and giving pace and innovation to public service reform;
- provide support and investment to the social enterprise sector, credit union movement and wider enterprising third sector;
- support work to tackle poverty and inequality through the new European Social Fund programmes; and
- work to provide the third sector with greater stability of funding and the opportunity for longer-term planning and development.

Office of the Scottish Charity Regulator Priorities

In 2018-19, the Office of the Scottish Charity Regulator will:

- ensure public confidence in charities through effective regulation and sharing of information;
- support charity trustees to understand and comply with their legal duties;
- facilitate effective management via straightforward and proportionate reporting (increasing online services where appropriate); and
- investigate apparent misconduct in charities, taking remedial or protective action as appropriate.

Governance and Reform Priorities

In 2018-19 we will:

- undertake a comprehensive review of local governance with local government and the community sector, ahead of introducing a Local Democracy Bill later in this Parliament; and
- continue our work to raise awareness and promote the new rights for community groups that are part of the Community Empowerment (Scotland) Act 2015.

Planning Priorities

In 2018-19 we will:

- progress a Planning Bill and wider reforms to ensure planning is a positive enabler of development that is more effectively resourced and better coordinated with infrastructure investment, inclusive growth, community empowerment, and sustainable placemaking;
- develop a new approach to simplified planning zones and compulsory purchase orders to support the regeneration of our places and help to diversify how we can deliver new homes;
- deliver a programme of planning and other appeals work, examination of local and strategic development plans and compulsory purchase orders, transport, energy and other infrastructure projects;
- build on the success of the integrated Digital services and make greater use of IT and innovation to improve future services; and
- support the creation and renewal of energy efficient, sustainable buildings with high standards of safety through building regulations.

SPENDING PLANS

Table 10.01: Communities, Social Security and Equalities Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Housing	707.2	739.0	891.6
Social Security	74.3	95.9	100.2
Social Justice and Regeneration	56.5	59.2	76.1
Scottish Housing Regulator	3.7	4.0	4.7
Equalities	20.3	20.3	22.7
Third Sector	24.5	24.5	24.5
Office of the Scottish Charity Regulator	3.0	3.0	3.0
Governance and Reform	1.7	1.2	1.2
Planning	4.1	4.1	7.6
Local Government	10,152.3	10,291.0	10,384.1
Total Level 2	11,047.6	11,242.2	11,515.7
<i>of which:</i>			
Fiscal Resource	6,959.6	7,061.0	7,146.0
Non-cash	-	0.3	0.3
Capital	1,064.0	1,255.6	1,477.1
Financial Transactions	255.5	259.5	256.3
AME	2,768.5	2,665.8	2,636.0

Table 10.02: Communities, Social Security and Equalities Spending Plans (Level 2 real terms) at 2017-18 prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Housing	718.0	739.0	878.6
Social Security	75.4	95.9	98.7
Social Justice and Regeneration	57.4	59.2	75.0
Scottish Housing Regulator	3.8	4.0	4.6
Equalities	20.6	20.3	22.4
Third Sector	24.9	24.5	24.1
Office of the Scottish Charity Regulator	3.0	3.0	3.0
Governance and Reform	1.7	1.2	1.2
Planning	4.2	4.1	7.5
Local Government	10,306.9	10,291.0	10,232.6
Total Level 2	11,215.8	11,242.2	11,347.8
<i>of which:</i>			
Fiscal Resource	7,065.6	7,061.0	7,041.8
Non-cash	-	0.3	0.3
Capital	1,080.2	1,255.6	1,455.6
Financial Transactions	259.4	259.5	252.6
AME	2,810.7	2,665.8	2,597.6

Table 10.03: Housing Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
More Homes	583.1	583.6	722.5
Fuel Poverty/Energy Efficiency	103.3	114.1	114.3
Housing Support	17.7	38.0	51.2
Communities Analysis	3.1	3.3	3.6
Total Level 2	707.2	739.0	891.6
<i>of which:</i>			
Fiscal Resource	26.2	45.5	65.7
Non-cash	-	-	-
Capital	430.5	439.0	574.6
Financial Transactions	250.5	254.5	251.3

What the Housing budget does

The capital budget, along with the TMDF budget in the Local Government settlement, will enable us to deliver more quality affordable warm homes.

Our Home Energy Efficiency Programmes for Scotland (HEEPS) include grants to local authorities to deliver Area-Based Schemes and support to eligible households through the Warmer Homes Scotland scheme.

The budget funds a range of other housing and regeneration activities, including funding for adaptations for older and disabled Registered Social Landlord (RSL) tenants and projects which promote best practice in dealing with homelessness and other housing issues. This budget also supports the research and analytical programme which underpins our work on housing, regeneration, social security and social justice.

Table 10.04: Social Security Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Welfare Fund	38.4	38.0	33.0
Scottish Welfare Fund - admin ¹	-	-	5.0
Discretionary Housing Payments - 'Bedroom Tax Mitigation'	35.0	47.0	50.1
Discretionary Housing Payments - other	-	10.9	10.9
Discretionary Housing Payments - admin	-	-	1.2
Social Security Programme Costs	0.9	-	-
Total Level 2	74.3	95.9	100.2
<i>of which:</i>			
Fiscal Resource	74.3	95.9	100.2
Non-cash	-	-	-
Capital	-	-	-

1. In previous years, the administration costs of the Scottish Welfare Fund have been included in the total SWF budget line. To improve transparency, these administration costs will now be shown in a separate line. The total level of funding for the Scottish Welfare Fund remains unchanged.

What the Social Security budget does

This provides funding to tackle poverty and mitigate the impact of UK Government welfare cuts. Funding for the Scottish Welfare Fund (including administration) remains at £38 million in 2018-19, following the implementation of new review mechanisms by the Scottish Public Services Ombudsman. Further spend on the developing social security programme will be supported by the Scotland Act 2016 non-tax implementation budget in the Finance and Constitution portfolio.

Table 10.05: Social Justice and Regeneration Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Fairer Scotland	8.0	6.9	27.8
Regeneration	48.5	52.3	48.3
Total Level 2	56.5	59.2	76.1
<i>of which:</i>			
Fiscal Resource	25.1	24.2	46.1
Non-cash	-	-	-
Capital	26.4	30.0	25.0
Financial Transactions	5.0	5.0	5.0

What the Social Justice and Regeneration budget does

The budget allows us to deliver a range of actions to reduce poverty and tackle inequality.

The budget also enables us to continue to support regeneration initiatives which respond to local circumstances, involve local people in identifying the issues and co-create solutions, address market failure, and increase opportunities to attract investment and support job creation in disadvantaged areas.

Table 10.06: Scottish Housing Regulator Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Scottish Housing Regulator	3.7	4.0	4.7
Total Level 2	3.7	4.0	4.7
<i>of which:</i>			
Fiscal Resource	3.7	3.8	3.9
Non-cash	-	0.2	0.2
Capital	-	-	0.6

What the Scottish Housing Regulator budget does

The Scottish Housing Regulator (SHR), the independent regulator of social landlords (i.e. local authority landlords and Registered Social Landlords), has the statutory objective of safeguarding and promoting the interests of:

- nearly 610,000 tenants of social landlords;
- around 40,000 people and their families who may be homeless and seek help from local authorities;

- around 90,000 home owners who receive services from social landlords; and
- over 500 Gypsy/Traveller families who live on sites provided by social landlords.

Table 10.07: Equalities Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Equalities	20.3	20.3	22.7
Total Level 2	20.3	20.3	22.7
<i>of which:</i>			
Fiscal Resource	20.3	20.3	22.7
Non-cash	-	-	-
Capital	-	-	-

What the Equalities budget does

Our spending on equality and human rights activities supports the drive for social justice, economic and inclusive growth, and community empowerment. The Equality budget provides resource for frontline services to tackle violence against women and girls, helps with work to address social isolation and loneliness and to strengthen community cohesion, and supports activity to address discrimination and inequality across the protected characteristics. It also builds on work in areas where Scotland is already considered to have a progressive approach, for example, around growing women's representation, and increasing inclusion of LGBTI communities.

Table 10.08: Third Sector Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Third Sector	24.5	24.5	24.5
Total Level 2	24.5	24.5	24.5
<i>of which:</i>			
Fiscal Resource	24.5	24.5	24.5
Non-cash	-	-	-
Capital	-	-	-

What the Third Sector budget does

This budget supports the third sector in their work with individuals and communities, including the delivery of volunteering, the development of our approach to social enterprise, and support for the national and local third sector infrastructure (including the third sector interfaces). The third sector will also have access to resources through other programmes in the wider Draft Budget.

Table 10.09: Office of the Scottish Charity Regulator Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Office of the Scottish Charity Regulator	3.0	3.0	3.0
Total Level 2	3.0	3.0	3.0
<i>of which:</i>			
Fiscal Resource	3.0	2.9	2.9
Non-cash	-	0.1	0.1
Capital	-	-	-

What the Office of the Scottish Charity Regulator budget does

The Office of the Scottish Charity Regulator (OSCR) is responsible for the registration and regulation of more than 24,000 charities in Scotland. It has a statutory function to determine the charitable status of bodies, to keep the public register of charities, and to monitor and investigate apparent misconduct.

Table 10.10: Governance and Reform Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Local Governance	0.6	0.5	0.5
Public Services Reform and Community Empowerment	0.9	0.7	0.7
Local Governance Boundary Commission	0.2	-	-
Total Level 2	1.7	1.2	1.2
<i>of which:</i>			
Fiscal Resource	1.6	1.2	1.2
Non-cash	-	-	-
Capital	0.1	-	-

What the Governance and Reform budget does

This budget supports public service reform including partnership working with local government around the empowerment of people and the importance of place.

This budget also includes provision for activities in relation to local government such as operation of the Council Tax Reduction scheme and a range of analytical and statistical work.

Table 10.11: Planning Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Planning	1.8	1.8	5.2
Building Standards	0.2	0.3	0.3
Architecture and Place	1.4	1.3	1.4
Planning and Environmental Appeals	0.7	0.7	0.7
Total Level 2	4.1	4.1	7.6
<i>of which:</i>			
Fiscal Resource	4.0	4.0	7.1
Non-cash	-	-	-
Capital	0.1	0.1	0.5

What the Planning budget does

The budget supports the operation of the planning system, including running costs, and the wider programme of reform enabling housing and infrastructure delivery. It also delivers improvements to the quality and safety of the built environment, including research and advice on developments in technology, building design and architecture.

Table 10.12: Summary of Total 2018-19 Government Funding

	£m
Draft Budget Core Local Government Allocations (Table 10.13)	10,384.1
Revenue Funding (within other portfolios) (Table 10.19)	123.0
Total Core Local Government Settlement	10,507.1
Local Government funding outwith core settlement (Table 10.20)	361.0
Total Scottish Government Funding to Local Government	10,868.1

Table 10.13: Local Government Spending Plans (Level 3)

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Level 3			
General Revenue Grant ¹	6,685.9	6,627.8	6,608.5
Non Domestic Rates ¹	2,768.5	2,665.8	2,636.0
General Capital Grant ²	480.6	653.1	598.4
Specific Resource Grants ³	91.0	210.9	263.2
Specific Capital Grants ³	126.3	133.4	278.0
Total Level 2	10,152.3	10,291.0	10,384.1
<i>of which:</i>			
Fiscal Resource	6,776.9	6,838.7	6,871.7
Capital	606.9	786.5	876.4
Non-cash	-	-	-
AME	2,768.5	2,665.8	2,636.0
Other Sources of Support			
Council Tax Reform Income	-	111.0	111.0
Health and Social Care Integration	250.0	357.0	355.0

1. The Scottish Government guarantees the combined General Revenue Grant plus the distributable Non Domestic Rates (NDR) Income figures.

2. £150 million of capital funding reprofiled from 2016-17 will be added back to the local government allocation in full in 2019-20.

3. Held within other portfolio chapters. Includes both resource and capital specific grants.

Table 10.14: Specific Grant Funding and other Local Government Funding 2018-19

Level 3	2017-18 Budget £m	2018-19 Draft Budget £m
Justice		
Resource Specific		
Criminal Justice Social Work	86.5	86.5
Communities, Social Security and Equalities		
Resource Specific		
Capital Specific		
Vacant and Derelict Land	9.8	9.4
Transfer of Management of Development Funding (TMDF)	96.1	92.2
Rural Economy and Connectivity		
Capital Specific		
Regional Transport Partnership	20.1	19.0
Cycling, Walking and Safer Routes	7.4	7.4
Education and Skills		
Resource Specific		
Pupil Equity Fund	120.0	120.0
Early Learning and Childcare Expansion		52.2
Gaelic	4.5	4.5
Capital Specific		
Early Learning and Childcare Expansion		150.0
Total Specific Revenue Grants	211.0	263.2
Total Specific Capital Grants	133.4	278.0

What the Local Government budget does

For information purposes only, Scotland's local authorities have budgeted to spend the total resources available to them from the Scottish Government's funding and income raised locally through the Council Tax and locally set fees and charges on services as set out in Table 10.12.

Table 10.15: Local Government Revenue Expenditure Plans 2017-18

2017-18 Budget Estimate – Net Revenue Expenditure	2017-18 £m
Education	4,969.8
Social Work	3,173.7
Roads and Transport	405.5
Environmental Services	673.7
Planning and Development Services	237.4
Culture and Related Services	548.3
Other Services*	719.2
Non-Service Expenditure	1,174.5
Total Budgeted 2017-18 Net Revenue Expenditure	11,902.1

*A full breakdown of these budgeted amounts including individual local authority figures is available via the following link: <http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/POBEStats/POBE2017Workbook>

In addition, Scotland's local authorities are planning a capital expenditure programme for 2017-18 as set out in Table 10.16. The capital resources available to them to fund this programme come from grants from the Scottish Government and its agencies; self-financed borrowing, capital receipts from the sale of assets and other sources.

Table 10.16: Local Government Capital Expenditure Plans 2017-18

2017-18 Budget Estimate – Gross Capital Expenditure	2017-18 £m
Non Housing Revenue Account Housing	89.6
Roads and Transport	554.4
Education	705.0
Social Work	76.9
Environmental Services	144.4
Culture and Related Services	194.8
Planning and Economic Development	374.2
Trading Services	15.1
Other Services	265.7
Total Estimated 2017-18 General Fund Capital Expenditure	2,420.1

A full breakdown of these budgeted amounts is available via the following link: Source: <http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/Publications/CPOBE/CPOBE2017>

These capital expenditure figures present the total budget allocated to projects in 2017-18. The final outturn figures are likely to be lower due to project slippage and expenditure being delayed into 2018-19.

Table 10.17: Scottish Fiscal Commission (SFC) Non Domestic Rate Income Forecast

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Contributable Amount	2,810	2,812	2,867	2,939	3,117
Distributable Amount	2,666	2,636	2,867	2,939	3,117
Prior Year Adjustments	(23)	(34)			
Yearly Balance	155	142			
Cumulative Balance	(142)	-			

The Non Domestic Rate Income Forecast for 2017-18 was prepared by the Scottish Government. The Scottish Fiscal Commission has provided the 2018-22 estimates.

