

# **INVESTING FOR JOBS: CAPITAL SPENDING REVIEW 2021-22 TO 2025-26**

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**Scottish Government**  
Riaghaltas na h-Alba  
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# INVESTING FOR JOBS: CAPITAL SPENDING REVIEW 2021-22 TO 2025-26

## Ministerial Foreword



I am pleased to set out the Scottish Government's Capital Spending Review, which underpins the five-year Infrastructure Investment Plan being published alongside it.

While the global pandemic we are experiencing is first and foremost a public health emergency, it is having a devastating impact on our economy. We will continue taking decisive action to respond to the immediate challenges facing Scotland, but the hope presented by the continued roll-out of our mass vaccination

programme means we have our sights set firmly on the brighter future ahead, and delivering a fairer, greener and stronger recovery.

At a time when the outlook for the economy and the public finances is uncertain, the Scottish Government wishes to provide vision and clarity for the future, through the pipeline of work set out in the Investment Plan aligned with the multi-year funding proposals developed through this spending review.

The Capital Spending Review sets out five-year budgets to underpin our common, single vision for all infrastructure investment choices: that our infrastructure supports Scotland's resilience and enables inclusive, net-zero and sustainable growth.

Our approach focuses on three strategic themes for guiding investment decisions in Scotland:

- **Enabling the transition to net zero emissions and environmental sustainability;**
- **Driving inclusive economic growth; and**
- **Building resilient and sustainable places and communities.**

To a significant degree, our ambitions are hindered by the actions of the UK Government, not least the cuts to our capital and financial transactions budget through the November 2020 Spending Review. We are clear that as we respond to the immediate impacts of the pandemic, and drive forward a sustainable recovery, capital spending will be vital and these cuts represent a threat to our recovery.

We will continue to push the UK Government to provide a fair funding settlement and necessary powers for Scotland. I welcome the fact that the UK Government has responded to our requests by agreeing to increased flexibilities to drawdown more of our own money from the Scotland Reserve in coming years, in recognition of the Scotland-specific shock the Scottish Fiscal Commission has forecast for 2021-22. However, I will continue to press for further, necessary improvements to the Fiscal Framework.

Our Capital Spending Review ensures we fully utilise every resource and lever available to us, to deliver an ambitious programme of investment. For example, we are already making use of the additional fiscal flexibility to increase our Scotland Reserve drawdown by £100 million next year.

We will work to ensure our own funding is shaped to leverage private investment, through realising our ambitions for Green Finance, and our work on trade and inward investment. We will shortly set out further our strategy to attract internationally mobile private capital.

This Capital Spending Review complements the Scottish Budget 2021-22, providing a longer-term vision for how we will drive forward our three strategic priorities.

It provides the investment to deliver our national mission for new, good and green jobs, with large-scale investment in new, emerging and high-value sectors – providing businesses with the confidence to grow and diversify. This delivers the twin benefit of protecting and creating jobs right across Scotland, with significant investment in rural areas, and driving progress towards net zero and environmental sustainability.

The Capital Spending Review confirms that we will deliver our National Infrastructure Mission to increase annual investment in infrastructure by 1% of 2017 Scottish GDP by 2025-26 ensuring that investment is £1.5 billion higher in 2025-26, than the £5.2 billion the Scottish Government invested in 2019-20. This will deliver total investment value of over £33 billion pounds in the next five years, and is estimated to support 45,000 jobs directly in that period, providing benefits right across Scottish supply chains.

Infrastructure investment is one of the strongest levers available to deliver economic wellbeing, good jobs and growth. Taken together, the Capital Spending Review and Infrastructure Investment Plan offer a strong contribution to the Scottish Government's response to both the pandemic and the ongoing economic challenges we will face as a result of the UK's departure from the European Union.

Our capital funding also supports economic growth beyond infrastructure by investing directly in businesses to boost innovation and employment, funding research and development, and capitalising the Scottish National Investment Bank.

The investment I am setting out here will ensure we stimulate the economy in the face of the crisis, renew our communities, and deliver new, green jobs and support our commitment to environmental sustainability, including ending Scotland's contribution to climate change by 2045.

The Capital Spending Review is also consistent with our international outlook and the UN Sustainable Development Goals. Over the period 2021-22 to 2025-26, it will:

## **Enable the transition to net zero emissions and environmental sustainability**

- Create an £180 million Emerging Energy Technologies Fund to support carbon capture and storage (CCS), negative emissions technologies (NETs) and hydrogen development.
- Invest £34 million in the Scottish Industrial Energy Transformation Fund (SIETF) for energy efficiency technologies and decarbonisation studies.
- Provide £150 million extra funding for flood risk management and £12 million for coastal change adaptation to help us adapt to the threat of sea level rises and protect our assets.
- Provide £60 million to support climate adaptation and resilience in our trunk road network.
- Commence a £50 million programme of investment supporting the reuse of vacant and derelict land as part of a fair, green recovery.
- Provides £100 million capital investment as part of our 10-year £250 million commitment to restore 250,000 hectares of peatland by 2030.
- Provide an additional £150 million to Scottish Forestry and Forestry and Land Scotland to increase new planting, expand Scotland's national forests by an additional 18,000 Ha per year and increase nursery stocks.
- Over £550 million will be invested over 5 years in active travel, including £50 million dedicated to Active freeways.
- Provide £120 million of new investment in the transition to net-zero electric buses.
- Invest £1.6 billion over the next five years to decarbonise heat in buildings, supporting our Housing to 2040 vision for Scotland's homes alongside ambitions to decarbonise our non-domestic building stock and public sector estate.
- Invest up to £75 million (including £65 million from the Low Carbon Fund) to improve local authority recycling collection infrastructure, accelerate landfill gas capture and improve waste data through electronic waste tracking.
- Invest over £1.2 billion in major rail improvements, including £550 million for dedicated rail decarbonisation projects, as well as £3.8 billion on our rail network for passengers and freight.

## **Drive inclusive economic growth**

- Strengthen digital connectivity through the £600 million Reaching 100% programme.
- Invest £110 million in a Digital Public Services Programme to support the transformation of key public services.
- Invest £525 million to deliver the next five years of the £5 billion City Region and Regional Growth Deals programme.
- Double investment in bridge and roads maintenance, enhancing safety with a programme of around £1.5 billion over 5 years.
- Stimulate innovation and our international attractiveness by concluding our £75 million investment in the National Manufacturing Institute Scotland.
- Provide over £10 million to support the reinstatement of the Cairngorm funicular.

## **Build resilient and sustainable places**

- Invest £275 million to support community-led regeneration and town centre revitalisation as part of a new Place Based Investment Programme.

- Provide £3.4 billion of capital for housing over 5 years, including Financial Transactions in 2021-22. Over £3.3 billion is allocated, to deliver more affordable and social homes, helping to create great places, and ensuring the right types of homes are in the right places, supporting Local Housing Strategies and regional development priorities.
- Scottish Water is planning to invest over £4.5 billion in the next charge control period 2021-27 to maintain and improve services across Scotland, address the challenges of its aging asset base and make progress towards the achievement of its commitment to net zero emissions by 2040.
- Together with Councils, fund an ambitious £2 billion Learning Estate Investment Programme, using an outcomes based revenue finance approach to deliver 36 modern, state of the art learning facilities for 21,000 pupils.
- Invest over £200 million in the Baird and Anchor project in Aberdeen and deliver a £320 million programme of investment to expedite completion of our elective care centres.
- Double investment in health maintenance, totalling almost £1 billion.

Through all of these investments and the vision set out in the Infrastructure Investment Plan, the Scottish Government will do all that it can, working with a range of partners, to deliver a positive future for Scotland.

**KATE FORBES**  
**Cabinet Secretary for Finance**

## Chapter 1 - Context and Strategy

### Purpose of the Capital Spending Review

In the 2018 Programme for Government, the First Minister announced a National Infrastructure Mission to increase annual investment in infrastructure by 1% of 2017 Scottish GDP by 2025-26. It aims to ensure that investment is £1.5 billion higher in 2025-26, than the £5.2 billion the Scottish Government invested in 2019-20

This is the level we think is required to match the ongoing investment of our key OECD competitors. We are the first part of the UK to commit to overcome historically lower UK investment, and seek to reach such internationally competitive levels.

Our Capital Spending Review is Scotland's first multi-year capital settlement for around a decade. It sets out plans for more than £33 billion of funding to deliver our National Infrastructure Mission in full.

Around 90% of the capital budget supports infrastructure - from the homes we live in and the water, energy and telecommunication we consume, to how we travel to the places we work, shop and learn. Capital investment crucially supports employment and economic recovery through our large-scale infrastructure plans.

The economic rationale for the National Infrastructure Mission was supported by a paper produced by Scottish Government analysts<sup>1</sup>, which set out the important role that infrastructure investment plays in improving the productive capacity of the economy and delivering long-term economic benefits.

The National Infrastructure Mission runs through the full next Parliamentary term, and consequently our Capital Spending Review also covers financial years 2021-22 to 2025-26. It has the potential to boost Scottish GDP by £10 - £25 billion over 15 years, and is estimated to support around 45,000 jobs.

Our Infrastructure Investment Plan 2021-22 to 2025-26, is also published alongside this Capital Spending Review and sets out a robust pipeline of work – offering good, green jobs, stimulating supply chains and building market confidence. The Infrastructure Investment Plan includes details of over £26 billion of major projects and national programmes – with more to be confirmed in future years.

Our capital funding also supports economic growth beyond infrastructure by investing directly in businesses to boost innovation and employment, funding research and development, and capitalising the Scottish National Investment Bank.

The clarity provided by our new multi-year capital plans, and the investments they will underpin, has the potential to boost confidence in sectors across Scotland's economy, and to encourage necessary private sector investment. It offers public bodies certainty to develop and implement their own medium-term plans.

