

**FINANCE COMMITTEE****AGENDA****10th Meeting, 2001 (Session 1)****Tuesday 24 April 2001**

The Committee will meet at 10.00 am in Committee Room 4 to consider the following agenda items:

1. **Committee Business:** The Committee will consider whether to take agenda items 6 and 7 in private.
2. **International Criminal Court (Scotland) Bill:** The Committee will consider the provisions of the Bill which introduce new or increase existing expenditure charged on or payable out of the Scottish Consolidated Fund (under Standing Orders Rule 9.12).
3. **Voluntary Sector Funding:** The Committee will receive a report back from its reporter, Donald Gorrie.
4. **2002/03 Provisional Expenditure Plan for the Scottish Parliamentary Corporate Body:** The Committee will consider a letter from the Presiding Officer.
5. **2002/03 Budget Process:** The Committee will consider the Annual Expenditure Report of the Scottish Executive.
6. **Inquiry into PFI/PPP:** The Committee will consider a framework for the inquiry and the appointment of an adviser.
7. **Inquiry into Resource Accounting and Budgeting:** The Committee will consider an issues paper.

**Callum Thomson**

Clerk to the Committee  
Room G.6, Committee Chambers  
Tel. 0131 348 5215

Email: [callum.thomson@scottish.parliament.uk](mailto:callum.thomson@scottish.parliament.uk)

The papers for this meeting are:

**Agenda item 2**

International Criminal Court (Scotland) Bill	FI/01/10/1
Explanatory Notes (and other accompanying documents)	FI/01/10/2
Policy Memorandum	FI/01/10/3

**Agenda item 4**

Letter to the Convener from the Presiding Officer of 6 April 2001	FI/01/10/4
---	------------

**Agenda Item 5**

SPICe Briefing Note on the Scottish Budget 2002/03	FI/01/10/5
--	------------

Members are reminded to bring their copy of the *AER*

**Agenda item 6**

Paper by the Clerk	Private Paper
--------------------	---------------

**Agenda Item 7**

Paper by Professor Irvine Lapsley	Private Paper
-----------------------------------	---------------

**The Rt Hon Sir David Steel KBE MSP  
The Presiding Officer**

Mike Watson MSP  
Convener of the Finance Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

EDINBURGH  
EH99 1SP

Tel: 0131 348 5308  
Fax: 0131 348 5301

Thank you for your letter of 28<sup>th</sup> March concerning the submission of the SPCB's provisional expenditure plan for 2002-03.

The breakdown of the capital charges for the three years included in the provisional expenditure plan is as follows -

	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
<b>Capital Charges</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation	3,170	3,700	7,000
Notional Cost of Capital (@ 6%)	6,703	10,400	11,600
Notional External Audit Fee (Audit Scotland)	75	75	75
<b>Total</b>	<b>9,948</b>	<b>14,175</b>	<b>18,675</b>

The Parliamentary estate is valued on a "modified historic cost basis" in accordance with the Resource Accounting Manual and with FRS 15 (Financial Reporting Standard 15 – Tangible Fixed Assets). The largest element of the estate is the capitalised expenditure on Holyrood. These costs are capitalised as Assets under the Course of Construction in the financial years 2001-02 and 2002-03, and as such do not attract depreciation in those years. The Holyrood estate will be a fully operational asset by the beginning of the 2003-04 financial year and will therefore attract a depreciation charge in that year.

The Holyrood complex will be independently valued when it is commissioned, in line with the SPCB's accounting policy. The SPCB will be engaging the services of property advisors during this financial year to consider the future basis for valuing the Holyrood estate.

You will recall that the agreement says that the SPCB will submit its Level 2 figures to the Committee by 20 August or the first sitting day thereafter. Since the SPCB does not normally meet during the recess, but it will wish to approve the bid being put forward, this timetable causes us a little difficulty. I am therefore writing to suggest that we amend it.