Table 10.18: Calculation of the 2018-19 Non Domestic Rate Distributable Amount (DA)

	£m
2016-17 Non Domestic Rate Account Closing Balance	(296.6)
2016-17 Prior Year adjustments	(22.7)
2017-18 Prior Year adjustments	143.2
Forecast NDRI	2,812.0
Estimated movement on the Account 2018-19	2,636.0
2018-19 Distributable Amount	2,636.0
Estimated Balance at 31 March 2019	-

Table 10.19: Total Local Government Finance Settlement

	£m
Total Draft Budget Local Government Settlement	10,384.1
Additional Revenue	
Discretionary Housing Payments	52.1
Scottish Welfare Fund	37.9
Temporary Accommodation	23.5
Self-Directed Support	3.5
Customer First	1.9
Community Justice Transitional Funding	1.6
Tobacco Related Issues	1.3
Former Housing Support Grant	1.0
Blue Badge Scheme	0.7
Sensory Impairment	0.3
Building Standards Fees	-1.1
British Sign Language	0.3
Total Additional Revenue	123.0
Total Local Government Finance Circular	10,507.1

Table 10.20: Funding Outwith the Local Government Finance Settlement

	£m
Total Local Government Finance Circular	10,507.1
Revenue	
Attainment Scotland Fund	59.0
Education Maintenance Allowance	25.0
Schools for the Future Programme	52.9
Clyde Gateway Urban Regeneration Company	0.5
Supporting Post 16 Transitions Towards Employment	4.3
Travel Strategy and Innovation	4.1
Private Water Supply Grants	1.7
Support for Bus Services	1.1
Community Empowerment Participatory Budgeting	0.8
Crown Office	0.4
Citizen's Income Pilots	0.1
Total Revenue	149.9
Capital	
City Deals	121.9
Clyde Gateway Urban Regeneration Company	5.0
Support for Sustainable and Active Travel	7.0
Future Transport Fund	6.0
Home Energy Efficiency Programmes for Scotland (HEEPS)	47.0
Regeneration Capital Grant Fund	20.0
European Maritime and Fisheries Fund	4.2
Total Capital	211.2
Total Funding Outwith Local Government Finance Settlement	361.0
Overall Scottish Government Funding for Local Government	10,868.1

CHAPTER 11

Environment, Climate Change and Land Reform

PORTFOLIO RESPONSIBILITIES

Environment, Climate Change and Land Reform is charged with protecting and enhancing our natural environment and resources and also leading on action to reduce greenhouse gas emissions across all of Scotland. The overarching aim is to protect and value Scotland's environment and to build a strong and sustainable low carbon economy through:

- investing in the quality and sustainable use of Scotland's environment and natural resources;
- tackling climate change, including introducing a new Climate Change Bill to increase our ambitions in line with the Paris Accord, providing certainty and impetus to markets to shift towards low-carbon technologies and practices;
- empowering communities and improving the way that land is owned, used and managed;
- supporting clean, healthy, safe, productive and biologically diverse seas and freshwaters; and
- investing in the research base.

OUR PRIORITIES

Scotland has one of the world's richest natural environments. The land, air, freshwater and seas around Scotland are national assets that must be protected and cherished.

We recognise that long term prosperity depends upon using our environment and its resources sustainably. We will protect these resources and through our climate change and circular economy programmes help Scotland move towards a more resource efficient and low carbon economy. Tackling Climate change and creating a cleaner, greener Scotland matters to the health and wellbeing of all of us and delivery is embedded across all portfolios.

Developing and managing these resources well, and ensuring a just transition to a low carbon society, is also vital to supporting a vibrant and strong economy, particularly in rural areas. Currently Scotland's natural environment is worth more than £20 billion per annum and it supports more than 60,000 jobs but we can go further in ensuring

that the whole Scottish economy values and uses these resources efficiently. Unlocking new opportunities will help provide jobs and sustain services for communities across Scotland, including marine-related and wider rural business, to help deliver sustainable inclusive growth across Scotland.

Research Analysis and Other Services priorities

In 2018-19 we will:

- support the third year of the 2016-2021 strategic research programme to deliver the Rural and Environmental, Science and Analytical Services research strategy;
- continue to seek efficiencies, impact and leverage from the research we fund; and
- continue to support the work of the Royal Botanic Garden, Edinburgh.

Marine priorities

In 2018-19 we will:

- continue to safeguard and monitor marine and fisheries activity in Scotland's seas, coasts, rivers and ports to ensure that national and international regulations are enforced to protect the health of fish stocks and the marine and freshwater environment;
- ensure that the development and use of the marine environment is undertaken sustainably and aligns to the delivery of the strategic objectives and general policies of the 'National Marine Plan' (NMP);
- ensure a smooth devolution of the management and revenue of the Crown Estate and progressing longer-term reform;
- pilot modernised structures, in advance of planned future legislation, to enable better national and local management of wild freshwater fisheries, which will help establish the foundations for a more secure and sustainable sector;
- protect rare, threatened, declining or nationally representative species vital to the marine ecosystem through the review of priority marine features and complete the designation of 30 Marine Protected Areas;
- move forward on marine litter issue including delivering an international conference on marine litter and healthy seas; and
- support the sustainable economic growth of marine renewables, aquaculture and Scotland's capture sea fisheries.

Environmental Services priorities

In 2018-19 we will:

- consult and work towards delivering a deposit return system to improve the recycling of plastic bottles and other drinks containers;
- take steps to develop a more resource efficient low-waste economy and deliver the 'Making Things Last' strategy;
- work with partners to reduce flood risk across Scotland and provide flood warning services;
- further increase our level of investment to deliver River Basin Management Plans, delivering improvements to the water environment and contributing to local economies and communities;
- deliver air quality improvements and support the delivery of Scotland's first Low Emission Zone in 2018;
- encourage and promote the environment as a driver of health and wellbeing and sustainable economic growth through the work of Scotland's National Parks and the Central Scotland Green Network;
- continue to implement the Land Reform (Scotland) Act 2016 and the Community Empowerment (Scotland) Act 2015, including promoting the Scottish Land Rights and Responsibilities Statement, finalising and laying draft regulations on a Register of Controlling Interests, and supporting community right to buy through the Scottish Land Fund;
- continue to deliver our commitments on wildlife and wildlife crime, including funding for increased police resources and an independent group to examine how we can ensure that grouse moor management is sustainable and compliant with the law; and
- Help our businesses develop new, sustainable, business models with support from our Circular Economy Investment Fund.

Climate Change priorities

In 2018-19 we will:

- introduce a new Climate Change Bill to set even more ambitious targets to reduce greenhouse gas emissions and ensure that we meet our obligations under the Paris Accord;
- support the delivery and achievement of the Scottish climate change targets through the implementation and monitoring of the Climate Change Plan;
- establish a Just Transition Commission to advise on adjusting to a more resource-efficient and sustainable economic model in a fair way;

- continue our international engagement on climate change at all levels, including our climate justice programmes;
- publish the fourth annual progress report on the first Scottish Climate Change Adaptation Programme and prepare the second Scottish Climate Change Adaptation Programme (due 2019);
- support and empower organisations and communities across Scotland in adapting to and delivering local solutions to climate change;
- maintain the work of the Sustainable Action Fund, which includes supporting community-led action and work to influence low carbon behaviours across Scotland; and
- continue to offer funding for Community and Renewable Energy Scheme loans and grants for rural businesses (including farmers and land managers) to help meet costs associated with the pre-planning stage of renewable energy projects and support our wider aims on local energy systems.

Scottish Water priorities

In 2018-19 we will:

- complete the £100 million Shieldhall Tunnel project, bringing environmental improvement to the River Clyde and reducing sewer flooding risk in South Glasgow;
- deliver the Ayrshire resilience scheme at over £120 million bringing a more secure, higher quality drinking water supply and supporting economic growth in the region; and
- continue to generate more renewable energy from the Scottish Water estate reducing our costs and boosting Scotland's low carbon economy as part of the Scotland the Hydro Nation programme.

SPENDING PLANS

Table 11.01: Environment, Climate Change and Land Reform Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Research Analysis and Other Services	67.0	64.3	65.0
Marine	45.8	52.3	52.0
Environmental Services	144.4	146.1	152.6
Climate Change	19.8	19.8	21.8
Scottish Water	(94.5)	24.5	113.5
Total Level 2	182.5	307.0	404.9
<i>of which:</i>			
Fiscal Resource	149.0	150.9	153.4
Non-cash	13.3	13.3	11.6
Capital	20.2	142.8	239.9
Financial Transactions	-	-	-
AME	-	-	-

Table 11.02: Environment, Climate Change and Land Reform Spending Plans (Level 2 Real Terms) at 2017-18 prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Research Analysis and Other Services	68.0	64.3	64.1
Marine	46.5	52.3	51.2
Environmental Services	146.6	146.1	150.4
Climate Change	20.1	19.8	21.5
Scottish Water	(95.9)	24.5	111.8
Total Level 2	185.3	307.0	399.0
<i>of which:</i>			
Fiscal Resource	151.3	150.9	151.2
Non-cash	13.5	13.3	11.4
Capital	20.5	142.8	236.4
Financial Transactions	-	-	-
AME	-	-	-

Table 11.03 Research Analysis and Other Services Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Contract Research Fund	4.5	3.5	3.0
Economic and Other Surveys	1.4	1.4	1.4
Programmes of Research	49.8	48.1	47.7
Royal Botanic Garden, Edinburgh	11.3	11.3	12.9
Total	67.0	64.3	65.0
<i>of which:</i>			
Fiscal Resource	55.9	53.2	51.4
Non-cash	2.2	2.2	2.1
Capital	8.9	8.9	11.5

What the Research Analysis and Other Services budget does

The Research Analysis and Other Services budget funds a portfolio of strategic research, knowledge exchange and expert advice in support of Scottish Government policies on a wide range of rural and agricultural topics, including the natural environment, crop and livestock sciences, animal welfare, and the rural economy.

This research also provides critical insights into complex global challenges such as food security and climate change that help inform policy development. Funding from this budget helps maintain science innovation and excellence and also supports critical infrastructure and research assets, including collections of national and international importance.

Table 11.04 Marine Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Marine Scotland	45.8	52.3	52.0
Total	45.8	52.3	52.0
<i>of which:</i>			
Fiscal Resource	39.5	46.0	45.0
Non-cash	5.5	5.5	4.8
Capital	0.8	0.8	2.2

What the Marine budget does

The Marine budget supports the sustainable use of Scotland's marine and freshwater environment. Marine Scotland is the primary body responsible for managing the sea and the activities which impact on it, and in it, with a responsibility for marine planning and licensing of activities in the marine environment – crucially marine renewables, sea fisheries, aquaculture, recreational fisheries and the scientific and evidence base required to support these sectors.

Table 11.05: Environmental Services Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
National Parks	12.4	12.4	12.8
Drinking Water Quality Regulator	0.6	0.3	0.3
Natural Assets and Flooding	9.1	11.1	14.5
Natural Resources	4.2	4.0	4.1
Private Water	2.2	2.1	1.7
Land Reform	10.4	13.4	17.1
Scottish Environmental Protection Agency	36.6	35.9	35.4
Scottish Natural Heritage	48.4	46.4	46.2
Zero Waste	20.5	20.5	20.5
Total	144.4	146.1	152.6
<i>of which:</i>			
Fiscal Resource	128.3	127.4	131.7
Non-cash	5.6	5.6	4.7
Capital	10.5	13.1	16.2

What the Environmental Services budget does

Provides funding for partners such as Zero Waste Scotland to help support the transition towards a more resource efficient economy and provision for projects such as landfill gas capture.

The budget supports actions that reduce flood risk and help deliver improvement in local environmental air quality.

Supports Scottish Natural Heritage to provide advice on Scotland's natural environment and wildlife, to deliver Scotland's biodiversity targets and help meet our European and international obligations, and to work closely with planning authorities and developers to ensure that new developments take proportionate account of our valuable natural heritage.

Continues funding the Scottish Environment Protection Agency to deliver better environmental regulation and to protect Scotland's environment.

Invests in our National Park Authorities to support the delivery of the National Park Partnership Plans, and to enhance visitor experience through improved infrastructure, generate sustainable economic growth, enhance biodiversity, support thriving communities and provide leadership in balancing development and conservation in some of our most iconic landscapes.

Supports the delivery of our commitments on land reform, including implementation of the Land Reform (Scotland) Act 2016 and the Community Empowerment (Scotland) Act 2015.

Supports our commitments on wildlife and wildlife crime, and funds the Central Scotland Green Network Trust and our work on Special Protection Area restoration at an opencast coal mine in East Ayrshire.

Table 11.06: Climate Change Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Climate Change Policy	1.1	1.1	1.1
Land Managers Renewables Fund	3.0	2.0	2.0
Sustainable Action Fund	15.7	16.7	18.7
Total	19.8	19.8	21.8
<i>of which:</i>			
Fiscal Resource	19.8	19.8	21.8
Non-cash	-	-	-
Capital	-	-	-

What the Climate Change budget does

The Climate Change budget supports the portfolio's priorities of tackling climate change and adaptation to climate change. Significant budgets in other portfolios support the delivery of cross government policies designed to reduce greenhouse gas emissions across the whole economy. The Sustainable Action Fund supports people in communities, both at home and in some of our African partner countries, to take action on climate change. In addition, the budget provides resources for the Land Managers' Renewables Fund.

Table 11.07: Scottish Water Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Interest on Voted Loans	(100.5)	(100.5)	(100.5)
Voted Loans	-	120.0	210.0
Hydro Nation	4.0	4.0	4.0
Exemption Scheme	2.0	1.0	-
Total	(94.5)	24.5	113.5
<i>of which:</i>			
Fiscal Resource	(94.5)	(95.5)	(96.5)
Non-cash	-	-	-
Capital	-	120.0	210.0

What the Scottish Water budget does

Scottish Water will invest up to £3.6 billion over the remainder of the current 2015-2021 regulatory period, funding projects in every part of the country – providing water and sewerage services for new housing and businesses as well as improving the environment, drinking water and customer service standards. In particular this period will see major investment in Glasgow to modernise the sewerage network and address long-standing surface water management issues. We will continue to make lending available to support this investment programme. Further, the budget will help grow Scotland’s water economy through Scottish Water International and the Hydro Nation Programme and through working with SDI to support international trade with the global water sector.

CHAPTER 12

Rural Economy and Connectivity

PORTFOLIO RESPONSIBILITIES

Rural Economy and Connectivity is a diverse portfolio, responsible for rural Scotland and wider connectivity (physical and digital) through working with the public, private and third sectors and with local communities. It includes the Scottish Government responsibility for farming and food production, the rural economy, food and drink, fisheries, aquaculture, forestry, digital connectivity, islands and the national transport network.

OUR PRIORITIES

Our overarching priority is to ensure that the future of opportunity at the heart of our economic strategy applies equally to Scotland's rural, island and coastal communities and that all of Scotland has the traditional future and digital infrastructure needed to deliver real economic benefits and improved connectivity. We will do this by:

- delivering a reformed Common Agricultural Policy;
- enabling everybody in Scotland to access superfast broadband by 2021 – the only country in the UK to make this commitment;
- enabling and encouraging sustainable development, enterprise and investment in the rural economy;
- building on current success in our world-class food, drink and forestry sectors;
- repopulation and empowering rural, coastal and island communities;
- investing in low carbon transport and promoting active travel to deliver our climate change ambitions and to tackle poor air quality in towns and cities;
- providing vital transport links to improve physical connectivity, economic productivity, the environment, public health and social inclusion; and
- delivering our better journey times and transport connections, with reduced emissions and greater quality, accessibility and affordability.