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<sup>1</sup> <https://www.gov.scot/publications/exploring-economic-rationale-infrastructure-investment/>

Internationally, Spending Reviews are generally exercises which review government programmes or projects, often as a means to find fiscal headroom. They can focus on allocative choices – doing the right things – and efficiency improvements to boost value for money. They are also often used to implement systematic change, such as reviewing the functions and performance of public bodies or embedding a wider culture of ongoing policy evaluation.

Prior UK Spending Reviews have historically set multi-year departmental budget limits across all spending, which is not common elsewhere. There has not been a full UK capital spending review for around half a decade. Although this means that the devolved administrations must operate without confirmed capital budget settlements beyond 2021-22, the Scottish Government does not wish this to become a barrier to longer-term planning and development. We are therefore taking action now to set out multi-year funding plans, so that our essential pipeline of work can make the progress that is needed.

This Scottish Capital Spending Review has been developed from the work of the Infrastructure Commission for Scotland, and provides the funding to deliver its agreed recommendations. Across the Scottish Government, Ministers have identified the right things to invest in to boost outcomes for Scotland. As such, our Capital Spending Review has had a clear focus on ensuring the right allocative choices. It also sets out portfolio capital allocations across the next five financial years.

The Capital Spending Review and Infrastructure Investment Plan have been developed coherently, ensuring the right strategic approach. Within our three overarching strategic themes, the purpose and goals of the Scottish Capital Spending Review are:

- Ensuring a collaborative approach across Scottish Government, and a coherent strategy.
- Prioritising investment in areas that boost delivery of our core purpose and national outcomes.
- Responding to the challenges of Covid-19 and building back stronger.
- Identifying and delivering the right funding for improvements to meet future Scottish needs, such as through the use of digital technology.
- Generating additional investment, such as through revenue finance.
- Ensuring medium-term fiscal sustainability.

## **Context for the Capital Spending Review**

### **Covid-19**

This Capital Spending Review is being delivered against the backdrop of two of the most significant events to impact the economy in recent years – the Covid-19 pandemic and the UK's exit from the European Union.

The Covid-19 pandemic is the greatest public health crisis of our lifetime and the necessary actions taken to minimise the spread of the virus have caused a profound shock to the economy. This has particularly hit construction, tourism and hospitality, food services, arts, entertainment and recreation sectors. Even where sectors have continued to trade, turnover is down, resulting in precarious cash flows. Consumer

demand, how we travel, purchasing habits, and decision-making may see enduring changes as a result of the pandemic. Effects are particularly stark in hospitality, retail and aviation, for example. How we invest in infrastructure can help our recovery.

As reported to Parliament, one effect of the pandemic was a delay to the Capital Spending Review, which had been due to be published by end June 2020. The Scottish Government published its Capital Spending Review Framework in September 2020, alongside a draft of the Infrastructure Investment Plan, setting out our financial planning assumptions underpinning a full five-year Capital Spending Review and outlining the context and forecasts affecting our plans.

The Scottish Government will continue to respond quickly and decisively to tackle the continued threats of the virus, as it has done since the start of the pandemic. This Capital Spending Review sets out how the Scottish Government aims to do everything possible to secure social and economic recovery, and support our collective wellbeing, including driving progress towards our commitments on environmental sustainability and net zero. It shows how every lever is being used to achieve the greatest possible impact.

The budget assumptions set out in the Capital Spending Review Framework remain the basis for our forward spending plans. However, as announced on 28<sup>th</sup> January 2021, the Scottish Fiscal Commission has subsequently forecast a Scotland-specific economic shock to occur in 2021-22, arising from the impact of Covid-19.

The Fiscal Framework between the Scottish and UK Governments includes provision for some specific additional flexibilities under the unique circumstances we are facing. The UK Government has agreed with us that, for capital, the annual limit of £100 million for annual drawdown from the Scotland Reserve will be temporarily waived. This flexibility is available to us for 2021-22 and the two subsequent financial years, should sufficient capital be in the Reserve to make use of it.

Consequently, the Scottish Government confirmed in the Budget that it will draw down £200 million of Financial Transactions funding from the Scotland Reserve in 2021-22, and this sum is now reflected in the first year of Capital Spending Review allocations. No other additional drawdown beyond the conventional Fiscal Framework provisions has yet been assumed, but such plans can be revisited if need be in response to in-year developments.

## **EU Exit and UK Government capital plans**

EU Exit is also having an impact on our economy. From 1 January 2021, the transition period came to an end and new rules came into force governing our economic relationship with the EU.

The long term impact of these changes is still uncertain but the Scottish Government's initial analysis of the agreements reached between the UK Government and the EU is that Scotland will be worse-off outside the EU. This makes the focus on at least matching our top international competitors even more important, as we look to ensure that infrastructure investment supports a sound economic response.



The Chancellor of the Exchequer announced on 24 March 2020 that the anticipated UK Comprehensive Spending Review would be delayed from July, to enable a focus on responding to the Covid-19 emergency. On 21<sup>st</sup> July 2020 the Chancellor updated that the UK Government would undertake its Comprehensive Spending Review in the Autumn, setting UK resource budgets for the years 2021-22 to 2023-24 and capital budgets for the years 2021-22 until 2024-25.

In the event, the Chancellor delivered his Spending Review to the UK Parliament on 25 November 2020. But it was a one year spending review only for 2021-22 and included a significant cash cut to the Scottish Government's capital and financial transactions budget.

HM Treasury have now delayed previously announced multi-year UK Capital Spending Reviews five times. Last November, however, enabled some helpful clarity on their response to the UK National Infrastructure Commission [July 2018] recommendations in the UK report "National Infrastructure Assessment"<sup>2</sup>.

This was a risk outlined in our Capital Spending Review Framework. It evidences why it has been critical for Scottish planning to continue, based on our own Infrastructure Mission and strategic certainty.

UK Government delay risks uncertainty and paused investment, damaging our economic recovery. The UK Government's decision to cut capital investment levels in the devolved administrations, even whilst announcing a £27 billion boost at UK level, risks the GDP growth in Scotland that is so critical if we are to recover from the economic harm arising from the pandemic.

## **Our Strategy for Scotland**

The 2020-21 Programme for Government was published in September 2020. Against the public health and economic crisis caused by the pandemic, it emphasised the importance of rebuilding our economy after the shock of Covid-19 in a way that creates a fairer and more equal society. In particular, it commits to:

- a national mission to create new jobs, good jobs and green jobs – with a particular focus on our young people, supporting retraining and investing in our Green New Deal to tackle climate change;
- promoting lifelong health and wellbeing – by tackling Covid-19, remobilising and reforming the NHS and social care and tackling health inequalities; and
- promoting equality and helping our young people fulfil their potential.

These commitments have been reinforced by the Scottish Budget 2021-22 and Medium Term Financial Strategy (MTFS) which were both published on 28 January 2021:

The Budget document reinforces the commitments set out in the Programme for Government (PfG), and sets out how we will invest to build our economy back fairer

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<sup>2</sup> <https://nic.org.uk/studies-reports/national-infrastructure-assessment/>

and stronger.’ (p 32, [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scotland-fiscal-outlook-medium-term-financial-strategy-2020-2025/pages/32))

Capital funding can support infrastructure and a range of other activities. In particular, it can support research, the creation of financial instruments such as debt or equity, or job creation and retention through investment in Scottish businesses, for example to boost innovation.

Around 90% of the Scottish Government’s capital investment in 2020-21 was directed towards infrastructure. This Capital Spending Review is published alongside the Infrastructure Investment Plan 2021-22 to 2025-26<sup>3</sup>. The two closely align, with the Infrastructure Plan setting out the strategy, and the Capital Spending Review ensuring that priorities are fully funded or financed.

They have both been prepared to support delivery of projects and programmes with improved outcomes and benefits within three themes:

- Enable net zero emissions and environmental sustainability
- Drive inclusive economic growth
- Build resilient and sustainable places



As the Infrastructure Investment Plan sets out, we need to adjust the balance of investment in favour of renewing and extending the life of our existing infrastructure, both on environmental and value-for-money grounds. As such, the Capital Spending Review will target a material uplift in investment in capital maintenance, relative to current levels, working towards doubling such annual investment over the next 5 years.

<sup>3</sup> <https://www.gov.scot/isbn/9781800046146>

The Infrastructure Investment Plan sets out how we intend to apply and incorporate a new investment hierarchy framework into decision-making processes relating to public sector infrastructure investment as part of a wider asset management approach to business case development and the decision-making process. This builds on the recommendation from the Infrastructure Commission for Scotland to take such action.

The hierarchy should help to reinforce positive behaviours around maximising the benefits from maintaining our existing assets where appropriate to do so. This should take into account asset obsolescence and poor condition, while ensuring we are reflective of local infrastructure needs, such as the different level of existing infrastructure in rural areas when compared to towns and cities.

Recent changes to HM Treasury guidance on business case appraisal methodology will be considered and aligned, where appropriate, with our Place Principle and Infrastructure Investment Plan vision, as central components of project evaluation.

The hierarchy is closely linked to the impact assessment and prioritisation framework discussed in the next section and its development will be an iterative process which will be developed as part of the future route-map for the infrastructure investment decision framework.

This Capital Spending Review will also address the significant near-term challenges presented by the Covid-19 pandemic, recognising the profound impact the virus has had on our whole way of life, and the role infrastructure has to play in helping businesses and communities to adapt and recover.

Alongside the harmful consequences, we have seen a number of potentially positive shifts that we can build upon. This includes positive examples of community cohesion and empowerment, new collaborative ways of working among public services and more person-centred support, reduced commuting, more flexible and remote working arrangements and making more use of digital channels to access services and support.

We now have a unique opportunity, not simply to go back to how things were, but to harness the scale and pace of such changes to drive positive outcomes and ensure our investment plans are founded in fairness and dignity, safeguarding equality and driving progress towards net zero and environmental sustainability.