It would be our intention that the SPCB would consider a paper by officials at the first meeting after the end of the recess. In normal circumstances that would be the First Tuesday of September. Officials might then need a day or two to make any changes requested by the Corporate Body. Our proposal is that the agreement be amended to say that the SPCB will submit its Level 2 information by the end of the first week after the summer recess.

I should be grateful if you would let me know that this would be acceptable to the Committee. I am copying this letter to Callum Thomson, the Clerk to the Finance Committee.

**David Steel**

cc Callum Thomson Clerk to the Finance Committee

# The Scottish Parliament

The Information Centre

Briefing for the Finance  
Committee

19 April 2001

## THE SCOTTISH BUDGET 2002-03

MURRAY MCVICAR

The Scottish Executive's Annual Expenditure Report, *The Scottish Budget*, was published on 30 March 2001.<sup>1</sup> It provides a breakdown of the Executive's spending priorities over a four year period, from 2000-01 to 2003-04. Publication of this marks the start of Stage One of the annual budget process, the particular purpose being to scrutinise the Executive's proposed spending in 2002-03.<sup>2</sup>

This paper provides some analysis of the programme (or Level 1) trends. Clearly, there are a number of ways in which the figures can be analysed and different bases to make comparisons can be selected. Most of this research note compares planned expenditure in 2002-03 (the year scrutinised by the current process) with that of 2001-02. Further comparisons using different base or end years can be undertaken, if Members would find that helpful.

To enable comparison, all figures are in 1999-00 prices, adjusted using the Treasury's latest GDP deflator.

---

<sup>1</sup> Scottish Executive (2001), *The Scottish Budget: The Annual Expenditure Report of the Scottish Executive*. There is a 'summary' volume and a 'detail' volume

<sup>2</sup> For more information about the three stage process, see SPICe subject map 00-07. For a glossary of public finance terms, see [subject map 01-02](#)

The paper looks at:

- Changes in planned expenditure per programme 2000-01 to 2002-03 (real terms cash)
- Changes in planned expenditure per programme 2000-01 to 2002-03 (real terms percentage)
- Programme share of total increase 2000-01 to 2002-03
- Programme share of the total budget
- Spending plans for 2002-03 are compared with those published in *Making a Difference* (September 2000)

## **TOTAL BUDGET FOR SCOTLAND BY PROGRAMME (REAL TERMS)**

Table 1 is similar to table 0.2 in the Executive's Annual Expenditure Report. From this, it is clear that a real terms increase in Total Managed Expenditure (TME) is planned over the four year period, from £17,687 million to £20,244 million. This represents an increase of 14.5 per cent. Between 2001-02 and 2002-03, the planned real terms increase is £658 million.

## Table 1: Total budget for Scotland (real terms)

	2000-01	2001-02	2002-03	2003-04
	£m	£m	£m	£m
Central Government support for Local Authorities	5932	6255	6489	6744
Children and Central Government Education	275	273	315	326
Community Care	2	6	8	8
Crown Office	50	53	56	56
Enterprise and Lifelong Learning	1935	2113	2058	2073
Environment	532	490	505	523
EU Structural Funds	130	165	185	127
Food Standards agency	4	5	5	5
Forestry	77	79	79	77
Health	5411	5856	6138	6387
Justice	591	640	657	663
Modernising Government Fund	13	13	15	15
Rural Affairs	578	599	589	576
Scottish Executive Administration	197	203	200	199
Scottish Executive Associated Departments	23	28	22	19
Scottish Public Pensions Agency	292	268	261	301
Social Justice	656	687	718	783
Sport and Culture	125	140	141	142
Transport	769	944	967	1035
Scottish Parliament & Audit Scotland	98	96	105	74
DEL RESERVE	0	17	50	48
AME RESERVE	0	55	59	63
<b>Total Managed Expenditure (TME)</b>	<b>17687</b>	<b>19007</b>	<b>19665</b>	<b>20244</b>
% Increase year-on-year		7.5	3.5	2.9

### CHANGES IN PLANNED EXPENDITURE PER PROGRAMME 2001-02 TO 2002-03 (REAL TERMS CASH)

Chart 1 below compares planned expenditure on each programme in 2002-03 with spending in 2001-02. All figures are in 1999-00 prices.