Farming, Rural Development, Food and Drink Priorities

We will support our farmers and crofters to produce high quality food; sustainably and efficiently.

In 2018-19 we will:

- provide financial security and certainty to Scotland's farmers and crofters by delivering the Common Agricultural Policy (CAP) efficiently and effectively;
- implement our Plan for Stabilisation, reflecting the needs of our customers including ensuring that farmers receive payments promptly;
- within CAP, continue to deliver the Scottish Rural Development Programme (SRDP), including continued support for agri-environment, farm advice and knowledge transfer, new entrants, crofting and the food and drink sector;
- maintain payments at 100 per cent for the Less Favoured Area Support Scheme to provide stability to farmers and crofters in rural and remote areas;
- continue to invest in the development of new IT and improved business systems to build our capacity including preparing for the UK's withdrawal from the EU; and
- continue to work closely with partner organisations and the public to facilitate engagement on the SRDP as well as on broader rural policy issues, e.g. the Scottish Rural Parliament and the Organisation for Economic Co-operation and Development (OECD) Rural Development Conference being held in Edinburgh in April 2018.

In addition, through our Rural Services budget, we will provide direct funding for farming, crofting, and rural development projects.

In 2018-19 we will:

- provide support to the National Council of Rural Advisers to develop policy and principles for future rural support based on the best available advice, research and expertise;
- listen and respond to the Agricultural Champions who are advising us on possible future agriculture support options;
- support collaborative working between public agencies and the private sector to progress key economic development projects in the south of Scotland, as a key milestone towards a Scottish rural infrastructure plan;
- produce a rural skills action plan in 2018 to enhance employment opportunities for young people;
- provide support to the Farming Opportunities for New Entrants working group as they develop opportunities for New Entrants in Scotland;

- monitor for the presence of plant and animal disease, prevent, control or eradicate any outbreaks, and improve the welfare of kept animals including protection of the health of animals and humans;
- deliver against key action areas in relation to climate change mitigation and adaptation, ensuring that the agricultural sector continues to contribute towards building a low carbon, climate-resilient future for Scotland;
- continue to take forward a range of priority actions on crofting, including production of a national development plan for crofting and progressing review of crofting legislation; and
- take forward the actions recommended by the Women in Agriculture Taskforce aimed at increasing gender equality in the sector.

We will continue to support the growth of the food and drink industry and help it deliver its ambition to double its value to £30 billion by 2030. Our key focus is to promote locally sourced and locally produced food and drink to a range of markets by:

- investing £7.5 million to support the delivery of the new industry-led strategy, 'Ambition 2030';
- continuing to support businesses to invest and expand through our Food, Processing Marketing and Cooperation grant scheme;
- sourcing more local produce through public sector contracts and investing £0.4 million to expand the Food for Life Programme in schools;
- introducing a new supplier development programme to support small suppliers obtain third-party accreditation to help them target new domestic and international markets;
- supporting more local producers to showcase their produce locally and nationally through new regional showcasing events and the launch of a new Regional Food Fund; and
- progressing the Good Food Nation objectives through the development of the Good Food Nation Bill and the work of the new national chef.

Fisheries and Aquaculture Priorities

We will continue to build growth across Scotland's marine and coastal communities, supporting employment and securing investment, by delivering sustainable economic growth in the sea fisheries and aquaculture sectors, with due regard to the environment.

In 2018-19 we will:

- maximise the benefits of the European Maritime and Fisheries Fund (EMFF) to create and safeguard jobs in remote rural areas and to support community-led local development;

- continue to develop and sustain markets for premium Scottish seafood products through the EMFF;
- establish a strategic fish health framework to support the aquaculture sector's 2030 sustainable growth ambitions; and
- continue to offer harbours funding towards repairs caused by storm damage.

Forestry Priorities

Forestry contributes almost £1 billion per year to the Scottish economy and supports more than 25,000 full-time equivalent jobs. Our Programme for Government includes ambitious plans to maximise the contribution of forestry and woodland to Scotland's economy, our climate change ambitions and to wider social, health and environmental benefits.

In 2018-19 we will:

- support actions to meet our annual planting target of 10,000 hectares including implementing the Mackinnon Report recommendations to streamline the planting approval process;
- increase support for the Forestry Grant Scheme and support projects through the Strategic Timber Transport Fund;
- manage the Scottish Ministers' National Forest Estate to deliver economic, social and environmental benefits; and
- prepare for the completion of forestry devolution.

Digital Connectivity Priorities

The Scottish Government is the only government in the UK that has committed to delivering superfast connectivity for all. Building on our target of delivering fibre access to at least 95 per cent of premises by the end of 2017, we will now ensure that everybody is able to take full advantage of the opportunities of the digital world. This is critical to the future economic success of Scotland, our plans for public reform and preparing us all for the jobs of the future.

The reaching 100 per cent (R100) programme will see £600 million of public funding invested over the four financial years to March 2022 to help create a future-proofed, truly national fibre network – a vital first step towards achieving the commitment. An initial procurement will formally begin this month and is expected to take around a year.

Broadband activity will continue on the ground during 2018-19, through continued deployment of the Digital Scotland Superfast Broadband (DSSB) programme. This will be funded through a contractual mechanism (Gainshare), where new investment has been generated by early take-up on the fibre network. Gainshare will see new deployment in every local authority area across Scotland during 2018, avoiding any significant gap between DSSB and R100 deployment. We will ensure in partnership with key service

providers, that in addition to the improvements in digital infrastructure, that rural businesses are also aware of and are able to access existing provisions to acquire the skills on broadband IT that they need.

In 2018-19 we will:

- deliver the final phase of the Digital Scotland Superfast Broadband (DSSB) programme, which will extend fibre broadband access to at least 95 per cent of premises across Scotland;
- launch the first phase of our Reaching 100 per cent programme, which will deliver our commitment to extend superfast broadband access to all of Scotland by 2021; and
- deliver the initial stages of a programme, developed and delivered in conjunction with the four UK operators, to address gaps in 4G mobile coverage, a key element in our World Class Digital Infrastructure Programme.

Transport Priorities

Transport provides vital links between urban, rural and remote communities, enabling them all to thrive, and plays a pivotal role in realising the vision of a prosperous, sustainable and inclusive economy. The budget will continue to enable the provision of vital services as well as focusing investment on our strategic aims.

Sustainable Transport

At the heart of our transport strategy is a commitment to a sustainable transport system. One which lowers Scotland's carbon footprint, improves air quality, and positions us to take advantage of the economic, as well as the environmental benefits, of innovation in this area.

In 2018-19 we will:

- double our investment to £80 million in a range of measures to support the Programme for Government ambitions to build an Active Nation. We will create safe segregated walking and cycling infrastructure in towns and cities across Scotland to make our towns and cities friendlier and safer spaces for pedestrians and cyclists;
- support behaviour change activities to promote active travel in all Scottish local authorities and work across the Scottish Government to build an active nation;
- work towards the target to phase out the need for new petrol and diesel cars and vans by 2032 by a significant expansion of electric vehicle (EV) charging infrastructure across Scotland, including pilots to address complex issues such as tenement areas;
- operate and invest in charging infrastructure to create the 'electric A9' and strengthen the ChargePlace Scotland EV network, including the development of charging hubs at strategic locations;

- accelerate the uptake of ultra-low emission vehicles (ULEVs) through our Switched on Fleets programme to support the uptake of ULEVs in the public sector and the Low Carbon Transport Loan Fund, which helps individuals and businesses adopt ULEVs;
- fund large-scale pilots, incentives, and support innovation that will support a shift to more sustainable transport modes. We will support comprehensive co-ordinated action by local authorities to promote the uptake of ULEVs in their area; and
- continue to support the adoption of low emission buses, developing a new, expanded Scottish Green Bus Fund and loan scheme to support operators to work towards a transformation in the emissions performance of the Scottish bus fleet.

Motorways and Trunk Roads

In 2018-19 we will invest in major infrastructure projects, to improve Scotland's road network. We will:

- continue to progress construction of the A737 Dalry Bypass;
- continue to progress design and development work on dualling the A9 and A96 and commence construction of the A9 Dualling Luncarty to Birnam project;
- commence construction of the A90/A96 Haudagain Junction Improvements, A77 Maybole Bypass, A737 The Den realignment and improvements on the A9 at Berriedale Braes;
- continue to progress design and development work on a range of projects including improvements to the A82 between Tarbet and Inverarnan, the grade separation of Sheriffhall Roundabout on the A720, Longman Roundabout on the A9/A82 and also at Laurencekirk on the A90;
- continue to invest in essential road maintenance schemes, our bridge strengthening programme and ancillary assets and increasing the resilience of the network to unplanned events such as flooding and high winds and reducing barriers to accessibility; and
- work with local authorities to support the introduction of the Glasgow Low Emission Zones (LEZs) by 2018, prepare for the introduction of LEZs into three other cities by 2020, and begin the assessment of other Air Quality Management Areas for LEZ mitigation.

Railways

We will continue our significant investment in Scotland's railways to support a safe and high-performing railway through the delivery of new and better services, new

and refurbished trains, and substantial improvements to the infrastructure to increase capacity and reliability.

In 2018-19 we will:

- continue the delivery of the rolling programme of electrification, including Stirling, Dunblane and Alloa, and supporting delivery of 42-minute fastest journey time on the electrified Edinburgh to Glasgow via Falkirk High route;
- continue delivery of improvements to the route between Aberdeen and Inverness, and on the Highland Main Line between Inverness and Perth;
- continue to tackle overcrowding with 200 extra carriages to be added to the ScotRail fleet increasing it to more than 1,000 carriages and to start the roll out of new sleeper rolling stock, delivering a step change in overnight rail travel for passengers;
- introduce 26 re-furbished High Speed Trains to operate on inter-city routes, with 40 per cent more seats on those routes;
- complete the redevelopment of Dundee Station, support the redevelopments planned for Aberdeen, Inverness and Stirling stations, and continue to support the delivery of new stations at Robroyston and Kintore; and
- continue our work to identify a suitable body to make a robust bid for a future rail franchise and take initial steps to ensure that the body is in a position to make such a bid.

Bus Services

In 2018-19 we will:

- continue to provide concessionary travel for older and disabled people and to engage with stakeholders on how best to ensure we continue to deliver free bus travel to those who need it most;
- work in partnership with others to develop a pilot scheme of free bus travel for young modern apprentices and separately consider how we might provide free bus travel to recipients of the proposed new Job Grant when that is introduced;
- continue to support bus services and the use of greener, less-polluting vehicles; and
- continue to ensure Scotland's electronic ticketing systems are maintained to the appropriate standard required to deliver concessionary travel and developed to

allow commercial smart ticketing, upgrading systems and infrastructure in line with technological advancements.

Air Services

In 2018-19 we will:

- ensure that Highlands and Islands Airports Ltd (HIAL) has the necessary resources to maintain its 11 airports at current levels of operational ability;
- continue to fund the Air Discount Scheme and the lifeline air services to Barra, Campbeltown and Tiree;
- continue to support the re-positioning of Prestwick Airport; and
- continue to support Route Development opportunities.

Ferry Services

In 2018-19 we will:

- continue to support ferry services on the Clyde and Hebrides, Gourock to Dunoon and Northern Isles routes;
- protect the Road Equivalent Tariff (RET) on Clyde and Hebrides Ferry Services routes, and implement the Manifesto commitment to reduce passenger and car fares on ferry services to Orkney and Shetland;
- continue to support construction of two new major dual-fuel vessels for the Clyde and Hebrides network and develop proposals to procure further planned replacement vessels;
- secure the long-term future of the vessels on the Northern Isles routes; and
- provide grant support for priority harbour projects on the Clyde and Hebrides network.

Other Transport Policy, Projects and Agency Administration

In 2018-19 we will:

- support the Scottish Disability Equality Forum to develop and host an accessible travel hub and engage with disabled people in line with our Accessible Travel Framework;
- continue to support the maintenance and operation of Scottish Canals;
- continue to fund Traveline and other transport information provision and the running of Transport Scotland;

- promote measures to transfer freight from road;
- continue to support Regional Transport Partnerships and the Scottish Road Works Commissioner;
- continue our collaborative review of the National Transport Strategy to produce a successor Strategy;
- undertake research, analysis and stakeholder engagement to inform strategic transport initiatives; and
- continue to support Scotland's Road Safety framework through Road Safety Scotland and the completion of the Edinburgh Tram Inquiry.

Highlands and Islands Enterprise Priorities

We will continue to work in partnership with communities and business, investing in our economic and social infrastructure, supporting jobs and improving connectivity. The budget supports Highlands and Islands Enterprise (HIE) to develop growth sectors, improve competitiveness, productivity and support fair work, attract new investment, and work with the financial sector to improve access to finance.

In 2018-19 we will:

- work with our enterprise agencies and others to create the right conditions to support sustainable and inclusive economic growth;
- work with our enterprise agencies to create a competitive and low carbon economy;
- continue to focus efforts on Innovation, Investment, Internationalisation and Inclusive Growth;
- continue to support growth sectors, growth companies and growth markets; through our enterprise bodies and economic development networks; and
- continue to strengthen local communities, particularly in some of Scotland's most fragile areas.