We will ensure a focus on the following shifts in our capital investment, to seek to address the economic, health and social impacts of Covid-19:

- **Investing in digital connectivity and digital inclusion to help businesses, workers and service users to accelerate the uptake of digital services and reducing the need to travel**
- **Supporting safe active travel and local, accessible public services in vibrant places to sustain local communities**
- **Supporting green and blue spaces to provide access to nature**

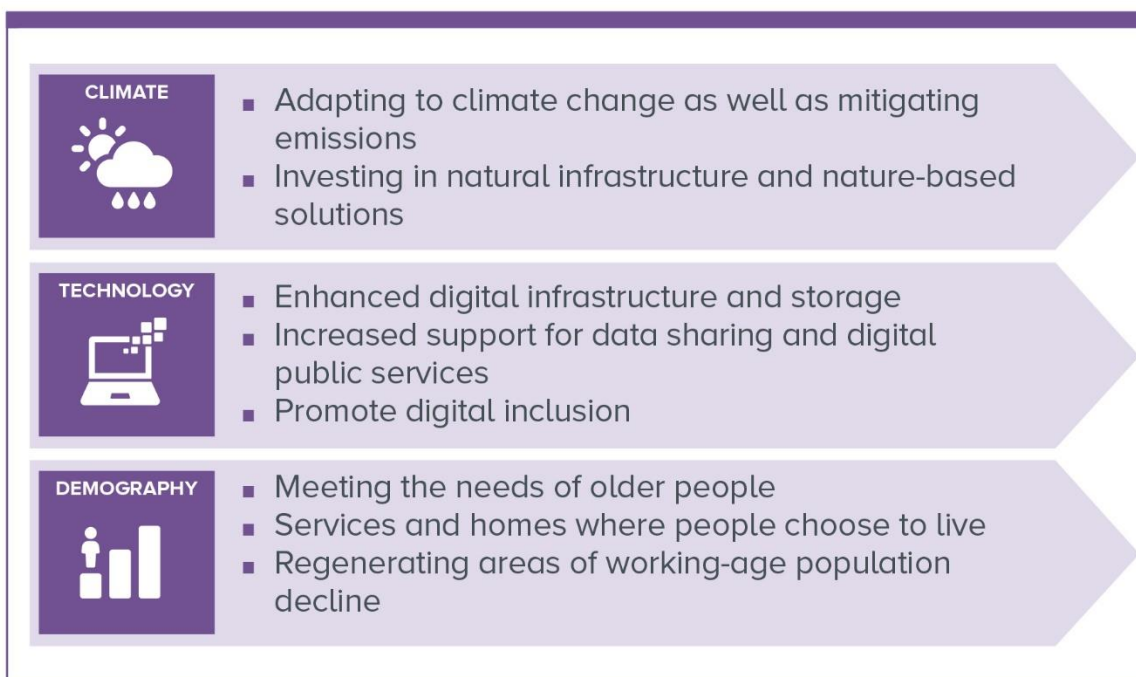
- **Investing in local business opportunities and job-creation to preserve and generate employment to support economic recovery**

The Advisory Group on Economic Recovery considered how best Scotland might address the economic harm that has arisen from Covid-19. A key recommendation of the group called on Scottish Ministers to maintain the National Infrastructure Mission. We are delighted with this recognition of the value our approach can bring.

Recognising the long-term nature of infrastructure provision, and the need to future proof investment, the Capital Spending Review and Infrastructure Investment Plan also address key long-term trends, including:

- Tackling and managing climate change
- Accommodating technological developments
- Adapting to demographic change

These are described in more detail in the Infrastructure Investment Plan. Below is a summary of the key adjustments in our investment approach that will be required to respond well to these long-term trends:



In April 2019, the First Minister recognised we are facing a climate emergency and our Environment Strategy acknowledges a linked global crisis of biodiversity loss. We need to invest in the required actions to reduce emissions to meet our ambitious net zero target level and to address the potential disruption we face from extreme weather events and the climate change already underway. We also need to invest in action to protect and restore nature in Scotland and improve our overseas environmental impact. This must include investment in natural infrastructure and nature-based solutions to climate change, such as woodland expansion and peatland restoration.

Recognising that emissions in 2025 need to be around 11 Mt CO<sub>2e</sub> a year lower than our 2020 target level, we have announced an additional £2 billion capital investment in low carbon measures over the course of the next Parliamentary term. Scottish Government investment can never be the whole answer to the climate emergency challenge, but can supplement action at international and UK level, and within Scotland by local authorities, businesses and service users.

Chapter 3 gives full details of the 5-year allocations within this new £2 billion capital investment. Additionally, Budget 2021-22 published a full line-by-line analysis of all low carbon investment in that financial year, including almost £1.8 billion continuing underlying low carbon investment.

## Chapter 2 – Delivering Fiscal Sustainability and 5-year Funding Aggregates

### Outlook for future Capital and Financial Transactions Grant

The Medium-Term Financial Strategy 2021 sets out likely future grant levels for Scotland, based on a range of assumptions. It noted that the UK Government's latest Spending Review provided budgets for 2021-22 only, and did not provide the information needed for long-term planning. This settlement forms the basis of a central scenario, which beyond 2021-22, assumes that the Scottish Government Block Grant grows in line with spending plans set out by the Office of Budget Responsibility. The forecast future capital grant, financial transactions and borrowing is as set out in the table below.

Table 01: summary central scenario outlook for UK funding

£ million (nominal)	2021-22	2022-23	2023-24	2024-25	2025-26
Capital Budget Limit	4,973	5,260	5,558	5,757	5,986
Financial Transactions	208	208	0	0	0

These figures have been used as a basis for our future planning for portfolio allocations throughout the Capital Spending Review period. The plans set out by the Office of Budget Responsibility are more optimistic in later years than the forecasts given by HM Treasury itself. As such, later years' capital borrowing has not yet been built into National Infrastructure Mission planning, to permit flexibility to respond to the risk of a different UK settlement to the above, whilst still offering certainty to portfolios and confidence in their own future allocations.

### Types of Funding and Financing of the National Infrastructure Mission

Scottish Ministers are committed to ensuring that the Scottish Government's financial planning is sound and sustainable. In this section we highlight the key factors underpinning the fiscal sustainability of our capital investment plans.

Just under 85% of the Scottish Government capital budget, including new Financial Transactions funding, flows from UK Government decisions and allocations. The remaining sums arise from income and receipts, deployment of Scottish capital borrowing powers, from innovative financial and revenue finance models, and from recycling repayments from earlier FT loans.

## Capital Borrowing

In addition to the capital block grant, the Scottish Government can increase capital expenditure through borrowing up to £450 million per year up to a maximum total of £3 billion. While these powers enable the Scottish Government to support the capital investment programme and promote economic growth in Scotland, there are limitations to their use. The Scottish Government capital borrowing policy is set out in the Medium-Term Financial Strategy<sup>4</sup>.

## Financial Transactions

Financial transactions (FTs) are a type of capital funding, initially introduced by Treasury in 2012-13. They are available for equity investments, or loans to individuals or private or third sector organisations, such as companies or universities. FTs must be repaid by the Scottish Government to the UK Government.

Previous FT budgets have been used to good effect in Scotland, such as to grow early stage innovative companies or to improve people's chances to own their own home.

FT consequentials to Scotland have predominantly arisen from UK Government funding of the English 'Help to Buy' housing scheme, which had been expected to conclude in March 2023. Intentions thereafter are not yet known, and will likely only become clear in a full UK Comprehensive Spending Review.

The FTs confirmed in the one-year UK 2020 Spending Review were cut very significantly, as below. No indication was given on the future of FTs after 2021-22. The reduction was principally due to a significant and early scaling back of the English "Help to Buy" scheme.

Table 02: Financial Transaction Allocation, £m

£m	HMT actual FT funding in Budget 2020-21	HMT 2021-22 FT allocation	% actuals change
FTs total	620.0	208.0	(66.5)

Within the total FT funding available to the Scottish Government, it has not been possible for us to fully mitigate this reduction, coupled with a £218 million negative Capital consequential flowing from reductions the UK Government has made to comparable Housing budgets in England. The Scottish Government has expressed the view that the UK Government's approach appears to contradict the commitment in the UK Spending Review to multi-year funding for housing, specifically:

*“nearly £20 billion of investment underpinning the [UK] government's long-term housing strategy, including £7.1 billion for a National Home Building Fund and confirming over £12 billion for the Affordable Homes Programme”*

<sup>4</sup> <https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy>

We have sought clarification about the UK Government's plans for future housing funding. In the event that additional clarity or funding is provided in the March UK Budget, the Scottish Government will review the options this presents for the overall capital programme, including affordable housing supply.

As a result of the significant and unexpected reduction in the FT budget allocation, the Scottish Government has had to take tough decisions on the projects and programmes that will be funded by this method going forwards.

Priority has been afforded to ongoing delivery of existing low carbon investments and to the capitalisation of the Scottish National Investment Bank (SNIB), to support a strong, sustainable low carbon economy.

Additionally, and in recognition of the key role that Financial Transactions funding has played in our Affordable Housing Supply programme and shared equity schemes over many years, the Scottish Government has targeted the additional £100 million Reserve drawdown flexibility in 2021-22, available due to the Scottish Fiscal Commission's assessment that there has been a Scotland-specific economic shock, on boosting our affordable housing investment next year and continuing shared equity scheme support for first time buyers into 2021-22.

### **Revenue-Financed Investment**

The Scottish Government uses revenue finance to deliver additional high-value infrastructure projects, which could not be delivered with capital grant alone. Such infrastructure projects are financed through annual payments or increased tax revenue, typically over a 25- to 30-year period.