Most programmes will experience a real terms increase in 2002-03 over 2001-02. The principal gainers in absolute terms are **Health** (+£283m), **Local Government** (+£234m), **Children and Central Government Education** (+£42m), **Social Justice** (+£31m) and **Transport** (+£23m).

However, some programmes are expected to decrease over the period, namely **Enterprise and Lifelong Learning** (-£55m)<sup>3</sup> and **Rural Affairs** (-£10m).

<sup>3</sup> However, the detail within the Enterprise chapter of the AER suggests that a provision of £56.8 m for bad debts that were included in the Budget for 2001-02 will not be required and will be corrected in a budget revision for 2001-02.

## CHANGES IN PLANNED EXPENDITURE PER PROGRAMME 2001-02 TO 2002-03 (REAL TERMS PERCENTAGE)

A more useful way of interpreting changes in expenditure is to identify the percentage increase or decrease for each programme in 2002-03 compared with the same programme in 2001-02 (Chart 2).

In percentage terms, the greatest increases are in the DEL Reserve and community care (but this is from a small base in 2001-02 and is in any case amalgamated with Health expenditure for the rest of the Annual Expenditure Report). EU Structural Funding increases by 12 per cent.

Of the main programmes, the biggest percentage increases are recorded for **Children and Central Government Education** (+15 per cent), the **Scottish Parliament & Audit Scotland** (+9 per cent) and the **Crown Office** (+6 per cent). **Health** (+5 per cent), **Social Justice** (+5 per cent) and **Local Government** (+4 per cent) each experience growth above the growth in total expenditure (+3.5 per cent), reflecting stated Executive priorities in these areas.

Decreases are recorded for a number of programmes, the greatest being for **Scottish Executive Associated Departments** (-19 per cent).

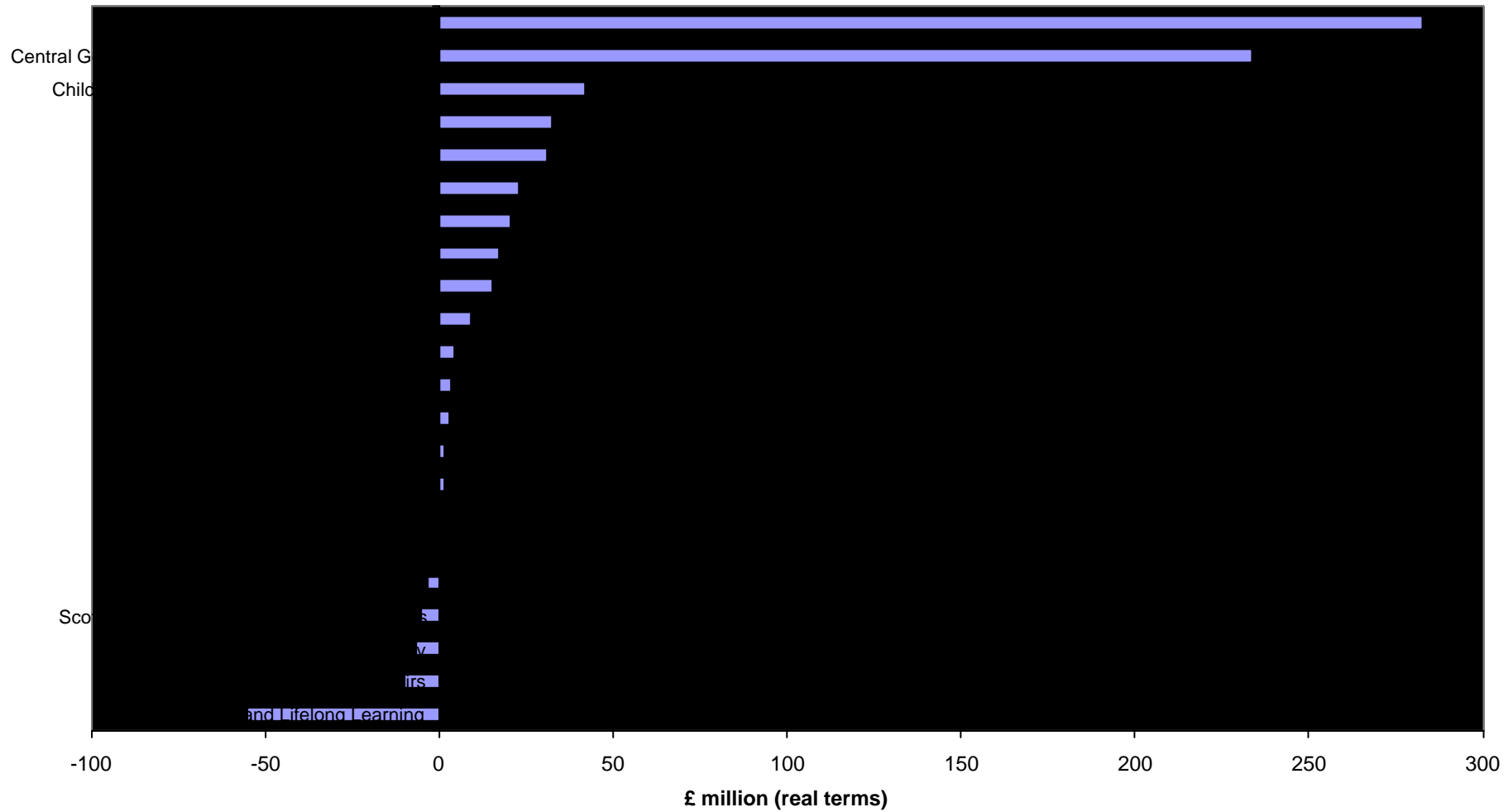
## PERCENTAGE SHARE BY PROGRAMME OF TOTAL BUDGET INCREASE 2001-02 TO 2002-03 (REAL TERMS)