Spending Plans

Table 12.01: Rural Economy and Connectivity Spending Plans (Level 2)

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
EU Support and Related Services	178.8	177.6	178.4
Rural Services	35.8	42.4	32.3
Fisheries and Aquaculture Grants	7.4	6.4	5.9
Forestry Commission	61.3	61.3	63.7
Digital Connectivity	116.0	136.0	59.4
Highlands and Islands Enterprise	67.5	67.0	71.7
Air Services	60.3	59.3	59.8
Concessionary Fares & Bus Services	261.3	254.4	269.1
Ferry Services	198.6	181.0	240.5
Motorways & Trunk Roads	820.3	967.0	831.5
Other Transport Policy, Projects and Agency Administration	117.7	138.4	185.3
Rail Services	751.3	775.8	808.8
Total Level 2	2,676.3	2,866.6	2,806.4
<i>of which:</i>			
Fiscal Resource	1,230.9	1,322.5	1,246.7
Non-cash	150.7	136.3	200.3
Capital	1,282.7	1,397.8	1,322.4
Financial Transactions	12.0	10.0	37.0
AME	-	-	-
Central Government Grants to Local Authorities	21.9	27.5	26.4

Table 12.02: Rural Economy and Connectivity Spending Plans (Level 2 real terms) at 2017-18 prices

Level 2	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
EU Support and Related Services	181.5	177.6	175.8
Rural Services	36.3	42.4	31.8
Fisheries and Aquaculture Grants	7.5	6.4	5.8
Forestry Commission	62.2	61.3	62.8
Digital Connectivity	117.8	136.0	58.5
Highlands and Islands Enterprise	68.5	67.0	70.7
Air Services	61.2	59.3	58.9
Concessionary Fares & Bus Services	265.3	254.4	265.2
Ferry Services	201.6	181.0	237.0
Motorways & Trunk Roads	832.8	967.0	819.4
Other Transport Policy, Projects and Agency Administration	119.5	138.4	182.6
Rail Services	762.7	775.8	797.0
Total Level 2	2,717.1	2,866.6	2,765.5
<i>of which:</i>			
Fiscal Resource	1,249.6	1,322.5	1,228.5
Non-cash	153.0	136.3	197.4
Capital	1,302.2	1,397.8	1,303.1
Financial Transactions	12.2	10.0	36.5
AME	-	-	-
Central Government Grants to Local Authorities	22.2	27.5	26.4

Table 12.03: EU Support and Related Services (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Pillar 1 – Basic Payments	262.0	262.0	262.0
Pillar 1 – Greening payments	131.5	131.5	131.5
Other Pillar 1 payments	44.5	44.5	44.5
Business Development	31.2	30.2	27.8
Less Favoured Area Support Scheme	65.0	65.5	65.5
Agri Environmental Measures	46.8	55.1	46.4
Forestry	1.6	1.4	1.0
Rural Enterprise	0.1	-	-
Rural Communities	0.1	-	-
Leader	4.5	10.1	22.9
Technical Assistance	5.0	0.7	0.6
Broadband	3.6	6.4	7.0
Crofting Assistance	0.3	0.3	(0.2)
Payments and Inspections Admin	55.6	62.9	82.0
CAP Compliance Improvements	26.2	42.2	31.0
Less EU Income	(499.2)	(535.2)	(543.6)
Total	178.8	177.6	178.4
<i>of which:</i>			
Fiscal Resource	119.3	103.5	102.7
Non-cash	18.2	18.2	32.5
Capital	36.3	50.9	38.2
Financial Transactions	5.0	5.0	5.0

What the EU Related Support and Related Services budget does

The EU support and related services budget supports and protects primary productivity in the agricultural and wider rural sector through the delivery of EU funding (European Agricultural Guarantee Fund) under direct support measures. The Scottish Rural Development Programme (SRDP) provides for National and EU funding (European Agriculture Fund for Rural Development) to support measures which deliver economic, environmental and community benefit for rural Scotland.

The delivery is underpinned by the provision of regulatory inspection functions, scientific and technical advice, monitoring and evaluation as well as new improved business processes and associated IT functionality.

Table 12.04: Rural Services Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Crofting Commission	2.6	2.5	2.9
Rural Cohesion	1.2	1.0	0.6
Agricultural and Horticultural Advice and Support	3.6	9.5	4.4
Veterinary Surveillance	5.2	5.2	4.2
Animal Health	18.2	18.2	15.2
Food Industry Support	5.0	6.0	5.0
Total	35.8	42.4	32.3
<i>of which:</i>			
Fiscal Resource	35.0	40.8	32.2
Non-cash	-	-	0.1
Capital	0.8	1.6	-

What the Rural Services budget does

The rural services budget directly supports sustainable rural development through funding measures which deliver economic, environmental and community benefit for rural Scotland; providing direct support to farming, forestry, crofting and rural development projects. It also contributes to the delivery of reducing greenhouse gas emissions.

Table 12.05: Fisheries and Aquaculture Grants Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Fisheries Grants	15.2	14.2	14.1
Fisheries Harbour Grants	0.4	0.4	0.4
Less Retained Income/Capital receipts	(8.2)	(8.2)	(8.6)
Total	7.4	6.4	5.9
<i>of which:</i>			
Fiscal Resource	2.0	2.0	1.5
Non-cash	-	-	-
Capital	5.4	4.4	4.4

What the Fisheries and Aquaculture Grants budget does

The Fisheries and Aquaculture budget supports the sustainable use of the marine environment by providing the domestic funding contribution towards the European Maritime and Fisheries Fund. The budget also provides funding towards harbour repairs caused by storm damage.

Table 12.06: Forestry Commission Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Programme Costs	18.5	16.0	14.8
Subsidy to Forest Enterprise	21.7	20.7	19.7
Depreciation	0.1	0.1	0.1
Policy Regulation & Administration	4.8	4.3	3.9
Woodland Grants	36.0	40.0	46.0
EC Receipts	(19.8)	(19.8)	(20.8)
Total	61.3	61.3	63.7
<i>of which:</i>			
Fiscal Resource	59.6	59.6	62.0
Non-cash	0.1	0.1	0.1
Capital	1.6	1.6	1.6

What the Forestry Commission budget does

The budget will protect and enhance existing woodland resources, including Scotland's national forest estate, maximising their contribution to the economy and carbon emission reduction targets with a focus on delivering the Scottish Government's woodland creation target and other Programme for Government priorities.

Table 12.07: Digital Connectivity (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Digital Strategy Capital	92.2	112.1	34.2
Digital Strategy	23.8	23.9	25.2
Total	116.0	136.0	59.4
<i>of which:</i>			
Fiscal Resource	23.8	23.9	25.2
Capital	92.2	112.1	22.2
Financial Transactions	-	-	12.0

What the Digital Strategy budget does

This budget supports activity to extend digital connectivity, support the development of digital skills, boost the wider digital economy, get more public services online, encourage digital participation and improve cyber resilience. It also supports the procurement of data and specific technical assistance to strengthen understanding of key development in the economy and public finances.

Table 12.08: Highlands and Islands Enterprise (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Highland and Islands Enterprise	67.5	67.0	71.7
Total	67.5	67.0	71.7
<i>of which:</i>			
Fiscal Resource	30.3	29.8	30.5
Non-cash	11.0	11.0	15.0
Capital	26.2	26.2	26.2

What the Highlands and Islands Enterprise budget does

The budget funds Highlands and Islands Enterprise (HIE), the main economic development body operating in the Highlands and Islands, in some of the most remote and fragile areas of Scotland. In addition to HIE activities this budget supports other activities in the Highlands and Islands area and the Convention of Highlands and Islands.

Table 12.09: Air Services (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Highlands and Islands Airports Limited	39.0	35.1	36.5
Prestwick Airport	9.3	9.4	6.5
Support for Air Services	12.0	14.8	16.8
Total	60.3	59.3	59.8
<i>of which:</i>			
Fiscal Resource	30.9	33.4	34.0
Non-cash	9.5	9.5	9.5
Capital	19.9	16.4	16.3

What the Air Services budget does

The budget supports Highlands and Islands Airports Limited (HIAL) and Prestwick Airport. It includes resources for capital investment and operation and development of airport services.

It also supports the Air Discount Scheme which provides discounted fares for eligible residents on eligible routes, the provision of lifeline air services from Glasgow to Campbeltown, Tiree and Barra which cannot be provided commercially and international route development.

Table 12.10: Concessionary Fares and Bus Services (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Smartcard Programme	2.8	1.9	3.3
Concessionary Fares	207.8	198.3	201.6
Support for Bus Services	50.7	54.2	64.2
Total	261.3	254.4	269.1
<i>of which:</i>			
Fiscal Resource	259.3	252.4	257.1
Non-cash	-	-	-
Capital	2.0	2.0	2.0
Financial Transactions	-	-	10.0

What the Concessionary Fares and Bus Services budget does

The budget provides support for bus services across Scotland, primarily through Bus Service Operators' Grant (BSOG), and funds national concessionary travel schemes for older, disabled and young people and the smartcards used to access concessionary travel. BSOG is paid to bus operators based on mileage. The budget also provides loan funding to support operators to transform emissions performance.

This budget also provides funding for a number of organisations working to improve public transport, including Bus Users Scotland and the Community Transport Association Scotland.

Table 12.11: Ferry Services (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Support for Ferry Services	153.4	165.8	173.7
Vessels and Piers	45.2	15.2	66.8
Total	198.6	181.0	240.5
<i>of which:</i>			
Fiscal Resource	153.4	165.8	173.7
Non-cash	-	-	-
Capital	45.2	15.2	66.8

What the Ferry Services budget does

The budget supports the ‘Scottish Government’s Ferries Plan’, published in December 2012 and provides subsidy for the:

- Clyde and Hebrides Ferry Services (CHFS) contract;
- Northern Isles Ferry Services contract; and
- Gourock-Dunoon Ferry Service contract.

It also provides for loans to Caledonian Maritime Assets Ltd for vessels used on these networks and grants to ports for improvement works to piers and harbours that support lifeline ferry services.

Table 12.12: Motorways and Trunk Roads (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Structural Repairs	27.4	27.9	34.0
Network Strengthening	40.8	56.0	57.8
Private Finance Payments	98.0	141.6	172.3
Routine and Winter Maintenance	80.6	85.1	89.9
Other Current Expenditure	10.0	10.0	13.6
Roads Improvement	16.3	16.3	39.2
Capital Land and Works	285.5	425.6	249.0
Forth Replacement Crossing	134.1	77.0	7.2
Roads Depreciation	111.3	96.9	142.5
Forth and Tay Road Bridge Maintenance	16.3	30.6	26.0
Total	820.3	967.0	831.5
<i>of which:</i>			
Fiscal Resource	195.4	243.5	282.6
Non-cash	111.3	96.9	142.5
Capital	513.6	626.6	406.4

What the Motorways and Trunk Roads budget does

In addition to major roads construction projects and other road improvements, the budget delivers routine, cyclical and winter maintenance to maintain the safety, environment and amenity of the trunk road network. It includes road safety improvement programmes, information for road travellers and an emergency response facility to deal with emergencies and incidents on the network.

Table 12.13: Other Transport Policy, Projects and Agency Administration (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Transport Information	1.2	1.2	1.2
Agency Administration Costs	17.8	17.4	17.4
Strategic Transport Projects Review	1.0	3.6	5.2
Support for Freight Industry	0.8	1.3	1.0
Scottish Canals	10.0	11.1	11.6
Support for Sustainable and Active Travel	35.9	33.9	79.0
Future Transport Fund	20.2	25.3	60.2
Travel Strategy and Innovation	25.3	40.1	5.3
Road Safety	3.0	3.0	2.9
Edinburgh Tram Inquiry	2.5	1.5	1.5
Total	117.7	138.4	185.3
<i>of which:</i>			
Fiscal Resource	54.0	54.1	55.6
Non-cash	0.6	0.6	0.6
Capital	56.1	78.7	119.1
Financial Transactions	7.0	5.0	10.0

What the Other Transport Policy, Projects and Agency Administration budget does

The budget provides support for sustainable transport; the provision of impartial travel information services; road safety; accessible travel; freight industry reduction of emissions; contributing to Future Transport Fund initiatives.

The budget also supports Scottish Canals to operate, repair and maintain the canal network and the running of Transport Scotland.

Table 12.14: Rail Services (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Rail Franchise	265.9	310.7	183.4
Rail Infrastructure	463.3	426.5	587.6
Rail Development	2.0	3.0	6.2
Major Public Transport Projects	20.1	35.6	31.6
Total	751.3	775.8	808.8
<i>of which:</i>			
Fiscal Resource	267.9	313.7	189.6
Non-cash	-	-	-
Capital	483.4	462.1	619.2

What the Rail Services budget does

The budget supports the delivery of passenger rail services through the ScotRail and Caledonian Sleeper franchise contracts, including procurement of new trains, and Network Rail's operation, maintenance, enhancement and renewal of the rail infrastructure in Scotland.

Rail infrastructure funding comprises the grant paid to Network Rail and track and station access charges payable by the franchise operators. This funding is determined independently by the Office of Rail and Road (ORR) with the allocation between grant and operator varying between years.

Table 12.15: Central Government Grants to Local Authorities

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Regional Transport Partnerships	16.0	20.1	19.0
Cycling, Walking and Safer Routes	5.9	7.4	7.4
Total	21.9	27.5	26.4
<i>of which:</i>			
Fiscal Resource	-	-	-
Non-cash	-	-	-
Capital	21.9	27.5	26.4

CHAPTER 13

Culture, Tourism and External Affairs

PORTFOLIO RESPONSIBILITIES

The Culture, Tourism and External Affairs portfolio promotes Scotland's interests at home and abroad through European and international affairs. It contributes to delivering Scotland's economic ambition by investing in Scotland's unique heritage and culture, and its capacity for inspiring creativity and developing a compelling tourism offer.

It protects and provides access to Scotland's historic environment, promotes the delivery of high-quality places and buildings to support Scotland's communities and delivers major international events to attract visitors and build trade links.

The portfolio helps to ensure our diverse and evolving cultural heritage thrives and is celebrated and that our historic environment and our world-class collections are cared for and enjoyed by new and diverse audiences and future generations right across Scotland.

Our ambition is for the portfolio to raise the profile of Scotland at home and abroad and attract increasing numbers of visitors, students and businesses. Our work is predicated on the belief that culture sits at the heart of our quality of life and wellbeing, empowering, enriching and shaping our communities, and creating the right environment and welcome for people to visit, work and study.

We are committed to being a good global citizen and to playing our part in tackling global challenges including poverty, injustice and inequality.

We want to make Scotland an open and welcoming nation for people and their families to live, work and make a positive contribution to our country.

The portfolio seeks to make Scotland a destination of first choice for visitors, providing a perfect stage for world-class events and supporting our tourism industry to maximise the contribution of the visitor economy to Scotland's prosperity.

OUR PRIORITIES

Scotland is an outward-looking nation with much to offer. Interest in Scotland and in our culture, industries, politics and environment continues to grow. As other countries reconsider their role in the world and question the value of international engagement, we remain committed to being an open, welcoming and diverse nation.

The Scottish Government continues to deepen its relationships with key countries in the pursuit of furthering sustainable economic growth in Scotland, increasing Scotland's profile on the world stage and contributing towards the achievement of the United Nations (UN) Global Goals. The First Minister has made clear that tackling poverty and inequality is one of this Government's central aims and we are clear that this is not restricted to our borders – it is a global issue that needs a global response.

The result of the EU referendum in June 2016 clearly demonstrated that the people of Scotland see their future as part of the EU. Withdrawal will have profound implications for our economic prosperity, the way we live our lives and for the governance of the UK. We remain determined to minimise the damage of leaving the EU and are exploring all options to do so. We will also seek to shape the UK's future partnership with the EU and beyond in order to promote Scotland's trade and investment, rural industries, research and position in the world. Beyond the European Union, we will promote the message that despite the current uncertainty, Scotland remains open for business. We will continue to promote Scotland to those who wish to come and live and work in Scotland, in particular to retain the rights of free movement for our fellow EU citizens.

Scotland has a well-deserved reputation as the perfect stage for events at the local, national and international level. We have a strong track record of hosting events big and small and the sector is a major contributor to the Scottish economy. The events industry is currently worth an estimated £3.5 billion a year to the Scottish economy. Our Major Events budget will support a strong and inspirational programme of events and festivals each year that generate business, create jobs and boost the economy whilst delivering benefits to all of Scotland's communities and build on our nation's strong reputation and international attractiveness.