The affordability and sustainability of all Scottish Government long-term revenue commitments, including repayment of debt stock, are assessed as part of the Budget process. Annual costs of revenue finance commitments are managed within a maximum of five per cent of the Resource budget available (excluding social security).

In 2019, the Scottish Futures Trust compiled a report<sup>5</sup> considering the options for future deployment of private finance in Scotland. Of the available choices, it recommended adoption of the Mutual Investment Model (MIM), a variant of a Welsh approach.

In the 2019 Medium Term Financial Strategy, we accepted this recommendation and confirmed that, although this financing approach can provide valuable additionality, in recognition of the overall costs, MIM would be reserved for schemes delivered by the Scottish Government itself, its agencies or related bodies.

As identified by the Scottish Futures Trust, MIM is most suitable for a pipeline of similar projects or schemes, each of which has a capital asset value of more than £20 million, rather than a more diverse suite of smaller projects. The market is aware

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<sup>5</sup> Scottish Futures Trust: An options appraisal to examine profit sharing finance schemes, such as the Welsh Mutual Investment Model, to secure investment for the National Infrastructure Mission and best value for tax payers, 30 April 2019



that the deployment of MIM for remaining stages of the A9 is being explored and developed.

An outcomes-based model of revenue finance has also been developed for working with Councils to deliver the Learning Estate Investment Programme. Similarly, outcomes finance aims to be utilised for Green Growth Accelerators.

Our pilot Tax Incremental Finance (TIF) investments, established in previous years, also continue to form part of the overall investment landscape. These permit Councils to retain the increase in Non-Domestic Rates income arising from increased business activity within zones where their targeted capital investment has taken place. Existing Growth Accelerator investments, in Edinburgh and Dundee, are also continuing, with Scottish Government resource payments made to those Councils if economic and other performance indicators are met as a result of their own increased infrastructure investment in specific schemes.

### **The Scotland Reserve**

The Scotland Reserve allows the Scottish Government to smooth spending within and between years. The Reserve is capped in aggregate at £700 million, by the provisions set out in the Fiscal Framework. This is only around 1.4% of the nearly £50 billion total Scottish Budget in 2020-21.

Annual drawdowns from the Reserve are normally limited to £100 million for capital (including financial transactions). This severely restricts the Scottish Government's ability to build up a medium-term reserve and draw down funding in line with investment cycles.

As noted earlier, the Scotland-specific economic shock that the Scottish Fiscal Commission has forecast for 2021-22 has resulted in the temporary ability to drawdown more than this limit of capital in 2021-22 and each of the two subsequent financial years. The overall £700 million cap does however still remain in operation and acts as the ceiling for reserved Resource and Capital funding combined.

### **Stakeholder Expectations of the National Infrastructure Mission**

Scottish Ministers welcome the contributions other stakeholders have offered around a likely detailed trajectory or plan to deliver the National Infrastructure Mission, most notably estimates published by Audit Scotland in 2020 in their report Privately Financed Infrastructure Investment – The Non-Profit Distributing Model (NPD) and Hub Models<sup>6</sup>.

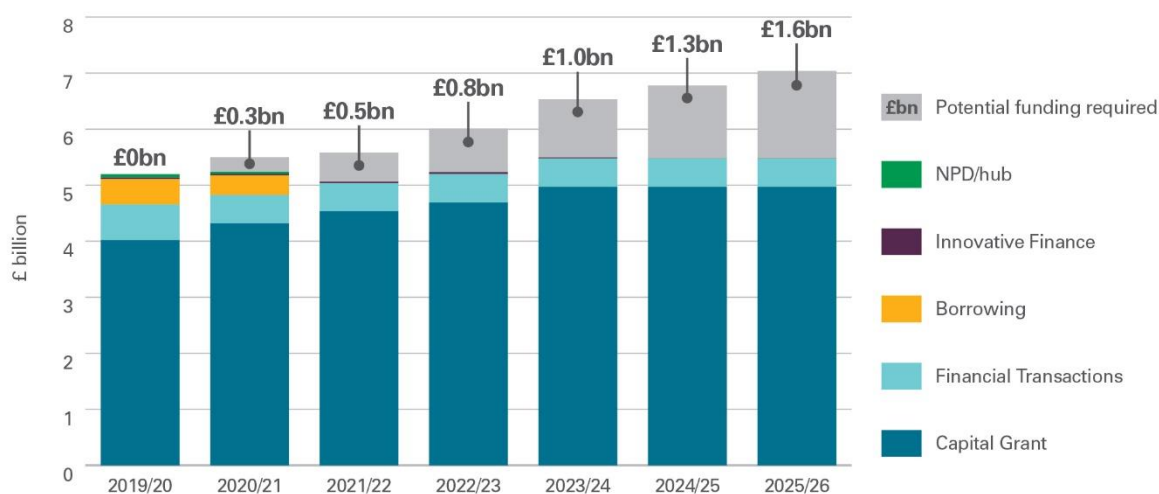
This report offered a credible external estimate of trends in Capital budgets and is reproduced here with the permission of Audit Scotland.

Exhibit 9 The current trend in capital budgets, 2019-20 to 2025-26

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<sup>6</sup> <https://www.audit-scotland.gov.uk/report/privately-financed-infrastructure-investment-the-non-profit-distributing-npd-and-hub-models>

The Scottish Government may need to use a variety of funding sources, potentially including private finance, to meet its target to increase investment in line with the National Infrastructure Mission.



Note: Our analysis uses the National Infrastructure Mission Baseline from the Scottish Government’s 2019 Medium Term Financial Strategy (MTFS), based upon its modelled central scenarios until 2023-24 (and thereafter kept level). This provides projections of the capital grant and Financial Transactions funding, as well as expenditure on innovative financing schemes, over the seven-year period 2019-20 to 2025-26. In line with the MTFS, our analysis assumes no NPD/hub investment after 2020-21 and does not forecast the levels of capital borrowing after this point (current powers allow the Scottish Government to borrow up to £450 million each year). The Scottish Government committed in the MTFS to 'steadily increasing' infrastructure investment by £1.56 billion between 2019-20 and 2025-26 but goes into no further detail as to how this will be profiled or achieved. We have used the Scottish Government’s baseline figures and then assumed that this increased investment will take place in equal annual increments of £0.26 billion of additional investment (year on year) between 2019-20 and 2025-26. This allows annual investment levels, and the additional funding that may be required to meet the National Infrastructure Mission’s commitment, to be estimated. With no changes in the baseline projections, this will need to be funded through capital borrowing, MIM or by other means.

Source: Audit Scotland

### Capital Spending Review investment and the National Infrastructure Mission

The table below sets out the high-level funding and finance plans in this Capital Spending Review, showing that they are more than sufficient for Scottish Ministers to deliver against the ambitious National Infrastructure Mission investment target.

Table 03: High-level funding and finance plans

Year.	2021-	2022-	2023-	2024-	2025-	Total (5
All figures (£m) rounded	22	23	24	25	26	years)
<b>UK capital allocation</b>	4,973	5,260	5,558	5,757	5,986	27,534

Year. All figures (£m) rounded	2021- 22	2022- 23	2023- 24	2024- 25	2025- 26	Total (5 years)
<b>Capital receipts or income (estimated)</b>	62	73	85	76	49	345
<b>Capital borrowing</b>	450	450	250	-	-	1,150
<b>FT consequentials</b>	208	208	-	-	-	416
<b>FTs recycled</b>	144	140	140	140	140	704
<b>Reserve drawdown (FTs in first two years, then CDEL)</b>	200	100	0	12	0	312
<b>Revenue Finance</b>	50	200	750	1000	1000	3000
<b>Total Investment</b>	<b>6,087</b>	<b>6,431</b>	<b>6,783</b>	<b>6,985</b>	<b>7,175</b>	<b>33,461</b>
<b>Audit Scotland modelled NIM trajectory (rounded)</b>	5,700	6,000	6,200	6,500	6,800	31,200
<b>CSR additional investment above NIM trajectory above</b>	387	431	583	485	375	2,261

### Budget level 1 allocations across the Capital Spending Review Term

The table below gives total, Budget level 1 capital grant net allocations by portfolio over the five financial years of the Capital Spending Review.

Table 04: Capital grant level 1 net allocations

Year (£m)	2021-22	2022-23	2023-24	2024-25	2025-26	5-year total
Communities and Local Government	1,363.0	1,375.0	1,395.0	1,448.5	1,483.5	7,065.0
Environment, Climate Change and Land Reform	303.0	296.0	291.0	288.5	289.0	1467.5
Education and Skills	398.0	434.0	443.4	411.6	418.8	2105.8
Economy, Fair Work and Culture	130.6	152.4	121.0	132.8	131.7	668.5
Health	529.0	521.0	428.0	428.0	428.0	2,334.0
Justice	166.5	166.0	226.0	283.0	171.0	1,012.5

Rural Economy and Tourism	163.2	150.8	150.1	159.5	163.1	786.7
Social Security and Older People	93.0	75.7	62.4	32.0	60.0	323.1
Transport, Infrastructure and Connectivity	2246.8	2374.1	2552.6	2527.9	2652.8	12,354.2
Finance	27.7	158.6	132.1	49.8	180.7	545.2
COPFS	4.8	5.3	5.3	6.3	6.3	28.0
Parliament	1.1	1.1	1.1	1.1	1.1	5.5
<b>Total</b>	<b>5,423</b>	<b>5,710</b>	<b>5,808</b>	<b>5,769</b>	<b>5,986</b>	<b>28,696</b>

The Capital Spending Review provides an outline five-year allocation for Local Government general capital grant and other specific funding streams, and reflects the 2021-22 Capital allocations proposed in the Scottish Budget 2021-22 and the financial planning assumptions in the Capital Spending Review Framework<sup>7</sup> published in September 2020. Future Capital budgets for Local Government will be agreed in consultation with COSLA as part of the annual budget process and wider engagement about the delivery of shared outcomes and priorities.