As stated above, the planned total budget for 2002-03 is £658 million greater in real terms than in 2001-02.

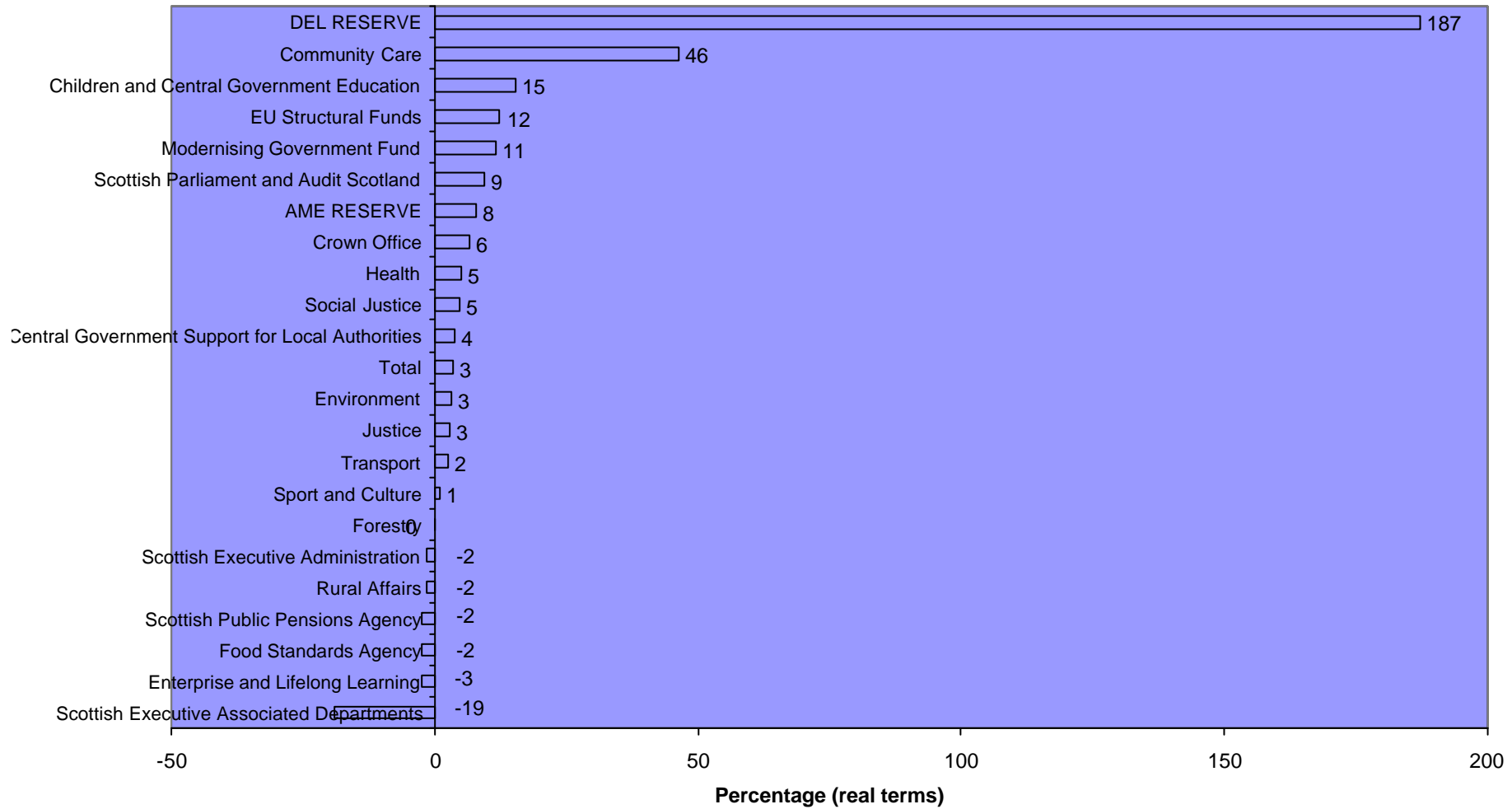
Chart 3 below analyses the share of this increase for each programme. It is clear that **Health** and **Local Government** have by far the largest shares of the total increase in expenditure (43 per cent and 36 per cent respectively). This is not surprising, given that these programmes form the bulk of the budget. Following these two headings, the largest share of the increase is for **Children and Central Government Education** (+6 per cent), **Social Justice** (+5 per cent) and **Transport** (+3 per cent).