Tourism has experienced year-on-year growth in Gross Value Added (GVA) and turnover in every year since 2011. Scotland's tourism industry employs 207,000 people, in 14,000 registered enterprises, right across the country. In 2015 spending by tourists in Scotland generated around £11 billion of economic activity. It is especially crucial to employment and economic development in some of our most remote locations often helping to sustain our most fragile communities; around a fifth of those employed in the tourism sector work in rural areas.

The Scottish Government is committed to delivering arts for all and to giving every young person in Scotland the opportunity to access and engage with the arts through programmes such as the Youth Music Initiative. The youth arts boost the skills of those who participate, helping to tackling inequalities and make Scotland a stronger, fairer and more inclusive society. We are working with a range of partners to deliver Scotland's Youth Arts strategy. 'Time To Shine' will play a significant role in the Year of Young People, including initiatives such as Sistema Scotland which will receive increased funding in 2018-19.

We will continue to support the growth of our creative industries and the creative economy, including investing an additional £10 million in the TV and film sector, to bring screen development, production and growth funding to £20 million in 2018-19, and the creation in 2018 of a dedicated screen unit to support the screen sector. Our continued investment in the arts and culture through Creative Scotland and the five National Performing Companies will help ensure that Scotland's unique culture reaches a wide audience at home and abroad through continued provision of our International Touring Fund.

The Scottish Government is a strong supporter of National Museums Scotland, the National Galleries of Scotland and the National Library of Scotland, recognising their valuable contribution to the preservation of Scotland's cultural heritage. These National Collections play an important role in generating economic benefit and widening access and participation through free access to the permanent collections and touring and sharing of items to museums and galleries across Scotland. Across Scotland over 450 museums and galleries attract around 25 million visits per annum, generating over £79 million for our economy and sustaining over 3,500 jobs.

We will continue to improve engagement and strengthen our culture and heritage infrastructure through new investment in public-facing capital projects such as the Scottish National Gallery refurbishment and Burrell Renaissance project.

Public libraries play an important role in tackling inequalities and raising attainment. They bring real social benefits to people and communities. They offer crucial support to help people help themselves – to support literacy, digital participation, learning, employability, health, culture and leisure – to improve the quality of people's lives.

These measures all help ensure that no-one's background is a barrier to taking part in cultural life and giving people all over Scotland a chance to take part in culture and the arts.

The historic environment is a vital part of our heritage and our communities and it is also hugely important to the national economy, supporting over 60,000 jobs and contributing £2.3 billion to the national GVA. Its continuing care and regeneration creates local employment, supports local businesses and secures the future of precious indigenous craft skills. It enriches the quality of our lives and helps to define who we are. As the lead public body for Scotland's historic environment, Historic Environment Scotland (HES) will ensure Scotland's historic environment makes a strong contribution to our cultural, social, environmental and economic wellbeing.

National Records of Scotland's (NRS) priorities for 2018-19 will continue to focus on developing its digital services. Over the course of 2018, NRS will take forward its work on the 2021 Census, which will be Scotland's first census to be conducted principally through digital channels. NRS will build on the delivery of the first elements of its Digital Preservation service last year by beginning to automate the process of preservation, a step towards its ambition of a fully automated digital preservation and archive capability.

External Affairs Priorities

In 2018-19 we will:

- sustain our efforts to secure the fullest engagement in negotiations on the UK's future relationship with the EU, ensuring that Scottish interests are protected and promoted;
- continue to push the UK Government to protect the rights of EU citizens resident in Scotland and Scots in other EU countries and establish the case for a differential approach to migration in Scotland;
- continue to play a full and active part in the British Irish Council (BIC), working positively with other members to support the Northern Ireland peace process;
- strengthen and deepen engagement with our European neighbours and with the US, Canada, Japan, China, India and Pakistan, with a focus on education, business and culture, and work collaboratively with international and European institutions; and
- continue to take action to help tackle poverty and inequalities in relation to some of the world's poorest and most vulnerable people.

Culture, Tourism and Major Events Priorities

In 2018-19 we will:

- continue to fund VisitScotland to deliver sustainable growth in the wider visitor economy by working collaboratively with the Scottish tourism industry and public sector partners to ensure that Scotland continues to build on its reputation as a world-class tourism destination and we achieve the shared ambition in the 'Tourism Scotland 2020' strategy;
- improve access to visitor information across Scotland by modernising key VisitScotland visitor information centres, developing partnership arrangements and improving digital and online information provision;
- deliver our commitment to inspire Scotland through its young people, celebrating the achievements of young people in our themed Year of Young People creating new opportunities for them to shine locally, nationally and globally;
- promote the South of Scotland and Ayrshire as a tourism destination as set out in the Programme for Government;
- create the new Rural Tourism Infrastructure Fund which will help support sustainable tourism across rural Scotland;
- continue to provide support for, and work with, partners in the planning and delivery of forthcoming major events: the 2019 Solheim Cup and UEFA EURO 2020;
- use the European Championships Glasgow 2018, to be held in partnership with Berlin, in August 2018 to deliver this Government's ambitions for Scotland, both at home and on the international stage and to enhance and cement Glasgow and Scotland's reputation as one of the world's top destinations for sporting events;

- strengthen support for our film and TV sector to drive its growth by creating a dedicated screen unit within Creative Scotland, including the provision of an additional £10 million of funding to bring screen development, production and growth funding to £20 million;
- develop a Culture Strategy for Scotland that will enable everyone to have the opportunity to take part in, or contribute to, cultural life in Scotland. The strategy is being developed with individuals, artists, organisations and communities across the country and will support the long-term development of culture in Scotland and show how important it is to our future;
- we will commit provision for Creative Scotland over the next three years so that they can maintain support for the Regular Funding programme in the face of a significant decline in Lottery receipts;
- support the long-term development of cultural infrastructure such as the creation of a permanent home for the Great Tapestry in Galashiels and the development of the National Collections facility at Granton; and
- continue to support National Museums Scotland, the National Galleries of Scotland and National Library of Scotland to provide free access to the permanent collections.

Historic Environment Scotland Priorities

In 2018-19 HES will:

- continue to lead the delivery of 'Our Place in Time': The Historic Environment Strategy for Scotland;
- promote and deliver a range of events in support of Scotland's Year of Young People;
- offer grant support to help regenerate and promote the active use, care and maintenance of the historic environment, promoting sustainable economic development and reinforcing local identity;
- provide expert advice and guidance to deliver the right balance between conservation and sustainable change; and
- promote learning and education to enhance knowledge, understanding and enjoyment of the historic environment, delivering learning programmes linked to the Curriculum for Excellence, to National and Vocational Qualifications and to opportunities in further and higher education.

National Records of Scotland Priorities

In 2018-19 NRS will:

- continue to produce trusted statistics including demographic and migration estimates and projections of Scotland's population and households;

- build on the successful launch of our redesigned ScotlandsPeople online family history service to further improve the customer experience and develop new and existing markets; and
- continue to play a leading role in progressing Scotland's Data Linkage Framework strategy to securely deliver data research projects that benefit the public.

SPENDING PLANS

Table 13.01: Culture, Tourism and External Affairs Spending Plans (Level 2)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 2	£m	£m	£m
External Affairs	13.8	15.8	17.3
Culture, Tourism and Major Events	205.7	226.2	248.7
Historic Environment Scotland	45.0	45.5	41.1
National Records of Scotland	28.4	37.3	37.2
Total Level 2	292.9	324.8	344.3
<i>of which:</i>			
Fiscal Resource	240.6	273.3	296.9
Non-cash	16.0	19.5	17.7
Capital	31.3	27.0	24.9
Financial Transactions	5.0	5.0	4.8
AME	-	-	-

Table 13.02: Culture, Tourism and External Affairs Spending Plans (Level 2 real terms) at 2017-18 prices

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 2	£m	£m	£m
External Affairs	14.0	15.8	17.0
Culture, Tourism and Major Events	208.8	226.2	245.1
Historic Environment Scotland	45.7	45.5	40.5
National Records of Scotland	28.8	37.3	36.7
Total Level 2	297.4	324.8	339.3
<i>of which:</i>			
Fiscal Resource	244.3	273.3	292.6
Non-cash	16.2	19.5	17.4
Capital	31.8	27.0	24.5
Financial Transactions	5.1	5.0	4.7
AME	-	-	-

Table 13.03: External Affairs Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
British Irish Council	0.1	0.1	0.1
International Relations	13.7	15.7	17.2
Total	13.8	15.8	17.3
<i>of which:</i>			
Fiscal Resource	13.8	15.8	17.3
Non-cash	-	-	-
Capital	-	-	-

What the External Affairs budget does

The External Affairs budget supports the promotion of Scotland and its interests at home and abroad. It contributes to the positioning of Scotland on the world stage, particularly through our international development work and recent work with the UN and women from international conflict zones, and promotes Scotland's international engagement through Ministerial visits. The budget also supports the attraction of talented and skilled individuals to live, study and work in Scotland.

Table 13.04: Culture, Tourism and Major Events Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Creative Scotland and Other Arts	52.6	52.1	70.5
Cultural Collections	78.7	77.0	73.4
National Performing Companies	22.9	22.9	22.9
Tourism	49.1	43.9	45.1
Major Events	2.4	30.3	36.8
Total	205.7	226.2	248.7
<i>of which:</i>			
Total Fiscal Resource	165.2	191.4	215.5
Non-cash	10.5	11.7	12.4
Capital	25.0	18.1	16.0
Financial Transactions	5.0	5.0	4.8

What the Culture, Tourism and Major Events budget does

The budget supports free access to the National Library of Scotland, National Galleries of Scotland and National Museums Scotland and provides funding for non-national museums and libraries through grant schemes administered by Museums Galleries Scotland and the Scottish Library and Information Council. It enables the five National Performing Companies to have a major presence on Scotland's stages and in our communities, alongside a significant international programme of touring and collaboration. Funding for Creative Scotland provides support for the arts, screen and creative industries across all parts of Scotland. The budget also supports the delivery of our programme of major events, including the European Championships in Glasgow; and the work of VisitScotland as Scotland's national marketing body to promote Scotland and deliver national tourism and events strategies.

Table 13.05: Historic Environment Scotland (HES) Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Operational Costs	81.6	84.8	92.2
Capital Expenditure	3.4	5.6	6.0
Less Income	(40.0)	(44.9)	(57.1)
Total	45.0	45.5	41.1
<i>of which:</i>			
Fiscal Resource	38.3	36.6	32.6
Non-cash	3.3	3.3	2.5
Capital	3.4	5.6	6.0

What the Historic Environment Scotland budget does

Historic Environment Scotland is the lead public body for the historic environment in Scotland, and takes the lead in delivering Scotland's historic environment strategy 'Our Place in Time', in addition to having delegated responsibility for the care and management of Scottish Ministers' Properties in Care. A significant portion of the grant-in-aid funding which HES receives is passed on to Scottish communities by way of grant schemes which fund the regeneration of Scotland's town centres and the repair of historic buildings.

Table 13.06: National Records of Scotland (NRS) Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Operational Costs	31.3	39.8	40.1
Capital Expenditure	2.9	3.3	2.9
Less Retained Income	(5.8)	(5.8)	(5.8)
Total	28.4	37.3	37.2
<i>of which:</i>			
Fiscal Resource	23.3	29.5	31.5
Non-cash	2.2	4.5	2.8
Capital	2.9	3.3	2.9

What the National Records of Scotland budget does

National Records of Scotland's budget supports the collection, preservation and production of information about Scotland's people and history. This includes performing the registration and statistical functions of the Registrar General for Scotland, for example by taking the census and producing a wide range of demographic data which underpin public sector spending decisions, and the archival and public records functions of the Keeper of the Records of Scotland.

CHAPTER 14

Administration

PORTFOLIO RESPONSIBILITIES

The Administration budget covers the costs of the core administration required to support the Scottish Government's Purpose and Strategic Objectives. The largest element covers the cost of core staffing, although Scottish Government staff implementing and delivering specific public services may be paid for from other portfolio budgets where appropriate. This budget also supports the provision of property, facilities, information technology, travel and training for the core Scottish Government.

OUR PRIORITIES

In 2018-19 we will continue to make most effective use of the administration budget of the Scottish Government to deliver a high quality service to Scottish Ministers and the people of Scotland.

We will work together with stakeholders, delivery partners and with local government. Single Outcome Agreements and Community Planning Partnerships will carry this agenda into every part of Scotland.

We will continue to support a high-performing workforce with high levels of staff engagement, a strong emphasis on continuous improvement and flexible deployment.

Key priorities will include the delivery of the objectives and outcomes set out in the Programme for Government; implementing 'Scotland's Economic Strategy', guided by the refreshed National Performance Framework; continuing to develop capacity and capability to take on the new responsibilities set out in the Scotland Act 2016; and responding effectively to the impact of Brexit.

In 2018-19 we will:

- ensure the organisation has the capacity and capability to support the functions of government as well as the priority outcomes and objectives set by Ministers and the people of Scotland. This includes matching our resources to our priorities, positive engagement and joint working with delivery partners, trade unions and other stakeholders;
- strive for positive engagement with the UK Government on all issues of importance to the people of Scotland including the implementation of new powers under the Scotland Act 2016;

-
- provide leadership in the delivery of public service reform including effective preventative interventions, service design, and collaboration between public service partners;
 - continue to support Modern Apprenticeships. Since the Scottish Government launched the direct entrant Modern Apprenticeship Programme in April 2011 we have recruited 583 Modern Apprentices and provided further youth employment opportunities such as the graduate development programme, student placements and mentoring;
 - continue to invest in our people, demonstrating that we are an exemplar in employee engagement, diversity, equality and wellbeing, through the implementation of our People Strategy, public sector equality duties and the delivery of the Civil Service diversity agenda;
 - implement the 2018-19 public sector pay policy for Scottish Government staff from 1 April 2018 which departs from the 1 per cent cap of recent years; continues the Government's commitment to no compulsory redundancies; and prioritises support for those on the lowest incomes. We will maintain our status as an accredited Living Wage employer and where necessary use the flexibilities allowed under the policy to equality proof our pay structure;
 - secure maximum value for public money and invest further in the effectiveness of our people, systems and workplaces, building on significant efficiencies already achieved in procurement, estates, facilities, and other operational costs;
 - redesign and maintain our public sector infrastructure through the Smarter Workplaces Programme to ensure our buildings remain fit for purpose – this programme is already delivering recurring annual efficiency savings of £29 million across the public sector;
 - continue to support greater collaboration and partnership working by promoting the use of shared services as the standard way of doing business across the central government sector in Scotland; and
 - implement further measures to make the most effective use of the public sector estate and reduce carbon emissions, including through digital investment.

Table 14.01: Administration Spending Plans (Level 2)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 2	£m	£m	£m
Scottish Government Administration	193.0	192.6	192.6
Total Level 2	193.0	192.6	192.6
<i>of which:</i>			
Fiscal Resource	165.3	164.9	164.9
Non-cash	14.6	14.6	14.6
Capital	13.1	13.1	13.1
Financial Transactions	-	-	-
AME	-	-	-

Table 14.02: Administration Spending Plans (Level 2 real terms) at 2017-18 prices

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 2	£m	£m	£m
Scottish Government Administration	195.9	192.6	189.8
Total Level 2	195.9	192.6	189.8
<i>of which:</i>			
Fiscal Resource	167.8	164.9	162.5
Non-cash	14.8	14.6	14.4
Capital	13.3	13.1	12.9
Financial Transactions	-	-	-
AME	-	-	-

What the Administration budget does

The Administration budget covers the day-to-day running costs of the Scottish Government including costs of staff engaged in policy formulation and support for Ministers, as well as costs of estates and IT systems and structures.