The Annex shows level 2 and level 3 budget allocations, by portfolio, across the same period. Figures for 2021-22 reflect those published in the Scottish Budget 2021-22.

## Fiscal Sustainability

Scottish Ministers are committed to ensuring that the Scottish Government's financial planning is sound and sustainable. In this section we highlight the key factors underpinning the fiscal sustainability of our capital investment plans.

As set out in the Medium Term Financial Strategy 2021, the following principles guide decisions by Scottish Ministers on the sustainable use of our fiscal powers:

- **Stability** – ensuring steady funding and expenditure trajectories
- **Budget flexibility** – including the ability to respond to unforeseen events.
- **Intergenerational fairness** – ensuring future taxpayers only bear the cost of spending that benefits them.
- **Value for money** – Borrowing and other sources of revenue-finance investment will achieve value for money for the taxpayer.
- **Transparency** – The Scottish Government will set out clearly its planned and actual use of these powers.

## Risk Mitigation

There are some key risks to handle in conducting a Scottish Capital Spending Review ahead of the certainty around future UK Government block grant allocations

<sup>7</sup> <https://www.gov.scot/publications/investing-jobs-capital-spending-review-framework-2021-22-2025-26/>

that would usually flow from a multi-year Comprehensive Spending Review. The principal risk is that UK comprehensive spending review allocations, once known, might be significantly lower than the allocations the Scottish Government has proactively set out in the plans published here, requiring reprioritisation to take place. Should block grant allocations be higher than the assumptions underpinning this Capital Spending Review, there would be opportunities to revisit currently proposed spending and capital borrowing plans.

It is important to be transparent around the nature of these risks, and to have plans to mitigate them.

Mitigation options include:

- Revisiting capital borrowing plans, to deploy the right amount to achieve desired outcomes now whilst leaving sufficient headroom for later years.
- Use of the Scotland Reserve to smooth profiles and spend between years.
- Flexing the rate of increase in annual investment in capital maintenance. This includes asset enhancement, major equipment and fleet.
- Accelerating or delaying commencement of agreed projects.
- Potential to include additional new capital plans should more funding become available.

## Chapter 3 - Capital Investment to Enable the Transition to Net Zero Emissions and Environmental Sustainability

Scotland's world-leading legislation – The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 – set new, tighter targets to achieve net zero domestic greenhouse gas emissions by 2045. Interim targets are set for 2020, 2030 and 2040, for emissions reductions of 56%, 75% and 90% respectively, requiring action in all sectors. The Environment Strategy for Scotland<sup>8</sup> sets out our commitment for Scotland to play its full role in tackling the global climate and biodiversity crises. The recently published Statement of Intent<sup>9</sup> on biodiversity signals our high level of ambition for protecting and restoring Scotland's biodiversity, and supporting the development of the post-2020 global biodiversity framework.

Tackling the climate and biodiversity crises will require transformative action across all sectors of the economy and across society. The Scottish Government's investment in publicly-funded infrastructure has a critical role to play in supporting the transition – committing to multiyear investments in this Plan sends a clear signal to supply chains to invest in people and technology, and help us deliver the transition to a net zero, sustainable economy. For the first time, the Infrastructure Investment Plan recognises natural infrastructure in the definition of infrastructure. Investment in natural infrastructure creates significant opportunities for improving biodiversity and reducing emissions, while also creating jobs and a wide range of health and wellbeing benefits, including improved urban air quality and protection from flooding.

The Scottish Government has used low, neutral and high carbon categories (known as a taxonomy approach), as shown in the table below, to analyse planned infrastructure spend for individual years. The categorisation was developed and proposed by the Low Carbon Infrastructure Taskforce in 2015<sup>10</sup>.

Category	Description	Examples
Low Carbon	Seen as necessary to the low carbon transition	Transport – bus, rail and ferry Energy - all renewable generation and electricity transmission and distribution Rural affairs and the environment - waste Housing - energy efficiency programmes
Neutral	Do not represent substantial carbon efficiency gains in their own right but are consistent with low carbon ambitions	Rural affairs and the environment - all non-waste Housing - all non-energy efficiency Water, Digital, Health, Schools, Justice Culture and heritage Regeneration
High carbon	Relatively carbon intensive	Transport - roads and airports Energy - fossil fuel generation

<sup>8</sup> <https://www.gov.scot/publications/environment-strategy-scotland-vision-outcomes/>

<sup>9</sup> <https://www.gov.scot/publications/scottish-biodiversity-strategy-post-2020-statement-intent/>

<sup>10</sup> [https://issuu.com/greenallianceuk/docs/the\\_case\\_for\\_low\\_carbon\\_infrastruct](https://issuu.com/greenallianceuk/docs/the_case_for_low_carbon_infrastruct)

In 2020-21, 34.9% of Scottish Government capital spend was classed as low carbon. This represented almost £1.8 billion of low carbon investment.

Across the Capital Spending Review, the Scottish Government has chosen to at least maintain, and where possible build on, this level of low carbon spend. Scottish Ministers have agreed to invest a further £2 billion through the Low Carbon Fund over the next five financial years. The Low Carbon Fund will increase investment as follows:

Table 05: Low Carbon Fund spend profile

Year	2021-22	2022-23	2023-24	2024-25	2025-26
Low Carbon Funding £m	165.0	294.6	450.5	494.7	595.2

The purpose of the Low Carbon Fund is to help the public sector move further towards investment which supports the transition to net zero, supporting good jobs, boosting green jobs and developing green economy supply chains.

Its positive impact can be seen already in the Scottish Budget 2021-22, where the level of low carbon investment has risen to 36.9% of total capital funding.

Detailed breakdowns of new schemes, across the Capital Spending Review period, are as below. These show significant allocations to the following ministerial portfolios: Transport, Infrastructure and Connectivity; Communities and Local Government; Rural Economy and Tourism; Environment, Climate Change and Land Reform; and Economy, Fair Work and Culture:

Table 06: Breakdown of Low Carbon Fund

Low Carbon Fund Project/Programme	2021-22	2022-23	2023-24	2024-25	2025-26	5-year total
<b>RET and EFWC jointly</b>						
<b>Green Jobs Fund</b> – for enterprise agencies and supply chains	14.0	23.5	21.0	18.9	22.6	100.0
<b>Economy, Fair Work and Culture</b>						
<b>Mission Clyde Heat Decarbonisation Programme</b> - District Heating network(s)	0.0	1.0	5.5	8.0	10.5	25.0
<b>Manufacturing Low Carbon Infrastructure Challenge Fund</b> - innovation in technology, processes and infrastructure	0.5	8.0	1.0	10.4	6.1	26.0
<b>Rural Economy and Tourism</b>						
<b>Newton Nursery</b> - new facilities to aid woodland creation	14.5	5.5	0.0	0.0	0.0	20.0
<b>Woodland and Forestry</b> – new planting and forestry land	14.0	20.6	24.0	35.4	36.0	130.0

<b>Environment, Climate Change and Land Reform</b>						
<b>Waste Sector</b> - improvements to local authority recycling collection infrastructure	14.0	16.0	17.0	9.0	9.0	65.0
<b>RBGE Edinburgh Biomes</b> - carbon management and environmental public engagement	15.0	12.0	4.0	12.0	7.0	50.0
<b>Communities and Local Government</b>						
<b>Natural Resources</b> - new flood protection schemes and measures to reduce flood risk	10.0	15.0	15.0	40.0	50.0	130.0
<b>Vacant and Derelict Land</b> – using land for maximum environmental and community benefit	5.0	5.0	10.0	15.0	15.0	50.0
<b>Fuel Poverty</b> – additional heat measures	2.0	8.0	10.0	15.0	20.0	55.0
<b>CLG and TIC Jointly</b>						
<b>Decarbonising Heat in Buildings</b> - mix of Community Energy & Technology Investment	25.0	50.0	80.0	120.0	150.0	425.0
<b>Transport, Infrastructure and Connectivity</b>						
<b>Public Sector Estate Energy Efficiency</b> - decarbonising the public sector estate	3.0	5.0	10.0	32.0	45.0	95.0
<b>Scottish Industrial Energy Transformation Fund (IETF)</b> - for industrial manufacturing sector	3.0	5.0	8.0	9.0	9.0	34.0
<b>Emerging Technologies</b> - innovation and commercialisation of renewable energy generation, storage and supply	5.0	20.0	45.0	55.0	55.0	180.0
<b>Bus Priority Infrastructure</b> - for local authorities and bus operators, to give buses priority on local roads	25.0	65.0	150.0	105.0	100.0	445.0
<b>Electric Vehicle Bus Investment</b> - decarbonisation of our bus fleet and supporting the supply chain	15.0	35.0	50.0	10.0	10.0	120.0
<b>Active Freeways</b> - segregated active travel on main corridors	0.0	0.0	0.0	0.0	50.0	50.0
<b>Totals</b>	<b>165.0</b>	<b>294.6</b>	<b>450.5</b>	<b>494.7</b>	<b>595.2</b>	<b>2000.0</b>

A key recommendation of the Infrastructure Commission for Scotland was that, wherever possible, Scottish public bodies should look to maintain their existing infrastructure rather than build new.



This can be seen across the Capital Spending Review period in the priority given to boosting funding for maintenance, aiming to double such investment over the five year period. For example, to ensure that maintenance of all public buildings, where possible, supports the transition to net zero we have created a £95 million fund to support the decarbonisation of the public sector estate. Significant investment will also ensure a green transport fleet across all our public bodies.