**Chart 1: Changes in planned expenditure per programme 2001-02 to 2002-03 (real terms cash)**

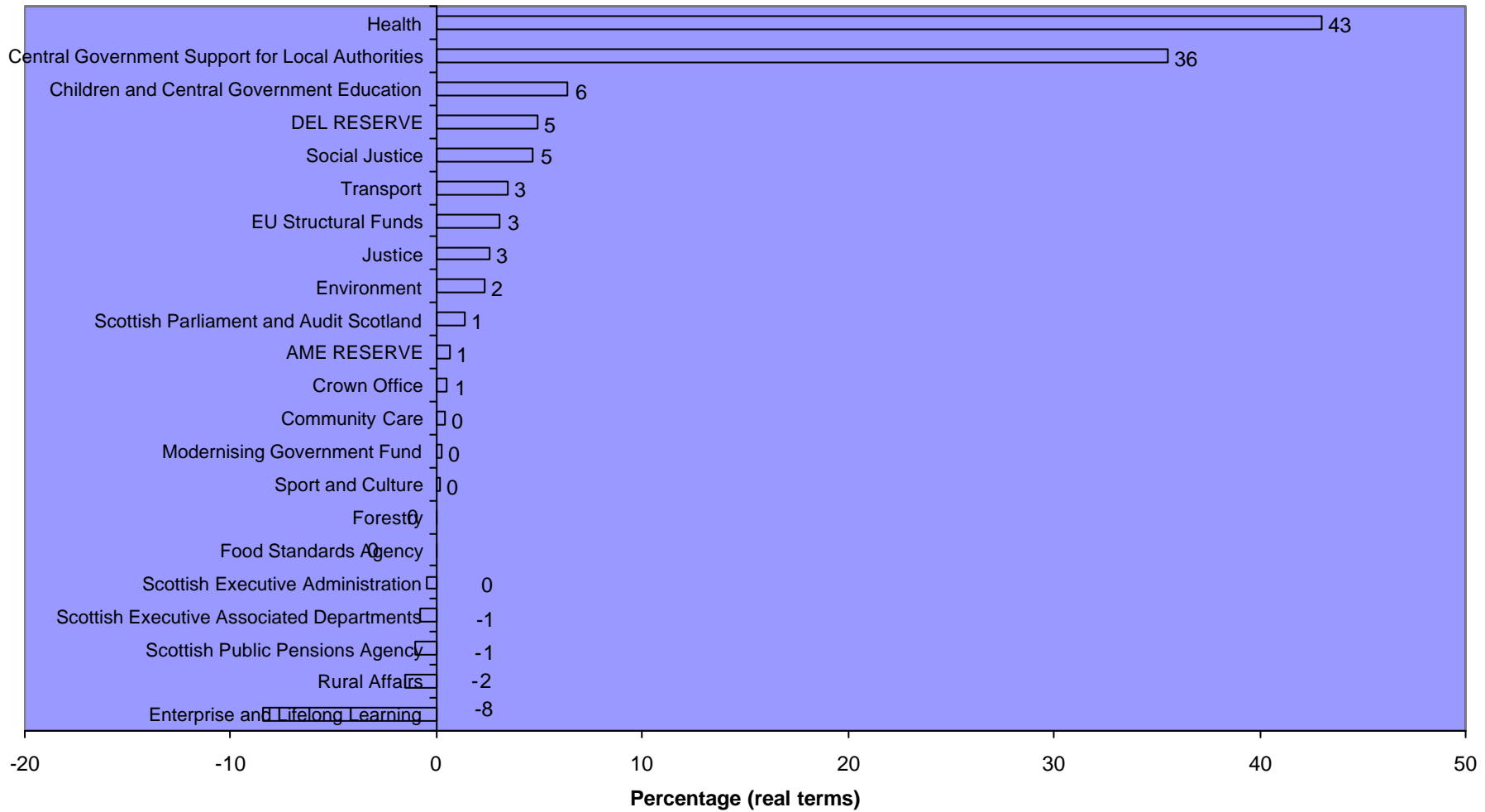


**Chart 2: Changes in planned expenditure per programme 2001-02 to 2002-03 (real terms percentage)**



*providing research and information services to the Scottish Parliament*

**Chart 3: Percentage share by Programme of total budget increase 2001-02 to 2002-03 (real terms)**



*providing research and information services to the Scottish Parliament*

## PROGRAMME SHARE OF THE TOTAL BUDGET

Table 2 shows the proportion of the total budget of each of the level 1 programmes. The final column highlights the changes in share in 2002-03 compared to 2001-02.

**Enterprise and Lifelong Learning** (-0.65 per cent) records the greatest decrease in share of the total budget compared to 2001-02.<sup>4</sup> The greatest increase between the two years is recorded in the **Health** share of the budget (+0.41 per cent).

**Table 2: Programme share of the total budget**

	2000-01	2001-02	2002-03	2003-04	2001-02 to 2002-03