Table 14.03: Administration Spending Plans (Level 3)

Level 3	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Scottish Government Staff	132.9	133.1	133.1
Retained Income	(16.5)	(16.5)	(16.5)
Accommodation	16.5	15.9	15.9
Other Office Overheads*	28.5	28.5	28.5
Training	3.8	3.8	3.8
Office of the Queen's Printer for Scotland	0.1	0.1	0.1
Depreciation	14.6	14.6	14.6
Capital Projects	13.1	13.1	13.1
Total**	193.0	192.6	192.6
<i>of which:</i>			
Fiscal Resource	165.3	164.9	164.9
Non-cash	14.6	14.6	14.6
Capital	13.1	13.1	13.1

* Includes ICT projects and minor non-pay items, e.g. travel, transport, stationery, hospitality, etc.

** The breakdown of spending plans is subject to change as we seek to reduce overhead costs in favour of providing staffing resources to support existing and new priority activities.

CHAPTER 15

Crown Office and Procurator Fiscal Service

PORTFOLIO RESPONSIBILITIES

The Crown Office and Procurator Fiscal Service (COPFS) is the sole public prosecution authority in Scotland prosecuting cases independently, fairly and effectively in the public interest.

The Lord Advocate's position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act 1998 and he exercises that responsibility independently of any other person.

Our purpose is to secure justice for the people of Scotland. We are committed to playing our part in making Scotland a safer place to live.

OUR PRIORITIES

COPFS priorities are in line with the overarching justice vision of a just, safe and resilient Scotland. We seek to ensure that our systems and interventions are proportionate, fair and effective and to deliver a person-centred and modern public prosecution service.

In 2018-19 we will:

- prosecute crimes and investigate deaths that require further investigation;
- provide appropriate support to victims of crime, vulnerable witnesses and bereaved relatives;
- respond to the increasing number of serious sexual offences that are reported to COPFS;
- subject to the approval of Parliament, implement the provisions of the Domestic Abuse (Scotland) Bill;
- implement reforms introduced by the Criminal Justice (Scotland) Act 2016 including improvements to procedures for sheriff and jury cases;
- meet the challenges of prosecuting serious organised crime and cyber crime;
- continue to play a full part in delivering the Digital Strategy for Justice in Scotland;

- continue to develop our digital systems and processes to further enhance the service we provide to increase case-processing efficiency;
- improve communications with victims and witnesses and comply with relevant legislative requirements; and
- continue to co-operate with counterparts in other jurisdictions, while preparing for the UK's withdrawal from the EU.

SPENDING PLANS

Table 15.01: Crown Office and Procurator Fiscal Service Spending Plans (Level 3)

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Staff Costs	72.4	72.3	78.3
Office Costs	3.9	3.9	3.8
Case Related	13.4	13.4	13.3
Centrally Managed	19.2	17.9	17.0
Capital Expenditure	3.6	3.6	3.6
Total Level 3	112.5	111.1	116.0
<i>of which:</i>			
Fiscal Resource	103.5	103.5	108.4
Non-cash	5.4	4.0	4.0
Capital	3.6	3.6	3.6
Financial Transactions	-	-	-
AME	-	-	-

Table 15.02: Crown Office and Procurator Fiscal Service Spending Plans (Level 3 real terms) at 2017-18 prices

	2016-17 Budget	2017-18 Budget	2018-19 Draft Budget
Level 3	£m	£m	£m
Staff Costs	73.5	72.3	77.2
Office Costs	4.0	3.9	3.7
Case Related	13.6	13.4	13.1
Centrally Managed	19.5	17.9	16.8
Capital Expenditure	3.7	3.6	3.5
Total Level 3	114.2	111.1	114.3
<i>of which:</i>			
Fiscal Resource	105.0	103.5	106.9
Non-cash	5.5	4.0	3.9
Capital	3.7	3.6	3.5
Financial Transactions	-	-	-
AME	-	-	-

What the COPFS budget does

COPFS receives reports of crimes from the police and other reporting agencies. We assess whether there is sufficient evidence to take prosecutorial action and, if so, what action is in the public interest. In appropriate cases we direct investigations by the police; prosecute all forms of crime before the High Court, Sheriff Court and Justice of the Peace Court; and impose direct prosecutorial measures. We take action to assess and recover proceeds of crime; co-operate with counterparts in other jurisdictions; and assist victims and witnesses. COPFS also investigates deaths which require further explanation and complaints of criminal conduct against police officers.

ANNEX A

SCOTTISH GOVERNMENT FISCAL CONTROL FRAMEWORK AND RECONCILIATION OF AVAILABLE FUNDING TO SPENDING PLANS

Introduction

The implementation of the Scotland Act 2016¹ and the associated Fiscal Framework² have made significant changes to the structure of the Scottish Government's Budget and the sources of funding that support government expenditure. In addition, the report of the Scottish Parliament Budget Process Review Group³ includes recommendations that the Scottish Government budget process establishes as a core objective to – 'improve transparency and raise public understanding and awareness of the Budget'.

This annex provides a short summary of the controls and the key financial limits within which Scottish Ministers must manage income and expenditure and shows how these control limits link to the published spending plans.

Scottish Government Funding

The Scottish Government's funding is a product of the grant settlement as it applies to all Devolved Administrations, the fiscal framework adjustments and its own policies on devolved and assigned taxes. The devolved administrations' budgets are set within a framework of public expenditure control and budgeting guidance determined by HM Treasury. Once overall public expenditure budgets have been determined in accordance with the Statement of Funding Policy,⁴ the Scottish Government has freedom to make its own spending and tax decisions on devolved programmes, but that must take place within the overall budgetary control totals set by HM Treasury and in compliance with HM Treasury's Consolidated Budgeting Guidance.⁵

1 <http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf

3 http://www.parliament.scot/S5_Finance/Reports/BPRG_-_Final_Report_30.06.17.pdf

4 http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479717/statement_of_funding_2015_print.pdf

5 <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2017-2018>

The Scottish Government's total budget is determined through the combination of block grant funding from HM Treasury, adjusted to reflect forecasts of receipts generated through taxes devolved to Scotland (through the Scotland Act 2012 and Scotland Act 2016), and planned use of available devolved borrowing powers.

As set out in the Fiscal Framework, changes in the Scottish Government's block grant will continue to be determined via the operation of the Barnett Formula. Under the Barnett Formula, the Scottish Government's block grant in any given financial year is equal to the block grant baseline adjusted for a population share of changes in UK Government spending on areas that are devolved to the Scottish Parliament. Detail of how the Barnett Formula works is set out in the UK Government's Statement of Funding Policy.

The block grant is then adjusted by HM Treasury to reflect the retention in Scotland of forecast revenues from devolved and assigned taxes (leaving a residual adjusted block grant). The Scottish Government retains all devolved and assigned Scottish tax revenues. The operation of the Block Grant Adjustment (BGA) is complex and explained further in Chapter 2 of this document and in more detail in the Fiscal Framework.

HM Treasury imposed spending limits and the total funding available to the Scottish Government subsequently reflect the combined aggregate of the adjusted block grant, the receipts from devolved and assigned tax revenues as forecast by the Scottish Fiscal Commission and decisions taken by Scottish Ministers on tax policy and capital borrowing.

Variation of Scottish tax policy relative to that of the UK will adjust the level of tax income eventually received by the Scottish Government and the overall level of funding available to support spending plans. Similarly a decision to borrow to support capital spending will increase the level of funding available.

Table 1.02 sets out the funding available.

Table 1.02: Scottish Government Budget Control Limits 2016-17 to 2018-19

SG Spending Limits – Cash Terms	2016-17 £m	2017-18 £m	2018-19 £m
UK Government Spending Review settlement – November 2015	30,286	30,520	30,620
Subsequent Barnett consequentials and other additions	(12)	828	1,247
Total Budget Limit from HM Treasury (A),	30,274	31,348	31,867
<i>of which:</i>			
Fiscal Resource Budget Limit	26,088	26,679	26,860
Non-cash Budget Limit	967	1,057	1,105
Capital Budget Limit	2,891	3,166	3,413
Financial Transactions	329	446	489
Block Grant Adjustment	(5,500)	(12,450)	(12,472)
Scottish Income Tax	4,900	11,829	12,115
Land and Buildings Transaction Tax	538	507	588
Scottish Landfill Tax	133	149	106
Non-Tax Income	43.2	36	25
Net Resource Budget Adjustment (B)	71	71	362
Capital Borrowing (C)	316	450	450
Total Scottish Government Funding (A+B+C)	30,661	31,869	32,679

Within these overall budget limits there are also important sub-categories of spending which are subject to their own control limits. These sub-limits are imposed by HM Treasury as part of UK rent fiscal rules. These limits apply to:

- Resource budgets (expenditure on the day-to-day costs of delivering public services). The total Resource expenditure limit is sub-divided into a Fiscal limit (or cash limit) and a non-cash limit. The Fiscal limit is the largest element of government expenditure, used for example to pay public sector salaries and purchase goods and services. The non-cash limit is primarily for depreciation of assets (a technical measure of the wearing out, consumption or other reduction in useful life of public sector infrastructure used in delivering public services). It is not possible to use the non-cash budgets to support any Fiscal/cash expenditure.
- Capital budgets are used to support the delivery of public infrastructure in Scotland. This is again split between Fiscal Capital and a separate control for budgets that can only be used to support loan or equity investment in bodies outside the public sector – labelled here as Financial Transactions. It is not possible within UK fiscal rules to use Capital Budgets or Financial Transactions to fund additional day-to-day expenditure, they must be used to support long-term investment. The overall Capital funding available to the Scottish Government can be augmented by Capital borrowing, the limits for which are imposed by the UK Government through the Fiscal Framework. Financial Transactions cannot be used to fund public services and must be repaid to HM Treasury.

In summary, HM Treasury fiscal rules impose an annual limit on the Scottish Government's spending on public services that is equal to the aggregate of the residual block grant (after adjusting for taxes), plus the devolved and assigned tax receipts themselves, plus capital borrowing.

Spending Plans

Further to the defined budget limits set out above, there are two other funding elements that support the total expenditure managed by the Scottish Government:

- Non Domestic Rates income, responsibility for which is fully devolved and falls outside the scope of the block grant and Fiscal Framework arrangements controlled by HM Treasury. Details on the operation of Non Domestic Rates in Scotland are provided at <http://www.gov.scot/Topics/Government/local-government/17999/11199>.
- A small number of programmes that, whilst they fall within the devolved responsibilities of the Scottish Government, continue to be funded annually by the UK Government on the basis of demand. This funding is described as UK-funded Annually Managed Expenditure (AME). These budgets are ring-fenced for specific purposes – principally NHS and Teachers' pension payments and Student Loans. HM Treasury fiscal rules prohibit the use of funding provided for these areas to support other forms of expenditure.

The full spending plans for the year are set out in Table 1.04 in Chapter 1 of the document (reproduced below). Portfolio chapters show the allocation of these totals across individual programmes.

Table 1.05: Total Proposed Spending Plans for 2018-19

2018-19 Draft Budget	Resource £m	Capital £m	Total £m	UK Funded AME £m	Total £m
Health and Sport	13,147.8	351.2	13,499.0	100.0	13,599.0
Finance and the Constitution	164.9	6.7	171.6	4,624.0	4,795.6
Education and Skills	2,813.6	171.0	2,984.6	428.0	3,412.6
Justice	2,540.1	112.8	2,652.9	-	2,652.9
Economy, Jobs and Fair Work	266.0	423.8	689.8	-	689.8
Communities, Social Security and Equalities	7,146.3	1,733.4	8,879.7	2,636.0	11,515.7
Environment, Climate Change and Land Reform	165.0	239.9	404.9	-	404.9
Rural Economy and Connectivity	1,447.0	1,359.4	2,806.4	-	2,806.4
Culture, Tourism and External Affairs	314.6	29.7	344.3	-	344.3
Administration	179.5	13.1	192.6	-	192.6
Crown Office and Procurator Fiscal Service	112.4	3.6	116.0	-	116.0
Scottish Government	28,297.2	4,444.6	32,741.8	7,788.0	40,529.8
Scottish Parliament and Audit Scotland	106.1	1.5	107.6	2.0	109.6
Total Scotland	28,403.3	4,446.1	32,849.4	7,790.0	40,639.4

Reconciliation of Funding to Spending Plans

There are a number of differences between the aggregate funding control limits as set out in Table 1.02 of the Draft Budget and the total cost of the portfolio spending plans. Published spending plans often incorporate additional funding sources not yet reflected in the HM Treasury control limits but anticipated to be formally confirmed at a future fiscal event. Table 1 below reconciles the aggregate funding limits to spending plans for 2016-17, 2017-18 and 2018-19 (the current budget year and the comparator figures shown across the document).

Table 1

SG Spending Limits – Cash Terms	2016-17 £m	2017-18 £m	2018-19 £m
Scottish Government Funding (from Table 1.02)	30,661	31,869	32,679
Barnett Consequentials	12	(412)	
Budget Exchange/Reserve	(11)	203	158
Machinery of Government Changes		31	(1)
Anticipated budget transfers	15	156	159
Unallocated Non-cash budget	(209)	(229)	(196)
Changes to LBTT	(24)		
Changes to Income Tax		29	
Queen's and Lord Treasurer's Remembrancer			50
Total Reconciling Items	(217)	(222)	172
Scottish Government Spending Plans (from Table 1.05)	30,444	31,647	32,849

Considering each of the reconciling items in turn:

Barnett Consequentials – The comparator figures across this document reflect the spending plans as at Budget Bill for those years, to show a like-for-like comparison against 2018-19 plans. The budget figures in Table 1.01 reflect the impact of any additional Barnett consequential on the budget limits for 2016-17 and 2017-18 flowing from UK Government Fiscal events since the relevant Budget Bill. To get to the funding position that underpinned the spending plans shown throughout this document, the budget impact of these subsequent fiscal events needs to be removed.

Budget Exchange/Reserve – in 2016-17, £11 million of funding was not utilised at Budget Bill. That funding was later allocated as part of the annual budget revision process. 2017-18 and 2018-19 spending plans are underpinned by anticipated underspend carried forward from the prior year. Until 2017-18 that budget carry forward was through HM Treasury Budget Exchange. From 2017-18 it is through the operation of the Scotland Reserve (rules for which are set out in the Fiscal Framework).

Machinery of Government Changes relate to anticipated funding for transfers of responsibility from the UK Government not reflected in the HMT control total at the point of the relevant Draft Budget publication but included in portfolio spending plans.

Anticipated budget transfers reflect UK Government funding for specific areas of work, including funding for Scotland Act 2016 Implementation and Administration, that are not yet reflected in HM Treasury budget limits but anticipated to be formally confirmed at a future fiscal event.