## Chapter 4 - Capital to drive Economic Recovery and Inclusive Growth

The Advisory Group on Economic Recovery considered the importance of capital investment to support Scotland's recovery from the Covid-19 pandemic. They noted in their report: "Towards a Robust, Resilient, Wellbeing Economy for Scotland"<sup>11</sup>:

*"The UK and Scottish Governments should commit to securing a significant increase in access to capital investment to support the recovery. This should maintain the Scottish Government's commitment to a Mission to raise infrastructure investment and it is imperative that the Scottish National Investment Bank opens this year."*

The Scottish Government fully accepts this recommendation, recognising that investment in infrastructure across Scotland will be key to our recovery.

The investment over the Capital Spending Review period builds on a £230 million economic capital stimulus package the Scottish Government made early in 2020-21, aimed at tackling the immediate effects of the Covid-19 pandemic and boosting funding beyond the levels set out in Budget 2020-21.

Although all Government portfolios make an important contribution to Scotland's economy, non-infrastructure focused capital investment that most directly supports inclusive economic growth occurs predominantly in our Education and Skills; Rural Economy and Tourism; Finance; Economy, Fair Work and Culture; and Transport, Infrastructure and Connectivity ministerial portfolios.

Our capital funding supports economic growth by investing directly in businesses to boost innovation and employment, funding research and development, and capitalising the Scottish National Investment Bank. Such funding seeks to encourage additional investment from the private sector, boosting overall economic activity.

For example, the Capital Spending Review allocations ensure:

- Capital for jobs – £595 million total investment by enterprise agencies, boosting innovation and employment in Scottish businesses.
- Capital for jobs - £50 million support specifically to supply chains which can service the green economy.
- The balance of the £2 billion capitalisation due to the Scottish National Investment Bank, starting with £200 million new net investment in 2021-22.
- £1,582.1 m in capital investment in research and knowledge exchange activity at our universities, underpinned by additional capital investment in university research infrastructure, the level of which will depend on matched funding. We are also investing in aerospace research and development and continue to support our marine science service. All of this supports our economy, society and environment.

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<sup>11</sup> <https://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/>

- Early development of our digital business sector with £4 million allocated to implementation of the recommendations of the Logan Review.
- £110 million investment in developing transformed digital public services, so they are easier to access and boost productivity.

Scottish Ministers have set an ambitious goal to reach the same economic performance as those OECD nations in the top quartile. Not all of that can be delivered through infrastructure, but it has a key role to play. Boosting our international and country-wide digital connectivity and capacity, particularly in rural areas, can help boost Scotland's productivity and competitiveness.

The Infrastructure Investment Plan highlights key projects and programmes using capital. A number of these funded schemes specifically aid our ambitions to boost inclusive economic growth, including:

- Completion of the £75 million National Manufacturing Institute Scotland.
- A further £25 million for the Mission Clyde project in Glasgow.
- £4 million investment in Spaceport Sutherland.
- £10 million to restore the Cairngorms funicular.
- Completion of the £600 million Reaching 100% (R100) programme that will boost access to digital connectivity in every part of Scotland.
- Doubling investment in bridge and roads maintenance, enhancing safety with a programme of around £1.5 billion over 5 years.
- £525 million Scottish Government investment to deliver the next five years of the £5 billion City Region and Regional Growth Deals programme. This investment will help drive inclusive growth that will deliver significant and lasting economic benefits for individuals, businesses and communities in: Glasgow City Region; Aberdeen City Region; Inverness and Highland; Edinburgh and South East Scotland; Stirling and Clackmannanshire; Tay Cities; Ayrshire; Borderlands; Moray; Argyll and Bute; Falkirk; and the Islands.

## Chapter 5 - Capital to Support People and Places

A key theme of the Infrastructure investment Plan (IIP) is Building Resilient and Sustainable Places. The Covid-19 Pandemic has highlighted the importance of the places where we live and work, and where we make use of local services and enjoy our leisure and recreation.

The ministerial portfolios responsible for most of the Scottish Government's place-based investment include Communities and Local Government; Justice and the Crown Office and Procurator Fiscal Service; Health and Sport; Education and Skills; Economy, Fair Work and Culture; and Environment, Climate Change and Land Reform.

The availability of suitable housing is central to the creation of great places to live and work. Covid-19 has further underlined the value of a safe, secure and affordable home and our homes will also now be somewhere many of us work. We currently plan investment of more than £3.3 billion in capital, over 5 years, in affordable housing, pending further clarity from the UK Government. The Housing to 2040 strategy will set out a long term vision for energy efficient, zero carbon housing, with access to outdoor space, transport links, digital connectivity and community services. This will take forward our objective that everyone in Scotland has a home that is warm, affordable and accessible and that fits their needs.

We are also providing £58 million investment so that Registered Social Landlords can fund adaptations to properties to enable social housing tenants to remain in their own homes and communities if their circumstances change.

Our National Planning Framework, along with local development plans and local place plans, is a key part of bringing about change to our communities and in support of that we are providing funding for a £35 million new, open-access, digital planning system.

A vital component of successful and fair communities is the provision of suitable services to meet a community's needs, such as health and education provision. Families need access to high quality education for their children.

We recognise that excellence in education requires excellence in the estate. Since 2009, our £1.8 billion Scotland's Schools for the Future programme has delivered 116 new or refurbished learning estate projects, with the final project in the programme due to open in April 2021. This programme will have benefited around 78,000 pupils since it was established in 2009. We are now taking forward a second phase of new schools projects as part of the £2 billion Learning Estate Investment Programme. The first of these projects is due to start construction in financial year 2021-22.

Health services are also an essential part of local communities. We are investing in health provision across the country from the major cities to our towns and our rural communities. For example, we are investing £20 million in upgrading the Edinburgh Cancer Centre, investing £10 million in the new national secure adolescent inpatient

service in Irvine and investing £18 million for the replacement of the St Brendan's facility in Barra.

This is part of a significant investment in healthcare across Scotland, including a commitment to double annual funding for maintenance over 5 years, investing over £1 billion in enhancing or refurbishing existing facilities, and updating and modernising key equipment. Additionally, over £220 million will be invested in the Baird and Anchor project in Aberdeen and a £300 million programme of investment is being funded to enable the completion of elective care centres in Clydebank, Inverness, Livingston, Aberdeen, Tayside, and Kirkcaldy.

We will also invest to support and improve the quality of our urban and rural environment to make our communities attractive places to live in and to visit. We will invest £18.5 million over the next three years to support the introduction of Low Emission Zones into Scotland's four major cities. As part of our Place Based Investment Programme we will invest £275 million to support community-led regeneration and town-centre revitalisation.

Our plans include £121 million of investment in our national galleries and museums and other cultural institutions which make our cities vibrant places to live and encourages tourists to visit. The tourism industry has been hit hard by the Covid-19 pandemic; through investing in transport links, the natural environment, cultural attractions and our urban landscapes we are putting Scotland in a position to build on the existing strengths of our tourism industry when the position improves.

## Annex A: Portfolio breakdown of capital allocations to level 2 and 3

The table below gives level 2 and 3 capital budget allocations within each portfolio over the five financial years of the Capital Spending Review. Figures for 2021-22 reflect those published in the Scottish Budget 2021-22 and the financial planning assumptions in the Capital Spending Review Framework, published in September 2020. Budget allocations from the 2020-21 Scottish Budget at introduction are included for comparison purposes. Where actual levels of capital grant available to the Scottish Government differ from that modelled in any year, adjustments will be made to these allocations as part of the annual budget process and wider engagement about the delivery of Scotland's shared outcomes and priorities.

Figure A:01 portfolio breakdown of capital allocations to level 2 and 3 (£m)

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
<b>COMMUNITIES AND LOCAL GOVERNMENT</b>							
Building Standards	0.0	13.0	8.0	11.0	14.0	19.0	65.0
Planning	2.0	5.0	7.0	10.0	8.0	5.0	35.0
<b>Total - Planning and Building Standards</b>	2.0	18.0	15.0	21.0	22.0	24.0	100.0
Connected Communities	0.0	0.3	0.0	0.0	0.0	0.0	0.3
<b>Total - Connected Communities</b>	0.0	0.3	0.0	0.0	0.0	0.0	0.3
More Homes	615.0	575.4	565.2	559.4	555.3	563.3	2818.6
Income	-28.5	-20.4	-18.4	-16.4	-14.3	-12.3	-81.8
Fuel Poverty/Energy Efficiency	82.0	94.0	110.0	124.0	145.0	162.0	635.0
Housing Support	10.0	14.3	15.0	16.0	17.0	16.0	78.3
<b>Total - Housing</b>	678.5	663.3	671.8	683.0	703.0	729.0	3450.1
Regeneration	30.0	64.3	60.0	65.0	70.0	70.0	329.3
<b>Total - Social Justice &amp; Regeneration</b>	30.0	64.3	60.0	65.0	70.0	70.0	329.3
Scottish Housing Regulator	0.0	0.2	0.2	0.0	0.0	0.0	0.4
<b>Total - Scottish Housing Regulator</b>	0.0	0.2	0.2	0.0	0.0	0.0	0.4
Support for Capital <sup>2</sup>	467.9	477.9	488.9	486.9	514.4	521.4	2489.5

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
Specific Capital Grants	295.1	139.1	139.1	139.1	139.1	139.1	695.5
<b>Total - Local Government</b>	<b>763.0</b>	<b>617.0</b>	<b>628.0</b>	<b>626.0</b>	<b>653.5</b>	<b>660.5</b>	<b>3185.0</b>