	%	%	%	%	
Central Government support for Local Authorities	33.54	32.91	33.00	33.32	0.09
Children and Central Government Education	1.56	1.44	1.60	1.61	0.17
Community Care	0.01	0.03	0.04	0.04	0.01
Crown Office	0.28	0.28	0.29	0.27	0.01
Enterprise and Lifelong Learning	10.94	11.12	10.47	10.24	-0.65
Environment	3.01	2.58	2.57	2.58	-0.01
EU Structural Funds	0.73	0.87	0.94	0.63	0.07
Food Standards agency	0.02	0.03	0.02	0.02	0.00
Forestry	0.43	0.41	0.40	0.38	-0.01
Health	30.59	30.81	31.21	31.55	0.41
Justice	3.34	3.36	3.34	3.28	-0.03
Modernising Government Fund	0.07	0.07	0.08	0.07	0.01
Rural Affairs	3.27	3.15	3.00	2.84	-0.16
Scottish Executive Administration	1.11	1.07	1.02	0.98	-0.05
Scottish Executive Associated Departments	0.13	0.15	0.11	0.09	-0.03
Scottish Public Pensions Agency	1.65	1.41	1.33	1.49	-0.08
Social Justice	3.71	3.62	3.65	3.87	0.04
Sport and Culture	0.71	0.74	0.72	0.70	-0.02
Transport	4.35	4.97	4.92	5.11	-0.05
Scottish Parliament & Audit Scotland	0.56	0.50	0.53	0.37	0.03
DEL RESERVE	0.00	0.09	0.25	0.24	0.16
AME RESERVE	0.00	0.29	0.30	0.31	0.01