The HM Treasury non-cash budget allocation is often more than is required to meet the current needs of the Scottish Government. Accordingly, not all of this is allocated out to portfolios and is subsequently returned to HM Treasury. As noted above this budget cannot be used to support Fiscal/cash spending.

The 2016-17 Draft Budget included announcement of plans to introduce a residential transactions supplement to the Land and Buildings Transaction Tax. Whilst anticipated revenues of £23 million from this measure were included in the funding position published in the Draft Budget, legislation still needed to be enacted. Portfolio spending plans therefore did not reflect that revenue, which was applied as part of the budget revision process in-year.

During the passage of the 2017-18 Budget Bill, a change to income tax policy was made to freeze the Higher Rate tax threshold. Under the operation of the Fiscal Framework this released an additional £29 million of funding to support spending plans during the Budget Bill process.

The Queen's and Lord Treasurer's Remembrancer (QLTR) is the Crown's representative in Scotland who deals with ownerless property. In the Scotland Act 1998, the Crown's property rights in ownerless goods and the revenues raised from them were transferred to Scottish Ministers and the revenues paid into the consolidated fund. The £50 million shown here is the funding impact of the accumulated revenues, which sit outside of HM Treasury control aggregates.

ANNEX B

Portfolio Spending Plans

Table 2: Total Managed Expenditure

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health and Sport	13,038.3	13,225.9	13,599.0
Finance and the Constitution	3,379.2	4,690.0	4,795.6
Education and Skills	3,116.4	3,288.9	3,412.6
Justice	2,512.3	2,605.3	2,652.9
Economy, Jobs and Fair Work	369.0	419.6	689.8
Communities, Social Security and Equalities	11,047.6	11,242.2	11,515.7
Environment, Climate Change and Land Reform	182.5	307.0	404.9
Rural Economy and Connectivity	2,676.3	2,866.6	2,806.4
Culture, Tourism and External Affairs	292.9	324.8	344.3
Administration	193.0	192.6	192.6
Crown Office and Procurator Fiscal Service	112.5	111.1	116.0
Scottish Parliament and Audit Scotland	103.3	104.2	109.6
Total	37,023.3	39,378.2	40,639.4

Table 3: Fiscal Resource

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health and Sport	12,131.4	12,444.7	12,874.7
Finance and the Constitution	70.4	164.6	163.5
Education and Skills	2,425.0	2,462.2	2,577.8
Justice	2,313.3	2,372.5	2,410.0
Economy, Jobs and Fair Work	204.3	234.8	256.2
Communities, Social Security and Equalities	6,959.6	7,061.0	7,146.0
Environment, Climate Change and Land Reform	149.0	150.9	153.4
Rural Economy and Connectivity	1,230.9	1,322.4	1,246.7
Culture, Tourism and External Affairs	240.6	273.3	296.9
Administration	165.3	164.9	164.9
Crown Office and Procurator Fiscal Service	103.5	103.5	108.4
Scottish Parliament and Audit Scotland	89.0	90.2	95.1
Total	26,082.3	26,845.0	27,493.6

Table 4: Non-Cash (Ringfenced)

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health and Sport	272.9	273.1	273.1
Finance and the Constitution	5.0	1.9	1.4
Education and Skills	212.6	212.3	235.8
Justice	124.2	128.8	130.1
Economy, Jobs and Fair Work	26.2	12.1	9.8
Communities, Social Security and Equalities	-	0.3	0.3
Environment, Climate Change and Land Reform	13.3	13.3	11.6
Rural Economy and Connectivity	150.7	136.4	200.3
Culture, Tourism and External Affairs	16.0	19.5	17.7
Administration	14.6	14.6	14.6
Crown Office and Procurator Fiscal Service	5.4	4.0	4.0
Scottish Parliament and Audit Scotland	11.6	11.8	11.0
Total	852.5	828.1	909.7

Table 5: Capital (inc Financial Transactions)

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health and Sport	534.0	408.1	351.2
Finance and the Constitution	3.5	2.0	6.7
Education and Skills	99.5	171.4	171.0
Justice	74.8	104.0	112.8
Economy, Jobs and Fair Work	138.5	172.7	423.8
Communities, Social Security and Equalities	1,319.5	1,515.1	1,733.4
Environment, Climate Change and Land Reform	20.2	142.8	239.9
Rural Economy and Connectivity	1,294.7	1,407.8	1,359.4
Culture, Tourism and External Affairs	36.3	32.0	29.7
Administration	13.1	13.1	13.1
Crown Office and Procurator Fiscal Service	3.6	3.6	3.6
Scottish Parliament and Audit Scotland	1.7	1.2	1.5
Total	3,539.4	3,973.8	4,446.1

Table 6: UK Funded Annually Managed Expenditure

	2016-17 Budget £m	2017-18 Budget £m	2018-19 Draft Budget £m
Health and Sport	100.0	100.0	100.0
Finance and the Constitution	3,300.3	4,521.5	4,624.0
Education and Skills	379.3	443.0	428.0
Justice	-	-	-
Economy, Jobs and Fair Work	-	-	-
Communities, Social Security and Equalities	2,768.5	2,665.8	2,636.0
Environment, Climate Change and Land Reform	-	-	-
Rural Economy and Connectivity	-	-	-
Culture, Tourism and External Affairs	-	-	-
Administration	-	-	-
Crown Office and Procurator Fiscal Service	-	-	-
Scottish Parliament and Audit Scotland	1.0	1.0	2.0
Total	6,549.1	7,731.3	7,790.0

Annex D

OUTTURN COMPARISON 2012-13 to 2016-17

Table 7: OUTTURN COMPARISON 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m
Health	11,595.7	11,807.8	11,969.4	12,429.4	13,199.3
Sport	81.0	143.5	234.1	62.8	45.1
Food Standards Scotland	9.0	10.3	10.8	15.8	16.3
Total Health and Sport	11,685.7	11,961.6	12,214.3	12,508.0	13,260.7
Scottish Public Pensions Agency	2,565.4	2,649.6	3,613.9	3,429.5	3,301.1
Finance & Constitution	22.4	22.6	66.5	53.9	72.8
Revenue Scotland	-	-	-	4.6	4.6
Scottish Fiscal Commission	-	-	-	-	0.9
Total Finance and the Constitution	2,587.8	2,672.2	3,680.4	3,488.0	3,379.4
Learning	175.2	159.0	156.8	173.0	183.4
Children and Families	90.0	95.7	96.5	89.5	80.6
Higher Education Student Support	644.6	670.0	810.1	883.1	906.7
Scottish Funding Council	1,675.7	1,682.4	1,712.6	1,693.8	1,780.8
Advanced Learning and Science	-	266.0	6.0	4.8	4.5
Skills & Training**	n/a	n/a	236.6	255.2	228.1
Other ELL**	233.1	-	-	-	-
Total Education & Skills	2,818.6	2,873.1	3,018.6	3,099.4	3,184.1
Enterprise and Energy	279.1	336.3	313.3	300.5	272.2
Parliamentary Business and Government Strategy	1.5	2.0	2.0	35.2	46.9
Employability and Training**	n/a	n/a	21.6	18.0	16.8
European Social Fund	-	-	-	-	50.1
European Regional Development Fund	-	-	-	-	-32.4
ESF Programme Operation	7.7	2.1	3.9	32.9	-7.1
Accountant in Bankruptcy	0.9	0.7	0.6	1.1	1.4
Total Economy, Jobs and Fair Work	289.2	341.1	341.4	387.7	347.9

	2012-13	2013-14	2014-15	2015-16	2016-17
	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m
Community Justice Services	30.7	27.8	28.3	32.6	25.0
Judiciary	48.6	50.7	53.3	40.9	31.1
Criminal Injuries Compensation	25.1	20.5	17.5	17.5	17.4
Legal Aid	160.8	166.2	155.5	145.7	146.7
Scottish Police Authority (SPA)	-	1,199.9	1,153.1	1,167.3	1,142.2
Scottish Fire and Rescue Service	-	302.6	308.2	307.8	322.4
Miscellaneous	16.0	33.0	28.7	29.4	37.1
Police Central Government	245.9	45.4	23.5	25.9	26.7
Safer and Stronger Communities	3.4	2.9	3.8	6.2	3.8
Scottish Resilience	16.3	-	-	-	-
Police and Fire Pensions	329.1	327.4	477.4	312.3	372.3
Scottish Courts and Tribunals Service	78.5	87.6	73.9	92.9	108.1
Scottish Prison Service	426.2	297.8	337.8	332.2	331.5
Total Justice¹	1,380.6	2,561.8	2,661.0	2,510.7	2,564.3
Local Government ¹	11,225.1	10,310.6	10,733.5	10,877.8	10,336.6
Planning	4.1	3.8	5.0	5.2	4.4
Third Sector	19.4	22.0	23.7	18.4	21.6
Equalities	19.7	18.8	21.7	22.5	23.8
Housing	-	-	-	-	616.8
Social Security	-	-	-	-	1.4
Social Justice & Regeneration	-	-	-	-	61.5
Governance, Elections & Reform	0.7	0.4	0.1	1.5	1.3
Housing and Regeneration	394.8	444.8	548.2	636.1	-
Welfare Reform Mitigation	0.3	3.6	9.2	13.3	-
Scottish Futures Fund (SJC&PR)	-	-	1.8	-	-
Office of the Scottish Charity Regulator	2.9	2.9	2.9	2.9	2.9
Scottish Housing Regulator	3.7	4.9	4.4	4.3	4.0
Total Communities, Social Security and Equalities	11,670.7	10,811.8	11,350.5	11,582.0	11,074.3
Police Loan Charges					

	2012-13	2013-14	2014-15	2015-16	2016-17
	Outturn £m	Outturn £m	Outturn £m	Outturn £m	Outturn £m
Marine	50.1	54.8	53.8	54.1	55.6
Research, Analysis and Other Services	76.0	72.3	69.2	64.5	64.9
Environmental Services	146.7	150.4	149.1	155.8	136.2
Climate Change	7.5	13.5	15.1	15.1	15.4
Scottish Water	9.5	(66.7)	(25.4)	(97.1)	(95.9)
Total Environment, Climate Change and Land Reform	289.8	224.3	261.8	192.4	176.2
External Affairs	12.1	12.5	12.2	14.4	11.8
Culture, Tourism and Major Events	238.2	219.4	207.3	210.7	214.4
Historic Scotland	47.5	42.7	35.6	-	-
National Records of Scotland	22.3	19.9	19.9	21.1	25.6
Historic Environment Scotland	-	-	-	45.3	43.1
Young Scots Fund	0.8	-	-	-	-
Total Culture, Tourism and External Affairs	320.9	294.5	275.0	291.5	294.9
EU Support and Related Services	133.9	116.4	163.6	160.6	195.5
Rural Services	35.3	40.1	35.5	82.9	162.3
Fisheries and Aquaculture Grants	4.5	8.2	5.6	7.8	4.4
Forestry Commission	77.4	68.8	56.4	54.5	56.1
Digital Public Services, Committees, Commissions and Other Expenditure	16.3	19.1	90.7	-	-
Digital Connectivity	-	-	-	78.0	81.9
Highland and Islands Enterprise	86.4	70.8	67.5	67.2	68.4
Rail Services	783.6	838.0	708.3	748.6	737.9
Concessionary Fares and Bus Services	258.9	246.7	252.7	252.4	250.2
Other Transport Policy, Projects and Agency Administration	61.3	74.7	74.1	66.4	112.1
Motorways and Trunk Roads	766.0	595.9	578.8	773.4	785.0
Ferry Services	120.4	142.8	167.9	205.7	209.7
Air Services	38.0	56.5	56.9	63.2	57.6
Scottish Futures Fund	2.1	7.7	16.6	14.6	-

	2012-13		2013-14		2014-15		2015-16		2016-17	
	Outturn £m	2,384.1	Outturn £m	2,285.7	Outturn £m	2,274.6	Outturn £m	2,575.3	Outturn £m	2,721.1
Rural Economy and Connectivity										
Administration	224.8		206.8		200.0		182.7		181.5	
Total Administration	224.8		206.8		200.0		182.7		181.5	
Total Crown Office and Procurator Fiscal Service	109.0		109.7		112.4		113.2		112.7	
Total Crown Office and Procurator Fiscal Service	109.0		109.7		112.4		113.2		112.7	
Total Scottish Government Budget	33,761.2		34,342.6		36,390.0		36,930.9		37,297.1	

** It is not possible to provide a comparable outturn split between Other ELL and the new 'Fair Work, Skills and Training' portfolio for previous years

1. Budgets for Police and Fire in excess of £1 billion were transferred from Local Government to the new police and fire authorities from 2013-14 onwards.

ANNEX E

PUBLIC SERVICE REFORM DELIVERY AND PREVENTION UPDATE

A strong commitment to public service reform lies at the heart of our vision to build an inclusive, fair, prosperous and innovative Scotland that is ready and willing to embrace the future.

Our reform programme remains rooted in the principles set out by the Christie Commission in 2011. Our work is directed squarely at improving outcomes, especially for those of us whose wellbeing and life chances are poorest. Our National Performance Framework sets out the range of outcomes we wish to improve. We are currently refreshing the framework, having asked people what kind of Scotland they would like to live in.

Our public services need to embed a preventative approach into their work, not only to maintain positive outcomes, but also to disrupt deep-rooted cycles of negative outcomes, help tackle persistent inequalities and drive inclusive economic growth. The Scottish Government expects our public services to work closely and effectively with each other and with communities, to design and reshape sustainable services around people's needs and help to support the ongoing vitality of our communities. This Government also wants to put more decisions and resources directly in the hands of communities, providing greater control over how local public services meet their needs and aspirations.

Driving Reform for Scotland

The following examples illustrate some of the ways in which our work embodies reform principles, in particular through preventative approaches to support positive wellbeing and life chances for all.

Giving our young people the best start in life

- Scotland's Baby Box strongly signals our determination that every child, whatever their circumstances, should get the best start in life by ensuring that every family with a newborn baby has access to essential items needed in the first six months of a child's life.
- We are to increase the number of health visitors and we will ensure all eligible first-time mothers benefit from the support of a Family Nurse Partnership.
- We are expanding entitlement to early learning and childcare to 1,140 hours from 2020 – ensuring a high quality experience for every child, improving outcomes and contributing to closing the poverty-related attainment gap.

- We are building on existing actions to better prevent adverse childhood experiences (ACEs), and support people where ACEs have occurred, as we know they impact on children's wellbeing and can have ongoing impacts into adulthood.
- We are continuing to expand a major programme of work to close the attainment gap. This will include £179 million in 2018-19 from our £750 million Attainment Scotland Fund to support schools and local authorities. Our £120 million Pupil Equity Funding is already enabling headteachers to secure the additional resources they believe are required to support pupils affected by poverty and boost attainment.

Inclusive growth

- We are continuing to make progress following our Enterprise and Skills review. Its Phase 2 report, published in June 2017, set out a comprehensive programme of actions and commitments to ensure that our enterprise and skills support reflects the needs of users and contributes effectively to inclusive and sustainable growth. A new Strategic Board to align and co-ordinate the activities of Scotland's enterprise and skills agencies met for the first time in December 2017.
- We are developing plans for a Digital Growth Fund, with up to £36 million of support available over three years from April 2018 in the form of loans to businesses to invest in the digital capabilities of their workplaces and workforces.
- From April 2018 our devolved employment service, Fair Start Scotland, will provide support to people who are further removed from the labour market (at least 38,000 over three years of referrals into the service), treating them with fairness, dignity and respect.