<b>TOTAL COMMUNITIES AND LOCAL GOVERNMENT</b>	<b>1473.5</b>	<b>1363.0</b>	<b>1375.0</b>	<b>1395.0</b>	<b>1448.5</b>	<b>1483.5</b>	<b>7065.0</b>
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<b>ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM</b>							
Programmes of Research	31.3	32.2	33.2	34.2	35.2	36.3	171.1
Royal Botanic Garden Edinburgh	2.8	18.4	15.3	9.4	14.2	12.4	69.7
<b>Total - Research, Analysis and Other Services</b>	<b>34.1</b>	<b>50.6</b>	<b>48.5</b>	<b>43.6</b>	<b>49.4</b>	<b>48.7</b>	<b>240.8</b>
Marine Scotland	3.0	7.7	11.3	9.0	11.0	9.0	48.0
<b>Total - Marine</b>	<b>3.0</b>	<b>7.7</b>	<b>11.3</b>	<b>9.0</b>	<b>11.0</b>	<b>9.0</b>	<b>48.0</b>
National Parks	1.4	2.3	2.3	2.3	2.3	1.7	10.9
Environmental Quality	1.0	1.0	1.0	1.0	1.0	1.0	5.0
Natural Resources, Peatland and Flooding	2.0	20.7	22.2	23.8	24.1	27.2	118.0
Scottish Environment Protection Agency	2.0	6.2	4.1	2.7	1.9	2.9	17.8
NatureScot	1.0	2.5	1.8	1.8	1.8	1.5	9.4
Zero Waste	0.0	17.3	17.8	19.8	10.0	10.0	74.9
<b>Total - Environmental Services</b>	<b>7.4</b>	<b>50.0</b>	<b>49.2</b>	<b>51.4</b>	<b>41.1</b>	<b>44.3</b>	<b>236.0</b>
Land Reform	10.5	10.6	8.0	8.0	8.0	8.0	42.6
<b>Total - Land Reform</b>	<b>10.5</b>	<b>10.6</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>42.6</b>
Sustainable Action Fund	4.0	4.0	4.0	4.0	4.0	4.0	20.0
<b>Total - Climate Change</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>20.0</b>
Voted Loans	215.0	180.2	170.0	170.0	170.0	170.0	860.2
Private Water	0.0	0.0	5.0	5.0	5.0	5.0	20.0
<b>Total - Scottish Water</b>	<b>215.0</b>	<b>180.2</b>	<b>175.0</b>	<b>175.0</b>	<b>175.0</b>	<b>175.0</b>	<b>880.2</b>

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
<b>TOTAL ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM</b>	<b>274.0</b>	<b>303.0</b>	<b>296.0</b>	<b>291.0</b>	<b>288.5.0</b>	<b>289.0</b>	<b>1467.5</b>

<b>ECONOMY, FAIR WORK AND CULTURE</b>							
Scottish Enterprise	42.0	72.2	80.0	73.0	76.0	75.1	376.3
Enterprise	23.7	35.4	11.8	0.2	0.2	0.2	47.8
Innovation and Industries	15.0	4.7	29.0	17.7	34.2	32.3	117.9
<b>Total - Enterprise, Trade and Investment</b>	<b>80.7</b>	<b>112.3</b>	<b>120.8</b>	<b>90.9</b>	<b>110.4</b>	<b>107.6</b>	<b>542.0</b>
Accountant in Bankruptcy	0.8	1.1	1.1	1.1	1.1	1.1	5.5
<b>Total - Accountant in Bankruptcy</b>	<b>0.8</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>5.5</b>
Cultural Collections	13.0	8.2	21.0	19.0	9.8	9.0	67.0
<b>Total - Culture and Major Events</b>	<b>13.0</b>	<b>8.2</b>	<b>21.0</b>	<b>19.0</b>	<b>9.8</b>	<b>9.0</b>	<b>67.0</b>
HES Operational Costs	6.0	6.0	6.5	7.0	8.0	10.0	37.5
<b>Total - Historic Environment Scotland</b>	<b>6.0</b>	<b>6.0</b>	<b>6.5</b>	<b>7.0</b>	<b>8.0</b>	<b>10.0</b>	<b>37.5</b>
NRS Operational Costs	3.0	3.0	3.0	3.0	3.5	4.0	16.5
<b>Total - National Records of Scotland</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>	<b>4.0</b>	<b>16.5</b>
<b>TOTAL ECONOMY, FAIR WORK AND CULTURE</b>	<b>103.5</b>	<b>130.6</b>	<b>152.4</b>	<b>121.0</b>	<b>132.8</b>	<b>131.7</b>	<b>668.5</b>

<b>EDUCATION AND SKILLS</b>							
Education Scotland	2.8	2.2	0.0	0.0	0.0	0.0	2.2
Gaelic	3.0	3.0	3.0	4.0	4.0	4.0	18.0
Curriculum and Qualifications	2.5	2.5	2.5	2.5	3.9	3.2	14.6
Workforce, Infrastructure and Reform	0.2	0.2	0.2	0.2	0.2	0.2	1.0



	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
Improvement, Attainment and Wellbeing	0.2	0.2	0.2	0.2	0.2	0.2	1.0
<b>Total - Learning</b>	8.7	8.1	5.9	6.9	8.3	7.6	36.8
Care and Justice	1.4	2.3	2.1	2.4	2.1	2.4	11.3
Disclosure Scotland	5.6	5.6	6.4	5.0	3.0	3.0	23.0
<b>Total - Children and Families</b>	7.0	7.9	8.5	7.4	5.1	5.4	34.3
College Capital Expenditure	37.4	33.7	69.7	73.6	37.0	36.3	250.3
College Capital Receipts	-1.7	0.0	0.0	0.0	0.0	0.0	0.0
Higher Education Capital	342.2	346.7	348.0	353.6	359.4	367.6	1775.3
<b>Total - Scottish Funding Council</b>	377.9	380.4	417.7	427.2	396.3	403.9	2025.5
Student Awards Agency for Scotland (SAAS) - Operating Costs - Capital	1.9	1.6	1.9	1.9	1.9	1.9	9.2
<b>Total - Higher Education Student Support</b>	1.9	1.6	1.9	1.9	1.9	1.9	9.2
<b>TOTAL EDUCATION AND SKILLS</b>	<b>395.5</b>	<b>398.0</b>	<b>434.0</b>	<b>443.4</b>	<b>411.6</b>	<b>418.8</b>	<b>2105.8</b>
<b>FINANCE</b>							
Digital Strategy	0.0	3.3	1.7	0.5	0.5	0.2	6.2
Digital public services	0.0	0.0	15.0	20.0	25.0	50.0	110.0
<b>Total - Digital Strategy</b>	0.0	3.3	16.7	20.5	25.5	50.2	116.2
Scottish Public Pensions Agency Administration	1.8	2.2	4.6	5.7	3.7	2.8	19.0
<b>Total - Scottish Public Pensions Agency</b>	1.8	2.2	4.6	5.7	3.7	2.8	19.0
Capital/ IT provision	0.5	0.5	0.8	0.5	0.5	0.5	2.8
<b>Total - Revenue Scotland</b>	0.5	0.5	0.8	0.5	0.5	0.5	2.8
Scottish Government Capital Projects	17.2	15.0	16.4	17.6	17.6	17.9	84.5
Business Case Funding	0.0	0.0	117.6	85.3	0.0	106.8	309.7
<b>Total - Finance</b>	17.2	15.0	134.0	102.9	17.6	124.7	394.2

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
Registers of Scotland	4.0	3.0	2.5	2.5	2.5	2.5	13.0
<b>Total - Registers of Scotland</b>	4.0	3.0	2.5	2.5	2.5	2.5	13.0

<b>TOTAL FINANCE</b>	<b>23.5</b>	<b>24.0</b>	<b>158.6</b>	<b>132.1</b>	<b>49.8</b>	<b>180.7</b>	<b>545.2</b>
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<b>HEALTH AND SPORT</b>							
Health Capital Investment	448.0	549.0	541.0	448.0	448.0	448.0	2434.0
Health Capital Receipts	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
<b>Total - Health</b>	428.0	529.0	521.0	428.0	428.0	428.0	2334.0

<b>TOTAL HEALTH AND SPORT</b>	<b>428.0</b>	<b>529.0</b>	<b>521.0</b>	<b>428.0</b>	<b>428.0</b>	<b>428.0</b>	<b>2334.0</b>
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<b>JUSTICE</b>							
Administration	0.1	0.1	0.1	0.1	0.1	0.1	0.5
<b>Total - Legal Aid</b>	0.1	0.1	0.1	0.1	0.1	0.1	0.5
National Police Funding and Reform	4.6	4.6	4.6	4.6	4.6	4.6	23.0
<b>Total - Police Central Government</b>	4.6	4.6	4.6	4.6	4.6	4.6	23.0
Capital Expenditure	67.8	72.8	72.8	132.5	189.8	77.8	545.7
<b>Total - Scottish Prison Service</b>	67.8	72.8	72.8	132.5	189.8	77.8	545.7
Victim/Witness Support	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Miscellaneous	3.0	3.0	3.0	3.3	3.0	3.0	15.3
<b>Total - Miscellaneous</b>	5.0	3.0	3.0	3.3	3.0	3.0	15.3
Capital	40.0	45.5	65.0	80.0	80.0	55.0	325.5
Capital receipts <sup>3</sup>	0.0	0.0	-20.0	-35.0	-35.0	-10.0	-100.0

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
<b>Total - Scottish Police Authority</b>	40.0	45.5	45.0	45.0	45.0	45.0	225.5
Capital	32.5	32.5	32.5	32.5	32.5	32.5	162.5
<b>Total - Scottish Fire and Rescue Service</b>	32.5	32.5	32.5	32.5	32.5	32.5	162.5
Capital	8.0	8.0	8.0	8.0	8.0	8.0	40.0
<b>Total - Scottish Courts and Tribunal Service</b>	8.0	8.0	8.0	8.0	8.0	8.0	40.0