## SPENDING PLANS FOR 2002-03 COMPARED WITH *MAKING A DIFFERENCE*

Comparisons with plans in last year's AER, *Investing in You*,<sup>5</sup> are problematic for a number of reasons. Firstly, the Treasury's 2000 Spending Review delivered additional resources to Scotland that were not planned this time last year. Second, the introduction of Resource Accounting and Budgeting (RAB) reduces the comparability of the figures.

This section, therefore, compares the plans for 2002-03 announced in this year's AER (*The Scottish Budget*), with those announced in September 2000 in *Making*

<sup>4</sup> Although attention is again drawn to Footnote 3 above.

<sup>5</sup> Scottish Executive (2000), *Investing in You: The Annual Expenditure Report of the Scottish Executive*.

a *Difference*. This recorded figures following the Spending Review and the introduction of RAB.<sup>6</sup>

It can be seen that **Children and Central Government Education** and **Environment** have experienced the sharpest falls in comparison with planned expenditure last September. Planned expenditure on **Transport** has risen by over £100 million.

**Table 3: 2002-03 AER 2001 with Making a Difference**

	<i>MaD</i> (published Sept 2000)	<i>AER</i> (published March 2001)	<i>Difference</i> (real terms)
	£m	£m	£m
Central Government Support for Local Authorities	6493	6489	-3
Children and Central Government Education	354	315	-39
Community Care	10	8	-2
Crown Office	56	56	0
Enterprise and Lifelong Learning	2057	2058	1
Environment	543	505	-38
EU Structural Funds	188	185	-2
Food Standards Agency	5	5	0
Forestry	75	79	3
Health	6140	6138	-2
Justice	658	657	-1
Modernising Government Fund	n/a	15	n/a
Rural Affairs	587	589	3
Scottish Executive Administration and Associated Depts	223	222	-1
Scottish Public Pensions Agency	264	261	-3
Sport and Culture	137	141	4
Social Justice	718	717	-2
Transport	865	967	102
Scottish Parliament and Audit Scotland	105	105	0
DEL RESERVE	50	50	0
AME RESERVE	n/a	59	n/a
<b>Total</b>	19563	19665	102

## SUMMARY

Overall, the plans indicate real terms growth over the four year period. However, the actual amount of real growth will vary according to factors beyond the GDP deflator used to adjust all figures to real terms. If, for example, public sector pay awards rise beyond that allowed for within the calculation of the deflator, this may limit the amount of real growth available in the system.

<sup>6</sup> Scottish Executive (2000), *Making a Difference for Scotland: Spending Plans for Scotland 2001-02 to 2003-04*.

Finally, there are some discrepancies in the figures presented in the AER. The individual Level 1 lines in the summary tables for 2001-02 and 2002-03 do not fully aggregate to Total Managed Expenditure. In addition, these lines do not always match the more detailed breakdown provided in the chapters on individual programmes (e.g. local government).

*If you have any comments or questions about this Research Note, please contact Murray McVicar on extension 85377 or [murray.mcvicar@scottish.parliament.uk](mailto:murray.mcvicar@scottish.parliament.uk)*

***Research Notes** are compiled for the benefit of Members of Parliament and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.*