A healthier Scotland

- We are providing more person-centred care for vulnerable adults in community settings, reducing the need for emergency hospital admission and managing delayed hospital discharge. We are providing recurring baselined funding to support integration, including an Integrated Care Fund of £100 million per year to support delivery of improved outcomes from health and social care integration, and £30 million per year to support Integration Authorities to reduce delayed discharges.
- We will establish public health priorities for Scotland in partnership across national and local government, the NHS, voluntary and independent sectors. These will be published by spring 2018 and focus on improving the quality of services and more effective collaboration on those areas most likely to improve service quality and reduce health inequalities.
- We are shifting the balance of care towards mental health through our new Mental Health Strategy. We are increasing the level of investment in mental health services, including an additional 800 workers over the next five years and re-designing primary and community services to improve support in the crucial period from birth to young adulthood.

A fairer and safer Scotland

- Our new social security agency will create a fairer system that treats people with dignity and respect. We will offer a local presence across Scotland, supported by centralised functions located in Dundee and Glasgow.
- Using powers available to us to mitigate some of the worst consequences of those changes introduced by the UK Government as part of Universal Credit, we are giving Scottish applicants more choice over how payments are made, such as to allow for twice-monthly payments and managed payments to landlords. We have also extended the Scottish Welfare Fund on an interim basis to help 18-21 year olds adversely affected by the UK Government's decision to end entitlement for housing costs within Universal Credit for young people.
- We are establishing a Tackling Child Poverty Fund worth £50 million over the next five years to trial new approaches, strengthen the evidence base and support innovation. We will take advice from the Poverty and Inequality Commission on where this funding can have the biggest impact.
- We are establishing new community justice arrangements that will support the delivery of services which aim to prevent and reduce further offending, offer alternatives to imprisonment and support those who have offended to reintegrate into local communities.
- We are building on work to reduce the incidence of domestic abuse and improve the outcomes for victims. This includes establishing a specific offence of domestic abuse covering both physical and psychological abuse and expanding the innovative Caledonian Programme, so that more male perpetrators of domestic abuse can receive rehabilitation services designed to address those issues giving rise to their offending behaviour.

Encouraging and Supporting Reform at Local and Regional Levels

If our public services are to be shaped around the needs of people, then national and local government have to work together with the third sector, the private sector and communities. Much of this partnership working will happen at local or regional level. That is why we are working closely with public services and other partners to ensure that reform is embedded into what they do with and for local communities.

For instance, on education reform, the Scottish Government and local government have established, in partnership, six new Regional Improvement Collaborative areas across Scotland which bring together a range of expertise from across local authorities and Education Scotland. The Collaboratives will ensure and enhance high quality support to our schools in ways that respond to local needs, support a culture of collaboration, and embed a continuous, systematic and collective focus on improvement, including on actions to close the attainment gap.

Our Realigning Children's Services programme is supporting public services to redesign children's services in ways that allow prevention and early intervention and reduce the need for high-intensity, high-cost services. The programme includes work with five Community Planning Partnerships to review practice and identify opportunities for earlier intervention.

Local government and other public services have a critical role to play in driving inclusive growth in ways that reflect distinctive local and regional conditions. We have already committed over £1 billion over the next 10-20 years to support City Region Deals for Glasgow, Aberdeen, Inverness, and Edinburgh and South East Scotland. Next, we will seek to secure new deals for Stirling and Clackmannanshire and the Tay Cities, and deliver a regional deal for Ayrshire.

Building on the progress made by City Region Deals, we have committed to new Regional Economic Partnerships representing every community in Scotland. These Regional Partnerships focus on the achievement of accelerated inclusive growth and will learn from, and build on, the foundations laid by City Region Deals.

Our £2.5 million Employability, Innovation and Integration Fund is supporting 13 projects across 18 local authority areas to test innovative approaches for joining up employability support with health and social care, justice, and housing services.

Community-led regeneration delivers inclusive growth by supporting community-led projects and services which respond to local circumstances and increase opportunities to attract investment and jobs in disadvantaged and fragile communities, while building community and regional cohesion.

The Scottish Government is committed to supporting and investing in community-led regeneration in areas which are more deprived, disadvantaged, remote or fragile. We have capital funds, including the Regeneration Capital Grant Fund, that support the purchase of land and buildings and that create new or improved infrastructure and community facilities. We also have revenue funds which support both community-based activity to develop or enhance local services and projects, as well as broader community participation, decision making and capacity-building. These include the Empowering Communities Fund, Community Choices Fund, Aspiring Communities Fund and Social Innovation Programme.

We will continue to bring democracy closer to people. We recently launched the Local Governance Review in partnership with COSLA. At the heart of this comprehensive review is an invitation to communities, large and small, to identify the powers and resources they need to thrive. An extensive and highly participative engagement process will begin early next year. What people tell us will help to inform the Local Democracy Bill, which we will introduce later in this Parliament.

We have also announced that we will listen to proposals from those island authorities that want to establish a single authority model of delivering local services - including health and social care. We will support proposals that have been developed with stakeholders, that have clear potential to improve people's lives, create efficiencies, drive inclusive growth and protect local democracy and our NHS.

Since December 2016, legislative changes introduced by our Community Empowerment (Scotland) Act 2015 have required local authorities and other local public services to work together and with communities through community planning in order to improve outcomes and tackle inequalities on locally-identified priorities. Most Community Planning Partnerships have now produced Local Outcome Improvement Plans and locality plans, which set out their ambitions on local priorities. These reflect themes that are fundamental to people's wellbeing and life chances (e.g. inclusive growth and improving employment prospects; positive physical and mental health; children's wellbeing; sustaining fragile communities). Yet each plan does so in a way that is shaped around distinctive local needs, circumstances and aspirations.

Public services in Community Planning Partnerships are now focusing attention on resourcing action to deliver on these ambitions. We are working with other agencies and sponsoring What Works Scotland to support local improvement activity and collect and share examples of learning.

ANNEX F

GLOSSARY

Annually Managed Expenditure (AME) (UK Funded)

A small number of programmes that, whilst they fall within the devolved responsibilities of the Scottish Government, continue to be funded annually by the UK Government on the basis of demand. These budgets are ring-fenced for specific purposes, principally NHS and Teachers' pension payments and Student Loans, and cannot be deployed for any other purpose. This expenditure is generally less predictable and is not subject to multi-year limits.

Audit Scotland

Audit Scotland was set up in April 2000 to audit the accounts of the Scottish Government and other public sector bodies in Scotland and to ensure that public funds are used properly, efficiently and effectively.

Barnett Formula

The Barnett Formula allocates to Scotland a population share of changes in comparable spending programmes in England. Comparability is the extent to which services delivered by Whitehall departments correspond to services delivered by devolved administrations. Scotland gets exactly the same pounds per head increase as in England. Barnett only applies to expenditure classified within Whitehall departments' Departmental Expenditure Limits. Details can be found in the Statement of Funding Policy available on the HM Treasury website.

Best Value

Best Value is about continuous improvement, seeking to change what we do in a way that transforms and sustains the delivery of high quality public services in Scotland.

Block Grant Adjustment

After devolution of taxes through the Scotland Act and Fiscal Framework, the Scottish block grant continues to be calculated by the Barnett formula. But an adjustment to the block grant needs to be made to reflect that some of the budget is now funded by Scottish tax revenues that were previously retained by the UK Government. There are two steps to this. Firstly, an initial block grant deduction is made for each tax. This is to compensate the UK Government for the tax revenue which is now being retained by SG. Secondly, for each subsequent year the block grant adjustments (BGAs) for each tax are grown or "indexed" to take account of changing tax revenue over time.

Budget Exchange

Until 2017-18 HM Treasury allowed the Scottish Government to carry forward any underspends against budget control limits through a budget exchange mechanism, up to a maximum of 0.6 per cent of the Resource budget and 1.5 per cent on the Capital budget. From 2017-18 the mechanism has been superseded by the Scotland Reserve.

Cash Terms

Figures expressed in cash or nominal terms are not adjusted for the effect of inflation (see Real Terms).

Common Agricultural Policy (CAP)

The Common Agricultural Policy was set up under the European Union Treaties to increase agricultural production, provide a fair standard of living for farmers and make sure that food is available at reasonable prices.

Community Planning Partnerships (CPP)

Community Planning, as set out in the Local Government in Scotland Act 2003, is delivered by local Community Planning Partnerships. There are 32 CPPs in Scotland, one for each local authority area. As well as statutory partners, a wide range of other organisations such as Jobcentre Plus, Further and Higher Education institutions and Scottish Natural Heritage are involved in CPPs, as are the third and private sectors. Third sector participation in CPPs is delivered through third sector interfaces that have been established in each local authority area.

Convention of Scottish Local Authorities (CoSLA)

The Convention of Scottish Local Authorities is a membership organisation which represents the shared interests of Scotland's 32 local authorities.

Cross-border Public Authorities

The Scotland Act 1998 allows for cross-border public authorities to be specified by Order in Council. They are public bodies and agencies, government departments, offices or office-holders which have functions exercisable in or as regards to Scotland, that do not relate to reserved matters. (GB/UK bodies which deal only with reserved matters in Scotland cannot be cross-border public authorities.) Examples include the Forestry Commission and the National Criminal Intelligence Service.

Consumer Prices Index (CPI)

The Consumer Prices Index is an internationally comparable measure of inflation measuring the change in the general level of prices charged for a defined shopping basket of goods and services bought for household consumption. The CPI forms the basis of the UK Government's inflation target that the Bank of England's Monetary Policy Committee is required to achieve.

Depreciation

A depreciation charge is a non-cash item which measures the wearing out, consumption or other reduction in useful life of a fixed asset.

European Structural Funds

European Structural Funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). They are used to tackle regional disparities and support regional development through actions including developing infrastructure and telecommunications, developing human resources and supporting research and development. The Scottish Government is the 'managing authority' for the Funds in Scotland.

European System of Accounts 2010 (ESA10)

European Union National Accounts classification rules.

Executive Agency

Semi-autonomous executive agencies operate within a framework set by the responsible Cabinet Secretary or Minister, which specifies policies, objectives and available resources. All agencies are set annual performance targets by their Cabinet Secretary or Minister who, in turn, account to Parliament for the work of the agency.

Financial Transactions

Financial Transactions are a form of capital budget allocated by HM Treasury to the Scottish Government which can only be used for the provision of loans or equity investment beyond the public sector and cannot be used to fund public services. Financial Transactions facilities have to be repaid to HM Treasury in future years.

Fiscal Framework

The Fiscal Framework is an agreement between the UK and Scottish Governments that governs funding of the Scottish budget and underpins the powers devolved through the Scotland Act 2016.

GDP Deflator

The GDP deflator is an index number which can be viewed as a measure of general inflation in the domestic economy.

Gini Coefficient

The Gini Coefficient is a commonly-used measure of income inequality. The higher the number, the greater the level of inequality.

Gross Domestic Product (GDP)

Gross Domestic Product is a measure of the total economic activity in a region. References to growth in the economy are quoted using GDP. It is a measure of the total amount of goods and services produced within a year in a country. In the UK, three different approaches (measuring production, income or expenditure) are used in the generation of one single GDP estimate.

Growth Accelerator(GA)

The Growth Accelerator is a funding mechanism based on the wider economic impact of infrastructure investment. Capital funding is internally invested, with funding then reimbursed by the Scottish Government over a set period following achievement of pre-agreed key milestones and targets.

Land and Buildings Transaction Tax (LBTT)

Land and Buildings Transaction Tax is tax on land and property transactions which replaced Stamp Duty Land Tax (SDLT) in Scotland from April 2015. LBTT has a progressive rate structure which means that only the proportion of the price above each tax threshold will be taxed at the next rate, rather than the whole purchase price.

Local Government

The collective title for Scotland's 32 local authorities.

Non-Departmental Public Body (NDPB)

A Non-Departmental Public Body is a body that operates independently of Ministers, although Ministers have ultimate responsibility. There are two main types of NDPB: executive NDPBs, which carry out administrative, regulatory, executive or commercial functions; and advisory NDPBs, which provide independent, expert advice to Ministers.

Non-Profit Distributing (NPD)

The Non-Profit Distributing model is a system for funding capital infrastructure projects. It is 100 per cent debt-financed, maximises value for money and allows shareholder transparency.

Office for Budget Responsibility (OBR)

The Office for Budget Responsibility was formed in May 2010 to provide independent assessments of public finances and the economy for each UK Budget and Spring Statement.

Prudential Regime

The prudential regime for local authority capital expenditure took full effect on 1 April 2004. It allows local authorities to make their own borrowing and spending decisions, but they are under a duty to determine how much they can afford and to keep this under review.

Real Terms

Any price or value adjusted for the effect of inflation. Real terms figures in the Draft Budget are calculated using the GDP deflators published by HM Treasury.

Regulatory Asset Base (RAB)

The value of a regulated industry's assets. As an example, for the rail industry, this is the Office of Rail Regulation's (ORR) calculation of the value of Network Rail's assets. The regulator agrees investment plans for five-year periods, including adding new investments to the Regulated Asset Base.

Science, Technology, Engineering and Mathematics (STEM)

The academic disciplines of science, technology, engineering and mathematics are often collectively described as STEM subjects.

Scotland Reserve

The Scotland Reserve arrangements apply from 2017-18 and enable the Scottish Government to smooth expenditure, manage tax volatility and determine the timing of expenditure within specified limits. The Scotland Reserve is separated between resource and capital and replaces the previous cash reserve. The Scotland Reserve is capped in aggregate at £700 million. Annual drawdowns from the reserve are limited to £250 million for resource and £100 million for capital. There are no annual limits for payments into the Scotland Reserve. The total annual drawdown limits will be temporarily waived in the face of a Scotland-specific economic shock.

Scottish Fiscal Commission (SFC)

The Scottish Fiscal Commission was established as an independent non-Ministerial Department on 1 April 2017. Commissioners are accountable to, and give evidence to, the Scottish Parliament. The Commission is responsible for producing independent forecasts of: revenue from fully devolved taxes and non-savings non-dividend income tax; onshore GDP in Scotland; and devolved demand-led social security expenditure.

Scottish Futures Trust (SFT)

The Scottish Futures Trust is the independent company established by the Scottish Government with the objective of maximising value for money across public infrastructure development.

Scottish Income Tax

Scottish Income Tax is a tax paid by Scottish taxpayers on all non-savings, non-dividend taxable income. The devolution of Scottish Income Tax commenced in April 2017.

Scottish Landfill Tax (SLFT)

Scottish Landfill Tax is a tax on the disposal of waste to landfill. It replaced UK Landfill Tax in Scotland in April 2015.

Tax Incremental Financing (TIF)

Tax Incremental Financing is a method of unlocking private investment in the regeneration of local areas. Initial borrowing by local authorities to fund the infrastructure is repaid through future increases in non-domestic rate revenues due to increased business creation resulting from the local authority's investment.



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