<b>TOTAL JUSTICE</b>	<b>158.0</b>	<b>166.5</b>	<b>166.0</b>	<b>226.0</b>	<b>283.0</b>	<b>171.0</b>	<b>1012.5</b>
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<b>RURAL ECONOMY AND TOURISM</b>							
Low carbon support for agricultural transformation <sup>4</sup>	20.0	20.0	20.0	20.0	20.0	20.0	100.0
Agricultural support (including operational costs) <sup>4</sup>	47.3	25.3	25.6	24.5	24.5	25.4	125.3
Income	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-4.5
EU Income <sup>5</sup>	-18.3	-8.0	-1.5	0.0	0.0	0.0	-9.5
<b>Total - Agricultural Support and Related Services<sup>6</sup></b>	<b>48.1</b>	<b>36.4</b>	<b>43.2</b>	<b>43.6</b>	<b>43.6</b>	<b>44.5</b>	<b>211.3</b>
EU Fisheries Grants	9.6	9.6	9.6	9.6	3.4	3.4	35.6
Fisheries Harbour Grants	1.0	1.0	1.0	1.0	2.0	2.0	7.0
Marine EU Income	-6.2	-6.2	-6.2	-6.2	0.0	0.0	-18.6
<b>Total - Fisheries and Aquaculture</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>5.4</b>	<b>5.4</b>	<b>24.0</b>
Woodland Grants	37.0	45.0	39.2	40.0	48.8	52.0	225.0
EC Receipts	-17.5	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total - Scottish Forestry</b>	<b>19.5</b>	<b>45.0</b>	<b>39.2</b>	<b>40.0</b>	<b>48.8</b>	<b>52.0</b>	<b>225.0</b>
Capital <sup>6</sup>	3.6	22.1	10.5	7.6	10.2	7.6	58.0
<b>Total - Forestry and Land Scotland</b>	<b>3.6</b>	<b>22.1</b>	<b>10.5</b>	<b>7.6</b>	<b>10.2</b>	<b>7.6</b>	<b>58.0</b>
Low Carbon Economy	0.0	3.2	3.0	4.3	3.5	6.0	20.0

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
Highlands and Islands Enterprise	25.5	30.2	30.0	29.7	27.5	27.1	144.5
South of Scotland Enterprise	8.4	13.4	15.2	15.2	15.2	15.2	74.2
<b>Total - Rural Economy Enterprise</b>	<b>33.9</b>	<b>46.8</b>	<b>48.2</b>	<b>49.2</b>	<b>46.2</b>	<b>48.3</b>	<b>238.7</b>
Tourism	6.6	8.5	5.3	5.3	5.3	5.3	29.7
<b>Total - Tourism</b>	<b>6.6</b>	<b>8.5</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>29.7</b>

<b>TOTAL RURAL ECONOMY AND TOURISM</b>	<b>116.1</b>	<b>163.2</b>	<b>150.8</b>	<b>150.1</b>	<b>159.5</b>	<b>163.1</b>	<b>786.7</b>
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<b>SOCIAL SECURITY AND OLDER PEOPLE<sup>7</sup></b>							
Social Security Advice, Policy and Programme	60.0	71.0	75.7	62.4	32.0	60.0	323.1
Social Security Scotland	0.0	22.0					
<b>Total - Social Security</b>	<b>60.0</b>	<b>93.0</b>	<b>75.7</b>	<b>62.4</b>	<b>32.0</b>	<b>60.0</b>	<b>323.1</b>

<b>TOTAL SOCIAL SECURITY AND OLDER PEOPLE</b>	<b>60.0</b>	<b>93.0</b>	<b>75.7</b>	<b>62.4</b>	<b>32.0</b>	<b>60.0</b>	<b>323.1</b>
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<b>TRANSPORT, INFRASTRUCTURE AND CONNECTIVITY</b>							
Digital Connectivity	58.7	98.2	127.2	142.4	86.9	97.2	551.9
<b>Total - Digital Connectivity</b>	<b>58.7</b>	<b>98.2</b>	<b>127.2</b>	<b>142.4</b>	<b>86.9</b>	<b>97.2</b>	<b>551.9</b>
Energy	129.4	155.4	189.4	240.4	297.4	328.4	1211.0
<b>Total - Energy</b>	<b>129.4</b>	<b>155.4</b>	<b>189.4</b>	<b>240.4</b>	<b>297.4</b>	<b>328.4</b>	<b>1211.0</b>
Cities Investment and Strategy <sup>8</sup>	201.0	198.1	226.0	203.8	201.5	202.9	1032.3
<b>Total - Cities Investment and Strategy</b>	<b>201.0</b>	<b>198.1</b>	<b>226.0</b>	<b>203.8</b>	<b>201.5</b>	<b>202.9</b>	<b>1032.3</b>
Major Public Transport Projects	207.0	173.0	247.0	310.0	250.0	250.0	1230.0
Rail Franchise	282.0	294.0	312.0	329.0	338.9	349.0	1622.9

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
Rail Infrastructure	529.0	501.0	427.0	442.0	411.0	492.0	2273.0
<b>Total - Rail Services</b>	1018.0	968.0	986.0	1081.0	999.9	1091.0	5125.9
Smartcard Programme	2.8	2.8	2.0	2.0	2.0	2.0	10.8
<b>Total - Concessionary Fares and Bus Services</b>	2.8	2.8	2.0	2.0	2.0	2.0	10.8
Scottish Canals	12.2	12.2	12.2	12.2	12.2	12.2	61.0
Support for Sustainable Active Travel	59.4	59.4	59.4	59.4	59.4	109.4	347.0
Future Transport Fund	83.2	118.2	178.3	278.3	193.3	188.3	956.4
Travel Strategy and Innovation	55.1	35.1	49.1	0.0	0.0	0.1	84.3
<b>Total - Active Travel, Low Carbon and Other Transport</b>	209.9	224.9	299.0	349.9	264.9	310.0	1448.7
Capital Land and Works	179.8	155.7	141.9	139.8	211.4	165.1	813.9
Forth and Tay Road Bridge Authorities	30.6	0.9	6.0	6.0	6.0	4.0	22.9
Queensferry Crossing	2.4	2.1	1.8	0.0	0.0	0.0	3.9
Network Strengthening	77.5	104.4	110.8	111.0	115.0	136.8	578.0
Road Improvements	46.1	46.3	36.5	36.8	28.9	56.7	205.2
Structural Repairs	45.7	100.0	119.0	120.3	116.2	117.5	573.0
<b>Total - Motorways and Trunk Roads</b>	382.1	409.4	416.0	413.9	477.5	480.1	2196.9
Support for Ferry Services	21.8	21.8	29.2	52.4	100.0	58.0	261.4
Vessels and Piers	63.1	63.1	67.4	57.1	83.2	63.8	334.5
Capital receipts	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-35.4
<b>Total - Ferry Services</b>	77.8	77.8	89.5	102.4	176.1	114.7	560.5
Highlands and Islands Airports Ltd	36.8	57.7	20.4	11.3	17.8	22.5	129.7
<b>Total - Air Services</b>	36.8	57.7	20.4	11.3	17.8	22.5	129.7
Islands Plan	0.0	9.5	7.0	5.5	4.0	4.0	30.0
<b>Total - Islands Plan</b>	0.0	9.5	7.0	5.5	4.0	4.0	30.0
Ferguson Marine	49.6	45.0	11.7	0.0	0.0	0.0	56.7
<b>Total - Ferguson Marine</b>	49.6	45.0	11.7	0.0	0.0	0.0	56.7

	Capital <sup>1</sup>						5 year total
	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	£m	
<b>TOTAL TRANSPORT, INFRASTRUCTURE AND CONNECTIVITY</b>	<b>2166.1</b>	<b>2246.8</b>	<b>2374.1</b>	<b>2552.6</b>	<b>2528.0</b>	<b>2652.8</b>	<b>12354.3</b>
<b>CROWN OFFICE AND PROCURATOR FISCAL SERVICE</b>	<b>4.3</b>	<b>4.8</b>	<b>5.3</b>	<b>5.3</b>	<b>6.3</b>	<b>6.3</b>	<b>28.0</b>
<b>PARLIAMENT</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>5.5</b>

Footnotes:

<sup>1</sup> Totals may not sum due to roundings

<sup>2</sup> Includes funding to invest in flood risk management from 2021-22 on the profile £10m; £21m (2022-23); £19m (2023-24); £46.5m (2024-25); £53.5m (2025-26). Discussions will be held with COSLA to agree on how the funding should be deployed.

<sup>3</sup> Projected income are estimates and will be confirmed in each years' budget

<sup>4</sup> Includes funding to support legacy payments under EC schemes, a new round of the Agri -Environment Climate Scheme (AECS 2021) as well as funding for low carbon activities and agricultural support which is being developed following recommendations from farmer-led groups during 2021. Further detail on the split of funding between different schemes will be provided in annual budgets, starting in 2022-23.

The share of future agricultural schemes related to low carbon investment should remain at least £20m p.a. although they are likely to differ in nature and scale from the prior Agricultural Transformation Fund in future years. This will meet the ongoing Scottish Government commitments to increase the proportion of low carbon investment year-on-year.

<sup>5</sup> This line sets out actual income direct from the EU. £8m and £1.5m are actual income we are getting from EU as a result of continuing schemes. This funding is expected to be replaced by the UK Government

<sup>6</sup> The projected funding set out is based on currently available information however the budget is lower than required because of issues with regards funding from the UK government. The five year programme will be further reviewed once there is further clarity on this position. Our Table below is the additional income we would have expected from the EU and which the UK Government had committed to replace in full. It covers agricultural support schemes and woodland creation.

	Capital <sup>1</sup>					5 year total
	2021-22	2022-23	2023-24	2024-25	2025-26	
	£m	£m	£m	£m	£m	
	£7.5 million	£26 million	£27 million	£27 million	£27 million	£114.5 million

<sup>7</sup> Due to the nature of the Programme and implementation we do not have a definitive split between the two lines. The funding will be split appropriately as part of the budget setting process for those years.

<sup>8</sup> This includes a proportion of UK Government funding



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